



DIGITAL PAYMENT SYSTEM IN INDIA: OPPORTUNITIES AND CHALLENGES

Mr. Santosh Y. Lande

Assistant Professor, Department of Commerce

SPJ Arts and Commerce College, Pabal, Pune

Abstract:-

The main aim of this research paper is to explore in India a digital payment system, and thus identify Opportunities and Challenges. The government of India initiated a mission “Digital India” for promoting digitalization. The digital payment system has been introduced to promote cashless transactions to create cashless society. The research paper discusses conceptual framework, digital payment platforms, instruments and services available in the Indian economy. The paper also defines strategies to overcome the challenges faced by the economy in digitizing the financial system.

Keywords: Digital Payment, Cashless System, Online Payment System.

Introduction:

The Government of India on 8th November, 2016, announced demonetization of old currency notes of Rs. 500 and Rs. 1000. The Government came up with the idea of digital India long back and the process was started with Jan Dhan Yojana, Adhaar Linked to Account, and Income Declaration Scheme. Demonetization compelled all the people to come in the system and deposit their money in their respective banks with a valid proof. Demonetization was done to overcome with the problem of black money, corruption, terrorist funding, and fake currency and reduce cross border terrorism.

The Government of India necessitate people to disclose their black money and has created a situation where public is promoted to use digital payment channels for which

government already created infrastructure. Due to shortage of small currency notes and restricted withdrawal of new currency, withdrawing cash has become difficult; people are forced to think of some other payment mechanism like digital payment for their routine activities. This step is definitely going to boost the digital payment platforms and will drive India towards digital India. During this period Government initiated various steps to digital payment. Government created awareness among people towards e-payment and given boost to electronic payment private platforms.

Digital payment is a way of payment which is made through digital modes. Digital payment is also known as electronic payment. Digital Payment is faster more suitable, and planned to meet various needs. Digital payment offers the facility to deposit cheques, manage bank accounts, payment of bills and transfer money at anytime and from anywhere by just a clicks.

Objectives of the Study:

- To study the concept of Digital Payment
- To know the different modes of Digital Payment
- To identify various benefits of Digital Payment
- To know the opportunities and challenges of digital payment system in India

Research Methodology:

The study of the paper is depends on the secondary data. The researcher collect of secondary data from the sources such as Government publications, various books, national and international journals, publications from various websites which focused on various aspect of digital payment system in India.

Concept of Digital Payment:

Digital Payment refers to electronic consumer transactions, which include payments for goods and services that are made over the internet, mobile payments of point-of-sale (PoS) via Smartphone applications (Apps) and peer-to-peer transfers between private users.

Advantages of Digital Payment:

➤ **Time Saving:-**

Digital Payment system saves time as it does not require to go into bank, wait in queue, fill withdrawal slip or deposit slip. Digital transactions can be made within in a hour, minute or within a few seconds with one click.

➤ **Easy and Convenient:-**

Digital Payment is easy and convenient. Transaction can be made through mobile, computers or through tablet.

➤ **Cost Effective to Banks:-**

If a transaction is done manually at the branch of the bank it costs Rs. 40 to 45 but if the same transaction is done through online it costs roughly Rs. 7 to Rs. 8. This reduces the cost of operation for the bank and also makes it convenient for both banker and the customer.

➤ **Pay or Send Money from anywhere:-**

With digital payment modes, you can pay from anytime anywhere.

➤ **Written Record:-**

You often forget to note down your 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 payment. Transactions are automatically recorded.

➤ **Safe and Secure:-**

Digital Payment System is a safe way of payment as risk of currying physical cash is eliminated. Apart from that there is other high security in context with digital payment as it requires fingerprint or one time password for every transaction. Also with antivirus online transactions can be made more secure.

➤ **Control of Black Money and check for Anti Money Laundry:-**

There is traceability feature in digital transactions unlike the cash transactions so it is easy to check the anti-money laundry and black money transaction in the country. It reduces many financial scams in our country and enhances the proper economic growth.

➤ **Production of coins and paper currency are reduced:-**

Production of coins and paper currency is indeed on expensive endeavor and the life span of most of the paper currencies is about 6 years so, by going electronic the cost of production gets reduced.

Development of Digital Payment System in India:

In line with government reforms, Prime Minister Narendra Modi has pushed Indian to adopt cashless transactions, giving the digital payment sector a significant boost. The sector is currently experiencing an unprecedented jump in growth since early November, 2016, with digital wallet companies showing a growth of 271% for a total value of Rs. 191 Crore. This is

because of the demonetization of the Rs. 500 and Rs. 1000 currency notes, which represented approximately 86% of Indian cash in circulation.

Prior to the sudden developments in late 2016 enabling a massive disruption in India's payment landscape, a Google-BCG Report estimated that India's digital payment industry would grow to US dollar 500 billion by 2020, contributing to 15% of the country's GDP. An important driver of this growth is India's Smartphone user base, which is the second largest in the world.

In addition to private actors, the Indian Government has also pushed several payment apps, including the Aadhaar payment App, the UPI App, the Bharat Interface for Money (BHIM) App developed by the National Payment Corporation of India (NPCI). Such Apps make it easier to transfer funds in Indian rural community, and more importantly will facilitate a behavioral change towards greater adoption of cashless services. As such, the digital payments industry represents an attractive destination for foreign investors keen to establish a foothold in India.

