

01:41 PM 29 NOV MARKET STATS ▾	SENSEX 26,544 ▲ 194.08	NIFTY 50 8,188 ▲ 60.90	GOLD (MCX) (Rs/10g.) 28,735 ▼ -1.00	USD/INR 68.66 ▼ -0.12	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
--	----------------------------------	----------------------------------	---	---------------------------------	-------------------------	--------------------------------	------------------------

Demonetisation: Why the challenge to take digital payment to rural India is as huge as the opportunity

By [Rajiv Singh](#), ET Bureau | Nov 27, 2016, 06:51 AM IST

[Post a Comment](#)

Dhaturi, a dusty village in Haryana some 54 kilometres from the national capital, is like any other hamlet in North India: a cluster of half-plastered, concrete buildings housing kirana stores; semi-paved streets, on which buffaloes saunter, flanked by thatched huts; a sleepy market; and huge swathes of agricultural fields that bear black marks of recently burnt stubble.

But unlike many other Indian villages, Dhaturi may be in the midst of a remarkable transformation after the government's radical [demonetisation](#) drive on November 8. A transition to a digital way of life has begun, and Suresh Pal is at the vanguard of this change. In his small photo studio, Pal doubles up as a retailer for [Payworld](#), an electronic transaction processing platform, helping people open an assisted mobile wallet account. "Even those without smartphones can use the wallet," he says.



Rural India, or Bharat, indeed looks like a land of golden opportunity for marketers, including mobile wallet players.

The Village Logs In

Payworld, which had over 100 million users and 1 lakh retail touch points across 630 cities and 80,000 villages till the first week of November, has seen a 25% jump in new users — mostly from rural and semi-urban areas — over the last two weeks. "What we couldn't achieve during the last nine years was facilitated instantly by Narendra Modi," gushes Payworld chief operating officer Praveen Dhabhai. "Over 93% of people in rural India have not done any digital transactions. So the real potential lies there."

Betting on Bharat Makes Sense...

Rural areas, home to two-thirds of the country's population, or some **870 million** people, are where much of the action will be for the rest of the decade

Rural users will constitute about **half of all Indian internet users** in 2020

Number of connected rural consumers is expected to increase from about **120 million in 2015** to almost **315 million in 2020**

Rural growth will significantly outpace growth in urban centres



MATURE USERS

They make up over **19%** of rural population (160 million) with **30% internet penetration**

They are **18-50-year-old** salaried workers or businesspeople

Have been online for three years or more

Spend 2-3 hours online a day

...as the Hinterland gets a Hang of the Internet...



Types of rural internet users

AMBITIOUS USERS

They are around **8% of rural users** with **33% online penetration**

They are young male college graduates from less affluent households than mature users

Aspire to move to a city for work

Spend 2-3 hours daily online

LATE ADOPTERS

Make up **15%** of the rural population with **16% online penetration**

They are typically **30-50-year-old** men who are savers and conservative consumers

Spend 1-2 hours a day online and primarily use entry-level smartphones

NEXT-WAVE USERS

Around **36%** of rural users with **9% net penetration**

Typically **young female homemakers** from affluent households

Spend only about 15 minutes per day on internet



DARK ON THE INTERNET

Around **25%** of users with **1% net penetration**

They are men and women who are **over 50 years**, do not work, are not well educated

Household members share a basic phone, little interest in going online

Dhabhai is not the only one rushing in to cash in on an opportunity to take digital payments to rural consumers post demonetisation. ItzCash, a digital payments company founded in 2006, too is eyeing a larger share of the rural wallet. While most players, including Chinese ecommerce major Alibaba-backed [Paytm](#) and Snapdeal-owned [FreeCharge](#), are catering to the top 10% of India, [ItzCash](#) plans to keep its focus on Bharat where roughly 66% of the country resides, says managing director of ItzCash Naveen Surya. The company, with an omni-channel presence through outlets, mobile wallets and cards, is present across 3,000 towns and cities, and claims to have seen a 40% spike in transaction volumes since November 8. "Over the next few quarters, most of our growth would be fuelled by Bharat," he says.

