

## CHANGING SCENARIO OF DIGITAL PAYMENTS IN INDIAN ECONOMY

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### ABSTRACT

*Indian economy is having tremendous changes in the path of its development. Recently increasing focus on Digital Payments have emerged as a new trend of our economy. Digital Payment is the system through which money can be transferred from one person to another electronically through various electronic modes. Digital Payment system is not a new concept in Indian economy. It started in mid-eighties and early nineties. Reserve Bank of India has taken various initiatives that focused on technology based solutions for the improvement of the payment and settlement system infrastructure coupled with the introduction of the new payment products by taking advantages of the technological advancement in Banks. In this line the Debit and Credit ECS in 1990, Electronic Fund Transfer (ETF) in late 1990, NEFT in Nov, 2005, RTGS (Real Time Gross Settlement) in 2009, CCIL (Clearing corporation of India Limited, ATM /POS Terminals / Digital or Online Transactions, Mobile Banking System in Oct, 2008, and National Payment Corporation of India (2009) are working for the efficient and effective E-Payments in India. But in spite of this Digital Payment system did not show any significant growth in our economy especially in retail sector. But after the historical step of Demonetization (Notebandi) in Indian economy on 8th November, 2016 growth in Digital Payment transactions have been seen. This paper aims to discuss the changing scenario of Digital Payments and its growth in India.*

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**Keywords:** Digital Payments, Technology, Transactions.

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### Introduction

India as a digital economy or internet economy is a new productivity platform that some experts regard as the industrial revolution which is expected to generate new business opportunities in next 30-40 years. The major opportunity of the digital economy has the power to change the lives of millions of the people of India. Goldman Sachs predicts that India comprising 15 % of the world population with a growth rate of 7 to 8 % could be the second largest economy. After the launch of the Digital India in 2015 by Prime Minister Shri Narendra Modi the pace of digital innovations has touched each and every sector of the economy. India is digitizing very speedily and has become one of the fastest adapter of the new technologies like mobile financial services, social media etc.

Digital payments as the part of the digital economy has provided flexibility and transparency. Digital payments are those type of payments which are made through electronic modes like debit card, credit card, mobile wallets, etc. The concept of digital payments is not a new concept as internet banking came in 2001 in India after that RTGS and in 2004-2005 followed by mobile banking in 2007, Rupay card, Bharat Bill Payment System(BBPS) in 2014, various mobile wallets like Paytm in 2016. But a substantial boost in the digital payment system has been noticed after the demonetization in November 2016 which had a huge impact on various sector of the economy and has significantly impacted the people transact in their daily life. The shortage of notes in that period led people for cashless avenues for their transactions. With the advanced technology in financial infrastructure and revolution of smartphones

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in the country has led to the emergence of the e-commerce, m-commerce and other services in the country, also the value added services such as cashback, bill payment facilities, loyalty points, rewards and ease to use has increased usage of such digital platforms. Therefore, Digital payment system in the country is undergoing a massive transformation.

### **Objectives of the Study**

- To discuss the changing scenario of Digital Payments in India.
- To analyse the growth of Digital Payments in India.

### **Research Methodology**

Present study is descriptive in nature. It is based on secondary sources to describe the facts. The data is collected from journals, newspapers and other government website

### **Changing Scenario of Digital Payments**

Digital Payments is not a new concept in India. It started in mid-eighties and early nineties. In India Central Bank have taken various initiatives for making this system more viable to make in convenient, safe, and economical.

The development of electronic payment in India passed through the introduction of the following systems:

