

Sanjay Malhotra: Digital payments - background and benefits

Address by Mr Sanjay Malhotra, Governor of the Reserve Bank of India, at the inauguration of Digital Payments Awareness Week 2025, held at the Reserve Bank of India, Mumbai, 10 March 2025.

* * *

Digital Payments – Background and benefits

Payments are the lifeblood of commerce, enabling the flow of goods and services in an economy. They connect people, empower individuals and businesses, and drive economic growth. Quick, secure and reliable payments at affordable prices are the bedrock for a vibrant economy. Payments through digital modes support economic growth. They also deepen financial inclusion by overcoming barriers like high transaction costs and geographical limitations¹. In effect, digital payments are not just convenient but are also a powerful tool for economic empowerment and growth.

Digital Payments – Convenience : Bouquet of products

Over the years, the Reserve Bank has supported various digital payment products. This has enhanced choice and convenience to the customers. We started with ECS (electronic clearing service). We then introduced NEFT, RTGS, IMPS, NACH (this is for e-mandates, it has replaced ECS), AePS, UPI, NETC, etc. We have introduced many new features on UPI and expanded its scope to cater to different needs of customers. These include UPI123Pay, UPI Lite, linking RuPay credit cards to UPI, processing payment mandates with single-block-and-multiple-debits, enabling Credit Lines for UPI, linking PPIs with UPI, etc. UPI with its multiple features, allows us to transfer money, pay bills, and make purchases with a simple click, tap or scan. We will continue to proactively support the development of the payment ecosystem.

Digital Payments – Safety and Security

While promoting digital payment systems and innovations around them, we have been mindful of the needs of safety and security in payments. We have thus put in place various measures for this purpose:

- Multi-factor authentication; security controls for internet and mobile payments apps and card payments; card tokenisation (to prevent storage of card details in merchants systems), etc. are intended to make our payments ecosystem robust.
- We have enabled customers to have control over creating and terminating e-mandates for recurring transactions.

Enhancing safety and security of payments ecosystem is a work in progress. The recently released drafts on "Framework on Alternative Authentication Mechanisms for Digital Payment Transactions", and on "Additional Factor of Authentication (AFA) for cross-border Card Not Present (CNP) transactions" are steps in this direction.

Payment Systems – Way Forward

Apart from the RBI, the government and other important stakeholders such as the Banks and Payment System Operators have also taken a number of initiatives to encourage the adoption of digital payments. While these efforts have produced results, as visible in the huge growth of digital payments, there is still a lot more to be done. Going forward, we will work on three broad areas.

Payment Systems – Soft Touch Regulations to continue promoting innovation

First, we will continue to encourage innovation in payments, as also generally, while being mindful of risks and taking appropriate measures to mitigate them. We will promote innovation to facilitate payment systems that are fast, safe, secure, accessible and resilient. We have adopted a soft-touch approach to regulating the payments ecosystem and FinTechs. Through these regulations, the Reserve Bank attempts to balance these divergent set of expectations. Our approach has been to put in place regulatory guardrails within which all stakeholders are free to operate. We will continue to encourage innovation while promoting safety and security through soft-touch regulations.

Promote awareness generation

Second, though much progress has been made in the development, spread and adoption of digital payments, there is a lot of scope to further deepen and expand digital payments in the country. In January 2025, more than 20 billion payments worth almost 250 trillion rupees were made in India through digital modes. Digital payments have become the preferred mode of payment for many of us. However, surveys have shown that nearly 40% of our adult population still do not use digital payments. One of the main reasons for this is the lack of awareness or familiarity with using digital payments.

To create awareness of Digital Payments, the Digital Payments Awareness Week is being observed in March every year. As part of this endeavour, the "Har Payment Digital" mission was launched in 2023. The mission seeks to promote digital payments by enhancing awareness of digital payments among all citizens and making available the necessary infrastructure and solutions for people to make payments digitally. The objectives of Mission Har Payment Digital can be achieved only with the active participation of all stakeholders. Geographies and population segments, lagging behind in usage and awareness of digital payments need to be identified and suitable steps taken to expand awareness and improve usage.

We are now in the 3rd year of this mission. The theme for this year is "India Pays Digitally". This year too, we will continue our awareness activities. By showcasing how digital payments have become a ubiquitous part of our lives, we will encourage those who haven't adopted digital payments yet, to do so.

The Reserve Bank, as in the previous years, will be running multimedia campaigns around this year's theme. To encourage active involvement of citizens, we will be conducting various competitions over social media with attractive prizes.

The Regional Offices of RBI too conduct Awareness Programs, called eBAAT, across the country covering various strata of society. We have been conducting these programs since 2012. In the last 8 years, more than 1800 such programs have been conducted. During this year, the content and method of delivery of eBAAT will be reviewed, and a pilot will be conducted (in a large State) with the objective to reach a very large number of people in the most efficient way.

I urge the Banks, Payment System Operators and other stake holders to contribute in their own innovative ways to take forward the mission of Har Payment Digital.

More efficient Cross border payments

Third, while in domestic payments, the success of UPI has propelled India to a leadership position with a share of 48.5 per cent in global real-time payments by volume², we will endeavour to make cross-border payments more efficient. This assumes priority as India is the largest receiver of personal remittances globally. As per a World Bank³ report, it has been estimated that in 2024, India received remittances totalling approximately 130 billion USD. We need to address the challenges of high cost, slow speed, and insufficient access and transparency in cross border payments.. We will continue to expand the reach of UPI bilaterally by linking UPI with Fast Payment Systems of other countries. We will also explore the possibility of linking payment systems other than UPI for facilitating efficient cross-border payments. We will continue our engagement in a multilateral project called Project Nexus, to enable instant cross-border retail payments⁴.

As we observe the 5th Digital Payments Awareness Week, I am happy to note that this year marks the 20th year of the establishment of the Department of Payment and Settlement Systems (DPSS). I congratulate the department on this key milestone. The work carried out by this department in association with all stakeholders has established India as a pioneer in digital payments. The revolution in India's payment systems is, however, far from over. We are just beginning to unlock the true potential of digital payments. I am confident that we will continue to work with renewed vigour to ensure that India remains at the forefront of digital payments globally.

Thank you.

¹ World Bank, Digital Financial Services, April 2020.

² ACI Worldwide, 2024

³ <https://blogs.worldbank.org/en/peoplemove/in-2024--remittance-flows-to-low--and-middle-income-countries-ar>

⁴ Nexus, conceptualised by the Innovation Hub of the Bank for International Settlements (BIS), aims to connect the Fast Payment Systems of four ASEAN countries (Malaysia, Philippines, Singapore, and Thailand); and India, who would be the founding members and first mover countries of this platform.

