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DIGITAL PAYMENT SYSTEM AND ITS IMPACT ON INDIAN ECONOMY

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ABSTRACT:

India, a nation of considerable magnitude, ranks as the second-largest country globally, boasting a population of over 1.3 billion individuals, which accounts for approximately 18% of the total worldwide population. India is the country with the second highest population. The implementation of a digital payment system is important in order to address the financial requirements of an expanding population. This only factor guarantees success. The primary objective of the 2015 Digital India initiative was to transform India into a technologically advanced and information-driven economy. The strategy places significant importance on digital infrastructure as an essential utility, governance and services that can be accessed as needed, and the empowerment of individuals via digital means. The primary objective of the plan is to facilitate the provision of high-speed Internet connectivity, mobile phone access, bank account services, real-time online and mobile platform services, cashless financial transactions, digital literacy, and digital resources throughout the whole country. The goals of the programme will be achieved. The present research investigates the use and impact of digital payment systems on the economy of India. The study encompasses both aspects.

Keywords: *Digital payment, Digital Banking, Indian Economy*

INTRODUCTION:

India's current financial system began in the late 18th century. Since then, the banking business has changed and become one of the nation's oldest. Our esteemed Prime Minister Narendra Modi started digital India with digital payment. Taxes and financial flow transparency restrict black money in India. Digital payment assists India in every field by providing currency security and lifestyle expansion by using the latest technology for globalisation and modernization, which leads to development. India becomes more competitive internationally. The Indian government is steadily digitising India.

The government's programmes, namely "Digital India" and "Demonetization," were strategically devised with the aim of expediting the adoption of digital technologies. In the context of India, a multitude of positive remarks and constructive criticisms were expressed in response to these efforts. Nevertheless, there has been a notable improvement in public confidence in the ongoing process of digitalization, and significant progress has been made towards its ultimate realisation. The advent of digital technology has revolutionised the process of processing payments and settling accounts. Cash is widely used for payment and settlement in India, but there has been a gradual decline in its dominance since 2014. The aforementioned shift can be ascribed to the growing prevalence of digital payment mechanisms, including Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT), Immediate Payment Services (IMPS), Cheque Truncation System (CTS),

Unified Payment Interface (UPI), Bharat Interface for Money (BHIM), and Aadhar Enabled Payment System (AEPS).

PURPOSES OF THE STUDY:

1. To examine the effects of the digital payment system in India.
2. In order to ascertain the comprehensive expansion of digital payment methods inside the Indian economy, an analysis is required.

DIFFERENT TYPES OF DIGITAL PAYMENT METHODS IN INDIA.

