

DIGITAL PAYMENT: THE CANVAS OF INDIAN BANKING FINANCIAL SYSTEM

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Abstract - The use of Digital Mode has been spreading drastically in developing countries. Without digitalisation it's not possible for any country to grow economically. In India, Country has witness transformation of digitalisation in last couple of years with the support of government. Digital India is the one of the initiative of the government through which government is promoting for cash less society and encouraging the people to opt digital mode of payments for all kind of transactions. The Authors in this paper attempts to focus on various modes available in digital payment in India and understand digital payment in the country.

Keywords: Digital Payments, Demonetisation, E-Payments, Online Payments. Green Banking.

INTRODUCTION

Today world is moving toward the digitalisation whether it is digitalisation of Documents (Digi Locker), Transfer of direct government benefits to individual bank account (DBT) or Keeping money in mobile wallet instead of possession of Physical Currency. When we call bank then first thing comes in our mind is about Money. Traditional banking believes more in physical currency and when we see at Modern or Digital Banking then everything is digitalisation. Customer can exchange money through just one click via internet. The real boost to the digitalisation starts when our Honourable PM Shri Narendra Modi launch 'Digital India' campaign in the month of July'2015. Fearless, Paperless and Cashless, these are the pillar of Digital India and without Digital Payment it can't be success.

The meaning of digital payment is within its word, Payment which has been done through digital way both the parties i.e sender and receiver uses the electronic mode of payment transaction. The real boost for the digital payment received when government banned Rs 500 and Rs 1000 physical currency notes on 8th November'2016 and another reason is due to revolution in mobile payment and its development in technology. The number of new entrant in market are increasing which enabling digital payment.

National Payments Corporation of India (NPCI) is the umbrella of all digital payment transaction which is set up in the initiative of RBI and IBA under Payment and Settlement Act 2007. It is looking digital payments and settlement in India. NPCI is the real transformation of Digital Payment in Indian banking industry.

OBJECTIVES

1. To examine digital payment system of Indian financial system.
2. To understand various modes of digital payment in Indian Banking Industry.

RESEARCH METHODOLOGY

The studied have been carried out on Digital Payment and Secondary source of data being used for the study which is published by the website, newspaper, article bulletin, RBI and Government publications

OVERVIEW OF DIGITAL PAYMENT MARKET IN INDIA

RBI Governor Mr. Shaktikanta Das in his speech at NITI Aayog's FinTech Conclave 2019, 'Digital Payment has been witnessed 9-fold increase over the last 5 years'. As per Fintech in India report on Powering Mobile Payments August'2019, In 2016-17 there are 1.5 million acceptable locations and now the number of merchants accepting digital payment has increased to 10 million in short span of 2 to 3 year.

The usages of digital payment are on increasing trend in last three year. In the year 2016-17, volume of digital transaction was 9.7k million and it increased to 23.3k million in 2018-19 it is because the number of initiatives taken by the Central Government to boost Digital Payment.

Sr. No.	Digital Transaction	Year & Volume (millions)		
		2016-2017	2017-2018	2018-2019
01	RTGS customer transaction	104	121	133
02	RTGS interbank transaction	4	4	3
03	Retail Electronic clearing (ECS, NEFT, NACH & IMPS)	4205	5467	7113
04	Card Usages	3486	4749	6177
05	Prepaid Payment Transaction	1963	3454	4604
06	UPI (Including BHIM)	18	915	5343
	Total	9780	14710	23373

Source (RBI, 2019)

The above table of volume of digital payment clearly shows rapid growth in volume of digital payment transaction. Specially card usages have increased almost double from 2016-17 to 2018-19. UPI post launch growing very faster way as compare to other digital mode of transactions.

LITERATURE REVIEW

(SINGH & RANA, 2017) understand the preference, perception and satisfaction level of digital payment with 150 respondents from different part of Delhi city. The study identifies the difficulties encounters in digital payment mode like debit card, mobile wallets and UPI. This study found out that digital payment influence education level of the customer. The area where education level is high at there mode of acceptance of digital payment is high.

