



# Jus Corpus Law Journal

Open Access Law Journal – Copyright © 2022 – ISSN 2582-7820  
Editor-in-Chief – Prof. (Dr.) Rhishikesh Dave; Publisher – Ayush Pandey

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## Regulatory framework for small value digital payment in offline mode: Expediting and furthering financial inclusivity?

Abhishek Sakharam Korsepatil<sup>a</sup>

<sup>a</sup>Deccan Education Society's Shri. Navalmal Firodia Law College, Pune, India

*Received* 17 August 2022; *Accepted* 30 August 2022; *Published* 06 September 2022

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*This Article expounds on the new regulatory framework (“Framework”) and how it is a result of the Indian Government solving the so-called ‘last-mile’ problem to better facilitate digital payment and financial inclusion. Encompassing the urban and rural areas with working/functioning internet connectivity to consequently complete the internet grid (coverage) in India. The result would strengthen the local economy and develop it multiple folds, giving the local citizenry a chance to tap the global economic market and introduce an opportunity as rapid advancements in communication (internet) further push and incentivize the agenda of globalization to them. Seemingly an avant-garde approach and stance regarding the directory measures to further financial inclusivity from the Indian government’s point of view. After looking at all the previous initiatives the government has taken prior to this Framework, it is possibly the culmination of financial inclusivity steps and will pave the way or be the harbinger for offline digital payment avenues.*

**Keywords:** *digital payment, regulatory framework, digital financial inclusion, economy, initiatives, globalization.*

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## INTRODUCTION

Most exchanges of data (“Data”) that occur are currently saved in real-time databases through the use of the internet;<sup>1</sup> data *vis-à-vis* financial transactions (UPIs/Cards/Wallets/digital bank transactions)<sup>2</sup> are stored in a complex database or a set of databases known as a “banking core.”<sup>3</sup> The data relating to any transaction cannot unilaterally ‘add and/or transfer’ money in the New Core-Banking Systems.<sup>4</sup> It must strictly register a transaction that took place. The transaction must be authorized by the system; any unusual transaction will often raise flags in the system, and if not immediately, the BI (Business Intelligence)<sup>5</sup> flags will be highlighted. To exchange money digitally, it must first “travel” somewhere, i.e., be credited and debited on a digital ledger account;<sup>6</sup> it cannot simply disappear as the audit system is really secure. Even collusion<sup>7</sup> necessitates a few procedural steps before money can be transferred or cashed out, and even in that case, the audit logs (which cannot be tampered with) will provide a complete audit trail of ‘*what happened, who logged in, who authorized the transfer, to which account, and when? From which IP, from which terminal?*’<sup>8</sup> *Who originated the request? Who was the request's checker? Who was the request's managerial approver?*’ And so forth. Small value digital payment in offline modes poses a question about registering and processing immediate accurate payment as well as consecutively registering the same transaction with and in the concerned servers (databases) at precisely the ‘exact time’ it occurred or an ‘approximate’ of it taking place. To overcome this, possible solutions like Quick Response Code (QR Code) and QR Scanner in offline mode are being used as an extra functionality for making offline payments; a semi-offline server receives

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<sup>1</sup> D Coyle, ‘Digitally disrupted GDP’ (*VOX’EU CEPR’s Policy Portal*, 8 February 2016) <[http://www.voxeu.org/article/digitally-disrupted-gdp?utm\\_source=CB+Insights+Newsletter&utm\\_campaign=8244c30100-RSACConf\\_02\\_16\\_2016&utm\\_medium=email&utm\\_term=0\\_9dc0513989-8244c30100-87048037](http://www.voxeu.org/article/digitally-disrupted-gdp?utm_source=CB+Insights+Newsletter&utm_campaign=8244c30100-RSACConf_02_16_2016&utm_medium=email&utm_term=0_9dc0513989-8244c30100-87048037)> accessed 15 August 2022

<sup>2</sup> *Ibid*

<sup>3</sup> Gartner, ‘Core Banking System’ (*Gartner: IT Glossary*) <<https://www.gartner.com/it-glossary/core-banking-systems>> accessed 15 August 2022

