



# Digital Payments Dialogue: Experiences among Developing Countries

22 July 2021, Thursday | 3.00-4.30 PM (IST)



## CONCEPT NOTE

### Background

Digital payments in the form of mobile apps, digital wallets, etc are considered as convenient, cost-effective, and efficient means towards financial inclusion. These technologies are fast-evolving and propelling expansion of need-based financial services to the population in rural and remote areas. Digital payments platforms offer more products tailored to the needs of different categories of consumers at lower cost.

It has been seen that developing countries are at different stages of evolving an inclusive digital financial system. In addition to prioritizing and promoting digital financial services (DFS), developing countries should also drive the cause of inclusive financial systems through a well-coordinated and monitored national strategy with distinct action plans.

Different digital payment channels are rapidly evolving in developing countries. Therefore, the possibility of categorizing a specific mode of digital technology as 'best practice' may not be the appropriate means to achieve financial inclusion. The intention of 'one-size-fits-all' approach may not be appropriate to leverage Fin Techs to come up with affordable financial solutions especially for the poor and low income countries.

It is high time for **policy makers, regulators, and financial experts** from developing countries to build a ground for promoting interoperable, open

technology platforms for broadening the ecosystem of DFS and create an enabling environment to improve the financial lives of all consumers.

Additionally, given the scenario of rapid pace of growth in DFS, there are greater risks to consumer protection, market integrity, investor confidence, and financial stability. This necessitates the need of regular engagement between regulators, government and private entities to ensure that these risks are sufficiently addressed, particularly for financially excluded and underserved groups.

### **Exploring Inclusive Digital Payments Ecosystem**

Among the several emerging sectors in DFS, popularity of mobile money systems as a payment mode has increased in many parts of the world, especially in Africa. Its popularity among the youth in developing countries has paved the way for innovations in digital finance. Some countries have also aligned the regulatory environment to promote the use of mobile money in Africa. This has resulted in enhanced access to cheaper and more accessible financial services, especially to the low income and rural population. In fact, Mobile Network Operator (MNO) led mobile money service is a predominant form of digital financial service in Africa. Vodafone Group, first established its M-Pesa mobile money services in Kenya, and today it is widely spread in different countries of Africa.

Similarly in India, digital payments have been revolutionary and have extended its reach through different channels like internet banking, mobile banking, two factor/multifactor authentication, domestic debit card scheme like RuPAY and Unified Payments Interface (UPI) - an immediate payment system by National Payments Corporation of India etc.

Over a span of time, digital payment systems have made a phenomenal socio-economic impact. It has ventured in enhancing community resilience by providing an efficient and cost-effective means of making remittances, enhanced ease of access to account holders in paying bills, fees and other payments conveniently. But most importantly digital payment systems have the potential to lead the unbanked population have access to other formal financial services like savings and credit facilities, health and crop insurance etc. At a macro-level, it also ascribes growth in the socio-economic sectors by facilitating savings and investments, creating employment, enhancing business productivity, and steering the digitalization agenda in developing countries.

### **Promoting Cost-Effective Technologies in Global South**

Developing an inclusive digital payments ecosystem is therefore critical in providing platforms to the financially excluded population and a stepping stone

to offer access to other financial services. Consequently, the ecosystems of digital payments have brought into the fora a need for a prominent role of **Government/Private Entities** in:

- Building common interfaces for quick and prompt adaption of the digital payments mechanisms.
- Interfaces that will leverage the scope to bring the developing countries into a common footing with the rest of the world.

Moreover, while new risks and illicit activities are often observed in such digital financial innovations, essential mitigation mechanism is needed by the **Policy Makers / Regulators** with targeted policies to:

- To safeguard the financial system and build global cyber resilience. Therefore, developing countries can mutually engage in co-creating DFS in learning and information sharing between regulators, development of digital supervision tools, etc.
- Engaging with private sector innovators/ Fin Tech start ups, and finding new modes of engagement with industry and consumers.

## **Objectives & Expected Outcomes**

- In view of the developments mentioned above, Global Development Centre (GDC) at RIS aims to cover the following issues for broader understanding on the evolution, adoption and growth of digital financial transactions in developing countries and learn from best practices for possible replication and cooperation in third countries.
- In that perspective, the objectives of the webinar are the following:
  1. Develop an understanding of the existing digital payment models, open source technology and innovation for real time systems which are widely used across different geographies.
  2. Identifying futuristic digital payment platforms and demonstrated potential for adoption.
  3. Promoting cost-effective technologies in Global South and global good practices through meaningful competition among financial service providers.
  4. Exploring the role of government and regulators in different payment technologies namely UPI, Mobile Money, Internet Banking, Mobile Banking across India and Africa.
  5. Fostering interoperability of financial technologies and implementation of suitable regulations.
  6. Providing impetus for greater incentives to relevant stakeholders and tailor financial integration.
  7. Identifying the scope of collaboration and partnerships to be enabled by GDC-RIS.