Modes of Digital Payment:-

The digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of the professed role of digital India. As part of promoting digital India various modes of digital payments are available:-

➤ **Banking Cards(Debit/Credit/Cash/Travel/Other):-**

These cards are the most common form of digital transactions. All you need is bank account with some money in it. Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available- including credit, debit and prepaid- offers enormous flexibility, as well. These cards provide PIN and OTP authentication's for secure payments. Master Card, Visa, Rupay are some of the examples of card payment systems. They save both customers and merchant's time and money, and thus enable them for ease of transaction.

➤ **Internet Bank:-**

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the website.

➤ **Mobile Banking:-**

Mobile banking is another way for making transactions electronically. All you need is a bank account, banking App provided by bank or financial institution and mobile device with GSM network. Cash transfer, bill payment, account balance etc. services are provided on mobile banking.

➤ **Mobile Wallets:-**

Mobile Wallets are the most popular technology sweeping world and India alike. A mobile wallet is a way to carry cash in digital format. All you need is link your credit or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your Smartphone, Tablet or Smart Watch. Your account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies e.g. Paytm, Freecharge, Mobikwik, Airtel Money, Jio Money etc.

➤ **Unstructured Supplementary Service Data (USSD):-**

The Innovative Payment Service *99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of under banked society in the mainstream banking service. *99# service has been launched to take the banking services to every common man across the country. Banking customers can avail the service by dialing *99#, a “Common number across all Telecom Service Providers (TSPs)” on their mobile phone and transact through an interactive menu displayed on the mobile screen. Services offered under *99# service include, interbank account to account fund transfer, balance enquiry, mini statement besides host of other services.

➤ **AEPS:-**

AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale/Micro ATM) through the Business Correspondent (BC)/ Bank mitra of any bank using the Aadhaar Authentication.

➤ **Point of Sale:-**

This facility of digital payment is primarily useful for shop owners or businesses to receive payments. A Point of Sale (PoS) is the place where sales are made on a macro level; a PoS may be a mall, a market or a city. On a micro level, retailers consider a

PoS to be the area where a customer complete transaction, such as a checkout counter. It is also known as Point of Purchase.

➤ **Unified Payments Interface (UPI):-**

Unified Payments Interface (UPI) is a system that powers multiple bank accounts in a single mobile application (of any participating bank), merging several banking features; seamless fund routing and merchant payment into one hood. It is 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).

➤ **Micro ATMs:-**

Micro ATM meant to be a device that is used by millions of Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents (who could be a local kirana shop owner and will act as ‘Micro ATM’) to conduct transactions.

The micro platform will enable function through low cost devices (Micro ATMs) that will be connected to banks across the country. The basic transaction types, to be supported by micro ATM, are deposit, withdrawal, fund transfer and balance enquiry.

Future Consideration of Digital Payment in India:-

In line with Government reforms, Prime Minister Narendra Modi has pushed Indians to adopt cashless transactions, giving the digital payments sector a significant boost. But India is still away from 100% digital Economy. There vast scope for India to have fully digital economy. India is still developing country with a population of around 1.3 billion has more of its people living in rural sector where many of them are not educated and are equipped with modern facilities.

The internet user in India is seeing a rapid growth with 451 million monthly active internet users at end of financial year 2019, India is now second only to China in terms of internet users according to a report by Internet and Mobile Association of India (IAMAI). As of 2016 India had 320.57 million mobiles phone internet users and forecasts estimate 492.68 million Indian mobile phone internet users by 2022. Mobile phone users are 54% which is vary low compared to other countries. Transactions are mainly in cash nearly 95% of transactions take place in cash.

Suggestions to improve Digital Payment System:-

Following are some suggestions to overcome the problems faced by public after demonetization and government promoting digital payment systems rather than using cash.

- Awareness to be created amongst people to use digital technology and mobile apps.
- Advanced security tools, antivirus, anti-malware programs should be used for digital payment to avoid risk of unauthorized access and attack of viruses.
- Internet network availability should be available in villages and remote areas also.
- People should track their transactions and usage history regularly.
- Care should be taken while sharing personal information over phone or social media.
- People should be informed and educated about various financial instrument and usage of mobile technology to access banking facilities.
- Banking transactions should be avoided using public Wi-Fi, avoid accessing social media, bank accounts in internet cafes or on other mobile/computers/laptops.
- The legal framework should be quick enough to punish the culprits as well as proper IT mechanism should exist to avoid any frauds and to ensure the security.
- Charges for online operations of banking facilities should be within the reach of poor account holders.

Conclusion:-

India is gradually transitioning from a cash-centric to digital economy. The future of digital payment is very bright. India is experiencing a remarkable growth in digital payment system. The whole country is undergoing the process of modernization in money transactions, with digital payment services gaining unprecedented momentum. The government has also supporting digital payments a lot. Government of India has also pushed several payment apps for digital payment and encouraging everyone to do transaction with digital payment system.

The digital transaction is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. There are many difficulties in implementing the idea of digital economy like in India where a large number of people are living in rural area and under misery and poverty, yet a beginning had to be made someday. Today, there is a sea change in the mindset of people with regard to digital means of monetary dealing which are safe, easy, convenient and transparent.

References:-

- www.RBI.
- www.cashlessindia.gov.in
- <https://www.dsci.in/sites/default/files/Securing-India%E2%80%99s-Digital-Payment-Frontiers.pdf>
- <https://www.india-briefing.com/news/growth-of-digital-payments-systems-in-india-14797.html/>
- www.indianeconomy.net
- Kaur Manjot, E-Commerce, Kalyani Publication, New Delhi