<sup>4</sup> *Ibid*

<sup>5</sup> Jake Frankenfield, ‘Business Intelligence (BI): What Is Business Intelligence (BI)?’ (*Investopedia*, 2022) <<https://www.investopedia.com/terms/b/business-intelligence-bi.asp>> accessed 15 August 2022

<sup>6</sup> *Ibid*

<sup>7</sup> Julie Young, ‘Collusion: What Is Collusion?’ (*Investopedia*, 2020) <<https://www.investopedia.com/terms/c/collusion.asp>> accessed 15 August 2022

<sup>8</sup> *Ibid*

the data through SMS (encrypted), decrypts it, and updates the data in a real-time online context.<sup>9</sup>

## RECENT DIGITAL PAYMENT BREAKTHROUGHS

In recent years, new payment systems such as FASTag and Bharat BillPay emerged, while payment gateways remained trustworthy partners in facilitating end-to-end payments for consumers and merchants alike.<sup>10</sup> Near Field Communication (NFC) or otherwise known as TecTile,<sup>11</sup> have tremendous potential to carry out offline digital payments via a system based on 'digital vouchers.'<sup>12</sup> These breakthroughs further incentive the user by proving itself to be efficient and widening the scope for implementing financial technology in other aspects of human life.<sup>13</sup>

## BACKGROUND

The Reserve Bank, in a circular dated August 6, 2020, authorized a pilot scheme to stimulate technology breakthroughs that enable small-value digital transactions to be conducted offline.<sup>14</sup> It was indicated there that the decision to fully implement such a system would be dependent on the gathered experience.<sup>15</sup> Several entities undertook pilot testing between September 2020 and July 2021. Following supposed 'positive' feedback from the pilots, it was subsequently announced in the 'Statement on Developmental and Regulatory Policies' on October 8, 2021, that a framework ("Framework") for conducting small value digital payments in offline mode would be implemented across the country.<sup>16</sup> As a result, the architecture for enabling 'small-

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<sup>9</sup> V Karthikeyan & Ruchi Jain, 'Offline Ai Bot Technique to Fetch Retrieve and Update Data in Online Real Time Environment' (2019) 8(10) International Journal of Scientific and Technology Research 3330-3334

<sup>10</sup> 'India Digital Payments Report' (Worldline, 2019) 18

<<https://worldline.com/content/dam/worldline/documents/india/documents/worldline-india-digital-payments-report-2019-a-year-in-review.pdf>> accessed 15 August 2022

<sup>11</sup> *Ibid*

<sup>12</sup> G Van Damme & Ors, 'Offline NFC payments with electronic vouchers' (AMC Digital Library, August 2009) 25-30 <<https://doi.org/10.1145/1592606.1592613>> accessed 15 August 2022

<sup>13</sup> *Ibid*

<sup>14</sup> Reserve Bank of India (RBI) Press Release, 'RBI releases Framework for Facilitating Small Value Digital Payments in Offline Mode' (RBI, 3 January 2022)

<[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=53038](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53038)> accessed 15 August 2022

<sup>15</sup> *Ibid*

<sup>16</sup> *Ibid*

value digital payments offline using cards, wallets, mobile devices, and so on is outlined in the Annex<sup>17</sup> provided by the RBI.

Payment System Operators (PSOs) and Payment System Participants (PSPs) - Acquirers and Issuers (i.e. banks and non-banks) - must ensure that all applicable instructions and subsequent compliances are followed.<sup>18</sup> This directive/order is issued under Section 10 (2)<sup>19</sup> read with(r/w) Section 18<sup>20</sup> of the Payment and Settlement Systems Act of 2007 (Act 51 of 2007) and accordingly takes effect immediately.

## THE INDIAN ECONOMY, WHERE IT IS, AND WHAT IT INTENDS TO ACHIEVE?

### 1. *The economic standing of India*

Even considering that digital inclusivity rose to an all-time high in India as a result of “The Digital Revolution” starting in July 2015;<sup>21</sup> the Indian government launched the Digital India initiative to turn India into a ‘digitally empowered knowledge-based economy.’ To even be able to make a digital payment, the consumer and the vendor both need steady functioning access to an internet connection.<sup>22</sup> The rate for purchasing/renting/leasing an Internet connection in India is the cheapest when compared to most other countries, though when we factor in the average GDP per capita (PPP) of an Indian citizen, it is a measly \$2,791(2022)<sup>23</sup>. Earlier before the debut of Jio, the internet itself was more like a luxury than a necessity, at least in the rural parts of India.

