



A STUDY ON EVALUTION OF TRADITIONAL PAYMENT AND DIGITAL PAYMENT SYSTEM IN INDIA

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Abstract: Indian payment system always have taken turn by turn until it reached today's stage of evolution which resulted in lightening fat payments, this paper examines the evaluation of traditional payment and digital payment system in India over the years. An honest attempt is made to review and check the history of payment system to know the factors and importance of the payment system and its integrity and correctness. This paper depicts that a payment system is only strong as its basics and foundations and also the success of the evolution is primarily based on the awareness of people who uses the payment system.

Key Words- Banking system, Financial System, payment system, Traditional Payment, digital Payment.

INTRODUCTION

A payment method is a collection of devices, banking protocols, and, in most cases, interbank fund transfers procedures that secure the movement of money. Payment methods have traditionally been classified as either high or low value.

India's payment and settlement systems are crucial to increasing economic efficiency. As purchase and selling goods and services, businesses provide a range of payment methods. Among the numerous payment options are the national electronic money transfer (NEFT) system, quick payment services, RTGS stands Real-Time-Gross-Settlement. Electronic clearing services (ECS credit card, debit card), and UPI (universal payment interface). The RBI is attempting to encourage alternative payment mechanisms that will increase system security and efficiency while being easier to implement for banks. According to a Clint survey, e-payments significantly exceeded paper-based transactions between 2004 and 2008 as a

consequence of technological advancements and moreover rising customer knowledge of and comfort with online and mobile transactions.

Now, high-value transactions demand RTGS. It created NEFT and NECS (National Electronic Clearing Services) to persuade consumers and companies to switch from paper to electronic transactions.

One of the Asia-Pacific areas country ie., India were credit card business are growing most quickly. Indian consumers will certainly be more probable to adopt electronic payment options on a regular basis as internet usage and access increase. 68 percent of the 32 million PC users in India at the moment have an internet connection. Although many customers still prefer to pay "in queue" rather than online, 63% of purchases are still made with cash. Customers must be continuously shown the many modifications they can make e-payments, such as through ATMs, the internet, mobile devices, and drop boxes.

This demonstrates that many still prefer traditional ways and have not made this their preferred form of bill payment. The three electronic payment procedure that were used for retail transactions are ECS (debit and credit), EFT, and card payments. The RBI gave banks instructions to build up more provisions for export and import transactions in Indian rupees on Monday in response to the increased interest in the local currency among those involved in international trade. Before banks may use this strategy, the RBI Foreign Exchange Department must give its approval, according to a circular from the central bank.

LITERATURE REVIEW:

1. Payment system in India (2018): "Dr. B. Subha, Dr. S. Chitra"

To transfer amount from one person to another person, this payment system employs both paper and electronic methods. Allowing for the mainly cost-effective paper-based payment and electronic fund transfer between two parties.

This article focuses on the various types of electronic payment methods now in use in India.

2. Adoption of digital payment system by consumer (2021): "Gourab Ghosh"

The rise of smartphones and the internet made people's lives easier, paving the way for digitalization. Payment digitization facilitated and accelerated transactions not only in trade and commerce. It is also fantastic that our India is becoming digital, thanks to the government's initiative to make the program a success.

The purpose of this article is to evaluate the causes examined by various authors for people's adoption of digital payment.

3. Digital payment system (2017): - perception and concern among urban consumers:

“Dr. M. Sumathy & Vipin KP”

The government of India's digital India program is a standardization initiative. The goal is to develop India into a digital society. Cashless transactions and the transition to a cashless society are facilitated by various digital payment systems such as banking cards, UPI, ATMs and many more.

The research focuses on the attitudes and perceptions of urban residents toward digital payment.

4. Payment system innovation and currency demand in India: some applied perspective (2019): “Dipak R. chaudhari, sarat dhal and Sonali M. Adki”

In this study, we hypothesize that currency demand for transaction purposes is driven by the income impact, and that payment technology-induced substitution occurs via currency velocity. Payment system innovation has a statistically significant long-run adverse association with currency demand in India. The amount of its coefficient, however, suggests that the substitution effect on currency demand may be smaller than the dominating income effect.

To offset the dominant income effect, payment systems must experience 100% growth in digital retail transaction volume.

