

The Future of Digital Payment: An Indian Perspective

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Abstract: *The future of India's digital payment system (which is widely recognised as an efficient platform to make transactions), looks extremely positive. Technical development, government policies, and changing consumer behaviour are all contributing factors to the rapid development of digital payments. Digital payments are dramatically changing how financial transactions are processed in India (by making them more efficient and transparent) through electronic payment methods such as the UPI and similar platforms. India has become a leader in Real Time Digital Payments due to the widespread acceptance of mobile phones as methods of making transactions. While moving towards a cashless economy, India will need to continue to focus on ensuring that cybersecurity is in place, as well as ensuring adequate digital literacy, and making sure that there is equitable access to digital payments throughout the entire country. The future evolution of the digital payments industry in India will depend heavily on the progress made in these areas. As long as the growth of the digital payment industry continues to be supported with funding and intelligent planning, it will continue to be a significant factor in helping to drive India's overall economic development, after this transition from cash-based to non-cash-based transactions throughout the entire country of India.*

Keywords: Digital payments, UPI, fintech, financial inclusion, India, cashless economy, digital economy

1. Introduction

Recent developments in the world economy point to a global economic shift from cash / cheques to mobile wallets / real-time payment systems as creating a new way of delivering financial transactions. The way in which digital payments have developed over the years has helped to increase efficiency, transparency and ease of access related to financial transactions. Some of the policy initiatives responsible for India's digital payment revolution include: Digital India, Jan Dhan Yojana, Aadhaar and Demonetization (2016). These policies were the foundation upon which to build a cashless economy and encourage the use of digital financial services, while also providing greater financial inclusion. Digital payment functionality has accelerated due to the launch of the Unified Payment Interface (UPI) by India's National Payment Corporation (NPCI). UPI provides a method to make instant payments and low cost or fee-free, as well as allowing for compatibility with other Indian digital payment platforms. The COVID-19 outbreak has validated the need for safe and convenient payment solutions that limit physical contact. Digital payment platforms became necessary items for most families and businesses in regards to retail purchases, paying bills, transferring money to others and other things during the pandemic. Therefore, the digital payment infrastructure of India has been integrated into the nation's economy and will continue to shape consumer behaviour and business models of many sectors.

Objectives:

The objectives of this research will be:



1. To ascertain the overall global trend drivers of digital payments and specifically of India's digital payments industry;
2. To investigate how technological innovations this is driven by technology, such as AI, blockchain-technology, fin-techs and biometric authentication have an impact on digital payments;
3. To analyse how consumer behaviour and the way that consumers use digital payment systems have changed;
4. To evaluate opportunities and challenges; these include issues around cybersecurity, how to prevent fraud and how to comply with regulations in relation to digital payments;
5. To evaluate how government policies and regulation have impacted the adoption of or providing incentives to use digital payments;
6. To forecast how many people will use digital payments in rural and semi-urban India;
7. To create a recommended strategy for creating a financially sustainable, inclusive and growing digital payments industry in India.

Review of Literature:

The rapid expansion of digital payment systems globally is primarily due to the convenience, speed, and low cost they provide. Global consulting firms have also documented their position that emerging economies will be the next with innovative digital payments, particularly in India, which is characterized by widespread mobile device use and where the government is supporting innovative digital payment systems. In the future, UPI will also show evidence of being the preferred form of digital payment for a significant portion of retail transactions in India. By studying UPI, researchers have noted, the interoperability of UPI with fintech applications (including debit cards), e-commerce platforms, and government services enhances consumer confidence in using digital payments. The study also demonstrates that millennials and Gen Z continue to adopt digital payment methods in new ways, including through mobile wallets, QR codes, and contactless cards. Studies have found that digital payments can help increase access to the financial system and have provided a way for those individuals who do not have an active banking relationship (or are underbanked) to connect with it; however, researchers indicate that there are three primary barriers that need to be resolved for digital payments to take off- they are security, privacy, and literacy. Their potential as a part of the marketplace is dependent on developing trust and stability among all involved in order to be able to fully realize their potential. The government has made a commitment to invest in programs that will enhance the environment of trust and stability, as well as provide regulatory oversight that will also enhance trust and stability throughout the ecosystem. Therefore, based on various studies, the future of Digital Payments in India will rely on technological innovation, government's regulatory role, consumer's trust, and the development of a more inclusive financial system.

