

## DIGITAL PAYMENTS IN INDIA: PROBLEMS & PROGRESS

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### Abstract

Nowadays, the digital payment system is a vital aspect of all financial transactions. A cashless society is an economic situation in which we do not utilise actual bank notes and coins as a medium of financial transactions, but instead use digital currency or crypto currency. In India, ICICI Bank was the first to offer online banking services, and Digi Bank is also ahead in terms of digitization of transactional services offered to customers. SBI is a public sector bank that has benefited from digitization.

### 1. Introduction

Traditionally Indian consumer prefers to do transactions in cash. The traditional systems which are generally used for payment in India are Cheques, withdrawals, drafts, money orders, letters of credits, travel cheques etc. A model shift was observed when India announced demonetization on 8th November 2016. This unsolicited push gave birth to the new economy that strives for digital inclusion and sees rapid expansion year on year. The Digital payment system has become the essential part of banking transaction now a day. Cashless society can be designating as an economic state where we do not use physical bank notes and coins as a medium of financial transactions, but digital currency or crypto currency is used. In India ICICI bank was the first one to state the online banking services and Digi bank is also ahead in digitalization of transaction digital services provides to customer. In the public sector bank, SBI is enriched of digitalization. In 2011 SBI launched green Channel to promote digital system and save environment.

Digital payments can help in increasing the employment and in reducing the risks related to cash like corruption, robbery, and carrying large amounts of cash. Digital payments help people to transfer their money with security and safety at high speed (Vidya Shree, Yamuna & Nitua Shree, 2015; Ravi, 2017; Shakir, Wasim Akhtar & Safiuddin, 2017). Today, India is using most common electronic payment systems include Debit Cards, Credit Cards, but the use of Electronic Fund Transfer, Internet Banking, Unified Payment System (UPI), e-commerce payment system, internet banking is not in popular use. Therefore, it is important to know the problems of digital payment system and its progress in India

### Meaning of Digital Payment

If any payment is done with the help of any digital modes, it is called Digital payment. In case of digital payments, both the party utilize digital modes to send and get cash. It is likewise called electronic payment. No hard money is engaged with the digital payments. All the exchanges in digital payments are finished on the web. In the case of money payments, you need to initially pull-out money from your bank account. After that you utilize this money to

pay at shops. shopkeeper deposits the money in the bank which he got from you. This cycle is tedious for you and furthermore for the retailer. Be that as it may, in digital payments, the cash moves from your record to the retailer's record right away. This cycle is programmed and neither you nor the retailer is needed to visit the bank.

## **2. Literature Review**

Dhanya (2019) has done his research regarding consumer perception in respect of digital payment. In this study, author has point out various modes of digital payment along with its advantage and disadvantages. The study collected of sample of 100 respondents to analysis of customer perception and out of the sample 95% respondents were using electronic banking services.

Kavitha and Kumar (2018) examined awareness of customer for adopting of digital payment and identified that development of the digital technology has improved performance of the banking sector. The study suggested that banks need to create more awareness toward effective usages of technology.

Vally and Divya (2018) studied digital payment and understood the customer adoption with sample of 200 respondents from Hyderabad city. The study found out that digital payment impact on the banking sector and further suggested that banks need to do more awareness about the digital payment as customer education required for the same.

Sujith and Julie (2017) done research work with the title “Opportunities and Challenges of E-Payment System in India”. This study was aimed to identify the issues and challenges of electronic payment systems and suggest some methods to improve the e-payment system. E-payment system provides more opportunities as well as. The research work concluded that Digital revolution has provided an easy approach for digital payments. The investigation additionally found that, the reach of mobile network, Internet and electricity is likewise expanding digital payments to remote areas. This will surely increase the number of digital payments.

Pachare (2016) done research work in digital wallet and concluded that demonetization would end the battle for digital wallets and its providers and the market ready to acceptance of digital wallet.

Mamta, Tyagi and Shukla (2016) done their research with the article entitled “The Study of Electronic Payment Systems”. This investigation aimed to identify the issues and challenges of electronic payment systems and offer some answers for improve the e-payment system quality. The successful implementations of electronic payment systems depend on how the security and protection dimensions perceived by consumers just as sellers are famously managed, thus would improve the market confidence in the system.

## **3. Objectives of the Study**

- To understand the meaning and concept of Digital payment system and cashless transactions.

