



## RISE OF DIGITAL PAYMENTS IN INDIA

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### ABSTRACT:

India primarily was a cash obsessed economy. Then India changed the dependence of physical payment to digital payment. With the progressive regulatory policies and use of mobile internet, India's digital payment story is new but exciting. E commerce had fueled the use of digital payments and digital wallet companies had followed with it. To promote digital payment for all types of transaction, Indian government had started Digital India initiative leading toward cashless society. The use of cheque and demand drafts is now a secondary option as 81% users prefer digital payment. The progressive regulatory policies and digitalization is so effective that it left China and a few developed country markets trailing digital transaction numbers. Covid 19 pandemic has also fueled the adoption of online transactions. The penetration and ease of using digital payment had made users to shift to net banking and other digital payment facilities to avail products including essential goods, groceries, retail, medical supplies, education, and others. The improved technology, high speed mobile internet and security features are also leading the growth of digital payments industry.

The study has uses Primary data and the results clearly indicate that future transaction system is cashless transaction because of its ease of use.

**Key words:** - *Digital Payment, Information Technology, Internet Banking*

### INTRODUCTION:

Indians used cash for all type of transactions. India primarily was a cash obsessed economy. The banking industry till 2014 was majorly branch based. Then India explored the other channels of banking and further entered digital payment industry.

With the progressive regulatory policies and increased use of mobile internet, Indian payment industry is going to rise exponentially. By 2022 more than 80% of urban population in India will use digital payment system as a part of their daily routine.

The growth of e-commerce and the trend of online shopping online ticketing and travel and other event companies had also filled the customers dependence on digital payment and in order to liver them towards their products their started giving attractive offers and cashbacks which also lead the consumers to use the digital payment system

### OBJECTIVES OF STUDY:

1. Initial developments in the digital payment industry.
2. To know different digital payment modes.
3. New features and Security features in digital payment.

### RESEARCH METHODOLOGY :

The methodology is used for the paper is secondary data based research paper and it is conceptual research paper of Digital Payment system.

### Digital Payment methods

- **Banking card:** Banks provide Credit and Debit cards to customers who can use it for purchases at stores or internet. It is more secured and convenient. Cards transactions are handled by Rupay, Visa and Mastercard.
- **USSD:** USSD stands for Unstructured Supplementary Service Data and works by dialing \*99# on your mobile phone which not necessarily need to be smart phone or have data

connection. Using this customer can check balance, transfer money, can get mini statement etc. This Common number across all Telecom Service Providers on their mobile phone and can make transaction using an interactive menu on the mobile screen.

- **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.
- **UPI:** Unified Payment Interface (UPI) is a system that allows transferring money, bill payments, and other transaction. It allows using multiple bank accounts into a single mobile application. It is easy to use and one can get quick history of the payment. It is very popular in India and now it going internationally.
- **Mobile Wallets:** Today all the banks have their own application and having mobile wallets. A customer can carry digital cash through mobile wallet. The individual bank accounts are required to be attached with bank wallet to do the transactions. Some of the very popular mobile wallets in India are Mobikwick, Freecharge, SBI Buddy, Payzapp, Paytm, Airtel Money, Jio Money, etc.
- **Point of sales – Point of Sale (POS)** needs GPS system, internet and bank account of merchant. One can swipe card at pos and pay through it.
- **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.
- **National Electronic Fund Transfer:** NEFT allows us to transfer money from any bank, any branch to any other bank. NEFT service allows user to transfer a maximum amount of 2 lakhs Rupees in one transaction. NEFT transactions

are done in batches. This is allowed now 24\*7\*365 in India.

- **Real Time Gross Settlement:** RTGS funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable. Individuals can transfer minimum of Rs 2 lakhs and maximum have no limit.
- **Immediate Payment Service:** Instant funds transfer of upto Rs 2 Lakhs in one transaction can be done using IMPS. IMPS is available 24x7x365.
- **Electronic Clearing System:** ECS can be used for utility-bill-payments such as telephone bills, electricity bills, insurance premium, card payments and loan repayments, etc. It is an alternative method for the payment transactions.
- **Mobile Banking:** Every bank provides mobile banking service through a mobile app on the customer smart phone.

