

## **Digital Payments In India**

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### **I. Introduction**

As the country moves towards a cashless environment after demonetization, the initial panic and confusion have given way to a flurry of concerns. Will the emphasis on online transactions provide convenience and substantial benefits or just add to stress and additional charges?

The Digital India program is a flagship agenda of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India.

To incentivize the move towards a cashless economy, the Government has come up with a rash of discounts and freebies on digital transactions. But will these be substantial enough and, along with other benefits, counter the higher risk of identity theft once the currency notes are back in circulation? What are the gains and drawbacks of financial digitization? Here's a look at what may be in store for you.

- What do we mean by Digital Payment?

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 is involved in the digital payments. All the transactions in digital payments are completed online. It is an instant and convenient way to make payments.

If we talk about cash payments, you have to first withdraw cash from your account. Then you use this cash to pay at shops. Shopkeeper goes to the bank to deposit the cash which he got from you. This process is time-consuming for you and also for the shopkeeper.

But in digital payments, the money transfers from your account to the shopkeeper's account immediately. This process is automatic and neither you nor the shopkeeper is required to visit the bank.

- What are most innovative types of Digital Payment Methods?

### **NFC or MST transmission waves platform**

Companies have come up with making transaction through NFC (Near Field Communication) and MST (Magnetic Secure Transmission) technology. Without swiping your card through POS (Point of Sales) machines, you can easily make payment to merchants through its wireless transmitting magnetic waves. You can avail this facility by downloading MST enabled app and also, your phone should support NFC facility. Once it is done, after registering your card details, you can make contactless transactions through your phone on any of merchants' POS terminal.

### **Digital wallet payment system**

Through this platform money is loaded in wallets. Similarly with the launch of e-wallets you can add money using digital wallet apps. However, the constraint is you can transfer fund to the same wallet only. It means that if you have PayTM or SBI's Buddy app on your phone then you can only transfer money to another person's PayTM wallet or SBI's Buddy app who is having these app's installed respectively. Simply in another way round, you cannot transfer money from PayTM wallet to SBI buddy wallet app. There are some other e-wallets available in the digital marketplace such as Mobikwik, Freecharge, Oxigen, Reliance Money, Paypal, Buddy, Lime, Payzapp, Pocket, Yes Pay, etc.

### **USSD code payments system**

If you do not have a smartphone or internet facility, still you can make payments through dialing USSD (Unstructured Supplementary Service Data) code even from your basic phone and following the certain instruction, you can easily make your payments done. It is GSM-based technology where transactions take place through messages. It is a platform which forms a medium between the telecommunication and banking financial services altogether. For every banking app, you have a different dialing code which you need to check from your service provider while making the transfer of payments.

### **Mobile Money Identifier**

MMID is a seven digit unique number which issued by the bank once you have registered your mobile number. A person who wants to send money and the person who wants to receive that money should have MMID for the particular interbank funds transfer. However, through MMID you can transfer only a small amount (around Rs 10,000) within a day. Almost all banks are providing this facility of making small payments.

### **UPI App based payments platform**

UPI has come up with a unique feature of creating virtual address through which you can transfer money without disclosing your account number and IFS code to the receiver. UPI works on a real time basis which means the money is transferred instantaneously. UPI also supports the other medium of doing funds transfer. UPI facility is available with all the banking apps like HDFC UPI, SBI UPI, ICICI UPI, AXIS UPI, and almost all the other private and public banks. Now, most of the bank are embedding their UPI feature within their mobile banking app only.

### **QR Code based payments system**

QR code is again a different mechanism of making the transfer of payment where you only need to scan the QR code of the merchant and do the transfer of payments. It is being mostly used by all the digital payments app like BHIM, other banking apps to make the transfer of payments easily. The black square holds the information about the items whereby scanning the code information gets transmit automatically through the smartphone and payments get done. You do not have to enter anything manually while using QR code facility. Bharat QR code has been launched by the government to push the digital payment initiative in all the way round.

- **Why would you use Digital Payment Methods?**

Digital payment methods are more convenient and is more secure compared to making transactions involving cash withdrawal. This method of payment promotes more transparency and accountability, reduce transaction costs, and decrease the size of the grey or informal economy .

