

MPAI Newsletter

(February 1, 2022 - February 15, 2022)

Budget 2022 - Digital payments highlights -

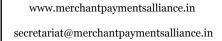
- Proposal to set up 75 Digital Banking Units in 75 districts of the country by Scheduled Commercial Banks, with the objective of deepening digital banking, digital payments and fintech in a consumer-friendly manner.
- Proposal to carry forward the financial support scheme for digital payments announced in FY 2021-22 to FY 2022-23 (in the previous budget, the Central Government proposed an INR 1,500 crore scheme for encouraging adoption of digital payments). Going forward, the focus would be on promoting the use of payment platforms that are economical and user friendly.
- Allocation of INR 1 lakh crore for FY 2022-23 to the 'Scheme for Financial Assistance to States for Capital Investment' whereunder States can avail fifty-year interest free loans, over and above the normal borrowings allowed to them. The amount allocated under this scheme would include components for digitisation of the economy, surring use of digital payments and completion of optical fibre networks.
- Announcement of a Central Bank Digital Currency (CBDC) project to create more efficient currency management systems in India by leveraging blockchain and other technologies. The CBDC shall be issued by the Reserve Bank of India from FY 2022-23.
- Push towards enabling affordable broadband and mobile service

proliferation in rural and remote areas. To this end, (i) 5G spectrum auctions shall be conducted in 2022 to facilitate rollout of 5G mobile services within FY 2022-23 by private telecom providers; and, (ii) contracts for laying optical fibre in all villages, including remote areas, shall be awarded under the Bharatnet project through Public-Private Partnership in FY 2022-23.

RBI takes stock of preparedness for card tokenisation – The Reserve Bank of India (RBI) held a meeting with merchants and payment aggregators on February 10, 2022, to gauge their preparedness in meeting the deadline for card-on-file (tokenisation) rules.

Reports indicate that card network operators and banks are yet to share their application programming interface (API) for tokenisation integration, and the RBI may take this up in subsequent meetings with them. Payment aggregators reportedly told the RBI that while they have come up with a solution, the lack of forward and backward linkage is posing hurdles the tokenisation process. Merchants also expressed grievances with the process, saying that there is no clarity on banks' preparedness and how integration will work.

Recurring payments fail as platforms struggle to implement RBI rules – Reports suggest that
a number of recurring payments on websites
including OTT platforms, cloud storage and
subscription-based sites continued to <u>fail</u> as
several merchants could not comply with RBI's





norms for such transactions. A representative of a payment system operator was reported to have said that international merchants are not keen on availing the e-mandate solutions being offered on payment gateways, as it entails a substantial investment in infrastructure without sufficient return on investment.

Shaktikanta Das: NUE applications under evaluation — On February 10, 2022, RBI Governor Shakitkanta Das said that the New Umbrella Entity (NUE), for which it had accepted applications in March 2021, is delayed but still on. He said that RBI officials dealing with the NUE project had been working on other issues, but added that applications are being evaluated.

Like the National Payments Corporation of India (NPCI), the NUE is expected to be responsible for setting up, operating and managing new digital payments systems. It will also manage clearing and settlement systems. Six consortiums had sent in applications for setting up the entity. Some believe that uncertainty about the revenue model, as well as concerns about data security and storage may have contributed to the delay in movement on this issue.

Cap on e-Rupi vouchers increased — The RBI recently increased the cap on e-Rupi vouchers issued by the Government to ₹1 lakh per voucher from ₹10,000 and allowed one voucher to be used multiple times until fully redeemed. e-Rupi vouchers allow users to redeem them without a card, digital payments app or internet banking access at select merchants. The increased cap will boost digital payments in the offline mode and allow

better delivery of direct benefit transfers to unbanked beneficiaries.

Ashwini Vaishnaw: India to become global leader in mobile manufacturing — Minister for Electronics and IT, Ashwini Vaishnaw, recently said that India is poised to become a world leader in mobile handset manufacturing over the next few years. He said that India has emerged as the second largest manufacturer of mobile handsets in the world, in terms of volume with 200 manufacturing units of such handsets. He added that the speed at which electronics manufacturing is progressing indicates that the market size may reach INR 25 trillion in five years.