- To Know the various means of digital payment options available in the market currently.
- To analyze the Impact of Digital payment system in India
- To know the advantages of cashless transactions
- To identify the various problems of digital payment system
- To identify the opportunities and challenges of e- payment system in India

#### 4. Research Methodology

The methodology is used for the paper is secondary data-based research paper and data published by the website, newspaper, article bulletin, RBI and Government publications.

#### 5. Various Modes for Digital Payment

- a) **Bank card:** Banking sector provides various cards to avoid the time spend over the banking transaction. Bank cards provides more security, convenience, and control to customers than any other payment method. A customer can choose any types of cards like Rupay, Mastercard, visa etc. they provide more security to the customer while using it. Payment cards provides the power to buy items in stores, on the Internet, through mail-order catalogues and over the telephone. So, bank cards save both customers and merchants' time and money.
- b) **USSD:** The innovative payment service \*99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows to users mobile banking without internet. \*99# facility available to make money transfer from one person to another without using internet and smart phones. \*99# service was introducing to provide the banking services to every common man across the country. The Common number across all Telecom Service Providers on their mobile phone and can make transaction using an interactive menu on the mobile screen. Using this A customer can check balance or transfer money with the help of USSD or even can get mini statement etc.
- c) **Adhar enabled Payment system:** AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale or Micro ATM) through the Business Correspondent or Bank Mitra of any bank using the Aadhar authentication.
- d) **UPI:** UPI is a Unified Payments Interface system that allow to multiple bank accounts into a single mobile application, merging several banking features. We can transfer money, receive money, bill payments and many other activities with the help of UPI. Now a days this method is getting popular among the Indian people. It is very easy to use, and we do not need to remember frequently use beneficiary's account number. The customer can receive transaction history at fast.
- e) **Digital Wallets:** there are several mobile wallets are available and each bank have their own application. The customer can carry digital cash trough 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.

- f) **Point of sales:** A point of sale (PoS) is where sales are made. It allows to PoS holder to collect money from their customer by the way of swap Also and no need to go bank for making transaction of purchase and selling. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. But it requires GPS system internet and bank account of merchant.
- g) **Internet banking:** Internet banking, also known as online banking, e-banking or virtual banking, is electronic payment systems that allow customers of a bank to make transaction using website of the bank using ID and password.
- h) **National Electronic Fund Transfer: (NEFT)** National Electronic Funds Transfer is a nationwide payment system which provides funds transfer from any bank any branch to any bank. Using the system individual firms and corporate can electronically transfer funds from any bank branch to any individual, firm, or corporate having an account with any other bank branch in the country. Not only account holders but also without having account people can send money to others account by depositing money from anywhere.
- i) **Real Time Gross Settlement (RTGS):** RTGS is settlement of funds transfers individually on an order-by-order basis. 'Real Time' means the processing of instructions at the time they are received rather than at some later time. Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable. Transferring large amount RTGS is used. Customers can send minimum 2 lakh and maximum have no limit. RTGS can use in banking hours.
- j) **Electronic Clearing System (ECS);** ECS is an alternative method for the payment transactions like utility-bill-payments such as telephone bills, electricity bills, insurance premium, card payments and loan repayments, etc.
- k) **Immediate Payment Service (IMPS):** IMPS offers an instant, 24x7x365, interbank electronic fund transfer service through mobile phones. IMPS are a tool to transfer money instantly across India using mobile, internet and ATM it is safe and cost-effective.
- l) **Mobile banking:** Mobile banking is a portable system provided by banks to customer on their mobile phones, smart phones with a special application using software. It provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking App for Android, Windows.
- m) **Micro ATM:** Micro ATM meant to be a device that is used by the million Business Correspondents to deliver basic banking services. The micro-ATM enables Business Correspondents to make instant transactions. It helps to withdrawals, transfers transaction instantly.

## 6. ADVANTAGES OF DIGITAL PAYMENT SYSTEM:

- a) **Time Sever:** When a customer uses any method of digital payment, he can pay/ transfer money to merchant quickly and no need to make payment by cheque and waiting for clearing. Digital Payment system take less time than traditional payment system.
- b) **Availabilities:** Digital payment system can be use by customer anywhere and anytime. There is no need to go banks for every transaction.
- c) **Easy Purchasing:** The Digital payment system gives the power to customers for purchasing any items by using ATM card Credit card and POS. Therefore, it is very easy for making transaction and no hard cash required to travel with us.
- d) **Use of Wallet:** The Digital Payment system includes digital wallets which make payment easy. A customer also gets various discount as well as cash back by using wallet.
- e) **Written record:** Generally, a customer forgets to note down every cash spending made by him. But recording of every spending is not necessary with digital payments. All such types of transactions are automatically recorded in your passbook or inside your E-Wallet app. This helps to maintain your record, track your spending, and budget planning.
- f) **Less Risk:** Making payments through digital Payment system is also very safe. It provides securities for every transaction as it requires MPIN or OTP which can be avoid frauds in the system.

