



## Exclusive: 'A question of choice' – Santosh Tripathy, SmartStream in "The Paytech Magazine"

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**As the pandemic sends normality into freefall, many question the ability of cash to withstand such an epic shock. Ron Delnevo, Chairman of Cash and Card Consultants, and Santosh Tripathy, Practice Lead for Digital Payments with SmartStream, share their prognosis for payments.**

There are many things we don't know about the long-term effects of COVID-19. The strain it will put on our 2,600 year-old relationship with cash is one of them.



Logic dictates that, with a third of the world's population in lockdown, mixed messaging about cash carrying the virus and an unprecedented, sustained increase in online shopping, lucre – filthy or not – has had its day. So, how does one explain a 9.1 per cent year-on-year spike in the amount of physical dollars in circulation in the States in April, and the biggest jump in cash in circulation across the Eurozone since the end of the financial crisis? Oh, wait. That's it. A crisis.



Notwithstanding the zillion downloads of Grand Theft Auto, the online scramble for yoga mats, beard trimmers and designer loungewear – all top of the list of quarantine essentials – when the world's back is against the wall, the instinct is to reach for cash as a comfort blanket. No digital payment token in the world can give quite the same feeling of security as a box of banknotes under the bed.

That comes as no surprise to Ron Delnevo, who was there at the installation of the UK's first ATM and has spent the last 22 years campaigning to protect the financial freedom it represented.

"I'm an advocate of payment choice," he told the Fintech Finance Virtual Arena debate on payments in a time of pandemic. "I don't want people to *have* to use cash; I want people to have the *choice* to use cash, and many people on this planet still want that choice."

Famously, four years ago, the government of the world's second most populous country took steps to deny it.

India was a Petri dish for demonetisation on a grand scale. Overnight, 86 per cent of the nation's cash was declared void as the government, with single-minded determination and jaw-dropping speed, recalled every 500 and 1,000 rupee note in circulation.

The impact was swift and severe, with a recent Harvard University study of the first few months after implementation confirming the economy took a two per cent hit to growth as a direct consequence. Researchers at Azim Premji University put the number of jobs lost to demonetisation at five million over the following two years. But the long-term effects are less clear.



Introduced to fight corruption and terrorism by removing the perpetrators' cloak of anonymity provided by untraceable cash, a quarter of people in a recent survey of 30,000 across India did not believe demonetisation brought any benefits, while 28 per cent said they were not feeling any negative impacts, either. But maybe that's because 36 per cent of them are still paying for groceries with cash, 31 per cent pay domestic staff that way and 57 per cent have used cash to help buy property.

Nevertheless, Santosh Tripathy, practice lead for digital payments with financial technology company SmartStream, who had personal experience of demonetisation in his family's home city of Mumbai, told the Virtual Arena that it would be wrong to think it hadn't fundamentally affected the way people transact.

"We are moving in the right direction," he said – demonstrated by the way India responded to the extraordinary circumstances of a lockdown.

"Now no one can get money from an ATM but we are all able to use our digital wallets, Apple Pay, Samsung Pay, even Google Pay, to make purchases online. Demonetisation acted as a catalyst. So, I would advocate that we use this time [of coronavirus] to promote digital payment methods more and more to people for multiple reasons. It's not just digital payments; it's about a digital society, a digital ecosystem... if people do not have access to cash that does not mean they don't have access to their physical needs."

Research by GlobalData in 2019 showed that 83.6 per cent of survey respondents in India had a mobile wallet and regularly used it – compared to 31.5 per cent in the US and 24.6 per cent in the UK. In October last year, transactions over India's domestic Unified Payments Interface or UPI, the central bank-backed payments platform, hit one billion, with 100 million users. Whereas, before 2016, adoption of digital financial services had been slow, India is now seen as an e-payment sweetspot. Demonetisation helped make a unicorn of the country's most popular wallet, Paytm, which has chalked up 150 million users, and a DataLabs report in November identified at least 18 more e-commerce and fintech platforms as 'soonicons'. And yet, notes and coins are still the payment of choice for millions – they may have embraced (often reward-incentivised) digital wallets, but many bank accounts lie dormant. After the initial demonetisation shock, circulating cash rose by 19.14 per cent up to March 2019.



In Africa, digitisation and cash use have similarly gone hand in hand. The country's most successful peer-to-peer payments platform M-Pesa, which uses mobile numbers as accounts and smartphones as digital vaults, is a case in point. As Delnevo, points out: "It's not that M-Pesa is removing cash: it's enabling it to be used more efficiently. More than half the payments on M-Pesa are converted into cash immediately. And that's great. The marriage of old technology, if you like, and new technology. That works for everybody."

For Tripathy, the pandemic should be a starting point for addressing infrastructure inequalities and increasing inclusion, be that in health or payment services.

"I see potential for governments to start investing in new payment methods and promoting digital channels. All of this will be up for discussion once the impact of COVID-19 is clear. We just have to think slightly out of the box, challenge the status quo. Can we increase the footprint of a digital payment transaction, take it the last mile, bring the bank to the consumer, for example, where villagers can take advantage of the service. We don't even need a point of sale (POS) machine. Our phones can act as a POS. The apps are already available. These are some of the options that allow us to reduce charges and still increase the footprint."

Delnevo agrees that the pandemic has exposed the fragility of our systems, but cash, he argues, can help strengthen them.

"We need cash to maintain competition in the payments sector. So, let's take that 2,600-year-old product and modernise it by making it easier to use and access. Bring in innovations and present them together on a level playing field, so that, wherever they are, people get a decent payment choice.

"My horror is that we'll be forced down one particular avenue, and that doesn't work in the interest of the public, it works in the interest of the people who own the avenue. This isn't just about payments, it's about every aspect of life. We need to work on that fragility, on localisation, on choice. The virus may create an impetus to work together for the benefit of everyone."

And that they can both agree on.