

Digital Payment System in India: A Brief Study

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Abstract

The demonetization caused the use of digital payments to skyrocket. An exponential increase in the use of digital payment is possible thanks to government initiatives like Digital India and rising mobile and internet usage. More transaction transparency thanks to the shift to digital payments strengthens the nation's economy. For a smooth transition to digital payments, various improvements have recently been made to the payment system, including the introduction of digital wallets, UPI, and BHIM apps. This research paper's goal is to examine the benefits of payment system digitization.

Indexed term- Digital Payment, Cashless, Digitalization, E- payment, financial technology, Adaptability.

Introduction

What proportions of the nation's overall population use technology-based payments the most. Rest why not employing the same justifications for utilizing that technology and how it attracted a lot of people's attention. When it all started to bloom up their importance in practical. How does it get twisted when it cannot reach a large number of people and Further with issues relating to economic growth and independent enhancement of study conducted by experts who have prepared new report by the world- bank research development group and with the results obtained a conclusion on what basis these Digital wallets and UPI payments avail instantaneous benefit of advantage for receivers as well as senders through Digital wallets in emerging countries, and therefore find ability to escalate the transactions from minimal usage to maximum utilization of the Fintech, thereby every person in the country can get access to different Digital wallets. In our article we also spotlight on how digital payments help increase the financial freedom of women by moving them from the limitations of a cash-only economy and connecting them with the financial mainstream.

There is a very strong consumer momentum in favour of digital payments and online banking driven by a very well-developed ecosystem. Consumers are also able to perceive the advantages and disadvantages of different digital payment products available, signaling a well-developed consumer environment as well.

Review of Literature

Balazs Vinnai, general manager, Digital Channels, Misys(April 25, 2016), says that In order to transition from first to second generation digital banking—and to make digital the principal sales and communication channel for banks—banks must take into account new digital channels as part of an integrated strategy. "Reengineering processes around the consumer is challenging, but if banks want to be competitive and relevant, they must embrace digital banking.

Sanghita Roy, Dr. Indrajit Sinha (2014) ,noted that although India's e-payment system has experienced significant progress, there is still more that needs to be done to enhance utilisation. Nonetheless, cash is used in 90% of transactions. Technological Acceptance Model was employed for the investigation. They observed that the four variables that help to strengthen the electronic payment system are innovation, incentive, customer convenience, and legal framework.

Research gap

The government, the Reserve Bank of India, banks, financial institutions, payment service providers, internet service providers, smartphone users, and, most significantly, bank account holders make up the majority of participants in India's digital payment system. There have been numerous studies conducted to evaluate financial inclusion, but few have focused on digital financial inclusion. Many studies have been done to determine the level of acceptance of digital payments, behavioural attitudes about the use of digital services, types of payment systems, and factors influencing the usage of digital payment choices. The retail digital payment segment of the digital payment industry has grown significantly since the launch of UPI in 2016, despite all the obstacles to its acceptance. Cash is still regarded as the supreme payment method, nevertheless. An examination of the development of digital payments across time Sector in India must be investigated, and the digital ecosystem must be examined to determine the reasons influencing its development.

Objective of the study

1. To study the concept of digital payment system and cashless transactions
2. To know about the impact and future scope of digital payment method
3. To know the advantages and barriers of cashless transactions.

Research methodology

In this study, the exploratory research approach is used to understand the growth profile of Indian digital payment system. Information was gathered by exploring secondary sources such as circulars/notifications issued by Reserve Bank of India, working papers, news articles, published research papers searched through Google Scholar and other internet sources.