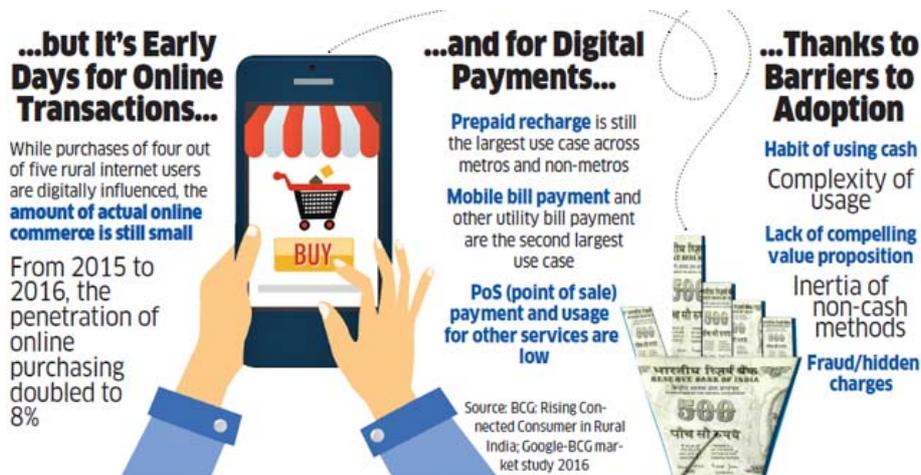


Rural India, or Bharat, indeed looks like a land of golden opportunity for marketers, including mobile wallet players. Reason: home to about 870 million people, the countryside will be in the thick of action for the rest of the decade, according to a recent report by management consultancy firm BCG. Titled "Rising Connected Consumer in Rural India", BCG predicts that rural users will constitute about half of all Indian internet users in 2020. While the number of connected rural consumers is expected to increase from about 120 million in 2015 to almost 315 million in 2020 — a compounded growth of almost 30% a year — rural growth will significantly outpace growth in urban centres. And what's driving the rural growth, adds the report that was published in August, are cheaper mobile handsets, spread of wireless data networks and evolving consumer behaviour.



After Demonetisation

Now, there's the demonetisation effect. Sohan Ram, a roadside vendor selling bread pakoras, noodles and tea from his small makeshift shop at Kurar village in Haryana, is getting ready for a cashless future. He says that although the highest priced product he sells is under Rs 50, mobile wallets ensure that users pay up every rupee, which many of them usually skipped citing paucity of loose change. "Now the ones with mobile wallets can't make an excuse," he grins.



Just a stone's throw from Ram's stall is a kirana store. Kishore Chand, the proprietor, dithered for the first few days after demonetization. He thought the government might roll back the move and cash would still continue to be the main medium of payment. But when business dried up as people ran out of cash, 52-year-old Chand quickly installed a cardswiping machine and downloaded MobiKwik, an online payment system. "It's better late than never," he says. Although he faced teething problems in the first two days in understanding the technology, he's now comfortably making transactions.

Mobile Wallet Market is Set to Explode...



...AND M-WALLET TRANSACTIONS TOO...



...AS THE ENVIRONMENT GETS CONDUCTIVE...

- Growing usage of smartphones
- Mobile internet penetration
- Growth of e-commerce sector
- Increasing disposable incomes

...AND MULTIPLE SERVICES ARE USED

- | | | |
|--|---|--|
| Money transfers from wallet to wallet, bank to wallet and vice versa | Recharge and bill payments for mobile, DTH, landline, electricity and other such services | Online shopping, hotel/ travel/movie ticket booking, online food order, payment of insurance premium |
|--|---|--|



...BUT CHALLENGES ARE GALORE...

Consumers are **sceptical about safety and security** issues

Users worry that their devices could be **hacked or attacked** by some kind of viruses

Often people complain that their **money has been debited but the transaction got declined**

Disclosing details might create problem if the hackers obtain information

...AND WHAT MOBILE WALLET PLAYERS ARE DOING TO WIN TRUST

Mobile wallet players must provide **completely secure and reliable services, one-time password security options, data back-up systems**

Companies must tackle the issue of lack of awareness about their usage and benefits

Expand reach by **offering services through agents and distributors**

Introduce lucrative schemes and offers to strengthen customer base

Source: Indian m-wallet market: Forecast 2022 by ASSOCHAM-RNCOS

It's users like Ram and Chand who give hope to the mobile wallet industry, which is projected to jump from Rs 154 crore in fiscal year 2016 to Rs 30,000 crore by 2022. This means a corresponding jump in the value of mobile wallet transactions: from Rs 20,600 crore to Rs 55 lakh crore during the same period, according to a recent study by Assocham-RNCOS titled "Indian M-wallet Market: Forecast 2022."

"From a local cycle shop owner to a sugarcane juice seller to even a temple priest, all have started using mobile wallets," contends Bipin Preet Singh, cofounder of MobiKwik.



Founded in 2009, MobiKwik claims to have over 40 million users, and a merchant network of over 2.5 lakh. The company, which was founded in 2009, has seen the most astonishing growth in its user base after November 8: over 5 million in just two weeks.