#### 7. PROBLEMS IN USING DIGITAL PAYMENT:

- a) **Use of currency note money:** In India, generally people use cash currency at high volume for their transactions. Specially, the People who lives in Rural area in India nearly made transaction 80% in cash. It is becoming traditional and habitual to the people to use currency note for transactions.
- b) **Computer Illiteracy:** There is only 8%-10% people in India are computer literate and near about 88% - 90% Indian people don't understand the computer and internet that's why they cannot use the digital payment system.
- c) **Use of ATM Card:** There are various digital payment methods are available in Indian but People still using ATM cards for withdrawal and give money for their transaction. They didn't use digital wallet and digital payment for money transfer.
- d) **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.
- e) **Mobile Internet Penetrations Rate:** The use of mobile phones is comparatively less in rural India. For setting transaction digitally internet connection is requiring but the proper connectivity is not available in the rural area.
- f) **Risk and Security:** Most Indian people don't prefer online transaction. They assume that the traditional system is good and faithful. They also not believe in Security of the transaction.

- g) **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.
- h) **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 (Kumari, 2015). Private sector banks are ahead in digitalization to public sector banks.

## 8. PROSPECT

- a) The India banking sector is changing itself as per the requirement of the time.
- b) We can see an increasing trend in digital payment system in India. The growth in volume and value of transactions using payment issued banks entities has been significant.
- c) All banks in India are in adaption of Digital banking and NPCI also promoted Adhar enabled payment system to involve all Indian in digital transaction.
- d) UPI system the best system to make digital transaction and it is expected to give a progress in digital payment transactions.
- e) Debit and credit card are shows as usual to make transaction, but it is increasing trend from demonetization of money
- f) With increasing mobile banking services, growth in e-commerce and use of mobile payment applications, the use of cash will decrease.
- g) RTGS and NEFT volumes increase almost threefold between 2013 and 2016 reflecting greater adoption of the system.
- h) The government of India is focus on digital infrastructure and it can encourage digital transactions culture in India there are almost every person have Jan dhan yojana account and Aadhar card.

## 9. Suggestions

- a) For smooth usage of money less framework in India, the accompanying measures are suggested.
- b) Government needs to get straightforwardness and productivity e-installment framework, techniques utilized by government and RBI to support credit only exchanges by authorizing installment banks, advancing portable wallets.
- c) As a piece of "Make in India" activity by the public authority, RuPay cards, Aadhar based installment frameworks should be given treatment. Government ought to pull out assistance charge on cards and advanced installments.
- d) Measures to debilitate utilization of money, by presenting charges on withdrawal of cash past a cutoff.
- e) A monetary education mission should be directed by government time to time to make populace mindful of advantages of electronic installments.
- f) To improve monetary incorporation, notwithstanding business journalists, e-Seva Kendras and so forth might be permitted to make miniature receipts and installment exchange utilizing Aadhar confirmation.

- g) To quicken the reception of computerized installments, ladies should be instructed through missions. Monetary proficiency will prompt ladies strengthening. This will prompt advanced and social unrest.
- h) In schools additionally essential financial abilities might be bestowed.
- i) Boosts all segments for progressively embracing non-money electronic methods of installment in lieu of money. Plans, for example, Lucky Grahak Yojana and digidhan Vyapar Yojana must be kept on empowering electronic methods of installment.

### 10. Conclusion

Digital Payment system is easy to use to the customer as well as bank officers. There are several options is available in the financial system in India. Still, there are a large amount of people in India who don't know how to use this system. The Digital literacy of Indian people is low level, Digital payment system is not fully developed and spread all over India. The social and infrastructure problems are there influences to use of digital payment system. But now a day's mobile banking is becoming famous in the India because it is easy to use and anytime can use. It is also required to improve the digital literacy among the people. So, Indian culture ought to likewise help government to receive these framework and strategies according to Indian for our country improvement and development.

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