

# RISE OF DIGITAL PAYMENT MODES

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## ABSTRACT

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. The consumer perception of digital payment has a significant and positive impact on adoption of digital payment.

**Keywords:** Cashless Transactions Consumer Perception; Digital Payment; Digital Wallets, bank payment portals.

## INTRODUCTION

It has been said that every disruption creates opportunities and one such disruption was the announcement of demonetization by Prime Minister Mr. Narendra Modi on 08 November 2016. Demonetization created huge growth opportunity for digital payment in India and the digital wallet companies garbed the opportunities with both the hands to expand their market share. Demonetization has presented a unique platform for adoption of digital payment, as an alternative to cash for Indian customer.

The “Digital India” is the Indian Government’s flagship program with a vision to convert India into a digitally empowered country. “Faceless, Paperless, Cashless” is one of supposed function of Digital India. Digital payment system has gained importance nowadays, especially after demonetization. The government is taking essential steps to encourage the public to use payment gateway platforms. To promote payment gateways, it has declared discounts on purchases of certain products digitally. It has also introduced UPI (United Payment Interface) which is app based to transact across multiple banks. Another improved version is set to be unveiled by the government, which makes banking transactions through mobile phones without internet by a platform called USSD (Unstructured Supplementary Service Data).

## Digital Payment Modes in India

There are several mode of digital payment available in India.

### Online or 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. 100,000 after KYC verification.

### Prepaid credit cards:

Pre-loaded to individual’s bank account. It is similar to a gift card; customers can make purchases using funds available on the card -and not on borrowed credit from the bank. Can be recharged like a mobile phone recharge, up to a prescribed limit.

## Debit/RuPay cards:

These are linked to an individual's bank account. Can be used at shops, ATMs, online wallets, micro-ATMs, and for e-commerce purchases. Debit cards have overtaken credit cards in India. The number of debit cards in December 2015 increased to 630 million compared to 22.75 in 2014.

## 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.

## USSD:

Stands for 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 (UPI) 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.

Digital payments in India have been experiencing exponential growth and with growth of internet and mobile penetration, in coming years the country is ready to witness a huge rush in the adoption of digital payments. According to Ratan Watal, principal advisor Niti Aayog and former finance secretary, digital payments grew 55% by volume and 24.2% by value in 2016-17 over the previous year. Data from the Reserve Bank of India (RBI) indicates that the rate of adoption of digital payments had accelerated following demonetization last year but has slowed in recent months of 2017. Total digital transactions in April 2017 of Rs109.58 trillion are 26.78 lower from Rs149.58 trillion in March 2017.

The volume of digital transaction has witnessed exponential growth in volume and value whether it is digital wallet, interbank transfer or transaction by debit or credit card. At merchant places the number of card transaction at point of sale (PoS) terminal have witnessed a huge surge which reflects that people have started making payment by debit card instead of withdrawing cash from ATM to make payment. In January 2017 the number of transaction of debit card increased to one billion from 817 million in previous year. It has been observed that ATM transaction are more or less same at 700 million, the transaction at PoS terminal has increased three times from 109million in January 2016 to 328 million in Jan 2017.

According to Lokvir Kapoor, chief executive officer at PineLabs "the card transaction post demonization saw huge growth because of infrastructure for the acceptance of card at different merchant location." PineLabs has helped this growth by deploying a significant number of Pos at retailers across the country. Also the number of initiative such as cash back, no transaction charge up to certain limit with further help in growth of digital transactions. The government put pressure on banks to deploy one million addition Pos terminal in three months boost the availability of PoS and by January 2017, their number rose to 2.52 million. India is heading on the path of a major digital revolution. The future economy will be driven by cashless transaction which will be possible only through digitalization of payment mechanism at different location such as smart phone, internet banking, card transaction etc. The focus of present study is to find how respondents are adopting digital payment. The study collected response from 150 respondents and analyzed their perception, preferences and satisfaction level of digital payment. It further identifies the barriers and challenges to the adoption of digital payment. The Table 1 gives the top five mobile payment wallet of India.

Sl. No.	Wallet Name	Key Features
1	<b>Paytm</b>	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.
2	<b>Mobikwik</b>	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.
3	<b>PayUmoney</b>	Auto read of OTP. Picking up the transaction where it dropped. Risk monitoring.
4	<b>Citrus</b>	Fastest among all the digital wallets. CitrusPay wallet offers and discounts.
5	<b>Oxigen</b>	Send money to other mobile phones Shows transaction history.

