

Digital Payment System in India

K. Sridevi,

Assistant Professor,

S.S.K.V College of Arts and Science,

Kanchipuram.

Abstract

This Research Paper is based on the in-depth study of applications that deals with Unified Payment Interface (UPI) in India. It shows how the dynamics are changing in the UPI sector and which companies are leading the table. The study was conducted in Pune Region and the survey was done with the help of questionnaire. A response of 82 respondents has been collected and then accordingly a conclusion is made. The Data for the study was also conducted from secondary sources which eventually helped us to get a fair understanding of the Industry. In today's world one word is common that is "Digitalization" and it is also gaining popularity due to increase in use of Smartphone by the people, the same has applied to the financial sector. In India, the Unified Payment Interface (UPI) was launched in the year 2016 by National Payments Corporation of India (NPCI). UPI is a payment server which allows its users to transfer the money on real-time basis from Peer-to-Peer (P2P) or from Person to-Merchant (P2M). It is an application that allows the users to use multiple bank accounts in single application. UPI has become so popular in India, also around world due to its ease of use, security, real-time alerts, etc. In India, UPI is currently in a growth stage and showing a robust growth year-on year. In this research we will have an in-depth study on 5 major UPI apps in India namely Google Pay, PhonePe, Amazon Pay, Paytm and BHIM.

I.INTRODUCTION

Digital payment is a way of payment which is made through digital modes. In digital payments, payer and payee both use digital modes to send and receive money. It is also called electronic payment. No hard cash currency notes) is involved in the digital payments. All the transactions in digital payments are completed through online. It is an instant and convenient make the payment. Digital wallets in emerging countries, and therefore find ability to escalate the transactions from minimal usage to maXmum 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

1. 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,
2. 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 utilization. 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.

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 Demonetization

Demonetization undoubtedly aided the adoption of digital payments. The country's demonetization on 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 Digital Payments in India

Digital payments have grown sharply in the past few years and the payments industry in India



Source: BlueWeave Consulting

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 Aadhaar. 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.

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.

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 becoming 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.
4. Mobile Internet Penetrations Rate: The use of mobile remains weak in rural India. For setting transaction digitally internet connection is requiring but the connectivity is not available in the rural area.
5. 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.
6. 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 provide any training program to increase the digitalization.

7. 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.

II. CONCLUSION

Digital payments do have an impact on customers, as this report properly points out. Different responders received a survey including a set of questions. "Has demonetization really aided the growth of digital payments?" is the issue that arises. Because of the Covid-19 epidemic, digital payments have gotten a boost. The outbreak of the Covid19 virus boosted the popularity of Paytm, a digital payment company. Customers can benefit from digital payments, often known as cashless transactions, in the following ways. - One of the advantages of digital payment is that it makes making online payments more convenient. This means that the payment can be made, and the transaction completed with only one click. Tracking expenditures- Another significant advantage of digital payment is that it allows us to keep track of our spending. This means that we can easily trace how much we spent using certain analytics. It serves as a crucial tool for keeping track of our everyday bills and internet transactions. Lower risk- The third advantage of digital payments is that they help to reduce the risk of losing money. This means that electronic payments are safer. E-payment systems have emerged as a significant facilitating engine in the e-commerce industry. This implies it has given the e-commerce industry a significant boost.

III. REFERENCES

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