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<sup>17</sup> Reserve Bank of India, ‘RBI/2021-22/146, *Annex*, CO.DPSS.POLC.No.S1264/02-14-003/2021-2022’ (RBI, 3 January 2022) <<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT14627B03F0BACF841CBABF21F2A00CD439F.PDF>> accessed 15 August 2022

<sup>18</sup> *Ibid*

<sup>19</sup> Payment and Settlement Systems Act 2007, s 10(2)

<sup>20</sup> Payment and Settlement Systems Act 2007, s 18

<sup>21</sup> ‘Investing in India's Digital Revolution’ (IBEF, 2022) <<https://www.ibef.org/blogs/investing-in-india-s-digital-revolution#:~:text=The%20Digital%20Revolution%20in%20India,digitally%20enabled%20knowledge-based%20economy.>> accessed 15 August 2022

<sup>22</sup> *Ibid*

<sup>23</sup> Sanyukta Kanwal, ‘GDP per capita at current prices in India 2016-2024’ (IBEF, 1 September 2021) 19 <<https://www.statista.com/statistics/1252548/india-gdp-per-capita-at-current-prices/>> accessed 15 August 2022

Be it the Internet rates, Wi-Fi leasing rates, mobile data, or sim hotspot costs, the rates have steadily started increasing after the Internet companies have through earlier cheap internet rates and mobile data rates, pushed for inclusivity, made the internet a necessity, and acquired a huge customer base as a result of the internet boom; since then the companies have been increasing the rates ever so steadily, under the guise of inflation and non-profitability claiming India has the lowest Average Revenue Per User (APRU).<sup>24</sup> The question of affording a good enough internet connection is the first and foremost step most of the rural population has to consider; then the step of setting up a bank account as India has the middle class and poor segments which ignore banking service completely;<sup>25</sup> connecting the same to the UPIs/Wallets; then comes paying for the rendered goods/services. Most of the Rural labourers get paid on a daily basis, therefore most of them have a 'ready change' of cash i.e. money bills and coins of lower values or denominations (examples are ₹5, ₹10, ₹20, ₹50, ₹100, & ₹200) for basic necessities and hence doesn't make sense or is rather inconvenient for the rural customer to have paid tariff charges for availing mobile data to then spend additional cash for the price goods/commodities considering that he likely already has cash in his pocket/wallet;<sup>26</sup> leaving only the vendor who has a few pros for having digital payment as an option for payment of goods, as the QR Code is a physical product that does not require the vendor to have 24/7 connectivity to receive payments. Mobile data costs, in particular, have been raised by telecom companies across most of the Least Developed Countries;<sup>27</sup> with the largest increase in tariff costs by exactly 20%.<sup>28</sup>

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<sup>24</sup> *Ibid*

<sup>25</sup> M Jayanthi & SS Rau, 'Financial inclusion in India' (2017) 15(22) International Journal of Applied Business and Economic Research 11-16

<sup>26</sup> *Ibid*

<sup>27</sup> Ana Maria Rodriguez, 'Mobile data costs have increased, making internet connectivity unaffordable for many' (*Web Foundation*, 2022) <<https://webfoundation.org/2022/03/mobile-data-costs-have-increased-making-internet-connectivity-unaffordable-for-many/>> accessed 15 August 2022

<sup>28</sup> CNBCTV18.com, 'Bharti Airtel hikes prepaid tariffs by 20-25% from November 26' (*CNBC*, 2021) <<https://www.cnbctv18.com/telecom/bharti-airtel-hikes-prepaid-tariffs-by-20-25-from-nov-26-11546352.htm>> accessed 15 August 2022

## 2. Major initiatives are undertaken by the Indian government for facilitating financial inclusion

### A. Providing Public Wi-Fi in villages

The Indian Government has been propounding inclusivity in villages by implementing free Wi-Fi schemes at village levels to promote a ‘bottom-up approach’ suggested by NITI Aayog<sup>29</sup> for urbanizing villages, integrating them into the economy, and promoting and facilitating the digitalization of banks.<sup>30</sup> Previously the Telecom and Information Technology Minister Ravi Shankar Prasad announced in December of 2019,<sup>31</sup> the government’s plans to implement free-of-cost Wi-Fi that will provide access to the internet freely in all villages connected through BharatNet and this scheme was available for a limited plan till March 20 of 2020.<sup>32</sup> The inferable reasoning is that it more or less serves the villagers by creating mass awareness and conferring them with a sort of “free trial period” to test out the flexibility and benefits, on an individual or personal level— how the internet functions and its first-hand uses, particularly for digital payment and financial inclusion of the rural population.<sup>33</sup>

