

Digital Payments System In India

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Abstract- This research paper study to how to work Digital Payment System in modern period. India's recent progress towards a "faceless, paperless, cashless economy since Covid. Digital Payment System You do not need to exchange cash. Transactions are carried out electronically or digitally. The payment industry has opened up new ways to make payments anytime, anywhere. Digital payments enable a shift towards the importance of convenience, competition and efficiency. This paper mainly covers topics such as internet banking, mobile banking, mobile wallets, card payments, and electronic and mobile payment systems.

Keywords- UPI, Digital payments, cashless transactions, E-Payments, online Payments, POS, Wallet QR codes,

I. INTRODUCTION

Cashless society describes an economic state where financial transactions are not conducted with money in the form of physical bank notes or coins, but rather than digital currency, crypto currency is used. The Digital payment system is now became the essential part of banking transaction. The Digitalization is need of country because it is important to develop the financial sector as per the modern age requirement and to face the competitions with developing countries.

The PM Narendra Modi started a mission Digital India in 2017 for removing hidden money and black money from the country. The digital payment system is a part of the mission from this cashless transaction will made all over the India and the progress black money or money laundering can be reduce. It is also important that development of techniques influences the traditional system and there also have to face some problems while newly adaption. In India ICICI bank stated the online banking services and Digibank is also ahead in digitalization of transaction digital services provides to customer. SBI is a public sector bank which is enriched of digitalization. In 2011 SBI launched green Channel to promote digital system and save environment. The traditional system is replacing by the digital system. The traditional payment systems are Cheques , withdrawals, drafts, money orders, letters of credits, travel cheques etc. why Payment systems also turning into electronic payment system using computer and internet there are several reasons of adaption . The most common reason is that the traditional system has some leakages and inefficiency and that's overcome by the digital payment system. But in India digital system is in emerging

trend and not so popular and generalized. 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, and *99# USSD based payment system etc are not in popular use. Therefore it is important to know the problems of digital payment system and its progress in India.

Importance of Digital Payments Systems

- Transparency & accountability since there is a record for each and every transaction.
- Digital transaction moderates the cost of producing coins and printing currency notes.
- There is a track over the transactions performed digitally, which in-turn reduces corruption.
- Cash are being deposited in the banks so there is no chance for unaccounted money or tax evasion. Hence, digital transaction leads to proper taxation.
- It has minimized the performance of illegal financial activities like Hawala transfers since less availability of hard cash in hand.
- It's easy to identify how much and where the amount was spent by tracking of expenses. Merits of Digital Payments Systems
- Digital payment ensures transaction anytime and even from anywhere also.
- Digital payments encourage users by giving discounts, rewards, cash-back offers.
- One stop solution for paying retail bills.

Objective of the study:

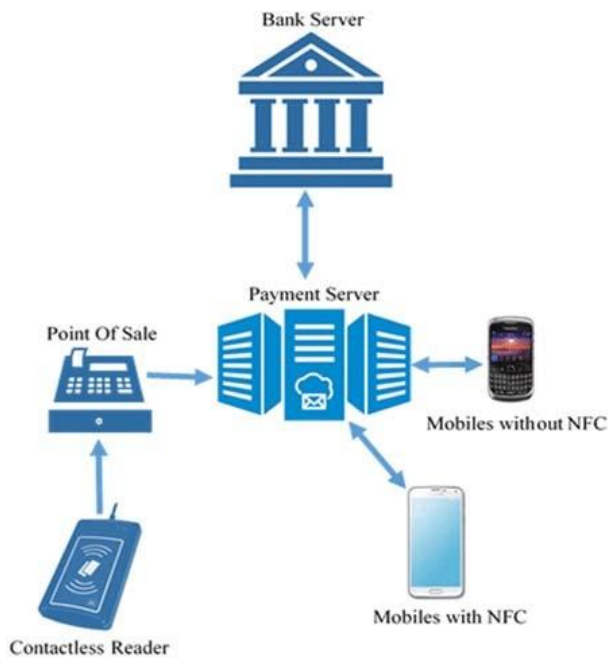
The principal objectives of the study are:

1. To study the concept of Digital payment system and cashless transactions.
2. To know the Impact of Digital payment system
3. To know the advantages of cashless transactions
4. To know the opportunities and challenges of e- payment system.

