

THE CHANGING TRENDS IN PAYMENTS: AN OVERVIEW

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ABSTRACT: The present era is entering into a new pace in payment system by using digital wallets filled with coupons and offers. The Digital India programme is a flagship programme 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. Considering the benefits like transparency in transactions, scope for curtailing parallel economy and improving the ease of business, it is very essential that the transformation towards digital payments. Many changes took place in the recent past like launch of many digital wallets like - Paytm, Mobiwik, Free Charge etc. and government launching many United Payment Interface (UPI) solutions and BHIM app for smooth transition to digital payments. The paper highlights on the various modes of payments, benefits of cashless economy and preparedness for the implementation of the cashless economy by Indian Government. The study found that, the payment system initiatives taken by the government and RBI have resulted in greater acceptance and deeper penetration of non-cash payment modes.

KEY WORDS: Digital Payment System, Paytm, Pay U Money, digital wallets.

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I. INTRODUCTION

Payment system plays an important role in driving the economic and social development of the country. The last decade has seen tremendous growth in use of internet and mobile phone in India. Increasing use of internet, mobile penetration and government initiative such as Digital India are acting as catalyst which leads to exponential growth in use of digital payment. Electronics Consumer transaction made at point of sale (POS) for services and products either through internet banking or mobile banking using smart phone or card payment are called as digital payment.

II. OBJECTIVES OF THE STUDY

1. To know the various modes of payments.
2. To study the benefits of cashless economy.
3. To assess the preparedness for the implementation of the cashless economy by Indian Government.
4. To study the online high value payments

III. RESEARCH METHODOLOGY

The study is based on secondary data. The required data has been extracted from various sources like research journals, periodicals, government publications, magazines, newspapers articles and the authenticated websites.

IV. REVIEW OF LITERATURE

✓ **Sujith T S, Julie C D (2017)** the article entitled “Opportunities and Challenges of E-Payment System in India”. This study aimed to identify the issues and challenges of electronic payment systems and offer some solutions to improve the e-payment system. E-payment system not only provides more opportunities but many threats also. The study found that, Digital revolution has provided an easy way to go for digital payments. The study also found that, the reach of mobile network, Internet and electricity is also expanding digital payments to remote areas. This will surely increase the number of digital payments.

✓ **Mamta, Prof. Hariom Tyagi and Dr. Abhishek Shukla (2016)** the article entitled “The Study of Electronic Payment Systems”. This study aimed to identify the issues and challenges of electronic payment systems and offer some solutions to improve the e-payment system quality. The successful implementations of electronic payment systems depends on how the security and privacy dimensions perceived by consumers as well as sellers are popularly managed, in turn would improve the market confidence in the system.

✓ **Preeti Garg and Manvi Panchal (2016)** the article entitled “Study on Introduction of Cashless Economy in India 2016: Benefits and Challenge’s”. This paper studied the views of people on introduction of cashless economy in India. The study was conducted in Delhi region and data was collected with the help of structured questionnaire and analyzed using simple percentage method. Responses from respondents shows that cashless economy will help in curbing black money, counterfeit’s fake currency, fighting against terrorism, reduce cash related robbery, helps in improving economic growth of our country. Major challenges that can hinder the implementation of the policy are cyber fraud, high illiteracy rate, attitude of people, lack of transparency and efficiency in digital payment system. The study found that, the introduction of cashless economy in India can be seen as a step in right direction. It helps in growth and development of economy in India.

✓ **Vidya Shree DV, Yamuna N. and Nitua Shree G (2015)** the article entitled “A Study on new Dynamics in Digital Payment System - with special reference to Paytm and Pay U Money”. The research paper is focusing on the impact of the new digital payments systems on customers and problems encountered if any. The study found that, people are more aware about the online payments through mobile applications and there is a wider increase in growth rate. The study also found that, Paytm and Pay U money is providing easy payment structures compared to Digital payment system.

V. PAYMENT MODES

✚ PAPER BASED MODE:

Paper based system come with a considerable cost to the society. These include both direct cost such as cash-printing, transporting notes, weeding out soiled notes, cheque-printing, postage, clearing and handling costs etc and indirect cost such as loss of tax revenue, creation of black money, security risk etc.

❖ **Cash** – Cash remains the predominant mode in the country. The value of banknotes and coins in circulation as a percentage of GDP is very high in the country. The cash GDP ratio of India stood at 10.6 % which was highest among BRICS countries. Adoption of cashless transaction has been significantly pushed by Prime Minister Mr. Narendra Modi as part of government reforms after demonetization of high value currency of Rs. 500 and 1000. Demonetization has presented a unique platform for adoption of digital payment, as an alternative to cash for Indian consumers.

❖ **Cheque** - The cheque was the only alternative to cash for a long time. The payment initiatives taken by the Government and BI have resulted in greater acceptance of non-cash payment modes. Cheque clearing system has been migrated to imafe-based cheque system. The CTS has provided better liquidity management and operational benefits to the banks.