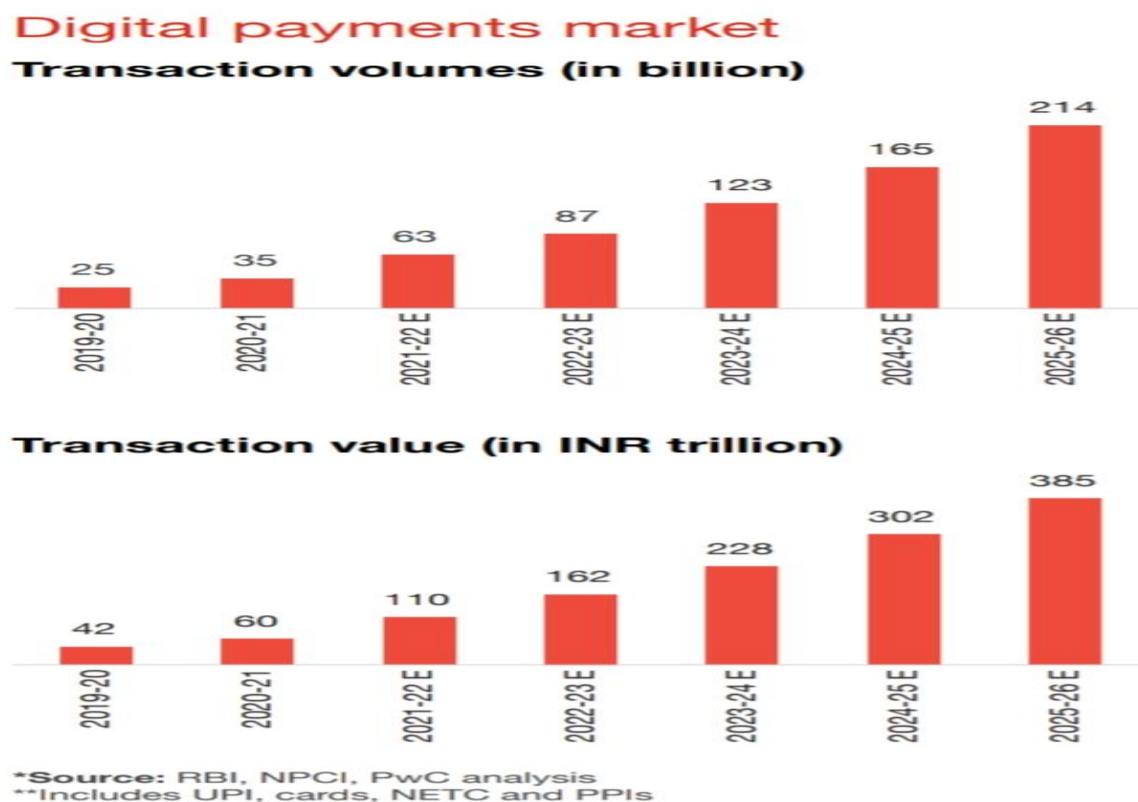
Effect of Demonetisation

Demonetization undoubtedly aided the adoption of digital payments. The country's demonetization on November 8, 2016, marked a watershed moment in the country's economy, with massive cash transactions taking place. Digital payments have changed everyone's way of life since demonetization, and the country's cashless economy is one among the key benefits of demonetization. Every disturbance, it is claimed, offers

possibilities, and the announcement of demonetization was one such disruption. Demonetization provided a significant development opportunity for digital payments in India, and digital wallet businesses seized it with both hands to increase their market share. For Indian customers, demonetization has provided a different opportunity for the adoption of digital payment as an alternative to cash.

FUTURE OF DIGITAL PAYMENTS IN INDIA

Digital payments have grown sharply in the past few years and the payments industry in India is expected to grow to US\$ 700 billion in 2022. The pandemic gave a strong boost to the Indian digital payments industry and increasingly more users are switching to digital modes every day. India's digital payments market is expected to expand to US\$ 1 trillion by 2023. By 2025, India's digital payment industry is projected to grow to more than 300% of its current size.



Digital payment method

Banking Card/ Debit card/ credit card

A bank card is a particular kind of plastic card that is sent out to its customers and serves one or more of many functions related to granting the customer access to a bank account. On a bank card's surface, the client's name, the issuer's name, and a specific card number are typically printed. It will include a magnetic strip on the back that will allow information to be read and accessed by many equipment. This may allow the card to be used as an ATM card, enabling transactions at automated teller machines, or as a debit card, linked to the client's bank account and able to be used for making purchases at the point of sale, depending on the issuing bank and the client's wishes.

