DIGITAL PAYMENT IN INDIA:

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ABSTRACT:

Digital India campaign launched on 2nd July 2015 by our Honorable Prime Minister Shri Narendra Modi. “The Digital India Programme is a vision to transform India into a digitally empowered society and knowledge economy.” “Faceless, Paperless, cashless” is one of the role of Digital India. To support Cashless as a part of Digital India Campaign government has initiated with different modes of digital payment system. As part of digital payment system few old and few new modes were promoted to develop cashless economy, which is very essential for developing country like India.

Key words: Digital Payment, Modes, AEPS, UPI, Mobile wallets, POS.

Introduction

Digital Payment:

Payments are made using payment instruments. Cash, for example, is a payment instrument. So too are checks. However, digital payments are not one instrument but rather an umbrella term applied to a range of different instruments used in different ways.

i) The nature of the payment instrument: through which means—paper or digital—are the instructions carried.

ii) The payer-payee interface: whether the payer, payee, or both use an electronic medium in a payment transaction.
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To put it in simple words, a digital payment occurs when goods or services are purchased through the use of various electronic mediums. There is no use of cash or cheques in this type of payment method.

DIGITAL VS ELECTRONIC PAYMENTS: WHAT’S THE DIFFERENCE?

Neither term has a standard definition; but both are generally used to mean the same thing—transfers of value which are initiated and/or received using electronic devices and channels to transmit the instructions. Hence in this manual they are interchangeable. Note that digitizing is often applied to processes other than payments: hence a government could digitize its accounting system, but still make payments by paper (check or cash).

10 Types of Digital Payment Methods in India:
1. Banking cards
2. USSD
3. Aadhaar Enabled Payment System (AEPS)
4. UPI
5. Mobile Wallets
6. Bank pre-paid cards
7. Point of Sale (PoS)
8. Internet Banking
9. Mobile Banking
10. Bharat Interface for Money (BHIM) app

1. Banking cards:

Cards are among the most widely used payment methods and come with various features and benefits such as security of payments, convenience, etc. The main advantage of debit/credit or prepaid banking cards is that they can be used to make other types of digital payments. Banking cards can be used for online purchases, in digital payment apps, PoS machines, online transactions, etc.

2. USSD:

Another type of digital payment method, *99#, can be used to carry out mobile transactions without downloading any app. These types of payments can also be made with no mobile data.
facility. This facility is backed by the USSD along with the National Payments Corporation of India (NPCI). This service can be used to initiate fund transfers, get a look at bank statements and make balance queries.

3. AEPS:

Aadhaar Enabled Payment System, AEPS, can be used for all banking transactions such as balance enquiry, cash withdrawal, cash deposit, payment transactions, Aadhaar to Aadhaar fund transfers, etc. All transactions are carried out through a banking correspondent based on Aadhaar verification. There is no need to physically visit a branch, provide debit or credit cards, or even make a signature on a document. This service can only be availed if your Aadhaar number is registered with the bank where you hold an account.

4. UPI:

UPI is a type of interoperable payment system through which any customer holding any bank account can send and receive money through a UPI-based app. The service allows a user to link more than one bank account on a UPI app on their smartphone to seamlessly initiate fund transfers and make collect requests on a 24/7 basis and on all 365 days a year.

5. Mobile Wallets: A mobile wallet is a type of virtual wallet service that can be used by downloading an app. The digital or wallet stores bank account or debit/credit card information or bank account information in an encoded format to allow secure payments. One can also add money to a mobile wallet and use the same to make payments and purchase goods and services. This eliminated the need to use credit/debit cards or remember the CVV or 4-digit pin.

6. Bank pre-paid cards: A prepaid card is a type of payment instrument on to which you load money to make purchases. The type of card may not be linked to the bank account of the customer. However, a debit card issued by the bank is linked with the bank account of the customer.

7. PoS terminals: Traditionally, PoS terminals referred to those that were installed at all stores where purchases were made by customers using credit/debit cards. It is usually a hand held device that reads banking cards. However, with digitization the scope of PoS is expanding and this service is also available on mobile platforms and through internet browsers.
8. **Internet Banking**: Internet banking refers to the process of carrying out banking transactions online. These may include many services such as transferring funds, opening a new fixed or recurring deposit, closing an account, etc. Internet banking is also referred to as e-banking or virtual banking. Internet banking is usually used to make online fund transfers via NEFT, RTGS or IMPS.

9. **Mobile Banking**: Mobile banking is referred to the process of carrying out financial transactions/banking transactions through a smartphone. The scope of mobile banking is only expanding with the introduction of many mobile wallets, digital payment apps and other services like the UPI.

10. **Bharat Interface for Money (BHIM) app**: The BHIM app allows users to make payments using the UPI application. This also works in collaboration with UPI and transactions can be carried out using a VPA. One can link his/her bank account with the BHIM interface easily. It is also possible to link multiple bank accounts. The BHIM app can be used by anyone who has a mobile number, debit card and a valid bank account. Money can be sent to different bank accounts, virtual addresses or to an Aadhaar number.

