



Fintech startups and banks should make focused efforts to make digital economy a reality.

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FINTECH

An inclusive future

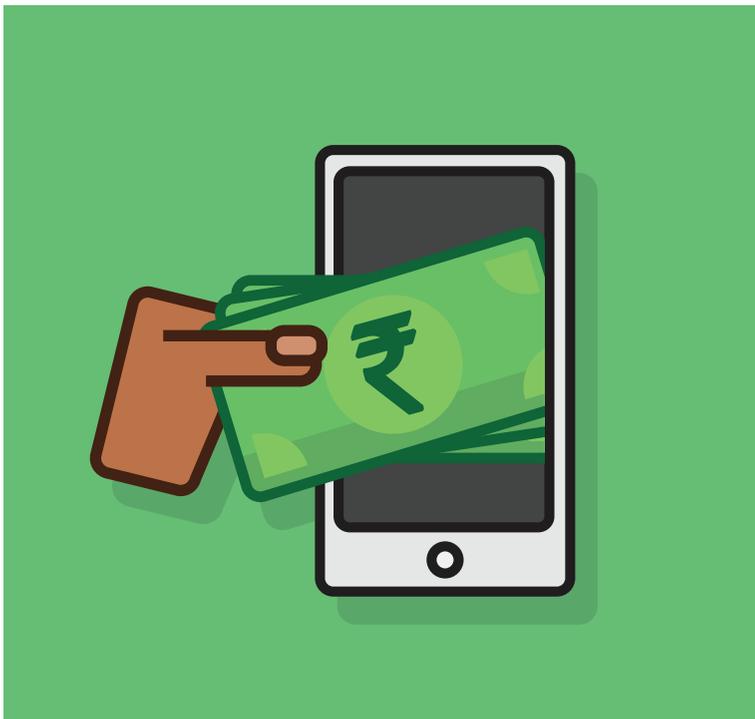
Most of the population in metros and tier 1 and tier 2 cities altered their mode of payments and embraced the digital channel, post demonetisation. The adaptation was quick due to the easy availability of and access to technology. Numerous mobile wallets sprung up and the existing ones grew fourfold. On the other hand, the rural populace, especially those who did not have a bank account, were compelled to open one, and had to limit their spending for a while even if the need was absolutely important. The economy witnessed a cash shortage, and businesses and daily life took a hit nationwide.

There was an increase in credit and debit card payment transactions, electronic transfers, and e-wallets on the whole; a large volume of this was from the cities. However, this was not the case with rural areas that comprise over 60% of the country's population. Though the government strongly endorsed a digital economy, it seemed a distant dream for many.

Businesses and consumers in rural markets are equally excited to try and experiment technology. However, there is hesitation and reluctance due to lack of knowledge.

Present scenario

Today, in addition to prepaid payment instruments such as mobile wallets which are widely used and accepted across the country, the government has launched UPI (United Payments Interface), BHIM app, and AEPS (Aadhar Enabled Payment System) to facilitate, ease, and encourage the use of digital mode of payments. Simultaneously, banks too have introduced digital channels, and fintech companies have payment banks allowing users to instantly open digital accounts. In addition to these, India Post—with presence and reach even in the most remote areas of the country—is operating the India Post Payments Bank. However, even though significant developments are being made, there are still unexplored opportunities in rural areas when it comes to moving towards a digital economy.