Research Methodology:

This study will utilise a secondary approach to data collection by using available academic journals, government publications, financial repositories and previous research To carry out this secondary approach To carry out this secondary approach on digital payment trends, adoption levels and future development in the Indian Digital Payment space; To gather the required data, the sources will include the Reserve Bank of India, National Payment Corporation of India, World Bank, Price Waterhouse Coopers, Deloitte, KPMG, Statista and various publications issued by the Ministry of Finance; The research will also include looking at the trends in digital payments around the world

Limitations:

The following are the limitations to which this research is limited through the use of solely secondary data. Secondary data is defined as secondhand datasets that were previously collected by researchers, government agencies, or other organisations. Secondary datasets may have some limitation errors, so for this reason, they may be subject to be less accurate than if primary datasets were to be used. There have been rapid technological advancements and evolution of laws since data were originally collected which may make some of the trends found in the research irrelevant at future



points. Additionally, there is a lack of primary data such as survey data or interview data, which prevents this research from providing insight into consumers' current perceptions and behaviours.

Results:

1. Digital payments are now a rapidly growing industry in India. UPI is currently leading the way for retail digital transaction using UPI as the primary method for most large scale digital payment transactions in India making it one of the largest digital payment industries in the world.
2. The large presence of smart devices and low-cost internet access in India has encouraged an enormous amount of mobile payment transactions to take place. Thus, over half of total digital payment transaction volumes happen through mobile devices (e.g. via app, web browser).
3. Digitization of payment has also begun to grow faster in Tier II, Tier III, and rural areas. This is contributing towards the overall growth of digital transaction volumes.
4. Fintech innovations are helping to make payment processing more efficient and customizable by removing various barriers to entry for both consumers and businesses.
5. Cybersecurity threats, fraudulent activity, and concerns about data privacy are all challenges that have and continue to reduce consumer trust in electronic or digital payments. However, government initiatives, regulations, and laws have been crucial in helping to encourage people to continue using electronic - digital payments and to protect the integrity of the overall digital payments ecosystem.
6. Digital payment systems are directly and indirectly contributing to the economic growth and inclusion of many Indians by reducing the amount of cash used for conducting business.

Recommendations:

1. Improve cybersecurity systems so you can trust the internet and avoid being scammed online.
2. Enhance digital skills and provide education about using technology to people living in rural and semi-urban communities.
3. create laws that support new financial technology and establish test sites for new ideas in finance
4. Offer multiple options for customers to buy things with their phones that will work on all types of systems.
5. Build digital infrastructure so everyone has the ability to use digital payments.
6. Create laws to protect and help keep safe any personal data collected by retailers.
7. Help Small Businesses /SMEs , Get trained on how to use a digital form of payment.
8. Design the mobile payment system so it will be simple and secure, and able to grow as more people start using it.

2. Conclusion:

Technologically advanced digital payment systems will drive rapid growth in the major Indian financial industry through the introduction of diverse methods for consumers to transact (including virtual currency), improvements made to existing Methods to make them more efficient, transparent and accessible; Recent developments in payment solutions such as UPI have enabled India to become one of the world leaders in enabling real time transactions via the internet since they have significantly reduced the amount of time it takes to complete financial transactions. As the country heads toward historic (a term that describes how important cash transactions will be), the Indian government needs to consider initiatives to provide support through regulatory changes to bolster internet safety and security within the banking sector, increasing the number of people with digital literacy skills and ensuring that all citizens, regardless of geographic location have access to digital payments; This convergence will continue to stimulate economic development within India, assuming that both financial technology companies (fintechs) and traditional financial institutions maintain proper capital levels, fill out required government forms accurately and timely and focus on building lasting, positive relationships with their customers, thereby making them reliable partners in the digital payments ecosystem.



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