"Before demonetisation, wallets were an option. Now they are a need," says Singh, whose company is increasing its ground staff strength from 1,000 to 12,000 to enrol local merchants for wallet payments. But what Singh also plans to do — and he claims to be a game-changer — is reach out to the next wave of internet users in rural India: young homemakers, who are already online but spend a few minutes surfing the net, constitute over 36% of rural internet users. "If the size of the group is massive, the potential it has is gigantic," says Singh.

For Indians, Cash is Still The King...



Such growth potential can't be taken for granted, though. Just a few kilometres from Dhaturi, in the neighbouring village of Lalheri Khurd, lives Rampal Narwal, a 55-year-old agriculturist for whom cash has always been king. And he's in no mood to transact digitally, despite boasting a Motorola smartphone with a 3G connection. Reason: the fear of technology and the unknown.

Why Plastic Failed to Make India Cashless

Issues associated with card payments which inhibit greater adoption

FOR MERCHANTS

Costs related to payment of **merchant fees**
 Transparency and taxation
KYC documentation, certification related to security of transactions/systems
 Time taken in processing card payments

FOR CONSUMERS

Annual fees for cards, levy of convenience charges/surcharge on use of cards
 Safety and security concerns, fraud protection mechanisms
 Concerns regarding **consumer grievance redress mechanism**
 Lack of availability of card payment option



FOR CARD-ISSUING BANKS

Costs associated with **card issuance, replacement/maintenance**
 Putting in place risk- and fraud-monitoring systems
 System for **addressing consumer complaints** and grievances
 Education and marketing, promotions, chargeback claims and fraud liability

Source: RBI Concept Paper on Card Acceptance Infrastructure, April 2016

"My money can vanish. It's best to keep it at home," he says. Why then does he have a smartphone if he just wants to use it to make calls? "Ask my son. He bought it," snaps Narwal, who in turn is interrupted by his teenaged grandson Sohan. "My father has a Facebook account but the internet doesn't work properly," he says, adding that the phone doesn't have any other app. Not even Paytm. "I have seen its advertisement on TV," he smiles.

Narwal is bemused to see people scrambling to use mobile wallets and debit cards. Ask him about life after demonetisation, and the old man gives a clear-cut reply: "I still use cash, and will always use cash." Keeping Narwal company is Umesh Dalal, another agriculturist in the adjoining Ramnagar village. Dalal's biggest argument in persisting with the old way of life is mindset: "Why should I go cashless? How will it change my life?" Sitting next to a huge Jio signboard, Dalal checks his WhatsApp messages on his Micromax Canvas mobile. "There is much merit in transacting only in cash," he says.



The Cashless Cow

As India takes a step towards building a cashless economy, it's becoming clear that the biggest challenge to Narendra Modi's vision for a cashless country will come from Bharat, thanks to erratic internet connectivity, poor smartphone penetration — 30%, says CyberMedia

Research — coupled with die-hard habits of relying on cash for transactions.

Experts contend that the government's headlong push for a cashless India may be too much, too soon. While the primary goal should be to ensure that everyone has a bank account, and all banks should make it easy to transact digitally, the reality is that many smaller banks do not offer digital banking, says Jessie Paul, founder of Paul Writer, a marketing advisory firm. As far as mobile wallets are concerned, she points out, there are three major issues. First is cost. There is a fee to transfer money to the wallet, and then from wallet to merchant. The second issue is trust. Fear of fraud is high for any digital tool. And there's reliability; can internet players ensure that there will be 100% uptime of the network?

Compounding matters is another problem: when a person doesn't consume frequently because of paucity of money for impulse purchases, the existing mode of payment, cash, becomes more convenient. "Currently there is no reason for a person to abandon cash and end up paying additional transaction fees to spend their hardearned money," says Paul.

Nobody understands the power of cash better than Sridhar Gundaiah, founder of [StoreKing](#), an assisted ecommerce platform. There may still be some time before India is ready to do a large part of its transactions in plastic money, and demonetisation seems to ignore that, he reckons.

"The beauty of cash is that it just works," says Gundaiah, who follows a unique business model of allowing people to purchase using cash, albeit using ecommerce. The neighbourhood retailer, armed with a tablet and an internet connection, assists customers choose products from StoreKing's online shopping platform, and the payment is made in cash.

