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A BOUNCING, TURNING WICKET

EXPERT VIEW

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I recently met some senior delegates of a foreign bank who oversee global payment operations. I took the opportunity to ask them to compare India with the US, south-east Asian countries and China in terms of speed of evolution of payment technologies. They said India is in a "different orbit" as far as revolution in payments is concerned.

Our inside view is no different. For two decades, the only way you could settle a merchant's bill was by a debit card or credit card, which was a huge innovation by itself. Payment wallets arrived only recently, and have already found uptake by over 250 million customers. A recent report says that banks' prepaid payment instruments (PPIs) are growing faster than wallet-only companies.

Just a year ago, Unified Payments Interface (UPI)—the new blockbuster product—arrived on the Aadhaar platform. Then there is USSD (unstructured supplementary service data)/banking for feature phones (mobile banking on feature phones without any Internet connection; you can make person-to-person payments dialling *99#). USSD banking had only 7,000 transactions in November 2016 and it grew to 95,000 transactions by December.

Then there is Bharat Interface for Money (BHIM)—the app set a world record by witnessing 18 million downloads within two months of launch. There is Samsung Pay, Apple Pay, and now we have Aadhaar Pay, which is the merchant version of already in use Aadhaar Enabled Payment System (AEPS), where the merchant

number and press the finger for biometric authentication. This is an alternative for all online and card transactions which require password and PIN. Five banks—the State Bank of India (SBI), IDFC Bank, Andhra Bank, IndusInd Bank, and Syndicate Bank—have already launched it.

The tipping point for any change usually happens because of rapid adoption and network effect. But in India, the tipping point for Digital India has been enabled by the Aadhaar platform and the UPI system based on it.

This apart, a number of new technologies are emerging around us: machine learning (a set of algorithms that train on a data set to make predictions), deep learning (where quality of output continues to increase as compared to traditional learning algorithms where the output curve tapers off) and robotics are making a deep impact on financial services. So is artificial intelligence; in fact, it is real intelligence, and it's time we accorded it respect and called it RTI—Real Time Intelligence—as it is more effective and real-time than human intelligence.

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The financial services system is quickly riding on these technologies. HDFC Bank has launched the first humanoid in domestic banking, the robot Ira. They said it will be positioned near the welcome desk; it will greet customers and guide them to the relevant counter in the branch. ICICI Bank has launched robot-based banking to automate 10% of its transactions. Size is not a discriminator—even smaller banks are taking similar steps; for instance, City Union Bank has launched the robot Lakshmi. Another bank has announced opening bank accounts using Aadhaar. A bank representative just points the camera directly at the eyes of the applicant for five seconds and the Aadhaar details are retrieved from the Aadhaar database using retina scan. The photograph and address can be matched with the customer immediately.

India's largest banks are building a consortium to test an inter-bank blockchain (a distributed platform for recording transactions called hyperledger which would help banks settle transactions more efficiently) to put the country at the cutting edge of adoption of the technology.



The BHIM app set a world record by witnessing 18 million downloads within two months of launch. PRIYANKA PARASHAR/MINT

Research in Banking Technology (IDRBT), released a white paper for a blockchain platform to settle trade finance transactions. State-owned banks like SBI are practically at the forefront of digital banking and are working on branchless banking. On blockchain, SBI is working with New York-based start-up MonetaGo, which will provide the platform.

The point is, the landscape is changing rapidly just as it is in cricket. For instance, in India, for decades we had flat pitches, no decision review system, benefit of doubt to the batsman, with matches lasting five days and 90% of them drawn! Now consider the recent series between India and Australia. Australia won the first test by 333 runs in Pune. India won the second test in Bengaluru by 75 runs. The third was a draw, that could have been a well-deserved win for the Indians.

On all grounds now, the pitch turns and the ball bounces, unpredictable as they are. However, if you have the skill set to deal with it, you will do great. Flat pitches don't exist anymore. That's how the financial landscape is.

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