



AN OVERVIEW OF DIGITAL PAYMENT SYSTEM IN PUBLIC SECTOR BANKS

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Abstract

India is going to become cashless. Indian government launched digital India Campaign to reduce dependency of Indian economy on cash and prevent from money laundering. To making cashless India and increasing trends in using digital payment system various Payment methods are emerging and developing. India is developing country and maximum area is rural and shocking is computer literacy is only 6.5% then question arises that implementation of digital payment system. The research paper is making focus on the digital payment system in India. The research is paper also trying to explain the future scope of the Digital payment system.

Key Words: *Digital India, Cashless, Digital Payment system etc.*

Introduction

A payment is defined as the transfer of one form of good, service or financial asset in exchange for another form of good, service or financial asset in proportions that have been previously agreed upon by all parties involved. Payments can be made in various forms including funds, goods, assets or services. These methods of transactions have evolved through time from barter (-1200 BC) to digital payments since the early 2010s. The Government of India has been taking several measures to promote and encourage digital payments in the country. As part of the 'Digital India' campaign, the government aims to create a 'digitally empowered' economy that is 'Faceless, Paperless, Cashless'. There are various types and modes of digital payments. Some of these include the use of debit/credit cards, internet banking, mobile wallets, digital payment apps, Unified Payments Interface (UPI) service, Unstructured Supplementary Service Data (USSD), Bank prepaid cards, mobile banking, etc.

Digital payment methods are often easy to make, more convenient and provide customers the flexibility to make payments from anywhere and at anytime. These are a good alternative to traditional methods of payment and speeded up transaction cycles. Post demonetization, people slowly started embracing digital payments and even small time merchants and shop owners started accepting payments through the digital mode.

Meaning of Digital Payment

To put it in simple words, a digital payment occurs when goods or services are purchased through the use of various electronic mediums. There is no use of cash or cheques in this type of payment method.

A digital payment, sometimes called an electronic payment, is the transfer of value from one payment account to another using a digital device such as a mobile phone, POS (Point of Sales) or computer, a digital channel communications such as mobile wireless data or SWIFT (Society for the Worldwide Interbank Financial Telecommunication). This definition includes payments made with bank transfers, mobile money, and payment cards including credit, debit and prepaid cards.

Need for the Study

Digital India programme is an initiation of vision to change the phase of the country from cash to cash less society. Paperless and cashless transactions are the prime agenda of the programme. To implement this government has come up various initiatives towards online payment system for their money transactions. Customers are important for any business especially for the banking industry they play a key major role and to what level they are aware about the uses and the implantation of the cashless transactions. The main aim of this study is to know the adoption of digital payment system in Public sector banks and to study the various modes of online payments, purpose of using online payment systems and overall rating of Online payment Systems. In this context, this study attempts to study digital payment system adopted by public sector banks.



Objectives of the Study

- Know the adoption of digital payment system in Public Sector Banks.
- To explore the various modes of digital payment transactions that is offered by Public Sector Bank.
- To gauge the extent of operations of digital payments while dealing with online transactions.
- To offer suitable suggestions in handing digital payments as easy and convenient one.

Research Methodology

Research methodology is a way to systematically solve the research problem. The research methodology includes the various methods and techniques for conducting a research. Research is an art of scientific investigation, in a scientific and systematic search for pertinent information on a specific topic. The required data for the study has been collected through various sources like Past records, annual reports, Boucher, publications, Internet etc.

Limitations of the study

- This study is restricted to Digital payment system adopted by Public Sector Banks.

Types of Digital Payment Methods in India

➤ **Banking cards:**

Cards are among the most widely used payment methods and come with various features and benefits such as security of payments, convenience, etc. The main advantage of debit/credit or prepaid banking cards is that they can be used to make other types of digital payments.

➤ **USSD:**

Another type of digital payment method, *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. This facility is backed by the USSD along with the National Payments Corporation of India (NPCI).

➤ **AEPS:**

Expanded as Aadhaar Enabled Payment System, AEPS, can be used for all banking transactions such as balance enquiry, cash withdrawal, cash deposit, payment transactions, Aadhaar to Aadhaar fund transfers, etc. All transactions are carried out through a banking correspondent based on Aadhaar verification.