**No additional cost of printing cash** - because during the demonetization phase RBI had to spend 7935 crores to print the newly designed cash .

**Saves money and time**-Whereas physical cash leads to vulnerabilities of tax evasion, black money and fake currency, digital money is at risk from data leaks and identity theft online. Last month, for instance, India saw its biggest such data breach that put at risk 3.2 million debit cards. For India, the costs associated with data breaches are rising as well.

**Economic growth** is increased by increasing the level of spending -Whereas physical cash leads to vulnerabilities of tax evasion, black money and fake currency, digital money is at risk from data leaks and identity theft online. Last month, for instance, India saw its biggest such data breach that put at risk 3.2 million debit cards. For India, the costs associated with data breaches are rising as well.

### **Objectives of The Study:-**

- To find out whether India going cashless has helped our citizens.
- To find out whether India will turn out to be a successful cashless society.

## **II. Literature Review**

Government's digital push has ushered in a new era of digitalization in India. Digitalization is not just a part of our lives anymore. It is life. How digital economy & its tool impacts society and in turn, how society shapes those evolving tools is something that will ultimately define our future. As the digital economy is still evolving, there are obvious questions about this new economic model that have yet to be answered. Post demonetization in India, some wonder whether cash will become extinct while others have doubts about digital transformation of India. Infact, many have asked whether a single globally accepted currency will emerge. This book is an attempt to simplify all these questions, doubts and apprehensions. The book (Journey Towards Cashless India by Jayant Parikshit) will explain all the relevant fundamental concepts using real life examples as well as case studies. This will be a useful book not only for students preparing for competitive exams like UPSC, State PCS, Banking, MBA etc. but, for anyone who wants to understand India's challenging journey towards a cashless economy amidst the dark clouds of black money.

The purpose of literature review is to extract the essence of the concept related to research. The theories that are evolved by writers and scholars are included for gaining a complete result. According to a 2015 report by Price Water House Coopers, India's unbanked population was at 233 million. Even for people with access to banking, the ability to use their debit or credit card is limited because there are only about 1.46 million points of sale which accept payments through cards. A study by Boston Consulting Group and Google in July noted that wallet users have already surpassed the number of mobile banking users and are three times the number of credit card users.

## **III. Research Methodology**

This study is carried out to estimate the status, potential and importance cashless economy in the country. The study focuses on extensive study based on secondary data. The data has been collected with help of e-books magazines, newspapers, research article, research journal, e-journals. The research will be conducted with objective to find out the extent towards cashless transaction. This study is based on primary data, that have been collected through means of well structured questionnaire.

### **RESEARCH TOOL**

By the help of a questionnaire I was able to collect the necessary information.

### **SAMPLE DESIGN**

I made a questionnaire and distributed via email. I collected data from about 132 people out of 150 people.

### **RESEARCH LIMITATIONS:-**

1. Many respondents were unaware of the booming change in our economy due to which the response were restrictive.
2. Many respondents didn't answer the questionnaire.

## **IV. Findings**

- Large part of the population is still outside the scope of Net banking like use of credit or debit cards, making transactions using mobile phones, and using the internet to pay bills they are not in a position to reduce its dependence on cash. Second, about 90% of the workforce, which produces nearly half of the output in the country, works in rural sector It will not be easy for this sector to become cashless. There is a general preference for cash transactions in India.
- Although cashless transactions have gone up in recent times, a meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. For

instance, mobile wallets have seen notable traction, and it is possible that a large number of Indians will move straight from cash to mobile wallets. The availability and quality of telecom network will play an important role. People face difficulties in making electronic payments even in metro cities because of poor network.