A recent initiative was announced by the State Government to transform 58,189 Gram Panchayats into “smart villages”<sup>34</sup> by providing free Wi-Fi to boost economic awareness and subsequently transpire a resultant boost in the rural economic activity.<sup>35</sup>

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<sup>29</sup> Express News Service, ‘Niti Aayog meet: Bottom-up approach to boost jobs, income’ (*The New Indian Express*, 2019) <<https://www.newindianexpress.com/nation/2019/jun/16/bottom-up-approach-to-boost-jobs-income-1990768.html>> accessed 15 August 2022

<sup>30</sup> *Ibid*

<sup>31</sup> *Ibid*

<sup>32</sup> Press Trust of India (PTI), ‘Free WiFi to all villages connected via Bharat Net till March 2020: Ravi Shankar Prasad’ (*Indian Times*, 2019) <<https://government.economicstimes.indiatimes.com/news/digital-india/free-wifi-to-all-villages-connected-via-bharat-net-till-march-2020-ravi-shankar-prasad/72973454>> accessed 15 August 2022

<sup>33</sup> *Ibid*

<sup>34</sup> *Ibid*

<sup>35</sup> Maulshree Seth, ‘Free Wi-Fi at all 58,189 gram panchayat secretariats soon’ (*The Indian Express*, 2022) <<https://indianexpress.com/article/cities/lucknow/free-wi-fi-at-all-58189-gram-panchayat-secretariats-soon-7903474/>> accessed 15 August 2022

*B. Unified Payments Interface (UPI)*

The Digital Revolution in India started with the Government of India initiating the Digital India program in July 2015<sup>36</sup> to transform India into a digitally enabled knowledge-based economy. Since then, in 2016, the UPI (Unified Payment Interface) platform was introduced and has been used primarily ever since then here in India.<sup>37</sup> UPI has an impact on financial literacy, financial inclusion, and the economic development of India's underprivileged and marginalized communities.<sup>38</sup> UPI assists people in more than one manner. It not only promotes financial literacy but also indirectly promotes financial inclusion and economic development for the impoverished. Furthermore, it has been observed that financial literacy has a big impact on financial inclusion, which in turn has a significant impact on economic development.<sup>39</sup> In the FY 2022, UPI crossed transactions worth \$1 trillion,<sup>40</sup> attributing to its success and adherence that was much needed.

*C. Pradhan Mantri Jan-Dhan Yojana (PMJDY)*

On August 28, 2014, Shri Narendra Modi unveiled the Pradhan Mantri Jan Dhan Yojana, an ambitious initiative for comprehensive financial inclusion. The initiative was launched to enable ubiquitous access to banking services, beginning with basic banking accounts with overdraft possibilities, a RuPay Debit Card with built-in accident insurance, and a RuPayKisan card to assist underprivileged farmers in securing funding. Fees for both the Indian user and merchant are cheaper,<sup>41</sup> and the need for expensive international settlements (Visa/MasterCard) will be avoided.<sup>42</sup> The PMJDY plan has had a significant impact on the

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<sup>36</sup> Avgerou Chrisanthi & Atta Addo, 'The developmental effects of the digital revolution' [2017] The Routledge Companion to Management Information Systems 444-465

<sup>37</sup> *Ibid*

<sup>38</sup> *Ibid*

<sup>39</sup> S Rastogi & Ors, 'Unified Payment Interface (UPI): A digital innovation and its impact on financial inclusion and economic development' (2021) 9(3) Universal Journal of Accounting and Finance 518-530

<sup>40</sup> P Sarika & S Vasantha, 'Impact of mobile wallets on cashless transaction' (2019) 7(6) Int J Recent Technol Eng 1164-1171

<sup>41</sup> K H Krishnan & B K Deokar, (2012) 'RuPay Card' (2012) 47(21) EPW 21-24