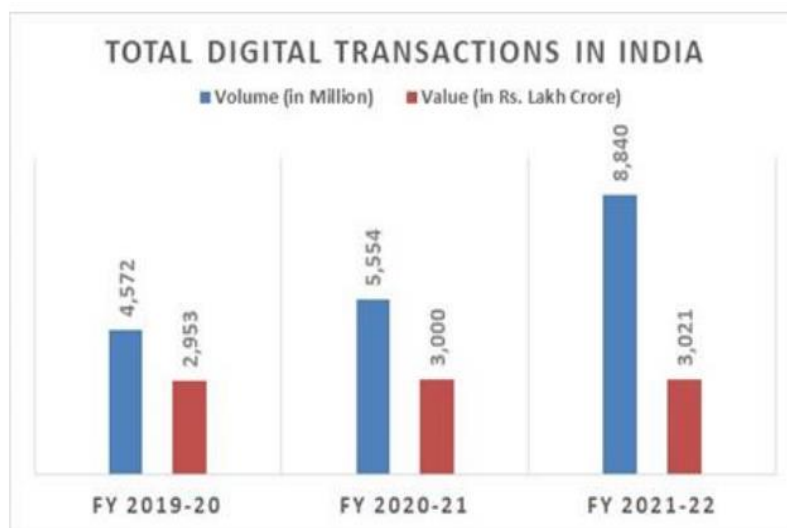
Banks introduced the ECS (loan) scheme in the 1990s to meet large and recurring demands for cash (such as wages, interest, dividends) from businesses and other buildings. ECS (Credit) makes it easy to identify customers on a daily basis and is now available in all major cities nationwide. In September 2008, the bank launched a new clearing service (NCC) called the National Electronic Clearing Service (NECS) at the National Clearing House in Mumbai. NECS (Credit) allows a series of credits from delivery centers across the country for beneficiary income and withdrawals from bank account support. The system is pan-Indian in nature and facilitates the cooperation of all branches of CBS Bank regardless of their location in the country, using core banking solutions (CBS) of member banks. After NECS, RECS was launched in 2009. RECS, short for NECS, is limited to regional bank branches of RBI regional offices. As per the policy, participating banks will send proofs containing loan/debit details from RBI's secure website to customers of GIS enabled bank branches, as per the cutoff decision of RBI regional offices. The RECS office will process documents, reach reconciliation, generate bank information/reports and provide information/reports to support departments via a secure website. RECS are currently available in Ahmedabad, Bangalore, Chennai and Kolkata. The ECS (Debt) scheme has been implemented by RBI to provide a faster way to recycle and recycle electronic products. ECS (debit card) helps electricity companies' customers/customers make daily payments and "pay" to their bank account to withdraw their money to a debit card and transfer money to the company. This increases process efficiency and customer satisfaction as well as reduces paper usage. There is no minimum or maximum payout. Services are also available in major cities of the country.

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a financial transfer system in which funds are transferred from one bank to another in "real time" and "total". "Real-time" payment means that there is no waiting time for payment changes. "Gross Settlement" means transactions that are settled on a one to one basis and are not tied to or netted in other transactions. Once completed, payment is final and non-refundable. In November 2005, we introduced a more secure system to facilitate personal/business money-to person transfer requests. The NEFT system provides hourly transactions in a fixed time frame, providing near realtime money exchange. So other special features. Initiating transactions, initiating transfer request with no minimum or maximum limit, facilitating oneway transfer for Nepal, confirmation of beneficiary's credit number date/time, etc. Cash can be accepted into the system for purposes.

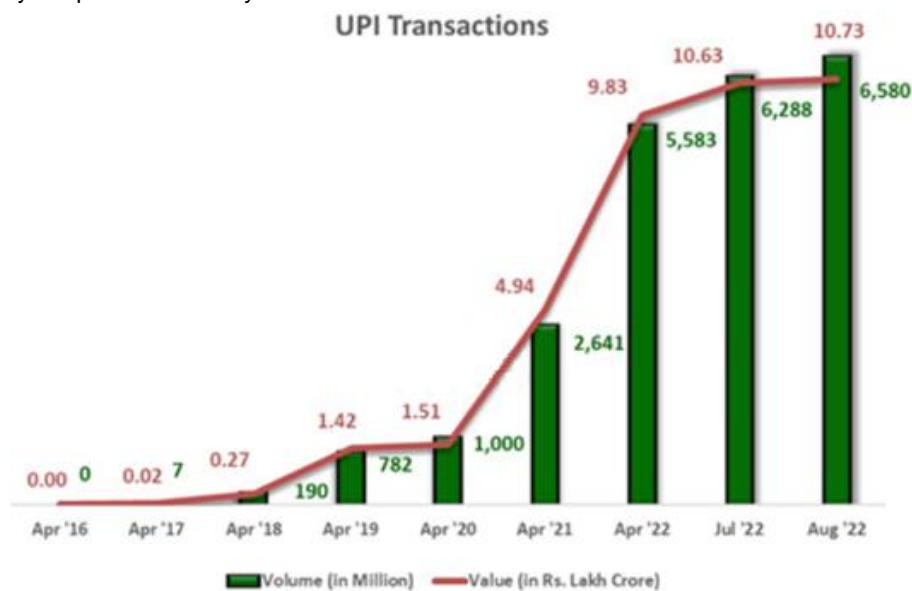
The mobile phone has become important as a tool in the provision of banking services. In October 2008, the Central Bank issued guidelines on mobile banking for banks stating that banks are authorized and regulated in India and can provide mobile banking services in India after obtaining the required license from the Central Bank. The guide focuses on security systems and interbank clearing arrangements through the authorization of the Central Bank. On the technical side, the goal is to create interoperable models that allow money to be transferred from one account to another account simultaneously or simultaneously to other banks in real time, regardless of the mobile phone the customer subscribes to Savings Bank customers can withdraw money from a bank account up to 5 times a month with no fees. To address customer service issues arising from ATM malfunctions (where customers' funds were debited before they were paid in cash), the Bank mandated that failed transactions be returned within 12 business days and payment for delays exceeding the specified time. In addition, a design template was placed at all ATM locations to assist customer complaints. The Central Bank encouraged the establishment of the National Payments Corporation of India (NPCI) as an umbrella organization to operate the multi-party retail market (RPS) in India. The NPCI became operational in early 2009. NPCI is accredited by the National Financial Center (NFS) of the Business Technology Development and Research Institute (IDRBT). NPCI is expected to provide greater convenience to customers through the consolidation and standardization of payment stores, the expansion and expansion of existing products, and the effectiveness of new payment methods.