5. Evaluation of Trend in Usage of E Banking Payment Services by Indian Customers (2015): “Maitrey Bhagat”

The Indian banking system's manual paper-based clearing payment techniques have given way to electronic banking technology-based clearing payment systems. This adventure, which started three decades ago, with the introduction of MICR Clearing, which replaced manual clearing systems, is still developing advanced banking technology-based payment systems and reflecting a paradigm shift in bank clients with growing utilization.

This example highlights the cost and risk advantages of internet banking over cash and cheques. Because it connects financial institutions, borrowers, and lenders, and it includes a variety of financial instruments and delivery channels to ensure the delivery of safe, accurate, and effective customer services, the payment system serves as the lifeblood and arteries of any economy's financial system.

6. A Review of E-Payment System in E-Commerce (2018): “S Fatonah, A Yulandari and F W Wibowo”

The corporate environment has undergone dynamic changes as an outcome of information and communication technology (ICT) and digital innovation, where cash-based commercial transactions are still being restored by electronic ones. The e-payment system was created as a better alternative to cash and trade barter rather than to replace money.

This article will review the literature on e-payment systems for use in e-commerce. By showing the scope of the e-payment system and the methodologies utilized by previous researchers, this will aid in identifying any study gaps and suggest recommendations for future studies.

7. The Impact of Cashless Payment Methods: A Case Study Perspective Analysis (2019): “M. Thirupathi, Dr.G. Vinayagamoorthi, Dr. Sp. Mathiraj”

The government of India has initiated the Digital India program in an effort to transform the country into a technologically savvy society. "Faceless, Paperless, and Cashless" is one of Digital India's proclaimed parties. The use of digital payments is increasing on a daily basis as banks and other financial institutions move from a cash-based to a cashless economy.

The purpose of this case study research is to determine the impact of digital payment apps and their influence following demonetization.

8. Factors influencing adoption intention of Indian consumers for mobile payment services(2021): “Khushbu Madan and Rajan Yadav”

This article attempts to identify key aspects and investigate how they influence consumers' intentions to use mobile payment systems in a developing country such as India. For the goals of the study, 208 mobile phone users were questioned, and an eight-independent and one-dependent factor framework was presented.

The findings of this paper will be useful to mobile payment value-chain partners such as smart phone manufacturers, service providers, mobile app creators, and institutions involved in the facilitation and regulation of such services in developing an appropriate strategic framework to promote its adoption.

9. Dependency between type of product purchased and payment method opted by Indian consumer in Mobile shopping (2017): “shanti Verma, kalyani Patel”

India now ranks second in the world for the number of phones it uses, and mobile commerce users there are growing quickly. There are so many opportunities to analyses data from mobile users to uncover undiscovered aspects of mobile commerce. In order to the fulfil the purpose of research, the authors conducted a study on mobile commerce in India.

It tells that consumer opted payment method according to the type of product.

10. Attributes and impact of advance payment system on cash flow, project and organizational performance (2022): “David. J. Edwards, Nicholas chileshe”

To maintain a company's survival in an increasingly cutthroat global market, construction companies must do precise and extensive financial planning. Studies from the past claim that managing cash flow is also essential for achieving project and organizational performance goals.

Therefore, the purpose of this article is to examine the characteristics and effects of APS on cash flow, project performance, and organizational performance.

RESEARCH GAP

Prior studies have been conducted in a more elaborative scope on the overall transition of traditional banking transformation to digital banking system; however, very rare researchers have attempted to narrow down and elaborately study only the payment system transformation towards digitalization. This enables us to carry out our study and define the Study's objectives.

STATEMENT OF THE PROBLEM:

“To Analyse the Effect of the Transformation of Traditional Payment System to Digital Payment System”

H0: The Digital Transformation of Payment System from Traditional Payment System Is Not Profitable.

H1: The Digital Transformation of Payment System from Traditional Payment System Is Profitable.

RESEARCH OBJECTIVES

- To study the evaluation of digital payment system in India.
- To study the impacts of digital payment system on Indian economy.
- To make an overview regarding growth in digital transaction in India.

