



Inclusive Cashless
Payment Partnership

Why I tried digital – a dairy distributor's story



The daily drill of payment collection

Sitting in his office in Jaipur, India, K.P Jain recalls how he began his dairy milk distribution business in 2002 with just two zones, which have now grown to six zones covering about 250 milk booths. Jain is the crucial link in the dairy supply chain and is in-charge of collecting the milk supply from Saras Dairy, distributing milk twice a day to all the booths and then collecting payments.

He manages this extensive operation with 25 employees, eight of them are solely dedicated to collecting payments in cash. The reason, he says, is the need for time-bound collections from all the booths where the only form of payment is 'cash' - while the payment he makes to Saras Dairy needs to be either 'digital' or 'through cheques'.

Thus, every day these employees head out to their 30-40 dedicated booths collecting cash, which takes them up to 3 hours to complete. On returning back to the office, they reconcile the collections and then ensure that the manual entries for each booth is made on the accounting software. Two or three employees then carry all the collections to be deposited in the bank in order to make the payment to Saras Dairy. In case of any shortfalls in collections due to late or part payments by retailers, the distributor needs to make up the difference.



Challenges continue with cash or cheque based payments

When asked about challenges associated with operating in cash, Jain says, "It is a huge amount of risk for our employees to be carrying Rs. 5-8 lakhs (~ USD \$6,500-10,500) on a daily basis." In order to avoid risks, they use supply trucks, car, or in some cases, bikes for cash collection. While there have rarely been cases of theft here, in January this year one of his cash collection employees was shot at in order to steal the cash. In order to mitigate the risks of carrying cash, he did try to implement a cheque-based collection system in January 2018 but it was not successful. Only a handful of retailers tried it for around 2 weeks, but they faced issues around cheques bouncing, delays in clearing and in money reflecting in their accounts, which led to problems in accounting and reconciliation.



The hook to go digital-instant payment and safety of cash collection team

Realizing the risks associated with cash, he agreed to pilot a UPI-based payments solution being offered by PayBee a few months ago. *“Instant payments credited to my account and security of the cash collection employees are the primary reasons for piloting the solution,”* he stated. He expected at least 50 booths to adopt the solution and that he would be able to save on fuel costs as well as time spent by employees, which could be spent in selling other items such as ghee (oil). However, he did not expect it to be a smooth ride. He expected challenges from retailers who might not be willing to go to banks every day to deposit money, not be comfortable using an app-based solution and/or making payments until his employees physically visit the stores.



While he is happy with the results so far; particularly since he gets payments directly to his bank account; he feels he will start seeing greater benefits once at least 50 retailers start paying digitally. At the moment, he has about 11 retailers who pay him digitally. Retailers who started using the solution usually pay on their own without requiring any handholding. He also understands the benefits of realtime payment updates on the app itself. He says, *“While my employees are more comfortable doing the reconciliation process manually, they are starting to use the app to track payments.”*



The idea of digitization is good but timely payments is an issue

When discussing expansion of the scope of digital payments he is mindful of the challenges particularly around behaviour change of retailers, which could include getting them to make regular bank visits or getting them comfortable in using the payment application on their phones. Another challenge they face is timely payments from booth owners which would still be an issue even with digital payments. Even for on-boarding a retailer on the solution, the PayBee sales team visits the booth along with Jain’s employee in order to build trust and ensure accurate, complete and timely payments.

Talking about the future, he says, *“The whole idea of digitization is very good for the whole industry, if we achieve 100% conversion.”*