- A large part of the population is still outside the banking net and not in a position to reduce its dependence on cash. According to a 2015 report by PricewaterhouseCoopers, India's unbanked population was at 233 million. Even for people with access to banking, the ability to use their debit or credit card is limited because there are only about 1.46 million points of sale which accept payments through cards. The absence of the additional layer of security will expose thousands of risk of identity theft. Another weak link is the inadequate redressed mechanism. There is no stringent legal process to deal with this kind or scale of fraud.
- Service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it's easier, certain and safe to make cashless transactions. The government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments. Difficulties in changing attitudes and perception of people towards moving digital payments. India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure.
- Nearly 90% of the respondents felt it was easier and quicker to use and transact their payments and simple procedures are to be followed.
- Only the 2% of the respondents who age around the age above 50 feel that its tricky to follow the procedures and hence feel physical transactions are much better than these options and are more reliable and satisfying.
- The remaining 8% are no excited about the introduction of this method as it's a not a conventional theory but a concept that has finally evolved during the course of time.
- Nearly 66% of the respondents feel that India will move towards a successful digital economy.

## **V. Conclusion**

From the above analysis it also appears that many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India is cybercrime and illegal access to primary data. Therefore it's important to strengthen Internet Security from protection against online fraud. Large number of population is still below literacy rate living in rural areas .For smooth implementation of cash less system in India, the following measures are recommended Government have to bring transparency and efficiency in epayment system, strategies used by government and RBI to encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments.

## **VI. Recommendations**

- Many respondents felt that it would be really necessary to educate over the areas related to cashless payments.
- Awareness is all well and good, but some people will still need help to understand how to install and use digital payment systems. Although it would be impossible for any country to become a cashless economy in the short amount of time since, it is definitely something the country can look forward to. The transformation of the current payment method to a total cashless one may not be possible in the near future, but continuous innovation in technologically aided payment system will certainly expand the society's accessibility to cashless payment. Although the adoption of one type of cashless payment will affect another type of cashless payment in the short run, the consequences of adopting cashless payment on economic growth can only be significantly observed in the long run. Hence, any policy that promotes cashless payment will not affect the economy immediately. People suggests the futuristic card should evolve to use biometric ID (finger prints, eye scan etc), it can be extremely difficult to copy, making it a very safe option.

The banks should work on two – factor authentication process for online transaction. The measure suggested include encouraging installation of point of sale (POS) machine by rationalising merchant discount rate (MDR) and allowing first five interbank transactions free of cost to promote online money transfer. Further, more ATM should be setup so that people start using plastic money. It is also suggested to withdraw of surcharge or service charge or convenience fee on card and digital payments currently imposed by government.

India is adding almost 110 million smartphone users every year, and is on the verge of launching Aadhaar-compliant devices with biometric authentication built into phones and tablets. The power of the JAM trinity will come into full force when transactions are enabled using Aadhaar and biometric authentication, creating a system that is not only cashless but cardless. Already, a new entrant into telecommunications service in India has succeeded in using the India Stack to enroll 108 million consumers in 170 days with a totally paperless, mobile-centric manner — in the process achieving customer acquisition costs of less than \$1 (USD) per customer, compared with the prior industry standard of \$25. The process of digital disruption — whether led by government or not — creates numerous significant social challenges. Rather than seeking to slow that process to reduce those challenges, India has taken the opposite approach: to not only embrace but accelerate digital disruption, to ensure its full potential for economic and social inclusion is realized.

India’s development was inequitable and inconsistent for far too long; the country still has a long way to go. The societal challenges created by digital disruption, challenges both expected and unintended, are real. They will be addressed only with a combination of administrative humility and entrepreneurial determination. But the long-term benefits are real.

The reality is that India is moving into the future at an unprecedented rate. And the path it is taking to get there is digital.

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### **Questionnaire**

Cashless society- How is the move in India?

Name : \_\_\_\_\_

Age : \_\_\_\_\_

1) Are cashless mode of payment benefiting you?

- a) Yes                      b) No

2) What are the modes of payments you use? Mention few.

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3) Are you finding it easier to make payments?

- a) Yes                      b)No

4) Do you feel reliable about the transactions?

- a) Yes                      b) No

5) Do you think this can solve the problem of corruption?

- a) Yes                      b) No

6) What are your thoughts on completely going cashless?

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- 7) Do you think the uneducated population find it difficult to access the digital payments?  
a) Yes                      b) No
- 8) Finally , Do you think India can achieve a cashless society ?  
a) Agree                      b) Disagree