RESEARCH METHODOLOGY:

TYPE OF RESEARCH: - Exploratory Research

SAMPLING:

- Sample type & design- Simple Random Sampling
- Sample size: 50

DATA COLLECTION PROCEDURE:

The two sources of data collection are:

1. Primary data collection
2. Secondary data collection

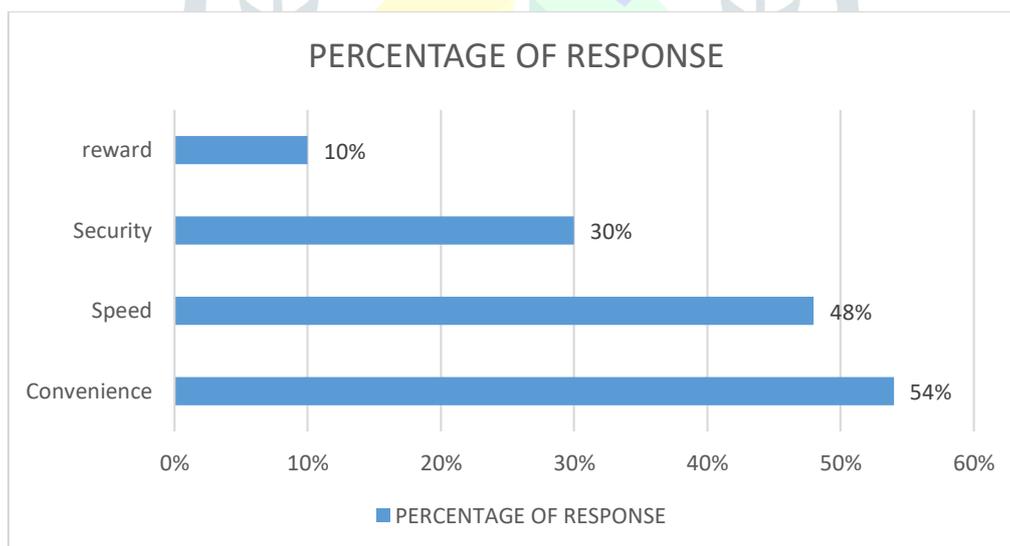
PRIMARY DATA: the data are collected through survey, observation, and questionnaire.

SECONDARY DATA: the data collected through website, articles.

DATA COLLECTION AND INTERPRETATION

4.1. The main cause for using digital payments over traditional payments?

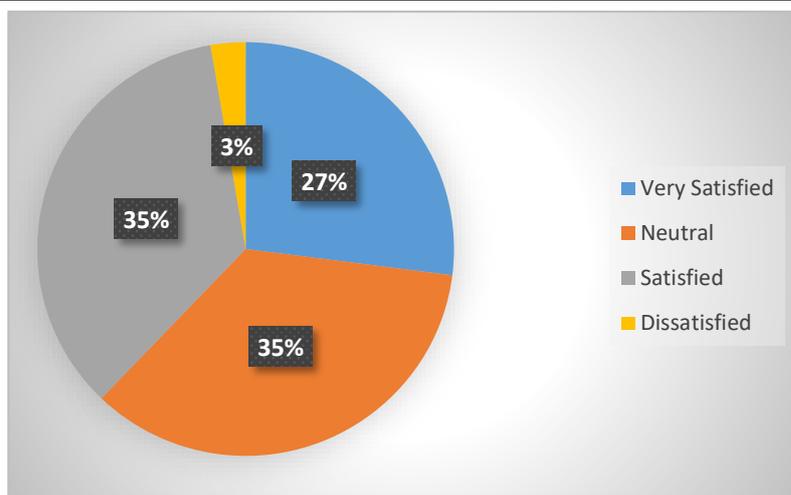
CATEGORY	PERCENTAGE OF RESPONSE
Convenience	54%
Speed	48%
Security	30%
reward	10%

**INTERPRETATION:**

In the above chart and table, 54% most of the people find more convenient in digital payment, 48% almost half of respondents value the speed of digital payment, 30% a significant response towards security aspects, and 10% a similar percentage of responded towards reward.