➤ **UPI:**

UPI is a type of interoperable payment system through which any customer holding any bank account can send and receive money through a UPI-based app. The service allows a user to link more than one bank account on a UPI app on their Smartphone to seamlessly initiate fund transfers and make collect requests on a 24/7 basis and on all 365 days a year.

➤ **Mobile Wallets:**

A mobile wallet is a type of virtual wallet service that can be used by downloading an app. The digital or mobile wallet stores bank account or debit/credit card information or bank account information in an encoded format to allow secure payments. One can also add money to a mobile wallet and use the same to make payments and purchase goods and services. This eliminated the need to use credit/debit cards or remember the CVV or 4-digit pin.

➤ **Bank pre-paid cards:**

A prepaid card is a type of payment instrument on to which you load money to make purchases. The type of card may not be linked to the bank account of the customer. However, a debit card issued by the bank is linked with the bank account of the customer.



➤ **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.

➤ **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. Internet 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 customer can log into his/her account by using 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.

➤ **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.

➤ **Bharat Interface for Money (BHIM) app:**

The BHIM app allows 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 a valid bank account. Money can be sent to different bank accounts, virtual addresses or to an Aadhaar number. There are also many banks that have collaborated with the NPCI and BHIM to allow customers to use this interface.

Benefits of Digital Payments

• **Faster, easier, more convenient:**

Perhaps, one of the biggest advantages of cashless payments is that it speeds up the payment process and there is no need to fill in lengthy information. There is no need to stand in a line to withdraw money from an ATM or carry cards in the wallet. Also, with the move to digital, banking services will be available to customers on a 24/7 basis and on all days of a year, including bank holidays. Many services like digital wallets, UPI, etc, work on this basis.

• **Economical and less transaction fee:**

There are many payment apps and mobile wallets that do not charge any kind of service fee or processing fee for the service provided. The UPI interface is one such example, where services can be utilized by the customer free of cost. Various digital payments systems are bringing down costs.

• **Waivers, discounts and cash backs:**

There are many rewards and discounts offered to customers using digital payment apps and mobile wallets. There are attractive cash back offers given by many digital payment banks. This comes as a boon to customers and also acts as a motivational factor to go cashless.

• **Digital record of transactions:**

One of the other benefits of going digital is that all transaction records can be maintained. Customers can track each and every transaction that is made, no matter how small the transaction amount this.



Progress of Digital Payment Services in India

The progress and use of digital services can be see using following information. After demoralization of money the digital system get mentionable progress after 2016.

Table No. 4.1

**Table Showing Payment System Indicator- transactions
(Vallues in Billion)**

Method	2015-16	2016-17	2017-18	2018-19	2019-20
RTGS	904968.04	929333.09	1035551	1253652.08	1467431.99
Retail Electronic Clearing	47856.29	65365.51	91408.14	132324.30	193112.33
Card Payments Credit Card ATM POS etc	22159.58	25415.27	29397.65	30214.00	38214.64
M. Wallets	29.05	81.84	205.84	838.01	1416.34
Mobile Banking	224.18	1035	4040.91	13104.76	14738.54
Total	975237.1	93.049.9	1160604	1430133	1714914

Source: RBI Report

As table shown above its indicates that the number of electronic transaction are in increase trends, as compare to the 2015-16 to 2019-20 RTGS, electronic clearing, Card payments and m. wallets and mobile banking are increased by near about 75%.

RBI allowed in may 2016 to access the mobile banking above age 10 minor. They can open and use the mobile banking services. They can open fixed and saving accounts using mobile banking, SBI and ICICI are the banks who providing these services to minor.

According to the NPCI – National Payment Corporation of India there are 104500 ATM working in the India and out of the total 59% ATM are of PSB and remaining of Pvt. SB and Co-operative banks.