Research Methodology and Sampling:

The entire study is depends on the secondary data. The secondary data collected from the sources such as government publication, RBI Bulletin, Various report of RBI and Finance department, Books and Journals relevant to the study.

Digital payment method



1. Unified Payments Interface (UPI): Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” (P2P) collect request which can be scheduled and paid as per requirement and convenience.

2. Bharat Interface for Money (BHIM): Bharat Interface for Money (BHIM) is a mobile app for easy and quick payment transactions using Unified Payments Interface (UPI).

3. UPI 123PAY: UPI 123PAY is an instant payment system for feature phone users who can use Unified Payments Interface (UPI) payment service in a safe and secure manner.

4. UPI Lite: “UPI LITE” offers a wallet in BHIM-UPI app for an amount of up to ₹2,000 on a smart phone, eliminating the need for the user to first obtain electronic authorization from his/her bank while making the payment, offering the user better experience in terms of improved speed and transaction success rate.

5. Banking card: Banking sector provides various cards to avoid the time spend over the banking transaction. It offers consumers more security, convenience, and control than any other payment method.

6. USSD: The innovative payment service *99# works on Unstructured Supplementary Service Data (USSD) channel. This service allow to users mobile banking without internet.

7. Aadhar 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.

8. Mobile Wallets: there are several mobile wallets are available and each bank have their own application. The customer can carry digital cash trough mobile wallet.

9. Point of sales: A point of sale (PoS) is where sales are made. It allow 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 PoS to be the area where a customer completes a transaction, such as a checkout counter.

10. 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.

11. National Electronic Fund Transfer: (NEFT): National Electronic Funds Transfer is a nation- wide 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.

12. 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.

13. 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.,

14. Immediate Payment Service (IMPS): IMPS offer 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.

15. 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.

16. 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.

RBI-Digital Payments Index for September 2023

The Reserve Bank of India (RBI) has been publishing a composite Reserve Bank of India – Digital Payments Index (RBI-DPI) since January 1, 2021 with March 2018 as base to capture the extent of digitization of payments across the country.

The index for September 2023 stands at 418.77 as against 395.57 for March 2023, which was announced on July 27, 2023. The RBI-DPI index has increased across all parameters and was driven particularly by growth in payment enablers, payment performance and consumer centricity across the country over the period.

The index series since its inception is as under:

Period RBI	DPI Index
March 2018 (Base)	100
March 2019	153.47
September 2019	173.14
March 2020	207.84
September 2020	217.84
March 2021	270.59
September 2021	304.06
March 2022	349.30
September 2022	377.46
March 2023	395.57
September 2023	418.77

II. CONCLUSION

As governments, regulators and service provider's work together to improve electronic payment systems and related infrastructure, it is advisable to study how end users perceive these choices. The main policy recommendation of the study is that a combination of feedback and public perception assessment can accelerate digitization. Through this research, it has been found out that the perception of digital payment tools affects an individual's payment behavior. Digital payments are not only driven by a positive outlook on digital payments, but also a negative outlook on cash. Contrary to popular and traditional belief, customers in India are said to be willing to reduce their online fraud experience because of the greater convenience that digital payment methods offer. The impact of fraud on digital payment options varies depending on the purpose of the transaction. Furthermore, we cannot ignore the role of demographic factors in better adoption of digital payments. The adoption of digital payments is expected to increase based on the general socio-economic development of the people. Although the data collection comes from a geographically diverse group of respondents, it is still limited to a certain segment of the population. Data was collected using random sampling therefore it only includes respondents willing to complete the survey online. This is one of the major limitations of the study. In addition, e-commerce and technology companies (more accepting of digital payments) have ramped up their offerings, filling the void left by the closure of physical stores. Various central banks around the world conduct payments log surveys to assess useful variables at the individual level and observe their impact on payment behavior. In the future, such surveys may be continued with a larger sample and in a more structured manner.

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