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

(Vally & Divya, 2018) study digital payment and understand 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 needs to do more awareness about the digital payment as customer education required for the same.

(Joshi, 2017) studied the trends of digital payment through various modes. The study revel that in FY 2016-17 number of transaction has grown more than the value of transactions. After 8 months of demonetisation all digital payment has upward trend. People are adopting digital mode of payment like NACH, IMPS, UPI and AEPS over traditional payment method.

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

(Pal, Chandra, & Kameswaran, 2018) studied digital payment and discontents with sample of 238 vendors base on Mumbai and Bengaluru location and found that digital payment adoption increased post demonetisation. The researchers also taken indebt interview of some shopkeepers under study which helped to reach the conclusion.

(DHANYA, 2019) access consumer perception in respect of digital payment. The author has mention 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.

DIGITAL PAYMENTS MODE

Online Banking: Online Banking or Internet Banking has made life easier of millions of people in the country in last couple of years. With online banking customer not only opens the various accounts like Saving A/C, FD and Dmat A/C but customer can make the payment faster and hassle free just one click with the help of internet.

Digital Wallets: It is also known as e-wallet. It keeps user information in digital mode securely which help to process the monetary transaction faster and secured way. (Rane, 2019) PayTM, Google Pay, Amazon Pay and Phone Pay are among top in digital wallet. It has been rapidly increasing since last four years. As per RBI norm currently user can load upto 10k in a month with minimum KYC and 100k with full KYC in digital wallet.

Mobile Banking: Mobile Banking means use of smartphone to perform online transactions easier and faster way. Almost all the banks who having good branch network in the country are providing Mobile Banking facilities to its customer. According to RBI annual report 2017-18, Mobile banking services grown to 92% and 13% in volume.

Bank Cards: Banks cards like Prepaid, Debit and Credit Cards enables to the customer to purchase the goods or services without carrying physical currency. In Credit Cards, HDFC Bank has market share of 12.5 million customer base with 50k crore outstanding on Credit Card book which is comprise of 52% market share.

Point of Sale (POS): It is a retail point where customer can make payment of purchase of goods or services. The number of POS machines are increasing day by day it enables customer to make the payment online. There are three types of POS machines these are Physical POS, MPOS & V-POS.

AEPS: (Kumar, 2018) With the help of Aadhaar Enabled Payment System (AEPS) people can carry out transaction with the help of 12 digit aadhaar number without having bank account number with the help of this service people can get the facilities like withdraw/deposit cash, balance transfer, aadhaar to aadhaar fund transfer and mini statement with authentication of biometric.

USSD: Unstructured Supplementary Service Data (USSD) works on *99#. There is no need for internet connection. This service allows bank customers to do basic banking transaction just entering *99# on basic feature mobile phone and enables customer to balance enquiry, mini statement and fund transfer (Limit Rs 5k per day and Rs. 50k per annum). Currently leading 51 banks offering these service with all GSM service providers.

UPI: United Payments Interface (UPI) enables customer to link several bank accounts under one mobile application and it provides access of various features of banking for smooth fund transfer. It provides facility of P2P fund transfers. UPI is among one which is growing very faster way and it is eating share of other mode of digital payments such as cards and online banking. UPI transaction volume in Q2 2019 stands 2.2 billion a 263% increase as compare to Q2 of previous year.

CONCLUSION

In a developing country like India there is tremendous opportunity of Digital Payment business. Under the study of Digital Payment, it is clear that Digital Payment transaction is growing rapidly. It is because of Government initiative of Digital India and the Banks awareness among the customer still proper education is required to the customer of the banks. People in the country understanding the benefits of digitalisation and they are ready to accept various modes of digital payment. Digital Payment brings transparency in money transactions it helps to get rid of security of handling of physical currency. The future of Digital Payment is depending upon the development in technology and acceptance infrastructure in various corner

of the country. Presently it has been observed that there is high cost of infrastructure and lack of financial literacy among the people.

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