DIGITAL PAYMENTS SYSTEM IN INDIA: A NEED CHANGING APPROACH WITH REFERENCE TO E-WALLETS

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Abstract:
The people are now becoming aware of this digital market and taking keen interests in doing digital payments considering it safe and secure and also saving their time and efforts in doing these transactions. On the other hand there are still some countries in South Asia which are still following the cash based economy and are having a very low speed in witnessing the success of cashless transactions and these countries are Bangladesh, Sri Lanka and Nepal but now these countries are gearing up themselves in making their countries digital by transforming to non-cash based transactions. They are actually dependent for more than 90% on cash transaction which is less cost affective. Now with the rapid growth in mobile sector in Asia they are also witnessing growth in digital payment market. Electronic Wallet is another form of digital payment method, it is an electronic form of debit and credit card which authorises you to do financial transactions on your command. These Digital wallets can be accessed basically through a smart phone but alternatively you can access these through laptop and computers also from anywhere in the world with ease of access. Digital wallets are now facilitated by majority of online stores and service providers as it requires very less IT infra to setup all you have to have is just a smartphone with internet connection working to receive the money. Add on advantage of digital wallet is that these wallets are linked with other services also like bus ticket, railway ticket, movie tickets, utility payments, recharges of cell phones and shopping vouchers etc.

Keywords: Digital Payment, Electronic Wallet, Transactions

Introduction:
The emerging digital payment industry is escalating rapidly over the past few years in whole South Asia. The growth of cell phone market especially the smartphone market and that too at very cheap and affordable rates had led to boost in this digital payment industry. Canada had scored the highest position in the list of countries with cashless economy which was followed by United Kingdom, Sweden and some leading Asian Countries. The people are now becoming aware of this digital market and taking keen interests in doing digital payments considering it safe and secure and also saving their time and efforts in doing these transactions. On the other hand there are still some countries in South Asia which are still following the cash based economy and are having a very low speed in witnessing the success of cashless transactions and these countries are Bangladesh, Sri Lanka and Nepal but now these countries are gearing up themselves in making their countries digital by transforming to non-cash based transactions. They are actually dependent for more than 90% on cash transaction which is less cost affective. Now with the rapid growth in mobile sector in Asia they are also witnessing growth in digital payment market.

In various economies of Asia and Latin America the card culture is increasing day by day and their share in the market is rising. As the millennials are more educated than previous generations especially in the field of technology, they are doing financial decisions with the help of technology like e-wallet, e-banking, pockets etc this led to more usage of debit and credit cards alongside internet banking. These digital payments were done by everyone either he is rich or a poor. Rich people are doing these payments for their personal and business transactions and poor people are doing these digital transactions to send money to their relatives residing far away to distant places. Now traditional ways of sending money to relatives and friends like money order is over, people are relying on fast and economical way of doing the payments which is nothing but digital payment either they do it for their personal work or for daily utilities like mobile recharge, dish recharge, paying for utilities or paying for instalments due towards bank.
Payment Methods:

Table 1.1 Type of Payment Methods

| Cards   | 1. Debit Card  
|         | 2. Credit Card  
|         | 3. Pre-Paid Cards |
| Digital Interface | 1. USSD  
|                  | 2. Aadhaar Enabled Payment System (AEPS)  
|                  | 3. Mobile Wallets  
|                  | 4. Point of Sale (PoS)  
|                  | 5. UPI  
|                  | 6. Internet Banking  
|                  | 7. Mobile Banking  
|                  | 8. Bharat Interface for Money (BHIM) app |

1. **Bank Debit/Credit Card:** Debit and Credit card are the most widely used methods after cash transactions as it is having many features according to the need of the customers it is secure and convenient to use still some threats are associated with it but Reserve Bank of India continuously monitor the security breaches related to these cards and keeps on updating the security features like chip card instead of magnetic strip card or contactless cards which are using Near Field Communication (NFC) where you can do the transaction without even swiping your debit or credit card. The biggest advantage of these cards is these cards do not require any mobile connection to make the transaction successful unlike Paytm, Phonepe, Google Pay etc. These cards on the other hand can still be used for both offline as well as online transactions.

2. **USSD (Unstructured Supplementary Service Data):** In digital payment method another method is where you do not require any application in your cell phone or you do not require any internet connection but still you are connected digitally to a network of payment through your simple mobile connection. Basically you have to use a code by sending a text message through your cell phone which need not to be a smartphone as these payments regulate under the system set up by National Payments Corporation of India (NPCI) this type payment system is for those who are not having smartphone or internet connectivity this code will initiate fund transfer through MMID (Mobile Number Identification) backed up by Mobile Pin, you can also enquire about your bank statements and balance through this. This payment system is also having Hindi version.