✚ ELECTRONIC PAYMENT MODE :

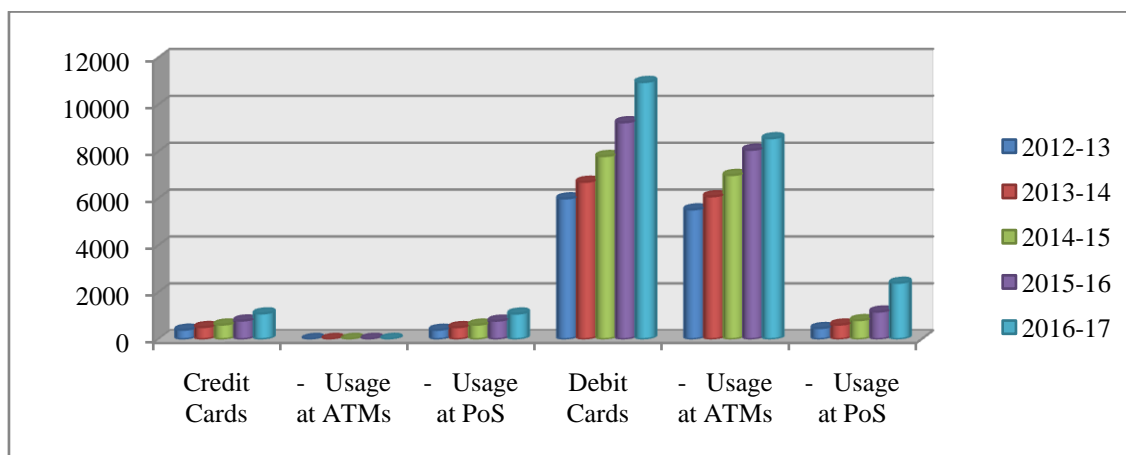
❖ **Cards** - Card payment include payments made using debit cards, credit cards, or prepaid/stored value cards. Card payments can be made face-to-face or carried out remotely.

Table 1: Usage of Credit and Debit Cards

(Volume in Million)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Credit Cards	399.13	512.03	619.41	791.67	1,093.51
Usage at ATMs	2.52	2.96	4.29	6.00	6.37
Usage at PoS	396.61	509.08	615.12	785.67	1,087.13
Debit Cards	5,999.21	6,707.10	7,804.57	9,247.00	10,962.36
Usage at ATMs	5,530.16	6,088.02	6,996.48	8,073.39	8,563.06
Usage at PoS	469.05	619.08	808.09	1,173.61	2,399.30
Total Credit and Debit Cards	6,398.35	7,219.13	8,423.99	10,038.67	12,055.87

The above table shows that, debit cards are used mostly for withdrawal of cash from ATMs and the debit cards usage at PoS is low. Its usage improved in 2016-17 due to shortage of cash. Debit cards have overtaken credit cards in India.



❖ **RuPay** - It is a coinage of two terms Rupee and Payment. The RuPay card was launched on 26 March 2012 by national Payments Corporation of India(NPCL).These are linked to an individual's bank account. Can be used at shops, ATMs, online wallets, micro-ATMs, and for e-commerce purchases. As of April 2018, the RuPay card is issued across the length and breadth of the country to the savings and current account holders of over 1000 banks in India.

❖ **AEPS**: The Aadhaar Enabled Payment System uses the 12-digit unique Aadhaar identification number to allow bank-to-bank transactions at PoS. AEPS services include balance enquiry, cash withdrawal, cash deposit, and Aadhaar to Aadhaar fund transfers.

❖ **Mobile**: Mobile payment services are operated under financial regulation and performed from or via a mobile device. Instead of paying with cash, cheque, or credit cards, a consumer can use a mobile to pay for a wide range of services and digital or hard goods. As on 31st May, 2017 there are 1,180,82 million wireless subscribers. High level of mobile user penetration provides immense opportunity to boost mobile banking.

❖ **IMPS**: Interbank Mobile Payment Service was launched in the year 2010 as a remittance product through mobile phones. It is an interbank electronic fund transfer service through mobile phones. IMPS facilitate customers to use mobile instruments as a channel for accessing their banks accounts and remitting funds.

❖ **USSD**: Unstructured Supplementary Service Data based mobile banking. It is linked to merchant's bank account and used via mobile phone on GSM network for payments up to Rs. 5,000 per day per customer.

❖ **UPI**: The United Payments Interface envisages being a system that powers multiple bank accounts onto a single mobile application platform of any participating bank. Merges multiple banking features, ensures seamless fund routing, and merchant payments. It facilitates P2P fund transfers. On 30th December, 2016 the government launched Bharat Interface for Money (BHIM) a mobile application for digital banking. The app enables users to transfer money to another person's bank account by simply using their Virtual Payment address (VPA).