4.2 How satisfied is you with your digital payment services?

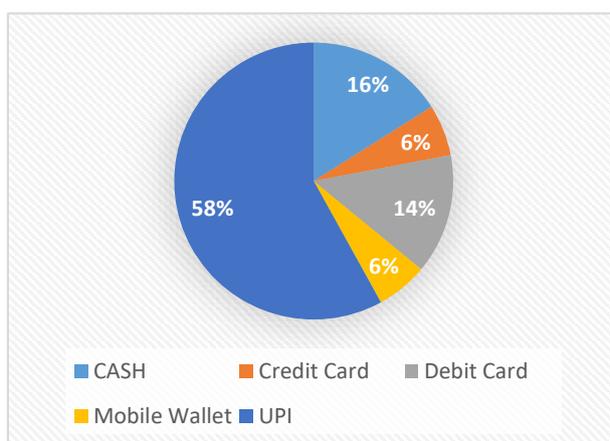
CATEGORY	PERCENTAGE OF RESPONSE
Very Satisfied	20%
Neutral	26%
Satisfied	52%
Dissatisfied	2%



INTERPRETATION: -

In the above chart and table, 20% of respondents informed being very satisfied with the digital payment, 26% reported being either satisfied or unsatisfied, 52% reported being satisfied, and only 2% reported being disappointed. As a result, the vast majority of people are satisfied.

4.3 What are the most common modes of payment your daily transactions?



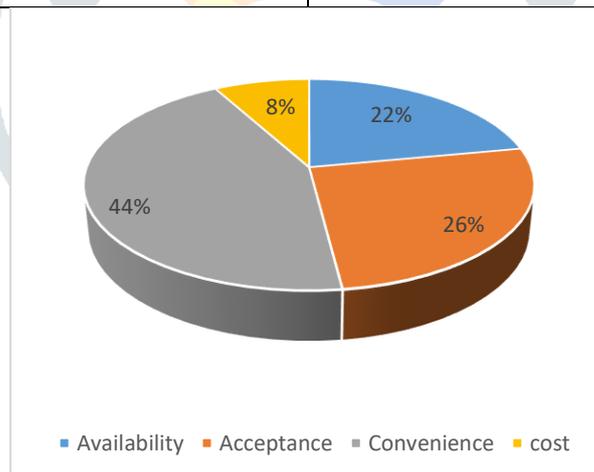
CATEGORY	PERCENTAGE OF RESPONSE
Cash	16%
Credit Card	6%
Debit Card	14%
Mobile Wallet	6%
UPI	58%

INTERPERTATION:

In the above table and chart, the most prevalent way of payment transaction is 16% cash., here 6% both credit card and mobile wallet are using less daily transaction, 14% of people prefer using debit card for daily transaction, and 58% suggest that most of the people are using UPI for mode of payment for daily transactions.

4.4 Which factor does influence your choice of payment method?

CATEGORY	PERCENTAGE OF RESPONSE
Availability	22%
Acceptance	26%
Convenience	44%
cost	8%



INTERPRETATION:

According to above chart or table, 22% of people choose payment methods that are easily manageable and widely available, 26% prefer payments method that are quick and require little work, 44% prefer payment methods that are quick and require little effort, and 8% consider the cost associated with a payment.

FINDINGS:

1. According to the research, the most regularly used payment method is cash. Followed by paperless, coin, and barter systems.
2. The majority of individuals choose to engage in daily transactions, as here is a high level of financial exchange in everyday life.
3. Majority of the people were more convenient in digital payment instead of security, speed, and reward.
4. The main challenges are lack of familiar, trust issue, due to fraud and difficult in accessing transactions.
5. The majority of those are pleased with the digital payment system.
6. The social media is the primary source of information for the majority of the people.
7. This finding indicates that most the people prefer to use UPI, which cash remain common payment method.
8. Here the people who faces fraud is only 34% and 68% of people were not faced any issues.
9. The people are more worried about in trust while considering the digital payment.
10. The finding indicates that a significant portion of people value digital payment is easily accessible.
11. Here the people recognize the speed, security, flexibility are the main advantage.
12. The people are worried about privacy of financial data and a perception of higher risk over traditional payment.

SUGGESTIONS:

1. Raising awareness and comprehension of digital payments.
2. Provide details about the benefits, convenience, security features of digital payment.
3. Strengthen security measure to combat fraud and build trust among users.
4. Encourage the use of mobile wallets and simplify registration process.
5. Regularly update and improve the usability and updates about digital payment method.
6. Educate users about the security measures in place to protect their financial data.
7. Utilize social media platforms to provide information and updates about digital payment methods.
8. Develop standardized security protocols, share fraud prevention strategies and establish consumer protections measures.

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