Unstructured supplementary service data (USSD)

The USSD (Unstructured Supplementary Service Data) channel is used by the cutting-edge transition service *99#. Using this service, mobile banking transactions can be completed using a simple feature phone; a mobile internet data plan is not required to use USSD-based mobile banking. The goal is to deepen financial access and bring underbanked groups into the mainstream of banking services.

Aadhaar Enabled Payment System (AEPS)

AEPS is a bank-led model for digital payments that was initiated to leverage the presence and reach of Aadhar. Under this system, customers can use their Aadhaar-linked accounts to transfer money between two Aadhaar linked Bank Accounts. As of February 2020, AEPS had crossed more than 205 million as per NPCI data.

AEPS doesn't require any physical activity like visiting a branch, using debit or credit cards or making a signature on a document. This bank-led model allows digital payments at PoS (Point of Sale / Micro ATM) via a Business Correspondent(also known as Bank Mitra) using Aadhaar authentication. The AePS fees for Cash withdrawal at BC Points are around Rs.15

The government of India introduced the Digital India program in 2015 in an effort to turn India into a society and knowledge economy that is empowered by technology. The initiative focuses on three primary vision areas: governance and services on demand, digital citizen empowerment, and digital infrastructure as a core utility for every citizen. The government wants to ensure that high-speed Internet is accessible, that every

citizen has access to mobile devices and bank accounts, that real-time services are available from online and mobile platforms, that financial transactions are electronic and cashless, and that digital resources are accessible throughout the nation.

Micro ATM

By connecting low-cost machines (micro ATMs) to banks across the nation, the micro platform will enable operation. This would make it possible for someone to instantaneously deposit or withdraw money, regardless of which bank is linked to a certain BC. This device, which would be accessible at any BC, would be dependent on a cell phone connection. Consumers would only need to have their identities verified before they could withdraw money or deposit it into their bank accounts. This cash will come from the BC's cash register. In essence, BCs will serve as the customers' banks, and all they have to do is use the customers' UIDs to confirm the legitimacy of the consumer. Micro ATMs will enable the following transaction types: deposits, withdrawals.

MOBILE BANKING

Using a mobile device, such as a smartphone or tablet, mobile banking is a service offered by a bank or other financial institution that enables its customers to conduct various types of financial transactions remotely. It does this by using software, sometimes referred to as an app, that banks or other financial institutions give. For the mobile platforms of Android, Windows, and iOS, each bank offers its own mobile banking application (s).

UNIFIED PAYMENTS INTERFACE (UPI)

The Unified Payments Interface (UPI) is a system that integrates various bank accounts, smooth fund routing, and merchant payments into a single mobile application (of any participating bank). Additionally, it supports "Peer to Peer" collect requests that may be planned and paid for according to need and convenience. On the mobile platforms of Android, Windows, and iOS, each Bank has its own UPI App (s).

POINT OF SALE

The location where sales are made is called a point of sale (PoS). A PoS can be a city, a market, or a mall on a larger scale. Retailers define a PoS as the location where a customer completes a transaction, like a checkout counter, on a micro level. It is sometimes referred to as a point of sale.

Mobile Wallets

there are several mobile wallets are available and each bank have their own application. The customer can carry digital cash through mobile wallet. By use of wallet customer can link credit card or debit card in mobile device to make transaction. An individual's account is required to be linked to the digital wallet to add the money. The Paytm, Freecharge, Mobikwik, Airtel Money, Jio Money, SBI Buddy, itz Cash, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, Speed Pay etc. are the mobile wallets use in India

INTERNET BANKING

Internet banking, sometimes referred to as online banking, e-banking, or virtual banking, is a type of electronic payment system that allows customers of banks and other financial institutions to carry out a variety of financial transactions via the financial institution's website.

NEFT - National Electronics Fund Transfer

National Electronics Fund Transfer (NEFT) is a country-wide electronic fund transfer system for sending money from one bank account to another in a safe and hassle-free manner.