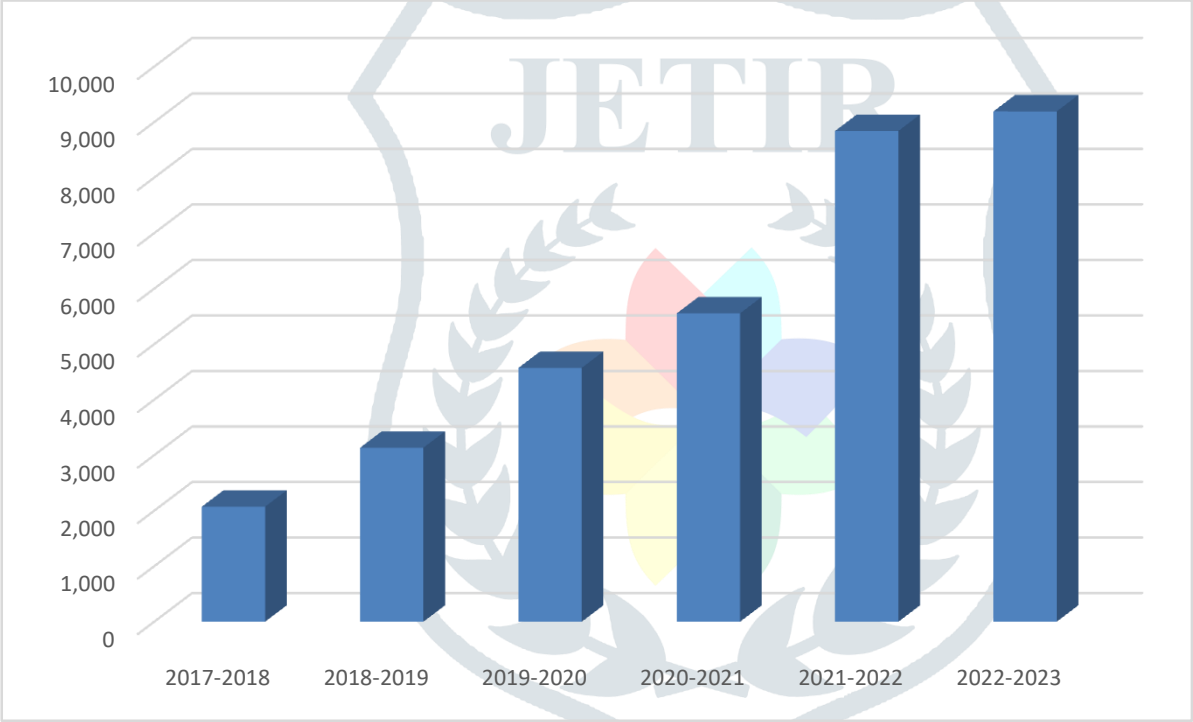
- **Mobile Wallet** – The digital wallet in question is designed to be kept on a mobile device and has the capability to store information for several payment cards.
- **Point of Sale** – The term "point of sale" (PoS) refers to a technical device that is made available by a Merchant Establishment (ME) in order to facilitate the cashless transaction of selling products or services to clients.
- **Mobile Banking** – The ability to do financial transactions via a mobile device is made possible by this service, which is offered by banks and other financial organisations.
- **Internet Banking** – Customers of a bank or other financial institution may use this type of internet banking to carry out transactions by way of a portal.
- **Micro ATM** – These are portable gadgets that enable for financial transactions to be completed using card swipe machines.
- **Banking Card** – In the year 1980, the Central Bank of India in India issued the country's very first credit card, which was part of this initiative. The first version of MasterCard was released in 1988, but it wasn't until 1993 that public sector banks began issuing credit cards.
- **Unstructured Supplementary Service Data (USSD)** – The introduction of USSD capabilities occurred in 2016. This mobile banking service facilitates consumers in doing mobile banking transactions, even in the absence of smartphone ownership or an Internet connection.
- **Aadhaar Enabled Payment Systems (AEPS)** – The aforementioned notion is pushed by financial institutions, with the aim of facilitating online, interoperable transactions for financial inclusion at points of sale (PoS) via the use of Aadhaar verification. These transactions may be conducted via the business correspondent of any banking institution.
- **The Unified Payments Interface (UPI)** The National Payments Corporation of India (NPCI) implemented the Unified Payments Interface (UPI) in 2016. It serves to enable and streamline the process of financial exchanges between individuals engaging in consumer activities and businesses operating as merchants.
- **Bank Pre-Paid Card** – Users of pre-paid cards have the ability to make purchases using the monies that are now stored on their cards. These cards operate under the slogan "Pay Now, Use Later."

Table 1.1 the total number of digital payment transactions during last years

Fiscal Year	**Total number of digital transactions (in crore)**
2017-2018	2,071
2018-2019	3,134
2019-2020	4,572
2020-2021	5,554
2021-2022	8,840
2022-2023	9,192 (Till 31st December)

Source : Primary Data

Exhibit 1.1 The total number of digital payment transactions during last years



GOVERNMENT ADVANTAGE FROM DIGITAL ECONOMY

The adoption of digital payment systems in our country, including Mobile Point of Sale (mPOS), Digital Point of Sale (Digital POS), Unified Payments Interface (UPI), and mobile wallets, is playing a pivotal role in facilitating the transition towards a digital economy. This proposed alteration is anticipated to yield several favourable consequences, benefiting both the governing body and the populace at large. The government might get several benefits from the emergence of the digital economy, including the following advantages:

The eradication of the informal economy: When the transactions are carried out electronically, they are much simpler to keep track of. Every single payment that is made by any client to any retailer is going to be logged. In this manner, there would be no possible possibility for unlawful transactions to take place. The government would be able to effectively eradicate the shadow economy if it mandates the elimination of cash transactions in favour of only using digital payment methods.