<sup>42</sup> *Ibid*

banking sector by removing the earlier financial untouchability<sup>43</sup> that gloomed the rural areas of India.<sup>44</sup>

*D. Other initiatives for financial inclusion*

Other initiatives include – Atal Pension Yojana (APY), Pradhan Mantri Vaya Vandana Yojana (PMVVY), Stand Up India Scheme, Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Sukanya Samridhi Yojana, Jeevan Suraksha Bandhan Yojana, Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs), Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives, and Varishtha Pension Bima Yojana (VPBY).<sup>45</sup>

**FRAMEWORK FOR FACILITATING SMALL VALUE DIGITAL PAYMENT IN OFFLINE MODE.**

*Those institutes/individuals/entities that have a desire to implement or facilitate payment solutions enabling small-value digital payments in offline mode must meet the requirements provided in the Annex.*

- The scope or ambit of digital financial payment channels or instruments as stated in the Annex are cards (credit/debit), wallets, mobile devices, etc.<sup>46</sup> Mobile payment channels also include trusted UPI platform adopters like GooglePay, PhonePe, BHIM App, Amazon Pay, and Paytm. A few examples of wallets are Paytm Wallet, Freecharge, Airtel Money, and MobiKwik. The etcetera (“etc.”) at the end makes it unclear and ambiguous as to what other possible payment instruments could and could not qualify for small value digital payment in offline mode; clarity can be achieved when Clause i. is r/w Clause x.<sup>47</sup> The inference is that RBI can accommodate newer payment instruments in the future; “etc.” keeping contents of Clause i. clearly upon the RBI’s discretion to

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<sup>43</sup> V N Sailaja & T Uma Maheswara Rao, ‘A study on financial inclusion awareness through Pradhan Mantri Jan-Dhan Yojana in Guntur District’ (2018) 9(3) International Journal of Mechanical Engineering and Technology 462–468

<sup>44</sup> *Ibid*

<sup>45</sup> *Ibid*

<sup>46</sup> Reserve Bank of India (n 11) clause i. Annex

<sup>47</sup> Reserve Bank of India (n 11) clause x. Annex

approve/recognize these digital payment instruments.<sup>48</sup> The RBI has requested all authorized payment system operators (PSOs) and payment system participants (PSPs), as well as acquirers and issuers (banks and non-banks), to ensure that the guidelines are followed.

- The Reserve Bank of India stated that these transactions would not require an additional factor of authentication (AFA)<sup>49</sup> and that because they are offline, notifications (likely via SMS/ E-mail)<sup>50</sup> will be received by the consumer after a possible time delay. For the Issuer (Non-banking/ Financial institution that issues the payment of the cardholder/customer) there is no requirement to issue an alert/notification for each transaction; nonetheless, the specifics of each transaction must be appropriately communicated.
- Offline payments must only be done in person as long-distance offline payments seem unlikely without the instrument actually being connected to the internet; adding security and further possible complications, face-to-face<sup>51</sup> transactions make the most sense.
- Payment instruments must be enabled for offline transactions with the customer's explicit agreement. Such card transactions must be permitted without the need to activate the contactless transaction channel, r/w Clause c(i).<sup>52</sup> of Enhancing Security of Card Transactions (circular).<sup>53</sup> A relaxation for small value digital payment in offline mode is granted by the RBI according to the Annex provided in the Framework.<sup>54</sup>
- Transactions are limited to ₹200 per transaction and an aggregate limit of ₹2,000 for all transactions<sup>55</sup> till the account balance is “refilled”; the Framework said that balance replenishment/refill may only occur in an online mode. Mathematically ten (10)- ₹200 transactions are possible and permissible before the user must go online, complete the

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<sup>48</sup> *Ibid*

<sup>49</sup> Reserve Bank of India (n 11) clause iii. Annex

<sup>50</sup> Reserve Bank of India (n 11) clause vi. Annex

<sup>51</sup> Reserve Bank of India (n 11) clause ii. Annex

<sup>52</sup> Reserve Bank of India, ‘Enhancing Security of Card Transactions’ (RBI, 3 January 2022) clause c(i) <[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=11788](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11788)> accessed 15 August 2022