Real Time Gross Settlement (RTGS)

The continuous (real-time) settlement of money transfers is known as real-time gross settlement (RTGS) (without netting). "Real Time" refers to processing instructions as soon as they are received rather than at a later time. "Gross Settlement" refers to the individual settlement of each funds transfer instruction (on an instruction by instruction basis).

Electronic Clearing System (ECS)

ECS is an alternative method for carrying out payment transactions for utility bills, such as phone and electricity bills, insurance premiums, card payments, loan repayments, etc., which would eliminate the need for issuing and handling paper instruments and allow banks, businesses, corporations, government agencies, etc., collecting the payments, to provide better customer service.

Immediate Payment Service (IMPS)

IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM which is not only safe but also economical both in financial and non-financial perspectives.

Advantages of Digital Payment system

1. Time Sever: using digital payment system customer can pay to merchant transfer money quickly and no need to make payment by cheque and waiting for clearing. Because Digital Payment system take less time than traditional payment system.
2. Availabilities: Digital payment system can use by customer from anywhere and anytime there is no need to go banks for every transaction.
3. Easy Purchasing: The Digital payment system provides facility to user for purchasing by using ATM card Credit card and POS therefore it is easy for making transaction and no hard cash required to travel with us.
4. Use of Wallet: The Digital Payment system includes digital wallets which make payment easy and with that wallet customer can get discount as well as cash back.
5. Written record: You often forget to note down your cash spending. Or even if you note, it takes a lot of time. But you do not need to note your spending every time with digital payments. These are automatically recorded in your passbook or inside your E-Wallet app. This helps to maintain your record, track your spending and budget planning.

6. Less Risk: In digital Payment system it provides us securities for every transaction it require MPIN or OTP which can be avoid frauds in the system.

Barriers to Used Digital Payment

1. People use of currency note money: In India people are using currency in High level. People in Rural area in India nearly made transaction 80% in cash. Because it is became traditional and habitual to the people.
2. Computer Illiteracy: There is only 6% people in India are computer literate and near about 90% Indian people don't understand the computer and internet that's why they cannot use the digital payment system.
3. Use of ATM Card: There are many digital payment systems but Indian People still using ATM cards for withdrawal and give money to other. They didn't use M. wallet and digital payment for money transfer.
4. Limited availability of POS: According to the reports of RBI there are 1.44 Million POS terminals installed by banks across locations at the end of July 2016 and it increased by 24% in 2018. There should be involving every trader.
5. Mobile Internet Penetrations Rate: The use of mobile remains weak in rural India. For setting transaction digitally internet connection is requires but the connectivity are not available in the rural area.
6. Risk and Security: The Indian people still don't believe in online transaction. And they feel that the traditional system is good and faithful. And also not believe in Security of the transaction.
7. Training: There is a communication gap between bank and their customer. It requires giving training about use of online and payment system but banks do not provides any training program to increase the digitalization.
8. Public sector banks: There are 80% share of finance sector is occupied by public sector banks and the public sector banks started the digitalization from 1996. That's why it is in progressive trend. Private sector banks are ahead in digitalization to public sector banks.

Finding/ Results

The study claims that since the National Payment Corporation of India (NPCI) implemented UPI in 2016, the digital payment market in India has experienced significant growth. The Direct Benefit Transfer (DBT) initiative of the government allowed. the nation where all inhabitants have access to banking services and has

achieved financial inclusion. By ensuring safe, quick, affordable, and secure payment options, government regulations, regulator intentions, social behavior, rising smartphone usage, and other factors had a significant impact on the development of the digital payment industry.

Conclusion

The study looks at how consumers in India's banking industry would be affected by the adoption of digital payments. Together, the results provide us with a crucial policy compass that can help the nation enhance its use of cashless transactions. The findings show that the adoption of digital payment technology has enhanced banking sector performance and made it possible to realise the goal of a cashless society. The survey places attention on the proportion of people who are conscious of making the most of technology. Banks need to do a better job of educating people about how to use technology and security effectively.

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