Increase in Revenues: One of the most conspicuous and pervasive benefits afforded by the digital economy is this particular one. The digitization of transactions facilitates the efficient monitoring of sales and tax responsibilities. Customers will get an invoice for their purchase as a result of the comprehensive logging of

every transaction. Additionally, shops are obligated to remit the corresponding tax amount to the government due to the meticulous tracking of all sales transactions. Consequently, this phenomenon leads to a rise in government revenue, so contributing to an improvement of the nation's overall fiscal condition.

Empowerment to People: One of the most notable advantages of transitioning to a digital economy is the increased liberty afforded to individuals. In the context of conducting financial transactions, it is necessary for individuals to own essential digital resources, such a bank account and a mobile phone, among others. A more streamlined approach for the government would include the direct transfer of subsidies to the bank accounts of individuals linked to their Aadhaar cards. In a more concise manner, people no longer have to endure waiting periods to access the incentives and subsidies that the government is legally required to provide. The use of this facility is prevalent in the majority of cities at now.

An example that exemplifies this phenomenon is the government's implementation of a subsidy programme aimed at providing financial assistance to the general public for the purchase of liquefied petroleum gas (LPG). Currently, the disbursement of the subsidy is facilitated by electronic bank transactions.

Paves the way to e-governance: The eventual outcome of the digital economy will be the establishment of e-government, which is anticipated to provide a swifter, more secure, and more efficient alternative to traditional modes of governing. Due to the widespread availability of internet resources, including vital records such as birth and death certificates, users today enjoy enhanced convenience in accessing desired information while engaged in mobile activities. The digital economy is widely expected to facilitate the implementation of e-governance, a system that involves the provision of governmental services via electronic channels.

Creation of new jobs: The digital economy has significant promise for enhancing employment opportunities in emerging economies, as well as for augmenting employment prospects within the public sector. It is quite probable that the national unemployment rate will decrease in this way.

SUGGESTION AND DISCUSSION

In rural areas, there persists a persistent issue with the level of knowledge around the adoption and utilisation of digital solutions, such as smartphone-based transactions and the utilisation of credit and debit cards at point-of-sale systems. The government of India, in collaboration with the Reserve Bank of India (RBI), aims to enhance financial inclusion in the country via the implementation and introduction of several initiatives, including the Pradhan Mantri Jan Dhan Yojana. Despite concerted efforts, a segment of the populace continues to lack access to financial services. There is a need for an increased implementation of awareness programmes and training programmes in rural areas to provide education to those with limited literacy on the benefits associated with bank account ownership and engagement in digital payment transactions. This would enable us to overcome the challenges that we encounter.

Make it the responsibility of all banks to establish, at the level of each branch, a training team comprised of bank employees and experienced volunteers. This team's mission will be to educate residents about digital payment methods and the advantages of seeding bank accounts with mobile numbers and Aadhaar numbers. Problems with networks, inadequate cell coverage, and a lack of internet reach are key obstacles in rural locations, which prevents residents from engaging in digital forms of commerce. In order to encourage the use of digital payment methods, there is a need for an expansion of the digital infrastructure, particularly in more remote locations. This will allow for improved internet access and enough bandwidth.

CONCLUSION

In recent times, there has been a notable increase in the acceptance and use of digital payment mechanisms. Based on projected data, it is estimated that the payments business in India is expected to have a market value of $700 billion by the year 2022. The rapid spread of the virus has significantly influenced the expansion of the digital payments sector in India, leading to a notable increase in the use of digital payment methods by people. The Indian government has implemented proactive measures to reduce the dependence on cash within the domestic economy, leading to the development of a comprehensive payment system that successfully guarantees both security and effectiveness. The above described efforts have led to the creation of the system. The findings of the research demonstrate a significant increase in the quantitative and monetary measures of

Instant Money Transfer Services (IMPS), Mobile Wallets (M-Wallet), and Prepaid Payment Instruments (PPI Cards) during the last few years. The above described methods of communication have shown their capacity to initiate significant improvements in the fields of digital payments, online payment systems, and money transfers.

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