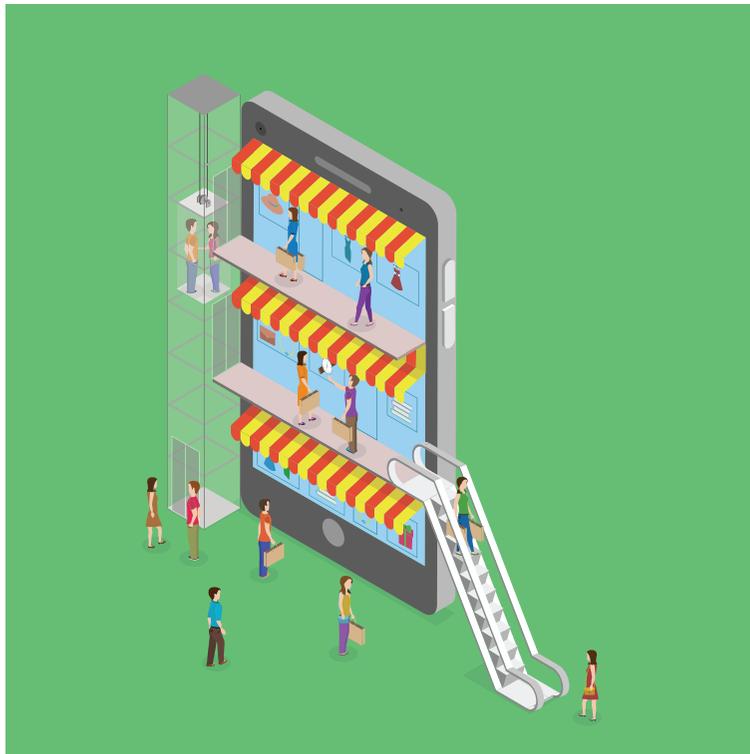
Despite major efforts, trends indicate that rural markets are yet to adapt to digital mediums, and cash still continues to dominate. Although it was demonetisation that urged consumers to look beyond cash payments, banks, financial institutions, and fintech companies need to make concerted efforts for the next phase of digitisation to take off in rural India.

The gap

OMA began operations in India with focus on deployment of PoS and mPoS across the country. Being a part of the business and on researching the market, in the initial stage, we realised that two major factors are responsible for the slow process of digitisation in rural areas. First is poor, obsolete, or absence of infrastructure, and second is lack of knowledge and awareness on the benefits of digitisation. To facilitate smooth functioning of the digital ecosystem, it is essential to have a sturdy and reliable infrastructure as it ensures data security and safety for the end-consumers. Hence to begin with, there is a need to address these two primary issues at a micro level.

Fintechs must go micro

Introducing a product on a large scale may work for developing or progressive markets. However, with rural markets, there is a need to introduce and spread awareness locally. We have learnt from our fintech experiences that both businesses and consumers in rural markets are equally excited to try and experiment technology. However, there is hesitation and reluctance due to lack of knowledge. Further, with no direct access to solution providers, they end up with a number of unanswered questions. Also, many of them believe technology brings in more risks. Together, these create uncertainty in the minds of consumers and businesses. Introducing solutions on a smaller scale in rural markets, creating awareness, and assuring customers prompt troubleshooting could help increase the overall



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Disruption through newer and innovative technologies can boost the overall digital drive.

number of digital payment acceptance points.

Need for merchant training

Merchant training is important post deployment or upgrading of any solution.

This not only helps gain the trust of clients but also increases the number of transactions. Providing end-to-end training helps and empowers merchants to use digital modes more effectively. Fintechs firms must recognise that while deploying and merchant onboarding is an integral part of the business, it is also important to educate and empower them to make best use of what is being provided. There have been numerous cases where merchants have access to PoS terminals but prefer and promote the use of cash payments simply due to lack of knowledge and training on how to use the device. Providing training on a regular



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basis and imparting knowledge about the latest technology and solutions can accelerate the pace of digitisation.

Incentivising customers and their customers

Customers today are constantly looking for incentives. Similarly, our customers' clients are also looking to get incentivised in the form of discounts, cashbacks, and loyalty points. Incentivising customers and providing them with a cost-effective and pocket-friendly solution in rural markets can go a long way in increasing digital adoption. Doing so will work towards increasing the number of payment acceptance points considering that rural markets are small and hence word of mouth is the best marketing tool. Providing flexible payment schemes, back-end interface to help manage daily transactions and settlement options, and updating with new technology when available could make digital payments more attractive an option compared to cash payments. Innovating to integrate a loyalty programme within payments like the 'benefit beyond' loyalty schemes can also contribute towards onboarding merchants in general. The end-customers are also a key driver of digital payments.

Disruption through newer and innovative technologies can boost the overall digital drive. Moreover, blockchain technology has the potential to further simplify back-end processes and system integrations. However, it is necessary to address and encourage digital systems in a separate and more simplified manner for rural markets. Educating merchants on newer technologies can open up new possibilities in untapped markets. At the same time, driving awareness among consumers on the various benefits can unleash the digital potential in these markets.

In a nutshell, there is a need for digital payments literacy in rural India that fintech firms should be facilitators of. **IM**