

GROWTH OF ONLINE PAYMENT SYSTEMS IN INDIA – A STUDY

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Abstract:

A payment is the trade of value from one party another for goods, or services, or to fulfil a legal obligation. Payment will take a variety of forms. Barter, the exchange of one smart or service for an additional, could be a variety of payment. The foremost common suggests that of payment involve use of cash, cheque, debit, credit or bank transfers. The uncertainties of transaction handling risk are identified as some of the most important issues influencing consumers' to taking advantage of on-line payments. On 8th November 2016 Indian government announced Demonetisation, then the traditional transactions like money withdrawals and deposits are become major issues for customers. As the country moves towards a cashless environment after demonetization, the initial panic and confusion have given way to a flurry of concerns. For this the banks also concentrated on online payments system like IMPS, RTGS, E-Cheques, UPI and Aadhar based payments etc rather than traditional payments system. The present study is conducted to find out the different modes of online payment systems provided by the banks and to find out the growth of different online payment platforms in India.

Key words: Online payment systems, demonetization, online payment developments.

1. Introduction:

Payment: A payment is the transfer of one form of good, service or financial asset in exchange for another form of good, service or financial asset in proportions that have been previously agreed upon by all parties involved. Payment can be made in the form of funds, assets or services. Today's monetary system permits for payments to be created with currency. Currency, that has simplified the means that of economic transactions, provides a convenient medium through that payments are often made; it can even be simply keep. Payment can be defined as Compensation,

discharge or performance of an obligation, or reimbursement, by giving over something that is of satisfactory value to its recipient, such as money.

A Brief History of Cash Money

<i>Direct exchange of goods</i>	-Problematic since "double coincidence of wants" is required
<i>Commodity payment</i>	-Exchange with goods of well-known value (e.g. corn, salt, gold) -Leading to gold and silver coins
<i>Commodity standard</i>	-Tokens (e.g. paper notes) which are backed by deposits of the issuer
<i>Fiat money</i>	-Assuming a highly stable economy and government -Tokens no longer (or not fully) backed by deposits -Trust in the issuer replaces deposits
<i>Cash is used for 80% of all financial transactions</i>	-Cash is not free of transaction costs! -Replacement of coins/notes paid out of taxes

Types of payment systems:

There are mainly two types of payment systems they are

Traditional payment system (Exchanging)

Online payment system (Provisioning)

Former method of payment system involves the use of money, comprising bank notes and coins. The later one involves the transfer of money from one account to another, and it involves a third party, third party may be bank or any financial institution. Credit card, debit card, cheque and money transfers are all electronic payments methods. Electronic payments technologies include magnetic stripe cards, smartcards, contactless cards, and mobile payments.

Online Payment systems – An Overview:

UPI: Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).

BHIM: Bharat Interface for Money is a mobile payment app developed by the National Payments Corporation of India (NPCI), based on the Unified Payments Interface (UPI).

RTGS: Real-time gross settlement (RTGS) systems are specialist funds transfer systems where the transfer of money or securities¹ takes place from one bank to any other bank on a "real time" and on a "gross" basis. Settlement in "real time" means a payment transaction is not subjected to any waiting period, with transactions being settled as soon as they are processed.

IMPS: Immediate Payment Service (IMPS) is an instant payment inter-bank electronic funds transfer system in India. IMPS offer an inter-bank electronic fund transfer service through mobile phones. Unlike NEFT and RTGS, the service is available 24/7 throughout the year including bank holidays.

NETC: National Payments Corporation of India (NPCI) has developed the National Electronic Toll Collection (NETC) program to meet the electronic tolling requirements of the Indian market. It offers an interoperable nationwide tollpayment solution including clearing house services for settlement and dispute management.

