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## DIGITAL PAYMENT SYSTEMS IN INDIA

### **Anitha. L**

*Student of III B.Com (Professional Accounting), Dr. N. G. P. Arts and Science College (Autonomous),  
Coimbatore-48, T.N, India*

### **Pavithra. K**

*Student of III B.Com (Professional Accounting), Dr. N. G. P. Arts and Science College (Autonomous),  
Coimbatore-48, T.N, India*

### **Sangeetha. E**

*Student of III B.Com (Professional Accounting), Dr. N. G. P. Arts and Science College (Autonomous),  
Coimbatore-48, T.N, India*

### **ABSTRACT**

*Digital payment is nothing but the payment through the digital modes. And it is regarded as cashless transactions and Electronic payment. In current scenario, there are many types of digital payment which will help the people to save their time and money. And it is convenient mode of payment. Future of digital payment is very bright. India is experiencing a remarkable growth in digital payments.*

**KEYWORDS:** *Cashless transactions, digital modes, digital payment.*

### **MEANING**

Digital payment is a way of payment which is made through digital modes. In digital payment, payer and payee both use digital mode to send or receive money. It is also called electronic payment. No hard cash is involved in digital payments. All the transactions in digital payment are ways to make payments.

### **DIFFERENT TYPES OF DIGITAL PAYMENT**

#### **1. UPI APPS:[Unified Payment Interface]**

Eg: BHIM, SBI UPI, HDFC UPI, imobile, phonepe.

Using UPI apps, one can transfer the fund using IFSC code/ VPA. All we need to use this app is to have an android phone and get registered in mobile banking. We need to download a UPI app and create VPA/UPI id.

#### **2. AEPS: [Aadhar Enable Payment System]**

It is an aadhar based digital payment mode where customer needs only his/her Aadhar number to pay

to any merchant. AEPS allow bank to bank transactions. You need to link your Aadhar number to your bank account to use AEPS. The password will be your finger print, thus it is the most secure digital payment mode.

#### **3. CARDS**

Cards are provided by banks to their account holders. These have been the most used digital payment modes till now. Many of us use cards for transferring funds and making digital payments. Credit cards, debit cards and prepaid cards are the main types of cards. You can also use RUPAY debit cards for digital payments.

**CREDIT CARDS** are issued by banks and some other entities authorized by RBI. These cards give you the ability to withdraw or use extra money. Credit cards are used for domestic as well as international payments.

**DEBIT CARDS** are issued by the bank where you have your account. You can use these cards for the money in your account. The payments you make

with these cards debit from your account and credit immediately to the payee's account. You can use these cards to make payments to one account to another.

**PREPAID CARDS** are another type of cards which you use to pay digitally. Prepaid cards have to be recharged before using just like prepaid SIM cards.

Cards are one of the best modes when you pay at portals or E-Commerce sites. But if we talk about paying to merchant it is not the most suitable way. It charges 0.75% - 2.0% on transactions. Also, you cannot use cards to pay if the merchant does not have a PoS (swipe machine)

#### 4. E-WALLETS

E-WALLET or mobile wallet is the digital version of your physical wallet with more functionality. you can keep your money in an E-WALLET and use it when needed. Use the E-WALLETS to recharge your phone, pay at various places and send money to your friends. If you have a smartphone and a stable internet connection, you can use E-WALLETS also give additional cashback offers. Some of the most used E-WALLETS are state bank buddy, ICICI pockets, freecharge, paytm etc.

**E-WALLET** are an easy and faster way to make payments but have some limitations. These apps are good if you send money to a wallet to another. But if you want to send money to a bank account these apps are not suitable. Also, you have to be extra careful with these apps. These apps do not ask for any PIN or password when you perform a transaction using your wallet money. If you do not lock your phone, anyone can use the money in your wallet. I suggest you must lock your phone if you want to use E-wallet apps.

#### 5. USSD (UNSTRUCTURED SUPPLEMENTARY SERVICE DATA)

Unstructured supplementary service data, is another method of paying digital currency. This method of digital payment system in India can be used without downloading any mobile apps and without mobile data. Also there is no need for user to have a smart phone to carry out the digital transactions through USSD. This method is backed by NPCI- NATIONAL PAYMENTS CORPORATION OF INDIA.

The main aim of this type of digital payment service is to create environment of inclusion among the underserved sections of society and integrate them into mainstream banking. This service can be used to initiate fund balance queries. Another advantage of this type of payments system is that is also available in Hindi.

#### 6. PoS TERMINALS:

Traditionally, PoS terminals referred to those that were installed at all stores where purchases were made by customers using Credit/Debit cards. It is usually a hand held device that reads banking cards. However, with digitization the scope of PoS is

expanding and this service is also available on mobile platforms and through internet browsers. There are different types of PoS terminals such as Physical PoS, Mobile PoS and Virtual PoS. Physical PoS terminals are the ones that are kept at shops and stores. On the other hand, mobile PoS terminals work through a tablet or smartphone. This is advantageous for small time business owners as they do not have to invest in expensive electronic registers. Virtual PoS systems use web-based application to process payments.