## LITERATURE REVIEW

- According to the WTO, Digital Payment market is booming thanks to the introduction of new technologies that continuously converge with others and encourage the emergence of innovative payment methods and consequently creating business opportunities. Currently the most advanced solutions such as Mobile Payment and Contactless Payment exceed € 46 billion in payments, a 21% of total digital payments by card, according to the Mobile Payment & Commerce Observatory of the School of Management of the Milan Polytechnic.
- Sanghita Roy, Dr. Indrajit Sinha (2014), stated that E- payment system in India, has shown tremendous growth, but still there has lot to be done to increase its usage. Still 90% of the transactions are cash based. Technology Acceptance Model used for the purpose of study. They found Innovation, incentive, customer convenience and legal framework are the four factors which contribute to strengthen the E- payment system.
- Rakesh H M & Ramya T J (2014) in their research paper titled "A Study on Factors Influencing Consumer Adoption of Internet Banking in India" tried to examine the factors that influence internet banking adoption. It is found that internet banking is influenced by its perceived reliability, Perceived ease of use and Perceived usefulness. In

the process of internet banking services expert should emphasize the benefits its adoption provides and awareness can also be improved to attract consumers' attention to internet banking services.

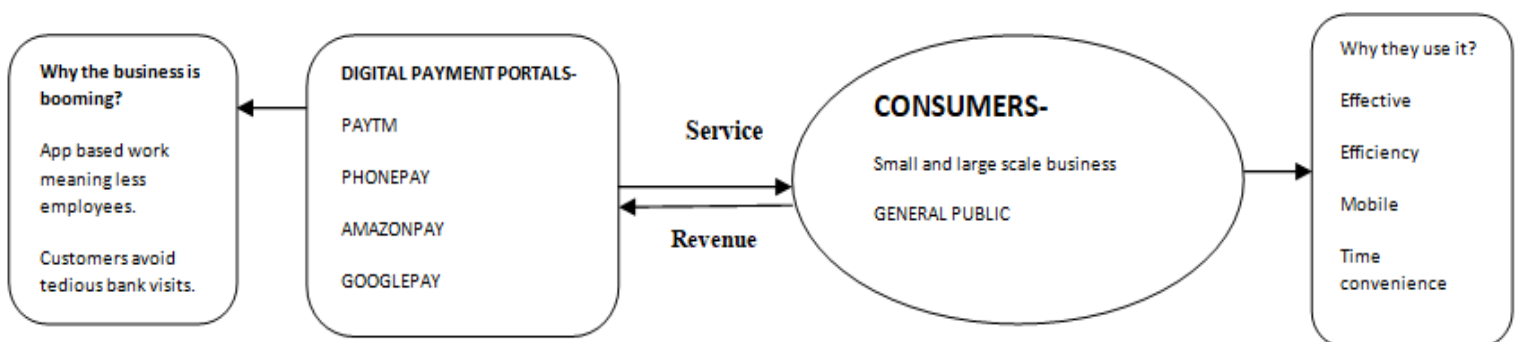
- Nitsure (2014) in his paper observed that the problem being faced by developing countries like India in the adoption of E-banking initiatives due to low dissemination of Information Technology. The paper highlighted the problems such as security concerns, rules, regulation and management. In India there is a major risk of the emergence of a digital split as the poor are excluded from the internet and so from the financial system.
- Sanaz Zarrin Kafsh (2015), made a study on "Developing Consumer Adoption Model on Mobile wallets in Canada", by taking a sample of 530 respondents through Convenience sampling, Partial least square model was used to analyse the data. As per the analyse made by them, there is a relation among perceived usage, perceived ease of use and perceived security in predicting the adoption of payment gateway.

## OBSERVATION.

On completing an extensive secondary research and literature review, the following can be made.

- There direct relationship between drop in data prices and the usage of such payment portals.
- Payment portal use is influenced by its perceived reliability, Perceived ease of use and Perceived usefulness.

## CONCEPTUAL MODEL



The conceptual model explains how digital payment portals are helping consumers do their payments faster and more conveniently and how the providers of such services are thriving on that convenience.

## CONCLUSION

Present study has made an attempt to understand customer perception regarding digital payment. It was found that demographic factor except education does not have much impact on the adoption of the digital payment. It was also found that in the areas/region where education level is high such as Delhi NCR and other metropolitan area, the possibility of acceptance of digital payment is much higher and the lower data prices and more teens

in a region also influences digital payment. The growth of users of Smartphone and internet penetration in such area also facilitated the adoption of digital payment.

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