

## Forget the naysayers, DigitalPay is doing well

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With over seven lakh merchants, especially in the countryside, already in a position to accept payments via Bhim-Aadhaar and a plan to triple this over the next six months, prime minister [Narendra Modi](#) couldn't have imagined a better start for digital payments for those who don't have smart-phones or shop in outlets that don't have PoS machines. How much of a fillip this will give to DigitalPay remains to be seen and, in the case of the poor, will also depend on how fast the government scales up its direct benefits transfer programme—only when the poor have a steady stream of inflows into their bank accounts can they use Bhim-Aadhaar to make direct payments into the shopkeepers' bank account. Though the value of the transactions are different and Bhim is not a wallet, by way of comparison, India's most successful wallet—PayTM—boasts of 8.5 lakh merchants and 150

million customers; once the government is able to ensure all bank accounts are linked with Aadhaar, potentially Bhim-Aadhaar's user base can run into 40-50 crore.

What is important, however, is that even before Bhim-Aadhaar, India's digital payments revolution was doing very well, and certainly not faltering as many have been trying to portray. While doing so, most look at the fall in the use of debit/credit cards for payments after their December peak of `89,180 crore—as re-monetisation rose, and the banks started dispensing more cash, the argument went, Indians went back to using cash. It's certainly true that card usage fell—representational data for March shows a partial recovery though—but what matters is the increase despite this. Even after falling to `64,290 crore in February 2017, card usage was still 1.9 times what it was in February 2016. IMPS, or instant money transfers using internet banking, rose 2.9 times to `48,220 crore over the same period and mobile wallets by 3.1 times to `6,910 crore. By no stretch of the imagination can this be construed to be evidence of Indians going back to using cash in a big way.

More than this, the government's response in putting together a viable cashless/less-cash plan has been quite amazing, even when compared with the speed/innovativeness normally associated with the private sector. Not only did the public sector NPCI put together a Bhim-Aadhaar solution for those without access to smartphones, it came out with a common BharatQR for Master/Visa/RuPay cards which, by virtue of the fact that it could be used in smartphones, increased the number of 'virtual' PoS machines by 220 million compared to the 2.2 million physical ones; in the early days of demonetisation, ways were found to quickly defray transaction costs to ensure the digital revolution didn't get stalled. The benefits will be quite large, going by a recent Visa study which examines the costs of holding cash—including the issue of security while handing large amounts of