



Study to test the efficacy of incentive schemes for on boarding merchants and consumers



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Study to test the efficacy of incentive schemes for on boarding merchants and consumers¹

Objective: The study is aimed at testing the awareness of digital payment systems and the efficacy of the different incentive schemes announced by the government. Inputs from the study can be used to refine schemes to increase uptake among merchants and consumers.

Methodology: Four Focus Group Discussions (FGDs) were conducted involving a total of 13 participants who were all low-income merchants from Chennai. These were merchants dealing with different products and services. Additionally, interviews were conducted with two consumers to understand their perspective on this. Participants were informed about the objective of the study before hand. Discussions were recorded during the FGDs.

Key Findings:

A. Digital Payment Systems-Knowledge and Current Usage Patterns

To set the tone for the group discussion, we started the conversation by asking general questions related to digital payments usage in their business.

- Out of the 13 participants, 8 of them currently use PoS machines at their store and 8 of them use e-wallets in their businesses.
- Popular e-wallets include PayTM and FreeCharge. Though the merchants are registered on other systems such as MobiKwik and Airtel Payments Bank, they do not use them frequently due to low demand from the customers for these services.
- Whereas PoS machines have been in use for the past 1 or 2 years (on an average), usage of e-wallets started in November 2016 post demonetization.
- **Perceived advantages of digital payment systems:**
 - Customer retention.
 - Ease of use/convenience.
 - Quicker method/time-saving method of payment.
 - General awareness on how to handle finances due to transparency of these systems.
- **Perceived challenges:**
 - Lack of service support.
 - Rent for using PoS machines is high (~ ₹800 per month).
 - Charges per transaction are high for PoS machines (~1.5-2.5% per transaction).

¹ This was a quick dipstick study; a more robust, and rigorous study to assess the impact of different incentive schemes on consumer and merchant behaviour is currently underway.

- **General perception on incentive schemes:**
 - Though merchants are aware of incentive schemes, they feel that these schemes do not provide a sufficient thrust to shift from cash to less-cash payment methods.
 - Customer demand is seen as a greater impetus for using digital payment systems.
 - Incentives are seen as a supplementary one-time feature of digital payment systems offered only temporarily.
 - Rewards provided under the incentive scheme should be suitable for businesses run by the merchants. This is related to the interoperability of the rewards. For example, a merchant who needs to commute for business reasons, prefers a cashback that can cover this cost; in contrast, a merchant who trades in fruits/vegetables prefers a discount voucher that he can redeem for other purposes.

B. Referral schemes in digital payment systems

- All merchants are aware of referral schemes offered by certain service providers (such as Uber, Ola, etc).
- However, they have used these schemes only for personal reasons and not in their business.
- **Suggested features of the referral scheme:**
 - Cash vouchers for e-commerce sites will be useful.
 - The time limit for using these rewards should be longer. The merchants feel that the current rewards have to be used within a short period of time, sometimes even a day or two, or their validity gets expired.

C. Cashback schemes in digital payment systems

- **Suggested features of cashback schemes:**
 - Eligibility criteria for the cashback scheme can be total transaction amount per month.
 - Instead of a fixed cashback amount as a reward, a variable reward amount (percentage-wise) would provide more incentive to use digital systems. This can further be divided into slabs. For example, if the merchant has a turnover of ₹30,000-50,000 per month, then he/she can be eligible to receive a cashback of 2% whereas for turnover greater than ₹50,000 a higher percentage cashback reward can be given.

D. Other incentive schemes introduced by the Government of India

- **Awareness of Digi Dhan Vyapar Yojana:**
 - When we mentioned the name 'Digi Dhan Vyapar Yojana', the merchants said they were not aware of the scheme.

- Upon explanation of the scheme, the merchants stated that they became aware of the announcement of the scheme in December 2016 through newspapers and TV ads.
- The merchants felt that the scheme is not implemented regularly on the ground.
- **Awareness of Lucky Grahak Yojana:**
 - Consumers were not aware of the scheme, when mentioned.
 - Upon explanation, consumers stated that the scheme only awarded states for high digital payment usage. Individual consumers are not awarded, according to the consumers.
- **Awareness of other discount schemes:**

Schemes	Awareness among merchants	General perception (if any)
Discount on fuel	Yes	
Discount on LPG cylinder	No	
Discounts on IRCTC	Yes	<ul style="list-style-type: none"> ▪ Not aware of how to avail this scheme. ▪ Not useful for all users as it is specifically for monthly or seasonal users.
Discount at toll plazas	No	
No cess on cashless payment less than ₹2000	No	Low and middle-income merchants feel that this scheme is not applicable to their business.

During the conversation with merchants, we also asked them about different digital platforms to understand their perceptions. As a part of this, we asked questions to understand the general perceptions around the BHIM App.

- **On BHIM App:**
 - There is also no awareness of BHIM and its features among merchants.
 - Upon a brief description of the app, merchants expressed their preference for a government-supported app as these offer greater trust and security, according to merchants.
 - Merchants suggested that these government-supported mobile applications can be in-built in all mobile phones. This will increase awareness, uptake and ensure usage.



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