The announcement of demonetisation was followed by prolonged cash shortages in the weeks that followed, which created significant disruption throughout the economy. People seeking to exchange their banknotes had to stand in lengthy queues, and several deaths were linked to the rush to exchange cash. The push for the digital payments was one of the stated intentions of the demonetisation. There was immediate and sharp jump in the digital payments in November–December 2016 owing to shortage of cash. The debit card point of sale transactions was twice the size of value suggested by trend before the demonetisation. The mobile wallet transactions picked immediately after the demonetisation followed by dip in mid-2017 due to easing cash shortage. There was again sharp rise thereafter. By April 2018, the volume of the digital payments had doubled. After return of the cash, the growth in digital payment had been modest.

2. Review of Literature:

Rupa Jajoo and Vani Laturkar (2011) explained that debit cards are the main component of the retail payment system and emphasised that card transactions reduced cash transactions in the retail sector by about 5 per cent and that with the costs for printing banknotes being of the order of 2800 crore annually card usage at POS leads to about 140 crore of savings in currency management.

K.P. Radhika & P. Ambiga Devi (2018) study attempted to analyse the Baumol Tobin model of demand for money in light of the adoption of electronic payment instruments via debit and credit cards among the select households of Coimbatore City revealed that from across the range of transactions, more than 50 per cent of the respondents preferred "cash-payment" for values lesser than ₹ 10,000, indicating its preference for "low-value transactions".

¹ Committee on Payment and Settlement Systems of the central banks of the Group of Ten countries (March 1997). "Real-Time Gross Settlement Systems" (PDF). Bank for International Settlements: 14. Archived (PDF) from the original on 2010-10-20.

K. Suma Vally & K. Hema Divya focuses on the analysis of the adoption level of these digital payment systems by customers. They indicate that the deployment of technology for digital payments have improved the performance of banking sector and able to achieve the motive cash less country and emphasis to the percentage of awareness on maximum utilization of technology and suggest that Banks should take effective measures in creating awareness towards the effective usage of technology and security

Prof. Pushpa S. Abbigeri & Dr. Rajeshwari M. Shettar (2018) highlights on the various modes of payments, benefits of cashless economy and preparedness for the implementation of the cashless economy by Indian Government and found that, the payment system initiatives taken by the government and RBI have resulted in greater acceptance and deeper penetration of non-cash payment modes.

Sujith T S & Julie C D (2015) aimed to identify the issues and challenges of electronic payment systems and offer some solutions to improve the e-payment system and studied that E-payment system not only provides more opportunities but many threats also.

3. Research Methodology:

The study based on secondary information/data. Different journals, newspapers, books and relevant websites have been consulted in order to make the study an effective one. The present study is an attempt to find out the growth of online payment systems in India.

4. Objective of the study:

The main objective of this study is to know growth of online payment systems in India.

5. Scope of the study:

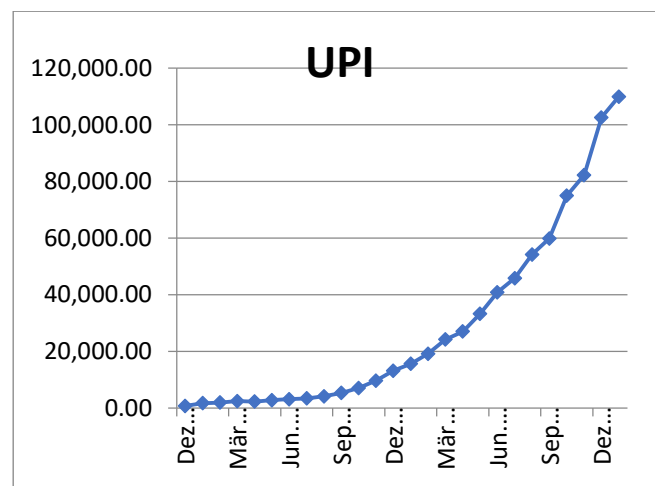
The scope of this study is mainly focuses on the growth of online payment systems in India after demonetization is taken place in 08th Nov 2016 to Feb 2019.