#### **Security :**

Security measures are regularly updated in order to make the digital transactions safer and reliable. Common features are cooling period after adding a beneficiary, OTP authorisation, email information and verification.

#### • **Authorisation of Payment Systems**

Payments System Operators (PSOs) comprise PPI issuers, Cross-border Money Transfer Service Scheme operators, White Label ATM (WLA) operators, Trade Receivables Discounting System (TReDS) platform operators, ATM networks, Instant Money Transfer Service providers, Card Payment Networks and Bharat Bill Payment Operating Units (BBPOUs), besides Clearing Corporation of India Ltd. (CCIL) and National Payments Corporation of India (NPCI).

#### • **Online Dispute Resolution (ODR)**

The Reserve Bank advised authorised Payments System Operators (PSOs) to implement an ODR system to resolve any disputes and grievances due to failed digital transactions in their respective payment system by Jan 1, 2021. ODR

is planned to be managed by minimal manual intervention. It has been designed and developed considering the customer grievances increasing in line with the manifold increase in digital transactions.

#### • **Self-Regulatory Organisation (SRO)**

The Reserve Bank released a framework for recognition of Self-Regulatory Organisation (SRO) for PSOs on October 22, 2020. SRO sets and enforces rules and standards relating to the conduct of member entities in the industry. The main aim is to protect customer and promoting ethical and professional standards.

#### Growth

Digital payment industry is growing at a good pace. Though during the slowdown due to nation wide lockdown there was decline in the volume of payments but subsequently as lockdowns are relaxed the growth jumped.

Note: 1. RTGS system includes customer and inter-bank transactions only.

2. The figures for cards are for payment transactions at point of sale (PoS) terminals and online.

#### **Improving Customer's Convenience**

##### **RTGS – 24 x 7**

On Jan 3, 2021 RBI had permitted NPCI to allow RTGS 24 x 7. So RTGS is now available on weekends and also on holidays. This had in turn enhanced the overall efficiency of the payments ecosystem. It had helped to reduce the build up of settlement and default risks in ancillary payment system.

India has become one of the few countries across the world where RTGS system operates round the clock throughout the year. Two other countries having near 24x365 service are Mexico and South Africa.

##### **Pan-India Cheque Truncation System (CTS)**

The RBI announced that a pan-India Cheque Truncation System (CTS) would be made operational and accordingly 1,219 ECCS clearing houses across the country closed the cheque clearing operations and migrated to CTS

grid. Now customers can get cheques cleared irrespective of location of branch or bank. RBI had mandated banks to ensure that all their branches participate in image-based CTS by September 30, 2021.

#### Digital Payment Transactions – Streamlining QR Code Infrastructure

Different payment systems had started to have proprietary QR codes to accept payments. It made difficult for the customers to do the payment. To ease this RBI had mandated interoperability of QR codes by Streamlining QR Code Infrastructure. This had strengthened the acceptance infrastructure and enhances customer convenience.

#### **Contactless card transaction**

With the improvement in technology using Near Field Communication enabled EMV chip cards one can make contactless payment. Now customer don't need to enter pin for making card payment transactions upto Rs 5000/-.

#### **Other Developments**

##### UPI/RuPay International Outreach Initiatives

NPCI had expansion plans to make UPI and RuPay cards available for the international market. For this it had made presentations and a lot of countries are showing interest to adopt UPI. Nepal becomes the first country to adopt India's UPI system on February 18, 2022.

##### **UPI 2.0**

In UPI 2.0, customers may be able to pre-authorize a transaction and pay on a later date. UPI 2.0 member banks as on date are State Bank of India (SBI), HDFC Bank, Axis Bank, ICICI Bank, IDBI Bank, RBL Bank, YES Bank, Kotak Mahindra Bank, IndusInd Bank, Federal Bank and HSBC, NPCI said in a statement on Thursday.