Table No. 4.2

Table Showing Development of ATM, POS and Transaction

Year	ATMs			POS		Total
	On Site	Off Site	Total	On-line	Off Line	
2020	104011	101173	205184	3193356	0	3193356
2019	109740	98073	207813	2614584	0	2614584
2018	101826	98128	199954	1403112	0	1403112
2017	90819	91661	182480	1125377	0	1125377

Source: RBI Report

The ATM And Numbers of POS machine are increases from the emerged and now in 2020 there are 205184 ATM are working and numbers of POS machines are also increases from the 2017 it was 1.82 lakh and now it increases near to 2.05 lack. The changes show that the India moving to Paperless banking and presently Indian adapted the paperless banking tools to make the transaction. The POS machines also increased.



Table No. 4.3

Table Showing Use of Credit Cards

Year	Credit Cards				
	No. of Outstanding cards as at the end of the month	No. of Transactions (Actual)		Amount of transactions (Rs. Millions)	
		ATM	POS	ATM	POS
2020	37782876	7271175	132318612	3396	448342
2019	32056929	613206	110762306	2848.5	339297.4
2018	24860730	591865	72827537	2863.37	227246.3
2017	21288891	430487	57304068	2285.7	179215.7

Source: RBI Report

The Credit Cards usage and its transactions And amount of transactions are increased year to year in 2020 it is increased to 7271175 in ATM and POS Machine was 132318612 and also amount of transactions are Rs. 3396 million in ATM and Rs.448342 Million in POS.

Table No. 4.4

Table Showing Debit card Use and Transaction

Year	Credit Cards				
	No. of Outstanding cards as at the end of the month	No. of Transactions (Actual)		Amount of transactions (Rs. Millions)	
		ATM	POS	ATM	POS
2020	906356781	758938556	333766148	2647971	454571
2019	804051123	703913571	261256191	2270761	351310.5
2018	671187187	733399002	118284077	2252098	148033.8
2017	564707913	615527057	80124846	2000398	114991.1

Source: RBI Report

The numbers of transaction in compare to 2017, 32% are increases in 2020 while use of Pos machines is increases by 316%. It shows that the people are using the paperless tool to shopping as well as for cash withdrawal. Use of Credit card is also in progressive trend as compare to 2017.

Suggestions

- Awareness programs must be done in order to educate people about digital payment system.
- It must be taken to minimize the deficiencies involved in digital payments like security issues, trustworthiness etc.
- Many people use cards for all their needs but there is a additional charge on the use of debit or credit cards. In order to encourage people to engage in digital modes it is important to remove additional charges for just mere use of cards.
- Service provider of mobile wallet, net banking must take into consideration user experience and take their valuable feedback in order to better their services.
- Cash payment is still to be seen everywhere. If government to implement digital system of payment or cashless society it must act on that behalf by encouraging people to use digital modes and giving proper incentives.
- Different customers have different needs so it is necessary to provide them with number of payment methods so it gives option to user to select the mode of payment which is best suited to him.
- While making payment customer needs to give essential information. There must be a better mechanism for maintaining the privacy of the information provided by the user.
- User friendly atmosphere must be created so that user can be retained to one particular mode of payment.



Conclusion

Technology has arguably made our lives easier. One of the technological innovations in banking, finance and commerce is the Digital Payments. Digital Payments refers to the technological breakthrough that enables us to perform financial transactions online, thus avoiding hindrances and other hassles. Digital Payments provides greater freedom to individuals in paying their taxes, licenses, fees, fines and purchases at unconventional locations and at whichever time of the day, & 365 days of the year.

Due to the developments in digital world each and every activities of human being had changed. As a part of policy change cash is no longer becoming a mode of transaction. The country needs to move away from the cash-based towards a cashless (digital) payment system. This will provide multiple advantages like, reduce currency management cost, track transactions, check tax avoidance or fraud etc., enhance financial inclusion and gradually integrate the parallel economy with the main stream.

Digital Payment system is easy to use to the customer as well as bank officers and there are several option are available in the financial system in India, but there are large amount of people in India don't know how to use the system. The Digital literacy of Indian people is low level, Therefore digital payment system is not pure developed and spread all over the India. The social and infrastructure barriers are there influences to use of digital payment system. But Now a day's mobile banking are becoming famous in the India because it is easy to use and anytime can use. It is also required to improve the digital literacy among the people. There are also issues relating to the risk and security.

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