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# Exploring models to promote digital payments adoption in the era of DPIs

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## Key points

- Digital payments are a critical on-ramp for people around the world to transact in the formal economy and for governments to drive economic development and inclusive growth.

- In an era where digital public infrastructures (DPIs) are in the headlines, developing country governments seeking to promote digital payments can look at several alternative models that have proliferated globally.

- These models have included a mix of three policy instruments to promote digital payments adoption and use: enacting fiscal incentives to catalyze private sector-led solutions, creating public-private partnerships to pilot and promote payments innovation, and prioritizing consumer choice by ensuring a level playing field in payments markets.

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**Digital payments** are a critical on-ramp for people around the world to transact in the formal economy and for governments to drive economic development and inclusive growth. For example, a recent BIS working paper suggests that a one-percentage point increase in digital payments use leads to a 0.1 percentage point growth in GDP per capita over a two-year period. Great progress has been made during the past decade to promote financial inclusion and digital payments. According to the latest World Bank Global Findex in 2021, 71 percent of adults in developing economies have a formal financial account—compared with 42 percent a decade ago—and 57 percent make or receive digital payments, compared with 35 percent in 2014.

October's Global DPI Summit in Cairo and the IMF-World Bank fall meetings highlighted one of the defining debates of our time: the role of government in building digital infrastructures such as digital identity and payments systems. The topic has also received attention at other key international forums. During the 2023 G20 Summit in New Delhi, India made digital public infrastructures (DPIs) a key focus of the event—highlighting recent achievements such as the Aadhar digital identity and UPI payments systems. In June 2024, Brazil further amplified discussion of DPIs during a virtual workshop by highlighting their own federal government platform (Gov.br), which offers access to digital services. Brazil has also been particularly active in promoting the fast payment system Pix, owned and operated by the Central Bank, that enables account-to-account payments among Brazilians.

However, developing and emerging markets that are eager to expand digital payments use in their economies can consider other, private sector-led models that have catalyzed digital payments adoption around the world—including in countries such as Uruguay and Kazakhstan, whose digital journey was analyzed in a recent article. In addition, payment systems, including any government-led systems, need to be based on sound and transparent governance, adhere to international standards, and promote innovation and competition in the payments market.

There has been a great deal of discussion on DPIs as a means to promote payments digitalization and financial inclusion, including among low-income consumers. While some countries such as Brazil and India have opted to champion a government-led digital payments system, several other countries such as Uruguay, Kazakhstan, Thailand, Sweden, and Singapore have worked for years to build private-sector-led models, with striking success at rapid payments adoption. According to the World Bank's Global Findex database, in Uruguay digital payment use surged from 33 percent in 2014 to at 60 percent in 2021, in Kazakhstan from 23 percent to 67 percent, and in Thailand from only 22 percent to 80 percent. Singapore and Sweden have had high adoption rates for a longer time, reaching 91 percent and 98 percent in 2021. These countries have used a mix of three policy instruments to promote digital payments adoption and use: enacting fiscal incentives to catalyze private sector-led solutions, creating public-private partnerships to pilot and promote payments innovation, and prioritizing consumer choice by ensuring a level playing field in payments markets. **Let's focus on each in turn.**

**First,** some of the most successful countries in propelling payments adoption have pursued fiscal policies to kickstart the use of digital payments and then let market forces take over. Take Uruguay, where over 60 percent of the population used digital payments by 2021, up from 32 percent in 2014 when Uruguay's Financial Inclusion Law (FIL) was introduced.

The FIL required employers to pay wages and social security benefits digitally, and promoted the use of debit cards without charges for cash withdrawals or payments. The government also offered consumers a four percent discount on the value added tax on debit card purchases and two percent for credit cards, and subsidized businesses that installed point-of-sale (POS) devices. The result was over 20-fold growth in debit card transactions in 2013-17 (while cash withdrawals dropped and credit card use was not cannibalized). The efficiency gains from digital payments to consumers resulted in permanent behavioral change: Digital payments continued growing even after the recalibration of the fiscal incentives. Today, half of Uruguayans think cash will play a decreasing role in transactions heading toward 2030.

**Second,** countries that have succeeded at payments digitalization have championed private sector-led models and public-private partnerships conducive to market-led solutions and innovation. In Uruguay, the government granted licenses for electronic money providers (Instituciones Emisoras de Dinero Electrónico or IEDE) that facilitated the entry of new players into the market and fostered competition and innovation. The public and private sectors then joined forces to advertise e-payments. In Kazakhstan, the government and the National Bank have worked closely with the country's private banks to develop digital and payments infrastructure and promote bank-led solutions such as the Kaspi digital wallet and superapps that have fueled e-commerce and online lending. The government has also worked with banks to integrate government services into banks' superapps, for Kazakhs to conveniently transact with the government. These initiatives have helped increase the share of population using digital payments from 23 percent in 2014 to 67 percent in 2021 and grow the share of digital transactions from only seven percent in 2014 to 89 percent in 2024.

There are also many examples of successful fast payment systems that have not been created and operated solely by the government. For example, Sweden's Swish—used by 82 percent of Swedes—was co-developed through a public-private partnership between major Swedish banks and the Riksbank, the Swedish central bank, and is operated by four leading banks. Similarly, Singapore's instant payment system FAST is owned by the Association of Banks Singapore.

**Third,** Uruguay, Estonia, Singapore, and Sweden, among others, have adopted policies conducive to user convenience and choice in payments—in particular, open and competitive payments markets and level playing fields among providers. In Uruguay, a number of regulations alongside the FIL such as the Regulations for Interoperability of Digital Payments promoted competition among payments providers, maximizing choice for merchants. A 2017 modification to digital payments law further promoted interoperability, including between financial intermediaries and electronic money providers. In Peru, where digital payments use is expanding, the Central Reserve Bank of Peru (BCRP) is driving interoperability between all digital wallets and mobile payments, such as the widely used PLIN and Yape. These design choices promote inclusion and competition among all players in the payment market supports user choice and network effects.

In an era where DPIs are in the headlines, developing country governments seeking to promote digital payments can look at several alternative models that have proliferated globally. A look around the world shows that private sector solutions and public-private partnerships, supported by savvy incentives and a robust enabling environment, offer a path to sustainable digital payments adoption and innovation.

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VEEI's overarching mission is to promote public policies that empower individuals, small businesses, and economies. It produces research and insights that inform long-term policy within the global payments ecosystem. Visa established VEEI as the next step in its ongoing work to remove barriers to economic empowerment and to create more inclusive, equitable economic opportunities for everyone, everywhere.

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