

Shaktikanta Das: Digital payments awareness week celebrations

Address by Mr Shaktikanta Das, Governor of the Reserve Bank of India, at the Digital Payments Awareness Week celebrations, Mumbai, 4 March 2024.

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It gives me immense pleasure to be here to celebrate the Digital Payments Awareness Week organised by the Reserve Bank of India. Over the years, we have not only navigated through the fast-evolving technological innovations but also played a pivotal role, as a catalyst, in developing one of the most modern payment systems in the world, be they large value, retail or fast payments. This has been made possible by nurturing diverse payment systems in the country, namely, the bill payments, merchant payments, vendor payments, transit payments, or recurring payments.

We have seen retail digital payments in India growing from 162 crore transactions in FY2012-13 to over 14,726 crore transactions in 2023-24 (till February 2024) i.e., approximately 90-fold increase over 12 years. Today, India accounts for nearly 46% of the world's digital transactions (as per 2022 data)¹. The extraordinary growth in digital payments is also evident in the Reserve Bank's Digital Payment Index, which has witnessed a four-fold rise in the last five years.

The flagship of our payment systems, the 'UPI', has become the most talked about fast payment system not only in India but across the world. It is the biggest contributor to the growth of digital payments in India. The share of UPI in digital payments has reached close to 80 per cent in 2023. At a macro level, the volume of UPI transactions increased from 43 crore in CY-2017 to 11,761 crore in CY-2023. Apart from being a user-friendly interface and facilitating QR code-based payments, the UPI has evolved to include advanced functionalities such as offline payments through near field communication (NFC) technology (UPI Lite X), payments through feature phones (UPI 123Pay), AI based conversational payments (hello! UPI), etc.

It is also worth noting that progressively it has taken less time for reaching tipping point of next 1000 crore transactions in UPI. While reaching the first 1000 crore UPI P2M transactions, it took 1668 days (~4.56 years), the latest 1000 crore transactions took just 45 days. Similarly, for UPI P2P transactions, while reaching the first 1000 crore UPI P2P transactions took 1329 days (~3.63 years), the latest 1000 crore transactions took 65 days or just over two months². The recent progress of the UPI has thus been enormous. Currently, UPI is processing close to 42 crore transactions in a day

There is, however, considerable scope for expanding the use of digital payments in India. Last year, we had embarked on a mission to make every person in India a user of digital payments - "Har Payment Digital". It was aimed at reinforcing the ease and convenience of digital payments and thereby facilitate onboarding of new consumers into the digital fold. Since the start of the mission in March 2023, the number of new UPI users added has been 6.65 crore between March 1, 2023 to January 31, 2024. The Reserve Bank's Payments Infrastructure Development Fund (PIDF) has also further aided this growth, with additional deployment of over 1.2 crore digital payment touch points.

Trust in digital payments is built on the pillars of transparency, ease of use and above all, security. Hence, reinforcing the notion of safety and security of the system is very important. With today's message of – "Digital Payment, Safe Payment" – "Digital Payment, Surakshit Payment", we are aiming to create awareness around safety and security of Digital Payments. The goal is to reach out and empower every individual with the knowledge and tools necessary to navigate this digital payments landscape with confidence and ease.

Currently, the Reserve Bank, through its regional offices, conducts Electronic Banking Awareness and Training (e-BAAT) programmes across the country. The main thrust of e-BAAT programme comprises of:

1. Awareness about Digital Payment Products;
2. Awareness about Frauds and Risk Mitigation; and
3. Awareness about redress of grievances.

In addition, the Reserve Bank conducts 360-degree, multimedia and platform based public awareness campaigns under the tag of 'RBI Says' or 'RBI Kehta Hai'. Going forward, all the regional offices of the Reserve Bank will start regional campaigns to develop marketplaces like vegetable markets / mandis and public transport infrastructure like auto/ taxi drivers as digitally enabled clusters in their chosen areas.

Historically, the Reserve Bank has been a trendsetter in ensuring security of digital payment transactions. We were one of the first countries to fully adopt additional factor of authentication (AFA). Since then a host of measures such as EMV³ Chip and PIN based cards; transaction alerts; facility to switch on and off and set or modify transaction limits for all types of transactions; tokenisation of cards; restrictions on storage of actual card data; localisation of payments data etc., have been implemented to enhance the security of digital payments.

All operators and participants of authorised payment systems are required to do time-bound resolution of failed transactions. Failure to do so may lead to payment of compensation to the users. Similarly, we have also implemented a web-based payment-related fraud reporting solution - Central Payments Fraud Information Registry (CPFIR) for reporting⁴ of all payments related frauds.

Internet Banking is one of the oldest modes for online merchant payment transactions. It is a preferred channel for payments like income tax, insurance premium, mutual fund payments, e-commerce, etc. At present, such transactions processed through Payment Aggregators (PAs) are not interoperable, i.e., a bank is required to separately integrate with each PA of different online merchants. As a result, if a customer wants to make payment from his bank account to a certain merchant, the merchant's PA and customer's bank must have an arrangement. Given the multiple number of payment aggregators, it is difficult for each bank to integrate with each PA. Further, due to lack of a payment system and a set of rules for these transactions, there are delays in actual receipt of payments by merchants and settlement risks.

Keeping in view these bottlenecks, in our Payments Vision 2025, we had envisaged an interoperable payment system for internet banking transactions. In pursuance of this

objective, we have given approval for implementing such an interoperable system to NPCI Bharat BillPay Ltd (NBBL). We expect the launch of this interoperable payment system for internet banking during the current calendar year. The new system will facilitate quicker settlement of funds for merchants.

This measure will further boost the user confidence in Digital Payments. As a regulator, we are committed to play our part in India's journey in digital payments. I urge all stakeholders like industry, payment system operators, media, digital payment users, and others to take up the responsibility of fulfilling the mission of 'Har Payment Digital'. It is a mission not just for the Reserve Bank but for the entire country.

Thank You, Namaskar

¹ <https://pib.gov.in/PressReleasePage.aspx?PRID=1973082>

² Data analysed till December 31, 2023

³ EMV is short for Europay, Mastercard and Visa: the three companies that created the EMV standard.

⁴ All payment-related frauds either reported by the customer to the issuer banks / non-bank Prepaid Payment Instrument (PPI) issuers / non-bank Credit Card issuers [together termed as Regulated Entities (REs)] or detected by the REs themselves, are required to be reported to the CPFIR.