#### 7. INTERNET BANKING

Internet banking refers to the process of carrying out banking transactions online. These may include many services such as transferring funds, opening a new fixed or recurring deposit, closing an account, etc. Internet banking is also referred to as e-banking or virtual banking is usually used to make online fund transfers via NEFT, RTGS OR IMPS. Banks offer customers all types of banking services through their website and a username and password. Unlike visiting a physical bank, there are no time restrictions for internet banking services and they can be availed at any time and on all 365 days in a year. There is a wide scope for internet banking services.

#### 8. MOBILE BANKING

Mobile banking is referred to the process of carrying out financial transactions/banking transactions through a smartphone. The scope of mobile banking is only expanding with the introduction of many mobile wallets, digital payment apps and other services like the UPI. Many banks have their own apps and customers can download the same to carry out banking transactions at the click of a button. Mobile banking is a wide term used for the extensive range or umbrella of services that can be availed under this.

#### 9. BHIM ( BHARAT INTERFACE FOR MONEY) APP

The BHIM application allow the users to make payments using the UPI application. This also works in collaboration with UPI and transactions can be carried out using a VPA. One can link his/her bank account with the BHIM interface easily. It is also possible to link multiple bank accounts. The BHIM app can be used by anyone who has a mobile number, debit card and valid bank account. Money can be sent to different bank accounts, virtual addresses or to an Aadhaar number. There are also many banks with that have collaborated with the NPCI and BHIM to allow customers to use this interface.

#### ADVANTAGES OF DIGITAL PAYMENTS

##### 1. EASY AND CONVENIENT

Digital payments are easy and convenient. You do not need to take loans of cash with you. All you need is your mobile phone or Aadhaar number or a card to pay. UPI apps and E-Wallets made digital payments easier.

## 2. PAY OR SEND MONEY FROM ANYWHERE

With digital payment modes, you can pay from anywhere anytime. Suppose your close friend's mother fell ill at night. He called you at midnight and asked some money. Don't worry, you can send money to your friend using digital payment modes such as UPI APPS, USSD AND E-WALLETS.

## 3. DISCOUNT FROM TAXES

Government has announce many discounts to encourage digital payments. If you use digital modes to make a payment upto Rs. 2000, you get full exemption from service tax. You also get 0.75% discount on fuels and 10% discount on insurance premiums of government insurers.

## 4. WRITTEN RECORD

People often forgot to note down the cash spending. Or even if noted, it takes a lot of time. But here is no need to note the spending everytime with digital payment. These are automatically recorded in passbook or inside the E-WALLET app. This helps to maintain the records, track the spending and budget planning.

## 5. LESS RISK

Digital payments have less risk if you use them wisely. If you lose your mobile phone or debit/credit card or Aadhaar card you don't have to worry a lot. No one can use your money without MPIN, PIN or your fingerprint in the case of Aadhaar. But it is advised that you should get your card blocked if you lost it. Also call the helpline of your E-WALLET to suspend the wallet account to prevent anyone from using wallet money.

## DISADVANTAGES OF DIGITAL PAYMENTS

Every coin has two sides so as the digital payments. Despite many advantages, digital payments have a few drawbacks also.

### 1. DIFFICULT FOR A NON-TECHNICAL PERSON

As most of the digital payment modes are based on mobile phone, the internet and cards. These modes are somewhat difficult for non-technical persons such as farmers, workers, etc.

### 2. THE RISK OF DATA THEFT

There is a big risk of data theft associated with the digital payment. Hackers can hack the servers of the bank or the E-WALLET you are using and easily get your personal information. They can use this information to steal money your account.

### 3. OVERSPENDING

Everyone keep limited cash in the physical wallet. Hence, people think twice before buying anything. But in digital payment modes, we have all our money with us always. This can result in overspending.

## FUTURE OF DIGITAL PAYMENTS

The future of digital payments is very bright. India is experiencing a remarkable growth in digital payments. In 2015-2016, a total of Rs. 4018 billion

transacted through mobile banking as compared to Rs. 6 billion in 2012-13. The percentage of the digital payments through other modes is also increasing in a significant speed.

There are many factors which are affecting the future of digital payments.

### 1. DIGITAL REVOLUTION:

Digital revolution has provided an easy way to go for digital payments. India has more than 100 crore active mobile connections and more than 22 crore smartphones users as of march 2016. This number is going to increase further with a faster internet speed. The reach of mobile network, internet and electricity is also explained digital payments to remote areas. This will surely increase the number of digital payments.

### 2. GOVERNMENT'S SUPPORT

Digital payments are more convenient than cash payments. You do not worry to carry a lot of cash with you all the time. You can make digital payments in seconds. The change is not a concern with digital payments when you pay the exact amount. You will also have all your payments recorded automatically. We all love simplicity and ease. Hence, we can say that digital payments is the future of fund transfer and money transactions.

### 3. A CONVENIENT WAY TO PAY

Digital payments are more convenient than cash payments. You do not need to carry a lot of cash with you all the time. You can make digital payments in seconds. The change is not concern with digital payments when you can pay the exact amount. You will also have all your payments recorded automatically. We all love simplicity and ease. Hence, we can say that digital payments is the future of fund transfer and money transactions.

## CONCLUSION

Digital payment system made the payment system more convenient, ease and simple. It saves our time and money. Digital payment system is very helpful for the society. We can pay the money from anywhere and it involves less risk. For every digital payment transaction a written record can be maintained. And also the government is encouraging the people to deal with the digital transactions by giving discounts.

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