❖ **Electronic / Mobile Wallets**: They are used via the internet and through Smartphone applications. Money can be stored on the app via recharge by debit or credit cards or net-banking. Consumer wallet limit is Rs. 20,000 per month and the merchant wallet limit is Rs. 50,000 per month after self-declaration and Rs. 1,00,000 after KYC verification.

VI. THE TOP FIVE MOBILE PAYMENT WALLET OF INDIA

- **Paytm**: Transferring money instantly to the bank from Paytm account Safe to store customer's CVV number. Paytm has launched an app password feature for Paytm Wallet in order to ensure the money is safe even if the customer lose or misplace his/her phone. A customer can use Paytm even without a Smartphone.
- **Mobikwik**: Introduction of M-Wallet for easy storing and transaction of money. Instant recharge without sign-up. Encrypted and highly secured transactions. User friendly mobile application.
- **Pay U money**: Auto read of OTP. Picking up the transaction where it dropped. Risk monitoring.
- **Citrus**: Fastest among all the digital wallets. Citrus Pay wallet offers and discounts.
- **Oxigen**: Send money to other mobile phones Shows transaction history.

VII. ONLINE HIGH VALUE PAYMENTS

★ **Real Time Gross Settlements (RTGS)**: RTGS system, introduced in India since March 2004, is a Interlink Research Analysis system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The (RTGS) Real Time Gross Settlement system is

maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours. The minimum amount to be remitted through RTGS is 2 Lac.

★ **National electronic Fund Transfer (NEFT):** NEFT facilitates transfer of funds to other bank accounts across the country. NEFT settles transactions in batches. RBI has introduced half hourly settlement from 1st July, 2017 to facilitate early credit of remittance proceeds. There is no restriction on the minimum value of remittance and the amount is credited to beneficiary within two business hours from the batch in which the transaction was settled.

VIII. MIGRATION FROM CHEQUE-BASED PAYMENT TO DIGITAL MODE

Table 2- RTGS customer/clearing/NEFT/NACH data

In Trillion)

In value Terms	2012-13	2013-14	2014-15	2015-16	2016-17
RTGS Customer	5,12,997.84	5,73,614.03	6,31,050.74	7,00,899.82	8,49,950.51
Paper Clearing	1,00,396.48	93,348.17	85,434.14	81860.79	80,958.15
ECS/EFT/NEFT	31,876.80	47,545.67	63,562.75	85,984.05	1,20,222.90
NACH (National Automated Clearing House)	0.00	214.81	1,220.88	3,801.83	7,916.17

The above table shows that cheque payment value has decreased from 100 trillion in 2012-13 to 81 trillion in 2016-17. There is increase cheque volume in 2016-17, due to small payments made by cheque due to denomination. There is a gradual growth in RTGS value from 2012-13 (513 trillion) to 2016-17 (850 trillion). There is significant increase NEFT and NACH due to shifting of business, government and institutional transactions from cheque to NACH and NEFT.

IX. FINDINGS OF THE STUDY

1. The payment system initiatives taken by the Govt. and RBI have resulted in greater acceptance and deeper penetration of non-cash payment modes.
2. Ever-improving technology and telecommunication facilities have given fillip to alternative electronic payment system.
3. Cheque as a mode of payment has lost its relevance and will remain at least in the medium term.
4. Government's initiatives such as the introduction of GST, demonetization etc is likely to widen the tax net and enlarge the formal economy.

X. SUGGESTIONS

1. For smooth implementation of cash less system in India, the following measures are recommended.
2. Government has to bring transparency and efficiency in e-payment system, strategies used by government and RBI to encourage cashless transactions by licensing payment banks, promoting mobile wallets.
3. As a part of 'Make in India' initiative by the government, RuPay cards, Aadhar based payment systems should be given preferential treatment. Government should withdraw service charge on cards and digital payments.
4. Measures to discourage use of cash, by introducing charges on withdrawal of money beyond a limit.
5. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments.
6. To improve financial inclusion, in addition to business correspondents, e-Seva Kendras etc may be allowed to make micro receipts and payment transaction using Aadhar authentication.
7. To accelerate the adoption of digital payments, women should be educated through campaigns. Financial literacy will lead to women empowerment. This will lead to digital and social revolution.
8. In schools also basic banking skills may be imparted.
9. Incentivizes all sections for increasingly adopting non-cash electronic modes of payment in lieu of cash. Schemes such as Lucky Grahak Yojana and digidhan Vyapar Yojana have to be continued to encourage electronic modes of payment.

XI. CONCLUSIONS

Demonetization has presented a unique platform for adoption of digital payment, as an alternative to cash for Indian consumers. Cashless economy will help in curbing black money, counterfeit's fake currency, fighting against terrorism, reduce cash related robbery, helps in improving economic growth of our country.

Major challenges that can hinder the implementation of the policy are cyber fraud, high illiteracy rate, attitude of people, lack of transparency & efficiency in digital payment system. The study shows that the introduction of cashless economy in India can be seen as a step in right direction. It helps in growth and development of economy in India.

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