Ask him why people in rural India are not shopping online, and Gundaiah lists out a bunch of irritants: every village does not have a pin code, which makes deliveries difficult, low literacy levels, English language barrier and lack of trust in the internet. "Over 85% of the population has no access to debit and credit cards and half of the population is not reachable by traditional courier services," he says. So, despite having the money and the intent, people in small towns and villages are unable to shop online.

Praveen Dhabhai
COO of Payworld, an electronic transaction processing platform

"Over 93% of people in rural India have not done any digital transactions. So the real potential lies there"

Present in **630 cities**, and **80,000 villages** across **23 states**

100 million users; **1 lakh retail touch points**

8 million wallets, increased by **25%** since November 8

Bipin Preet Singh
cofounder of MobiKwik, a mobile wallet company

"Bharat is the next big catchment area for mobile wallet players"

Is present pan India, has **40 million users**, including **5 million** added after November 8

Reportedly raised **\$40 million** from Nasdaq-listed firm Net 1 in August this year

Has seen over **1.5x increase in retailer base** over last two weeks

Naveen Surya
managing director of ItzCash, a digital payments company

"People in cities have access to digital platforms, but in rural areas it is negligible"

Has an omni-channel presence through outlets and mobile wallets and cards

So far **raised \$51 million** from **Matrix Partners, Lightspeed Ventures and Intel Capital**

Present in over **3,000 towns and cities**; has opened **110 million accounts** since 2006

Has seen **30-40% spike in transaction volumes** since November 8

Sridhar Gundaiah
founder, StoreKing, an assisted ecommerce platform

"Factors pulling back rural Indian's eagerness towards online shopping is either fear of getting scammed or lack of knowledge in accessing the apps"

Has **raised \$22 million** from investors, including Mangrove Capital

Present in over **2,300 towns** across **98 districts**; has a network of **25,000 retailers**

Has tieups with Amazon, Indian Oil and SBI; **Undertakes 50,000 transactions per day**

And even if people in rural areas are using mobile internet, it doesn't mean they are in a mood to transact online. Gundaiah says that

among rural users, the primary reason for accessing the net is entertainment, followed by communication and social networking. "We have tapped the rural population with assisted commerce," he says, adding that he hopes to reach 500 million people in the next couple of years. "There is no way a Flipkart or an Amazon can reach the interiors like we can."

Retail analysts maintain that the task to digitise rural India might be challenging, but not impossible. Saloni Nangia, president of retail consultancy firm Technopak Advisors, says for a large majority of rural Indians, both banking and internet are a new experience. So it's natural for them to fear both. "There is a huge fear of the unknown, especially when it comes to money," she says.

While conceding that there would be hitches in making the transition, Nangia believes that a start has to be made somewhere. She points to the initial scepticism around Aadhaar when it was introduced way back in 2009. But within seven years the unique identity project has enrolled 1.07 billion people, or about 88% of the country's population. "The focus should be on educating and spreading awareness," she says.

Mobile wallet players, for their part, are already on the job. Taking the lead are the likes of Praveen Dhabhai of Payworld, who is training his retailers across 1 lakh retail touch points to spread awareness about the benefits of transacting online. "The biggest impediment is fear, and removing it from the minds would be a big blow to cash," he says. A bit of hand-holding, he lets on, would make a world of difference. The way Dhabhai sees it, cash and cashless can complement each other for the time being; in the long run, cash won't be dead but it may well be cashless that's king.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

[Live Market](#)
[News](#)
[Portfolio](#)
[Mobile](#)
[Live TV](#)
[Newsletter](#)
[Commodities](#)
[Speed](#)
[QnA](#)
[Blogs](#)
[Alerts](#)
[RSS](#)

Other Times Group news sites

Times of India | इकनॉमिक टाइम्स
 ठंडीनो मिरर टाइम्स | Mumbai Mirror
 Times Now | Indiatimes
 नवभारत टाइम्स | महाराष्ट्र टाइम्स
 ವಿಜಯ ಕರ್ನಾಟಕ | Lifehacker
 Gizmodo | Eisamay | IGN India
 NavGujarat Samay

Living and entertainment

Timescity | iDiva | Zoom |
 Luxpresso | Gaana | Happytrips |
 Cricbuzz | Get Smartapp

Networking

itimes | MensXP.com

Hot on the Web

Budget 2017 | Sensex, Nifty Live
 Blog
 Gold Rate | US Presidential
 Elections Live Updates
 Festival Guide 2016 | Google
 expected to unveil Pixel
 smartphones
 Live: India's surgical strikes on
 PoK

Services

ads2book | Gadgetsnow | Free Business Listings
 Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |
 dineout | Filmipop | Remit2India | Gaana | Greetzap | Techradar | Alivear |
 Google Play