

## **CUTS Webinar**

### **Evaluating Consumer Welfare in Digital Payments**

#### **Speaking Notes for Opening Remarks**

- 1. The digital payments industry has grown at a breath-taking pace and is expected to further grow at a CAGR of 27 percent between 2020 and 2025. Moreover, the pandemic has further accelerated the push towards digitalisation, with greater adoption of digital payments, which can act as a lever for ‘inclusive’ and ‘equitable’ development.**
- 2. However, the risk to consumers in the digital economy like losing money through cybercrime is worrisome. The RBI has swiftly moved to guard consumers from such risks. It’s move to make digital transactions secure with mandating tokenisation to protect consumers is a welcome step.**
- 3. However, another circular prohibits processing of e-mandates for recurring payments unless its conditions are met within the prescribed time frame. The circular makes it mandatory for the banks to provide more information and agency to consumers by obtaining their consent for initiation of transactions.**
- 4. This has caused much anguish in the banking industry and the failure in compliance by them will disallow continuation of frictionless e-mandates from modes like debit and credit cards. In a country with more than 97 crore cards, and approaching 1.5 crore card transactions on a daily basis, worth INR 4,000 crore, this can create massive and unimaginable inconvenience to consumers.**

- 5. In spite of this, the RBI has moved ahead with keeping September 30th as the deadline for compliance without considering banking industry's non-readiness, if any, and consumer voice.**
- 6. While the RBI has also acknowledged the possibility of such large-scale disruptions, it has unfortunately not reached out to consumers and consumer groups with a plan to manage such a situation. It has been estimated that monthly transactions worth INR 2,000 crore could be adversely impacted if prohibition comes into force.**
- 7. The regulator has not consulted consumer groups and has not taken any awareness generation and capacity building initiatives to aid consumers in selecting appropriate digital payment modes.**
- 8. The regulator should ensure that its actions create sufficient choice for consumers while facilitating innovation towards secure and seamless consumer experience.**
- 9. In this context, CUTS has organised a roundtable discussion engaging eminent experts from the financial payments sector and other stakeholders to discuss consumer welfare in digital payments.**
- 10. I would like to start the discussion by requesting Montek Singh Ahluwalia to share his thoughts and perspective on the changing regulatory environment in the digital payments industry.**