<sup>53</sup> *Ibid*

<sup>54</sup> Reserve Bank of India (n 11) clause iv. Annex

<sup>55</sup> Reserve Bank of India (n 11) clause v. Annex

two-step multi-factor authentication, or additional factor authentication (AFA) in order to reset this limit once again and avail benefits of the new Framework.<sup>56</sup>

- All obligations/liabilities stemming from technical or transaction security concerns at the merchant's end must be borne by the acquirer (merchant's banks).<sup>57</sup> Offline payments<sup>58</sup> are subject to the restrictions<sup>59</sup> of the RBI's limited consumer liability<sup>60</sup> circulars<sup>61</sup> to ensure Customer Protection.<sup>62</sup> In case the customer has any issues or complaints regarding the deficiency of services incurred/rendered to him,<sup>63</sup> he may read 'The Reserve Bank - Integrated Ombudsman Scheme, 2021',<sup>64</sup> and if his issues are applicable he may proceed to seek redressal/grievance accordingly with the RBI.<sup>65</sup> If many users report the same issue and any complication, the RBI may modify or outright stop the operations<sup>66</sup> of any such payment solution that allows small-value digital payments to be made offline.<sup>67</sup>

## THE BENEFICIARIES

### A. Urban/Semi-Urban

Will facilitate digital payments where there is a loss of internet connectivity like in congested places. Example: The merchants face connectivity issues with their MPOS (payment terminal)

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<sup>56</sup> *Ibid*

<sup>57</sup> Reserve Bank of India (n 11) clause vii. Annex

<sup>58</sup> 'CO.DPSS.POLC.No.S-479/02.14.006/2021-22, Master Directions on Prepaid Payment Instruments (PPIs)' (RBI, 12 November 2021) para 17 <[https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=12156](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12156)> accessed 15 August 2022

<sup>59</sup> Reserve Bank of India, 'DBR.No.Leg.BC.78/09.07.005/2017-18' (RBI, 6 July 2017) <<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI15D620D2C4D2CA4A33AABC928CA6204B19.PDF>> accessed 15 August 2022

<sup>60</sup> *Ibid*

<sup>61</sup> 'Customer Protection - Limiting Liability of Customers of Co-operative Banks in Unauthorised Electronic Banking Transactions' (RBI, 14 December 2017)

<[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=11188](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11188)> accessed 15 August 2022

<sup>62</sup> 'CO.DPSS.POLC.No.S-479/02.14.006/2021-22, Master Directions on Prepaid Payment Instruments (PPIs)' (RBI, 12 November 2021) para 17(b) <[https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=12156](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12156)> accessed 15 August 2022

<sup>63</sup> *Ibid*

<sup>64</sup> 'The Reserve Bank - Integrated Ombudsman Scheme, 2021' (RBI, 12 November 2021)

<[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=52549](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52549)> accessed 15 August 2022

<sup>65</sup> Reserve Bank of India (n 11) clause ix. Annex

<sup>66</sup> Reserve Bank of India (n 11) clause x. Annex

<sup>67</sup> *Ibid*

due to potential human/infrastructure congestion, or in areas with a poor signal in general; for instance, shopping centres<sup>68</sup> generally have poor internet coverage and reception.

### *B. Rural*

Promote digital financial literacy and inclusivity. Will facilitate digital payments outside the range of the free public Wi-Fi provided by the government.<sup>69</sup> *Example:* A consumer may be able to make an offline digital payment at any store even with a talk-time mobile package (lower tariff costs) and then eventually connect to the public Wi-Fi spots or to a public hotspot zone, to replenish the aggregate limit of ₹2000.<sup>70</sup>

### *C. Miscellaneous*

Will facilitate digital payments in cases of externalities. Example: UPI platform adopters (GPAY, PAYTM, PHONEPE, etc.) have occasional server downtimes<sup>71</sup> and these platforms are not able to carry out the transaction. In rare cases of calamities resulting in loss of connectivity.<sup>72</sup> People will be able to use digital payment instruments in an offline manner. Not having to worry about exceeding the data limit/cap that each internet and telecom provider has set for mobile data; for example, online education easily exhausts over 1.5 Gigabytes of data, leaving much to be desired by students for other tasks like digital payments. Further adding another benefit of using digital payments and financial literacy. Payment for products and services can be executed in higher altitude regions, such as tourist attractions. Example: Sinhagad Fort.