##### **Barriers to Digital Payment**

Cash is still a major player in payments specifically in rural areas. A few reasons are internet penetration and its reliability, fear of loss of money due to lack of awareness of security features.

**CONCLUSION**

Going with the present usage it is clear that digital payment is the future. The industry will see another rise in the usages. The new features and friendly user interface had helped user to save time alongwith reducing dependance on physical currency. This has also helped the government to tackle problem of black money.

**REFERENCES :**

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Table IX.2: Authorisation of Payment System Operators (as at end-March)

Entities 1	(Number)	
	2020 2	2021 3
<b>A. Non-Banks – Authorised</b>		
PPI Issuers	43	36
WLA Operators	8	4
Instant Money Transfer Service Providers	1	1
BBPOUs	9	8
TReDS Platform Operators	3	3
Cross-border Money Transfer Service Scheme Operators	9	9
Card Networks	5	5
ATM Networks	2	2
<b>B. Banks – Approved</b>		
PPI Issuers	62	56
BBPOUs	39	42
Mobile Banking Providers	540	566
ATM Networks	3	3

Table IX.1: Payment System Indicators – Annual Turnover (April-March)

Item 1	Volume (Lakh)			Value (₹ Crore)		
	2018-19 2	2019-20 3	2020-21 4	2018-19 5	2019-20 6	2020-21 7
<b>A. Settlement Systems</b>						
CCIL Operated Systems	36	36	28	11,65,51,038	13,41,50,192	16,19,43,141
<b>B. Payment Systems</b>						
<b>1. Large Value Credit Transfers – RTGS</b>						
Retail Segment	1,366	1,507	1,592	13,56,88,187	13,11,56,475	10,55,99,849
<b>2. Credit Transfers</b>						
2.1 AePS (Fund Transfers)	11	10	11	501	469	623
2.2 APBS	14,949	16,766	14,373	86,226	99,179	1,12,747
2.3 ECS Cr	54	18	0	13,235	5,145	0
2.4 IMPS	17,529	25,792	32,783	15,90,257	23,37,541	29,41,500
2.5 NACH Cr	8,834	11,290	16,450	7,29,673	10,43,212	12,32,714
2.6 NEFT	23,189	27,445	30,928	2,27,93,608	2,29,45,580	2,51,30,910
2.7 UPI	53,915	1,25,186	2,23,307	8,76,971	21,31,730	41,03,658
<b>3. Debit Transfers and Direct Debits</b>						
3.1 BHIM Aadhaar Pay	68	91	161	815	1,303	2,580
3.2 ECS Dr	9	1	0	1,260	39	0
3.3 NACH Dr	4,830	7,340	9,630	5,22,461	7,18,166	8,68,906
3.4 NETC (Linked to Bank Account)	6	93	650	20	200	913
<b>4. Card Payments</b>						
4.1 Credit Cards	17,626	21,773	17,641	6,03,413	7,30,895	6,30,414
4.2 Debit Cards	44,143	50,611	40,200	5,93,475	7,03,920	6,62,667
<b>5. Prepaid Payment Instruments</b>						
6. Paper-based Instruments	46,072	53,318	49,392	2,13,323	2,15,558	1,97,695
Total – Retail Payments (2+3+4+5+6)	11,238	10,414	6,704	82,46,065	78,24,822	56,27,189
Total Payments (1+2+3+4+5+6)	2,42,473	3,50,147	4,42,229	3,62,71,303	3,87,57,759	4,15,12,514
Total Payments (1+2+3+4+5+6)	2,43,839	3,51,654	4,43,821	17,19,59,490	16,99,14,234	1471,12,363
Total Digital Payments (1+2+3+4+5)	2,32,602	3,41,240	4,37,118	16,37,13,425	16,20,89,413	14,14,85,173