6. Growth of Online Payment Systems in India:

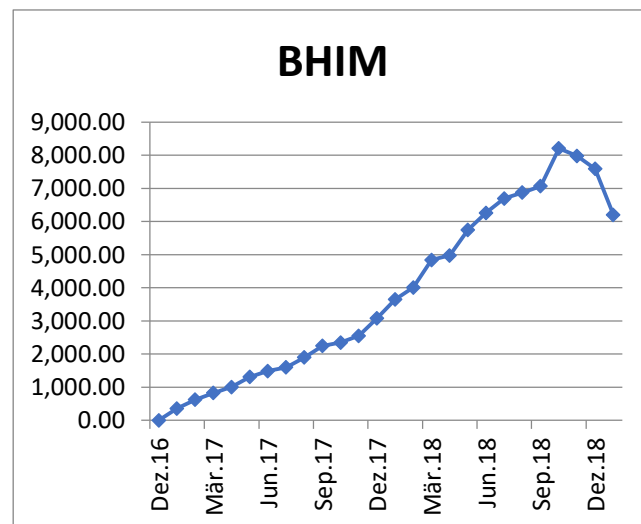
After demonetization has taken place availability of physical money is limited to small number amounts in the hands of people in India. Because of this the need of online payments has been increased drastically. Then the government of India has taken initiatives for providing facilities of online payment systems through BHIM app, which works using the UPI system for transferring money from one person to another person.

i. UPI:

The below chart shows the payments through UPI system have been increasing day by day. After demonetization has taken place the use of UPI payment system has increased more from March 2017.

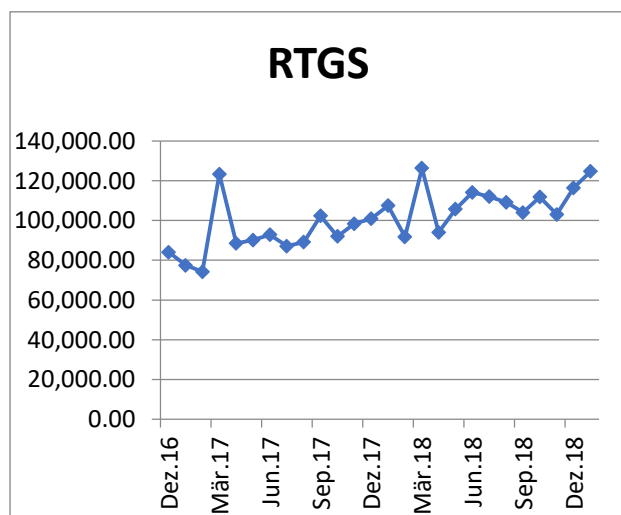


ii. BHIM:



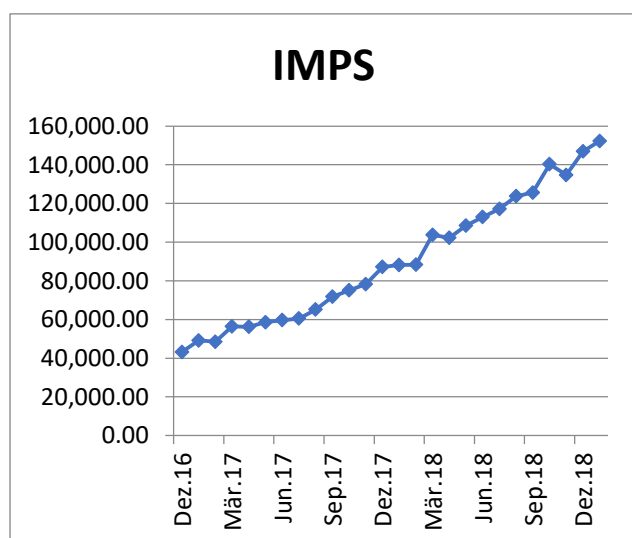
From the above chart we can see that firstly the payments through BHIM app have increased up to the date of Oct-2018 thereafter it has faced the reducing line of trend in payments through this mode.

iii. RTGS:



The above chart shows that payments through RTGS have been fluctuating from the beginning of the demonetization. Starting the payments through RTGS has decreased and increased in Mar-2017, and again fluctuated with increase and decrease in amounts of payment, and again hit the top mark in the year Mar-2018, and decrease and continues with fluctuating values.

