

# THE HINDU BusinessLine

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## Incentivise electronic payments: Rajan

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RBI Governor Raghuram Rajan said on Monday that merchants and individuals should be incentivised to use the electronic payments channel.

“Merchants with increasing electronic transactions should be given tax credits by authorities,” Rajan said, adding that individuals can be rewarded by various means such as periodic lotteries.

“Cash usage has gone up in recent months and we are trying to understand the reasons,” he said. A possible reason could be the intention to avoid being tracked by formal systems of payments, he said at the 12<sup>th</sup> IDRBT Banking Technology Excellence Awards function here.

### Help for MSMEs

“Another significant area has been the Trade Receivables Discounting System (TReDS), which ought to be a game-changer for meeting the financing needs of the micro, small and medium enterprise (MSME) segment,” he said.

MSMEs are getting squeezed all the time by their large buyers, who pay after long delays. All would be better off if the MSME could sell its claims on the large buyer in the market.

The MSME would get its money quickly, while the market would get a claim on the better rated large buyer instead of holding a claim on the MSME.

“All this will happen as the three Trade-Receiveables Discounting Systems, which the RBI has licensed, start later this financial year. The key is to reduce transaction costs by automating almost every aspect of the transaction so that even the smallest MSMEs can benefit,” he added. The country was in the midst of a payment revolution, Rajan said, adding that there is ‘tremendous’ opportunity to solve some of the critical problems of the financial system such as financial inclusion.

R Gandhi, Deputy Governor, RBI, said financial technology companies were direct competitors to banks and banks need to handle them carefully without inhibiting innovations. “Banks have to find ways to cooperate, co-opt and compete with the FinTech companies,” he said.

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