3. **Aadhaar Enabled Payment System:** Another initiative by NPCI is Aadhaar Enabled Payment System which only require one thing and that is your Aadhar is having a linkage with your bank account. By using this method, you can deposit cash, withdraw cash and do payment transactions easily and there is no need to go to bank or make signature for this kind of transaction.

4. **Unified Payment Interface (UPI):** Unified Payment Interface is for instant mobile payments here in this type of payment system you will be given a Virtual Payment Address (VPA) from the bank which is unique like a social media account. You link more than one bank account after installing an UPI app and it collects and transfers funds on all 7 days of the week and 24 hours available. The biggest advantage is while transferring funds you need not to remember long bank account number or IFSC code of your bank, all you need to remember is your VPA or other parties VPA for example harish1987@icici. Today many corporate joints which are into business based on especially online transactions like ola, uber, food panda, Zomato, swiggy etc are using this method as it is fast and convenient and payment is transferred on real time basis.
5. **E-Wallets:** Business transactions are getting a boost from the past few years through these e-wallets. These E-wallets are basically the online platform-based applications which are linked with your bank account also or you can open a wallet bank account of these applications itself also. Famous applications with E-wallets facility especially after demonetisation is Paytm, Paypal, Phonepe, Google Pay, Mobiwik, Free Charge etc. Customers are using these platforms as they are providing with cash back facility also on the transaction done. Cash back is a facility where some vouchers or cash is credited back in the account of customer after doing a minimum transaction value. Money can be added to the wallet through debit/credit card or internet banking.

6. **Pre-Paid Cards by Banks:** These cards are another form of payment instrument in which you add money through bank and can use it there is no need to link this card with the bank unlike debit card where you have to link the card with the bank.

7. **Point of Sale Terminals (PoS):** While visiting any good or big store or eating joint you can go the cash counter and you will find an option of Point of Sale (PoS) machine through which you can swipe your debit and credit card and amount is deducted. It is generally a hand held device in the hands of person with the rapid increase in digitalisation the demand for these machines are increasing and after the demonetisation nearly all stores had applied for this terminal machine as there is a cash crunch in the economy and people started using these digital payment methods for ease of operations.

8. **Internet Banking:** To use services like opening a new fixed deposit account or recurring deposit account, paying instalment of home loan or personal loan people can use internet banking. Internet banking is a type of service provided by the bank where bank will provide you a login and password which has to be changed after you got it from bank by logging into the account with the credentials you can have access to do financial transactions with anyone in the world you are dealing with. You need not to go to bank for making these transactions done and there is no time constraint under this service as you can access your account from anywhere in the world and at any time during the day all you need to have an internet connection with you.

9. **M-Banking:** M-Banking stands for mobile banking which is done by those who are having a smartphone with them. All you need to do is to install the app of your bank with whom you are having a bank account and log in to the application through the credentials given by the bank and you are all set to do financial transactions with the help of mobile banking. Add on advantage of this mobile banking is that these applications are linked with other services also like bus ticket, railway ticket, movie tickets, utility payments, recharges of cell phones and shopping vouchers etc. Its scope is expanding daily as customers with smartphones are increasing at a very fast speed.

10. **BHIM App:** Bharat Interface for Money commonly known as BHIM Application is launched by Mr. Narendra Modi (Prime Minister of India) this app is directly linked with Unified Payment Interface (UPI) which is further carried out by a Virtual Payment Address (VPA). One person can access the BHIM app interface as it is light and simple to operate. In BHIM App you can link multiple bank accounts. Online services provider companies are having option of BHIM UPI payment in their interface so as to make speedy transfer of funds from the customers for the services they had got.

**Digital Wallet:**

A digital wallet is also known as an Electronic Wallet or E-Wallet, it is an electronic form of debit and credit card which authorises you to do financial transactions on your command. These Digital wallets can be accessed basically through a smart phone but alternatively you can access these through laptop and computers also from anywhere in the world with ease of access. There are many digital wallets which do not require linking it with bank account but due to the current regulations of the central bank of the country these wallets are also having a mandatory aspect to do KYC of the customer if the customer wants to do transaction of an amount higher than
the prescribed limit. Advantage of these digital wallets is they are password protected known to you only and you can change it in fractions of seconds when you feel to change also there is no need to carry physical wallet with you for doing transactions with hard cash as it may be stolen but even if your cell phone is stolen you can not be cheated as the application supporting these digital wallets require a password to open and then an One Time Password (OTP) to complete the transaction. Add on advantage of digital wallet is that these wallets are linked with other services also like bus ticket, railway ticket, movie tickets, utility payments, recharges of cell phones and shopping vouchers etc. Famous applications with E-wallets facility especially after demonetisation is Paytm, Paypal, Phonepe, Google Pay, Mobiwik, Free Charge etc.