**Benefits of Digital Payments**

1. **Faster, easier, more convenient:**
   - cashless payments is that it speeds up the payment process and there is no need to fill in lengthy information.
   - There is no need to stand in a line to withdraw money from an ATM or carry cards in the wallet.
   - banking services will be available to customers on a 24/7 basis and on all days of a year, including bank holidays.

2. **Economical and less transaction fee:**
   - There are many payment apps and mobile wallets that do not charge any kind of service fee or processing fee for the service provided.
   - The UPI interface is one such example, where services can be utilized by the customer free of cost. Various digital payments systems are bringing down costs.

3. **Waivers, discounts and cashbacks:**
   - Rewards and discounts offered to customers using digital payment apps and mobile wallets.
• Attractive cash back offers given by many digital payment banks.

4. Digital record of transactions:
• All transaction records can be maintained.
• Customers can track each and every transaction that is made,

5. One stop solution for paying bills:
• digital wallets and payment apps have become a convenient platform for paying utility bills.
• Be it mobile phone bills, internet or electricity bills, all such utility bills can be paid through a single app without any hassle.

6. Helps keep black money under control:
• Digital transactions will help the government keep a track of things
• It will help eliminate the circulation of black money and counterfeit notes in the long run.

NEWS UPDATES ON DIGITAL PAYMENT PROMOTION:
1. LPG Customers to now get a discount for on-Line payment of LPG refill:
Oil Marketing Companies, viz IndianOil, BPCL & HPCL are now offering an upfront discount of Rs 5/- on every LPG refill to all LPG customers who will book and pay for their LPG cylinders online.
Customers can make payment through existing online modes i.e net banking, credit & debit cards at the time of web-booking their refills.

2. Measures for Promoting Digital Payments & Creation of Less-Cash Economy: Benefit of lower rate of Income Tax on digital turnover for small businesses:
The benefit of lower rate of Income-tax on digital turnover for small businesses up to a turnover of Rs.2,00,000,00 (Rupees Two Crore), announced by the Government under Section 44AD of the Income-tax Act, 1961 is a huge benefit given to businessmen for promoting digital/banking transactions.

3. DigiShala DD channel launched to promote digital payments:
DigiShala, a free Doordarshan DTH channel has been launched to educate and inform the people about the various modes of digital payments. The channel will help people understand the
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use of unified payments interface (UPI), USSD, aadhaar-enabled payments system, electronic wallets, debit and credit card.

4. Digi Dhan Abhiyan

Digi Dhan Abhiyan is a Ministry of Electronics and IT (MeitY) campaign to promote cashless transactions. The campaign aims to enable every citizen, small trader and merchant to promote digital payment in their everyday financial transactions.

As part of the campaign, workshops and awareness drives have been organised across the country to promote cashless transaction

5. BHIM Incentive scheme revised and extended

The incentive schemes viz. BHIM – Cash back and Referral bonus that were launched on April 14, 2017, has now been revised and extended for the period 1.4.2018 to 31.03.2019.

6. India Post Payments Bank (IPPB) to enable Digital Payments in Post Offices by April 2018:

India Post Payments Bank (IPPB) Expansion Programme continues to make brisk progress and a nation-wide roll-out is scheduled beginning April 2018.

IPPB will be providing the largest financial inclusion network in the country, covering both urban as well as rural hinterland with ability to provide digital payment services at the doorstep with the help of Postmen and Gramin Dak Sewaks (GDS).

7. No additional levy on use of cards at petrol stations says Petroleum Minister.

MoS (I/C) for Petroleum and Natural Gas, Shri Dharmendra Pradhan said neither the customers nor petrol pump dealers will bear additional charges on digital transactions at petrol stations.

Petrol pump transaction fee is a business model between the banks & oil marketing companies which they will resolve.

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The DigiShala is an education and non-commercial TV channel on DD Free Dish with aim to:

- Impart education related to the digital payment ecosystem, its tools, benefits and processes
- Inform and educate citizens about Digital India - cashless, faceless and paperless
- Encourage citizens especially in rural and semi urban areas to use digital payments as well as other products and services offered by Digital India

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11. Vittiya Saksharta Abhiyan (VISAKA) of MHRD

The `Vittiya Saksharta Abhiyan’, an initiative of the Ministry of Human Resource Development, aims to actively engage the youth/students of Higher Education Institutions to encourage and motivate all payers and payees to use a digitally enabled cashless economic system for transfer of funds.

Through the VISAKA web portal, students and teachers of higher institutions can register as volunteers and upload their achievements periodically.

Conclusion:

Cashless payments are more convenient than cash payments. You do not need to carry a lot of cash with you all the time. You can make digital payments in seconds. The change is not a concern with digital payments when you can pay the exact amount. You will also have all your payments recorded automatically. We all love simplicity and ease. Digital payments are slowly gaining popularity in India and there are many apps that are being launched in this sector. It has become a hassle-free and secure way to make payments.
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Hence, we can say that Digital payments is the future of fund transfer and money transactions.

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