Although the digital payment transaction in India is growing gradually but it is not accepted completely by all the people. Government of India has priorities the promotion of digital payment to each segment of the country and every citizen of India uses this facility conveniently, easy affordable, quick and secured manner. The unprecedented growth of digital payment transactions in India during last three-four years. BHIM-UPI, IMPS, PPIs and National Electronic Toll Collection have registered substantial growth and have transformed digital payment ecosystem by increasing person to person and person to merchant's payments. The Preexisting payment system like RTGS, NEFT, Credit and Debit Card also grown at fast speed. The most preferred method of digital payment by users are BHIM-UPI. To make the DBT in digital payments more effective the Government of India launched a contactless instrument e-RUPI which provide solution to the Digital payment transactions.



In Digital Payment Ecosystem UPI which is launched in 2016, developed by National Payment Corporation of India (NPCI) has been considered as a revolutionary product with most popularity. It consolidates several bank accounts in one mobile phone, connects several trading companies, different accounts and payments to merchants in one engine. To further enhance connectivity, Prime Minister Narendra Modi launched BHIM-UPI at the 'DigiDhan Mela' event on 31 December 2016.

UPI has done a great job of making digital payments a habit and putting India on the path to a cashless economy. In August 2022 alone, 346 banks went live on the UPI interface and processed 6.58 billion financial transactions with a total value of approximately Rs. 10.73 billion rupees. UPI now accounts for over 40% of all digital transactions in India. It helps small businesses and street vendors as it provides fast and secure banking even for small businesses. It also facilitates the rapid removal of migrant workers abroad. The device is easy to use because it requires very little physical interaction, simply scan the QR code to transfer money. UPI also acted as a lifesaver during the Covid-19 outbreak and is widely adopted for its ability to facilitate contact.



## Conclusion

In India Digital Payments is growing very speedily after its introduction. This system is considered as a fast and attractive method of payment which is time saving and easy. RBI has made various initiative in this line and introduced various payment systems. At the initial stage Electronic clearing service for debit and credit and NEFT and RTGS etc. were introduced for Digital Payments in India. But after the introduction of Digital India programme significant boost has been noticed in digital payments after introduction of various new modes of payments like Banking cards (debit / credit / cash / travel / others), Unstructured supplementary service data (USSD), Aadhaar enabled payment system (AEPS), Unified payments interface (UPI), Mobile wallets, Bank Prepaid cards, Point of sale, Internet Banking, Mobile Banking, Micro ATM's. The main aim behind this programme is making Indian Economy as cashless economy. The program has shown tremendous growth in the report of RBI in all types of payments also in retail payment.

As India's Status towards a digital economy is at a very nascent stage and a lots of changes and innovations will take place in the coming years especially in financial, telecom and information technology sectors. While moving towards a cashless economy is a great step, it is important to have the understanding of the consequences also as the sudden boost towards digital payments may affect the existing security and fraud control system with the increased number of users. As more users preferring the digital payments, the chances of online frauds, identity theft, and malware and virus attacks are also increasing. Lack of awareness and loopholes in the digital payment system are the main reasons for the increased number of cyber-attacks. As per the report of a survey conducted by ASSOCHAM, 88 percent of the respondents expressed their will to adopt digital payments but security concern and lack of awareness acts as a main barrier.

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