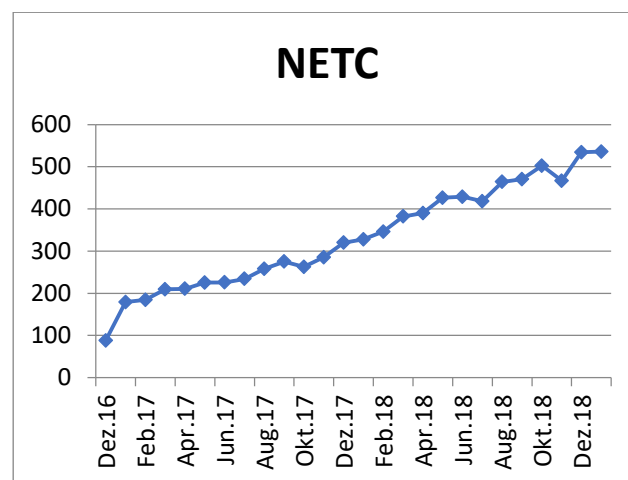
iv. IMPS:



As we can see the chart above it shows the payments through IMPS have been increasing continuously with little bit of fluctuations in some months, overall the payments through

this methods have been increased in an increasing trend.

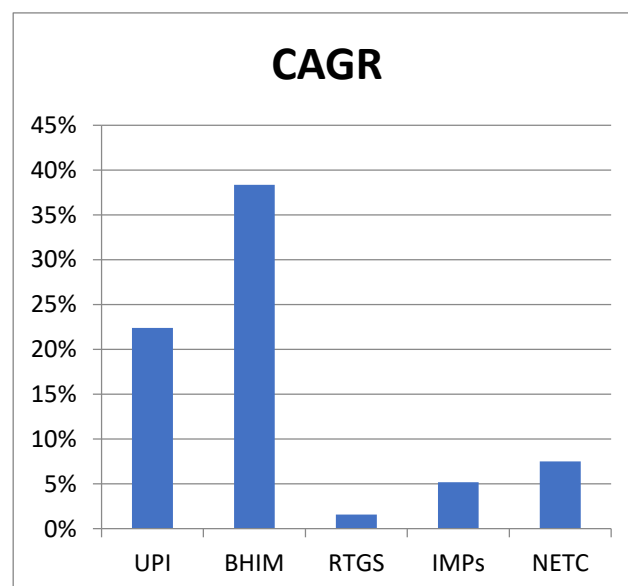
v. NETC:



The above chart shows the payment of toll fees using NETC. The picture shows that payment of too fee through online payment system have been increasing with little bit of fluctuations in the trend from the date of demonetization up to Jan-2019.

7. Compound Annual Growth Rate (CAGR):

CAGR is a business and investing specific term for the geometric progression ratio that provides a constant rate of return over the time period.



The above chart explains the CAGR of different payment methods across different years. In the various payment methods BHIM has the annual growth of 38% in the recent years and having 51% of share among the various payment methods. RTGS have the least growth of 2% in recent years and 2% in various payment systems.

8. Findings & Conclusion:

From the study we can find that growth of online payment methods are increasing. This study suggest that online payments systems provide lots of benefits to users for transfer of money from one user to another user in terms of UPI, RTGS, IMPS, BHIM and NETC. They provide the users for quick transfer of money. From the study we can say that the payments through online payments in India are increased from day to day.

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