Pros of Digital Payment and Wallets

1. Convenience for Customers and Service Providers: After demonetisation there is a shortage of cash with majority of the people and then it is time when people started realising the importance of digital wallet and the prime runner in this race was Paytm followed by other digital wallet providing companies. Customers just save their multiple credit and debit cards in these digital wallets and then load balance from cards linked with their bank accounts. After linking all you have to do is to scan the QR code of the service provider and then tap on pay option it is fast and secure and it is end to end payment base. Payment will be made to that person only whose QR code you had scanned. Now there is no need to carry physical wallet or hard cash with you.

2. Digital Wallet Provides Linkage to All Cards: Biggest advantage of E-wallet is that you can link your all bank cards with this wallet and you can as many digital wallets of various companies in your cell phone. You can add money through credit card also if you want to pay it later in next cycle or you can add through debit card if you are having sufficient balance available at present. Shopping through these e-wallets will fetch you extra benefits like cash back facility or reward points which is not available when you are doing the shopping with hard cash.

3. Secure and Safe Payment: Suppose you are going to the market to purchase something but in between your wallet got lost then you are having no option left out to pay the bills but at the same verge if you lost your phone you still have access to your digital wallet through any other electronic mean and your money is safe as it is password protected. Also, if you are carrying debit or credit card in physical wallet when it lost you have to block it and then make a complaint but in digital payment option credit and debit card are loaded in e-form there is no loss of it.

4. Welcomed by Stores and Service Providers: Digital wallets are now facilitated by majority of online stores and service providers as it requires very less IT infra to setup all you have to have is just a smartphone with internet connection working to receive the money. For example, you are riding through a cab and at the end of the journey you are running out of cash or don’t have loose change due to one or other reasons digital payment option will save you here by paying the exact amount and no worry of loosing the change and if you are running out of balance in this case you can instantly add money to the wallet by means available.

Figure 1.1 Mobile Wallets Accepted by Online Merchants
5. **Authorising Transaction:** Advantage of these digital wallets is they are password protected known to you only and you can change it in fractions of seconds when you feel to change also there is no need to carry physical wallet with you for doing transactions with hard cash as it may be stolen but even if your cell phone is stolen you cannot be cheated as the application supporting these digital wallets require a password to open and then an One Time Pass (OTP) to complete the transaction. This OTP is generated by your bank and it time bound and can be used for only single transaction. Extra security layer is added to devices with biometric feature where you have to press your finger on the phone to open it.

**Challenges Ahead in Making Digital Payments:**

1. **Literacy Rate:** Despite of the fact that majority of the population is using various digital payment options and digital wallets but still a major chunk of India\’s population is not adaptive to this technology as still prefer to do online transactions for their daily needs. This is because of the fact that literacy rate is still low in some of the Indian states and those people are not aware about this digital transformation. Prime Minister had launched Digital India campaign in 2014 and it is helping in achieving its target that people will be aware of digital technology by 2022. Digital payments are accepted worldwide but there is limitation that some of the digital wallets are not accepted worldwide.

2. **Internet Connection as a Challenge:** As today we had entered into the world of 4G technology and planning for 5G technology but still there are some areas where this technology is not available and to make digital payment through digital wallets you still need a high speed internet connection and if this connection is lost or not available due to one or another reason then there is no option left but to rely on hard cash only.

3. **Device Configuration and Charging:** To make effective use of digital payment options through cell phone, your cell phone should be a smart phone with updated configuration and this needs some good investment on the cell phone which is not required in case you are carrying hard cash and the major limitation is while doing a transaction with battery level low there are chances that your transaction can not be completed and you loose a great deal or offer available online as your smartphone got off in between the transaction. To solve this problem companies are now giving smartphone feature with smart charging like Super-Vooc provided by Oppo brand where a cell phone can be charged from 0% to 100% in just 15 minutes and in 5 minutes it will be ready for doing any transaction.

4. **Security Risks Still to be Fight For:** Digital payments and wallets as discussed earlier are safe and secure through biometric password, PIN and OTP but still there are some hackers who are having good knowledge of technology and they use it for the bad of others they can crack your password through some malwares being attacked from other sources while surfing on internet so it always advisable to have a antivirus in the cell phone and not to install those applications which are not trusted or supported by your cell phone platform.

5. **Excessive Spending:** Going to the market with physical wallet or we can say hard cash you know your budget but while doing shopping with these e-wallets supported by cards especially credit card you exceed your budget taking this in regard that you have to pay later but fail to understand that later also you have to pay.

**Conclusion:**

Digital payments are a revolution in modern business scenario and it makes the work easy especially fund transfers and boosted up the sales figure of stores, online service providers and companies with ease of operations but still there is lot of advancement required in this field with regard to infrastructure to be setup and security of digital payment methods so as customers while doing a transaction will not suffer any loss because of any hacking or fraud done by fraudulent people present in the market. Digital payment options are the need of the hour and people who are providing products and services they have to be adaptive in this manner and make them ready with necessary equipment to welcome this transformation of world into digital world.

**References:**