

Digital Payments: A Step towards Cashless Economy

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Introduction

There is significant transformation of banking sector of India due to financial sector reforms initiated in 1990s. The Central Government also promoted to use the new banking technologies for making Cashless Economy. Recently Prime Minister of India announced demonetization scheme of high value denomination currencies in India stresses the importance of digital payments and banking technologies. The Banks has also opened many digital payment options for the customers to do financial transactions through technologies. On 19th August, 2015, the RBI approved to establishment of Payment Banks to promote Digital Payment and for the benefit of small businesses and low income households.

Objectives of the Study

The study has following objectives:

- To understand the concept and meaning of Digital Payment.
- To know the methods of Digital Payment.
- To understand the establishment of Payment Banks in India.
- To know the importance/role of Digital Payment and Payment Banks.
- To discuss on relationship between Digital Payments and Cashless Economy.
- To provide the Suggestions for Promoting Digital Payments.

Research Methodology

The study is based on secondary data and some discussion with eminent persons in the banking sector. It is also based on listening the various lectures at

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conferences, workshops, and seminars etc. The data have been collected from different books, journals, newspapers, various research papers, reports of RBI, annual reports of Banks and from different bank's websites to gather all the important and relevant information required for proper analysis/study. It is also based on the listening of the speech of Prime Minister of India on television many times on this topic.

Literature Review

Manju, P. P. (2017) studied "Banking Innovations- Importance in Cashless Economy" and concluded that after demonetization lots of people used the various banking innovations for the cashless transactions.

Nirala, C. and Pandey, B.B. (2017) studied "Role of E-Banking services towards Digital India" and explained various facilities provided by banks to make cashless economy and challenges of digital payment and concluded that Banks are improving their services as a financial intermediary through adopting various IT solutions.

Srinivas, G. S. (2017), in the research paper "Financial Inclusion-Role of Payment Banks in India" explained the concept of payment banks and their role, objectives & functions. He explained the future of Banking Industry.

What is 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. All the transactions in digital payments are completed through electronic mode. Digital Payments are made with the help of electronic device and internet. It provides the facilities 24*7 bases and from anywhere. It is an instant and convenient way to make payments.

Types/Methods of Digital Payment

There are many methods for digital payment, which are discussed as under:

- **IMPS:** IMPS stands for Immediate Payment Services. It was introduced by NPCI in 2010. It provides the facilities for intra-bank and inter-bank electronic fund transfer system in India with using internet. It can be done on mobile phones also. This facility is available on 24*7 bases.
- **NEFT:** NEFT stands for National Electronic Fund Transfer. Funds are transferred to the credit account with the other participating Bank using RBI's NEFT service.
- **RTGS:** The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous settlement of funds transfers individually on an order by order basis. In this method, one bank makes payment electronically to another bank through RBI.

- **Debit Card:** A debit card is a plastic payment card that can be used instead of cash. It looks like a visiting card and made by plastic on which the name of account holder and debit card number are printed. On the back side of this card a CVV number of three digits are also printed. This card may be used for the withdrawal of cash from ATM and the payment may also be made at the time of shopping.
- **Credit Card:** A **credit card** is a plastic card issued by a financial institution that allows its user to borrow pre-approved funds at the point of sale in order to complete a purchase. This card looks like a Debit Card but it cannot be used for withdrawal of cash from ATM.
- **Mobile Banking:** This service allows customers to conduct financial transactions via mobile device like mobile phone or tablet. Mobile banking uses software called an app for this purpose.
- **Internet Banking:** This facility is provided by bank to customer for making any financial transaction through electronic device i.e computer, mobile phone etc with internet connection on the basis of 24*7 basis. Internet banking provides the facility of other digital payment method i.e RTGS, NEFT and IMPS for processing the financial transaction. Internet banking provides the facilities to check the balance print & view e-statement, open a FD/RD/PPF account, e-TDR and e-STDR through online mode.
- **Mobile Wallets:** A mobile wallet is a type of virtual wallet service that can be used by downloading an app. It requires to add money through bank account using Debit/Credit Card/Internet Banking and Other mode. After it, mobile wallet can be used to making payments to merchants, online purchase goods and services, sending and receiving money etc.
- **USSD:** It stands for Unstructured Supplementary Service Data. This was also developed by National Payments Commission of India (NPCI). It links the mobile number and bank account of the customer. After linking, *99#, can be used to carry out mobile transactions without downloading any app. These types of payments can also be made with no mobile data facility.
- **AEPS:** AEPS stands for Aadhar Enabled Payment System. It is a bank led model which allows online interoperable financial transaction at Point of Sale/Micro ATM through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication. In this method, Aadhaar must be link with the banks account of the customer. It provides the facility of Balance Enquiry, Cash Withdrawal, Cash Deposit, funds transfer, Payment Transactions (C2B, C2G Transactions).