People's tax payments to the government may increase as they become more financially engaged and their salaries grow over time. The several taxation sources, including corporation tax revenue, income tax revenue, and direct tax revenue increase will tremendously. Policymakers

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<sup>68</sup> Chris Lemmon, 'Poor Wi-Fi connectivity top shopper frustration, Retail Systems' (*RetailSystems.com*, 19 January 2017) <[https://www.retail-systems.com/rs/GWS\\_Wi-Fi\\_Connectivity\\_Shopping\\_Centres.php](https://www.retail-systems.com/rs/GWS_Wi-Fi_Connectivity_Shopping_Centres.php)> accessed 15 August 2022

<sup>69</sup> *Ibid*

<sup>70</sup> *Ibid*

<sup>71</sup> Zee News, 'UPI server down, Paytm, Google Pay transactions fail' (*Zee News*, 9 January 2022) <<https://zeenews.india.com/technology/upi-server-down-paytm-google-pay-transactions-fail-2426629.html>> accessed 15 August 2022

<sup>72</sup> *Ibid*

might use this tremendous potential to increase tax revenues by exploring measures to increase financial inclusion.<sup>73</sup> Incentivizing online payment tools improves financial security and enforces anti-fraud measures; in general, people have cash in hand for facilitating small payments for the purchase of FMCG and such 'cash in hand' amount can pile up to a decent sum/chunk of cash, and may on occasions be exposed to theft and can get lost without the owner being constantly vigilant.<sup>74</sup>

Cash in hand theft cases are harder to prove without the victim having prior knowledge to have had installed CCTVs in the supposed area in which the crime took place; whereas online payments show a transcript of whom the payment is made toward, the date and time at which the transaction took place, and other minute details.<sup>75</sup> Even if the instrument of payment has been lost, there are other fail-safes in place to prevent fraudulent use of the lost instrument. Hence, it is inferred that the number of monetary thefts will throughout the coming years decrease significantly or at the very least marginally.

## CONCLUSION

The ultimate plan of the RBI and ultimately the Indian Government is quite evident even to a bystander; achieving financial inclusivity. Financial inclusion benefits the country's whole financial system. It improves the accessibility of economic resources. Most significantly, it reinforces the notion of saving among impoverished people in both urban and rural locations. In this way, it consistently contributes to the advancement of the economy. Because of their vulnerable state, many impoverished individuals are defrauded, and sometimes even abused by wealthier landlords and unlicensed moneylenders. This critical and dangerous condition may be remedied with the aid of financial inclusion.

Financial inclusion is bringing poor individuals into the official banking system in order to secure their little finances for the future. Financial inclusion attempts to provide digital financial solutions to the nation's economically disadvantaged citizens. To introduce mobile banking or

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<sup>73</sup> Gamze Oz-Yalaman, 'Financial inclusion and tax revenue' (2019) 19(3) Central Bank Review 107-113

<sup>74</sup> *Ibid*

<sup>75</sup> *Ibid*

financial services in order to serve the poorest individuals in the country's most distant places and empower them with financial literacy. The new Framework is designed to solve the last mile problems that the current digitalized payment system suffers from; ironically what empowers e-payments or digital payments is what halts or prevents inclusivity i.e. irregularities or thereof complete lack of internet connectivity.

Unequivocally, the Framework will face issues after its imminent launch across all platforms and instruments but that is a necessity to be had. The RBI will ponder upon questions like '*were the pilot testing results adequate to go by?*'<sup>76</sup> Arising problems will be in need of tending and further reforms. The government has inter alia, financed and talked about many initiatives that it has planned for the future vis-à-vis investing and developing the FinTec sector via technological advancements and possible solutions.<sup>77</sup>

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<sup>76</sup> International Financial Services Centres Authority, 'IFSCA's InFINITY Forum: India's beyond boundaries Fintech event' (International Financial Services Centres Authority, 17 November 2021)

<[https://www.ifsc.gov.in/Document/Legal/press-release-infinity-forum\\_ifsca-v218112021101550.pdf](https://www.ifsc.gov.in/Document/Legal/press-release-infinity-forum_ifsca-v218112021101550.pdf)>  
accessed 15 August 2022

<sup>77</sup> *Ibid*