

An Analysis of the Prospects for Digital Payments in India

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Abstract: *The goal of this essay is to determine India's current trend toward the use of digital payments. The phrase "digital payment" refers to using the internet or electronic means rather than cash to make payments to other people. The Government of India launched the Digital Payments project following the announcement of devaluation on November 8, 2016. The goal of digital payments is to eliminate black money and increase transaction transparency. In reality, it was a step toward a cashless society. Additionally, digital payments were promoted in order to provide banks enough cash on hand to grant credit to individuals. Even if a sizable portion of society has adopted digital payment methods, many people are still afraid to use debit cards, e-cash, Internet banking, etc. The government first offered significant incentives for digital payments, however there has since been a decrease in this push. This study aims to determine the factors that led Indians to embrace digital payments as well as the challenges that they encountered when doing so*

Keywords: Digital Payments, Cashback, Incentives etc.

1. Introduction

This study examines people's attitudes toward the use of digital payment systems to increase operational transparency. Following the declaration of demonetization on November 8, 2016, the Indian government promoted digital payments. The long-term goal of the Digital Payments program was to establish a cashless economy. It was getting harder to obtain the statements of transactions and transfers made by individuals to other parties because of the rise in corruption and black money in India. The government started the "Digital India" effort to improve governance and operational transparency.

2.OBJECTIVES OF THE STUDY

1. To learn how people in India feel about the use of digital payments.
2. To ascertain the issues users have while transferring data digitally
- 3.To determine which digital payment option is most often used.
- 4.To get a sense of how digital payments are anticipated to develop in India.

3. REVIEW OF LITERATURE

Dr. Indrajit Sinha and Sanghita Roy (2014).

claimed that although India's e-payment system has grown significantly, much more work has to be done to boost its use. Cash still accounts for 90% of transactions.

The research makes use of the Technology Acceptance Model. They discovered consumer, motivation, and innovation.

The legal framework, ease of use, and convenience are the four elements that make the electronic payment system stronger.

In their 2014 study article, "A Study on Factors Influencing Consumer Behavior," Rakesh H M & Ramya T J

"Adoption of Internet Banking in India" attempted to investigate the variables that affect the uptake of online banking.

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4. Various methods of Digital Payments available in India

1. Digital wallet payment system

Money is put into wallets via this platform. The introduction of e-wallets has also made it possible to contribute funds using digital wallet applications. The restriction is that funds can only be transferred to the same wallet. This implies that if you have the PayTM or SBI's Buddy app loaded on your phone, you can only send money to someone else's PayTM wallet or SBI's Buddy app if they also have these apps installed. To put it simply, you are unable to move funds from your PayTM wallet to your SBI buddy wallet app. Other e-wallets like Mobikwik, Freecharge, Oxigen, JioMoney, Paypal, Buddy, and Pockets are also accessible in the online marketplace.

2. NFC or MST transmission waves platform

Businesses have developed technologies for MST (Magnetic Secure Transmission) and NFC (Near Field Communication) to facilitate transactions. With POS (Point of Sale) devices, you may conveniently pay retailers using magnetic waves that are wirelessly sent without having to swipe your card.

Downloading an MST-enabled app and having an NFC-capable phone are prerequisites for using this feature. Once your card information have been registered, you may use your phone to make contactless purchases at any merchant's point-of-sale terminal.

3- USSD code payments system

By calling a USSD (Unstructured Supplementary Service Data) code from your basic phone and following certain instructions, you can simply make payments even if you don't have a smartphone or internet access. Messages are used for transactions in this GSM-based system. It is a platform that serves as a conduit between banking and financial services in general and telecommunication in particular. Every banking app has a unique calling code that you must verify with your service provider before transferring money.

4- Mobile Money Identify

Following your mobile number registration, the bank will provide your MMID, a seven-digit unique number. Both the sender and the recipient of the money must have an MMID for the specific interbank funds transfer. However, you may only send a little amount (about Rs 10,000) in a single day using MMID. This ability to make minor payments is offered by practically all institutions.

5- UPI App based payments platform

You may send money using UPI's special function of generating a virtual address, which allows you to do so without giving the recipient your account number and IFS code. Because UPI operates in real time, the money is transmitted instantly. The alternative method of transferring money is also supported by UPI. All banking applications, including HDFC UPI, SBI UPI, ICICI UPI, AXIS UPI, and almost all other private and public banks, provide the UPI feature. Currently, the majority of banks are merely integrating their UPI capability into their mobile banking apps.

6- QR Code based payments system

Once more, QR codes are an alternative method of transferring money; all you have to do is scan the merchant's QR code to complete the transaction. All digital payment applications, such as BHIM and other banking apps, primarily use it to facilitate simple payment transfers. The information about the products is stored in the black square. Payments are made by scanning the code, which is then automatically transmitted through the smartphone. Using the QR code facility eliminates the need for manual entry. The government created the Bharat QR code to promote the digital payment scheme everywhere.



5. MAJOR CHALLENGES/ PROBLEMS OF DIGITAL PAYMENTS

1. People don't trust digital payments enough.
2. People with less education or experience lack awareness and expertise.
3. Reduced dependability as a result of fraud and hacking incidents.
4. Occasionally, the internet connection is lost.
5. E-commerce and e-wallet companies' delays in processing cashback.
6. Occasionally, payments are stopped and the consumer is not notified of the payment status.

6. FUTURE OF DIGITAL PAYMENTS IN INDIA

It appears that India will have ample time to transition to a cashless economy. People's full support as well as increased awareness and information will be necessary. To increase the quantity of digital transactions, the issue of low education and digital literacy must be resolved first. Additionally, cashback programs are currently effective; however, in order to increase digital transactions in India, eradicate black money, and promote long-term economic growth through a cashless economy, a dedicated, secure, and extremely dependable payments network is needed. We can undoubtedly have a bright future for digital payments in India if we accomplish this.

7. Conclusion

Although the shift to a cashless economy is undoubtedly positive, it will take a while to achieve a fully cashless society. Both the government and private sector businesses are making good progress with their e-wallet apps, such as PayTM, PhonePe, and others. The largest issue facing the government is people's ignorance and lack of information, as well as their fear of losing money due to the possibility of hacking while using digital payment systems. The government must address these issues in order to create a cashless economy and encourage digital payments in order to support the nation's long-term, sustainable economic growth.

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