- **UPI:** It stands for Unified Payment Interface. It interconnects to help transfer fund. In this mode, both money sender and receiver need a UPI identity.
- **BHIM App:** It stands for **Bharat Interface for Money (BHIM) app**. This BHIM app allows users to make payments using the UPI application.
- **Mobile Banking Apps:** To promote the digitalization, the banks are designed the applications which can be downloaded in mobiles through Google play store. These apps are like as imobile of ICICI Bank, Yono of SBI Bank etc. These mobile apps may be used for the transactions.

Introduction of Payment Banks

All banks in India have adopted digitalization but the rural population remained unaware due to unregulated regional rural banks as well as the rural branches of commercial banks. To remove this problem, Payment Banks are established in India after the approval of RBI on 19 August 2015. It can carry out banking operation but cannot provide credit and loan facility. It does not have any physical branch everywhere. It operates all work only through digital mode from only head office. The Reserve Bank of India has given licenses to eleven entities to launch payments banks on 19 August 2015, which are as follows:-

- Aditya Birla Nuvo
- Airtel M Commerce Services
- Chola Mandalam Distribution Services
- India Post
- FinoPayTech
- National Securities Depository
- Reliance Industries
- Vodafone M-Pesa
- Paytm
- Tech Mahindra
- Sun Pharmaceuticals

Bharti Airtel launched India's first live payments bank in March 2017. Paytm, India Post and Aditya Birla Idea Payments Bank have also launched services. Chola Mandalam Distribution Services, Sun Pharmaceuticals and Tech Mahindra have surrendered their licenses.

Importance/Role of Digital Payments and Payment Banks

- No need to handle cash
- Anytime and anywhere (24*7 Bases)
- Convenience of use
- Secured Transaction
- Incentives, Cash back, Offers and promotional schemes on Digital Payment

- No fear of losing cash or getting robbed or getting fake currency
- Easy to operate on mobile
- No Cost to open an account in Payment Banks
- To have Debit Card in digital mode in Payment Banks
- No need to go in the Branches of Bank
- No need to print passbook

Relationship between Digital Payments and Cashless Economy

The Prime Minister of India has also made focus on digitalization in India and promoted Cashless Economy in India after demonetization. The methods of digital payments and establishment of Payment Banks are very useful to carry out all the financial transactions. These digital payments will play a vital role to make cashless economy. The relationship in digital payment and Cashless economy must be positive because if the people will use digital payment mode then Indian economy will move towards cashless economy. The Central Government as well as State Governments is continuously promoting digital payments and cashless economy in India.

Conclusion

Digital Payments are those transactions which are done with the help of internet and electronic media. There are many methods of digital payments. These methods are easy and secure to make any financial transaction on 24*7 bases. The Government is also providing financial literacy in rural areas also for promoting the digital payment and open an account in Payment Banks. The People may use these methods of digital payments to get benefits like cash back offers, incentives etc. There are some problems for public to use cashless digital methods at present. Hence, the government as well as Banks should create awareness, build trust, provide cyber security framework and provide necessary infrastructure to make it possible for public to adopt digital payment systems. The Government should do mandatory to make digital payments at schools, college and university level so that students may be benefited and be perfect/experienced in digitalization at initial level and they can further provide the financial literacy to others. The workshop, seminar and awareness programmes are also to be organized to promote digital payments.

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