

ANALYZING THE GROWTH OF DIGITAL PAYMENT SYSTEMS IN INDIA

Dr. Smt. M. B. Desai¹, Shivani J Patil²

Professor, Dept. of Economics, R. C. Shahu College, Kolhapur
Research Fellow, Department of Economics, Shivaji University Kolhapur

Abstract

Digital payments in India have grown significantly in recent years. Several causes contribute to this rise, including government measures like as demonetization, the Digital India campaign, and the creation of the UPI. Increased smartphone adoption More cheap data plans and gadgets. E-commerce growth is driving demand for digital payment methods. Convenience and security: The perceived benefits of digital payments over cash. Benefits: Increased digital payments contribute to financial inclusion, which involves bringing more individuals into the official financial system. Transparency and efficiency: lowering cash handling expenses and preventing corruption. Economic growth: Making transactions speedier and more safe. This deliberate endeavor resulted in the active promotion and adoption of India's digital ecosystem.

Keywords:- Digital Payment, Economic growth, Convenience and security, Transparency and efficiency

INTRODUCTION

In October 2016, the Reserve Bank of India demonetized high-value currency notes across the country. In India, demonetization has occurred three times. The first was on January 12, 1946; the second was on January 16, 1978; and the third was on Tuesday, November 8, 2016. While the primary purpose was to eliminate unaccounted "black money", this had a significant impact on digital payments. Customers were forced to switch to digital payments in large numbers because two major banknotes were unavailable. The government stated that digital payments will not be subject to the MDR (Merchant Discount Rate), which previously applied to credit and debit card transactions. This MDR typically ranged between 0.5% and 2% of the transaction value. Because of this, merchants preferred digital payments. This led to the expansion of the country's digital payment ecosystem. The development of telecom companies such as "Jio" ensured that data was readily available at an affordable rate throughout the country. This was also a significant contributor to the expansion of digital payments. The UPI system was developed in 2016. UPI was established in response to the country's complicated payment regulations and bureaucracy. The goal was to make transfers easier and safer by allowing several bank accounts on the same mobile platform for both personal and business use. It rapidly developed.

REVIEW OF THE LITERATURE

A unit of money is said to have demonetized and lost its status as legal currency when a government removes it from circulation. India said in 2016 that it will be demonetizing its Rs. 500 and Rs. 1,000 banknotes in an effort to fight the use of illicit money and shrink the shadow economy. The economy was seriously harmed by the sudden revelation and the resulting financial crisis. The study looks at how e-banking has developed in India, how it has affected consumers, and why the government decided to demonetize the banking sector. It emphasizes how important e-services are to fulfilling the demands of an increasingly mobile client base. (Dr. T.Lata Sujata 2017) The digital payment system in India is a potential success story, propelled by both technology developments and regulatory measures. Data, however, indicates that using cash is on the rise. Consumer payment behaviour is influenced by perception, trust, and prior experience with online fraud, according to a study conducted using a dataset from an online survey. Age, gender, and income are examples of demographic elements that affect choice; however, usage is also influenced by perception and trust in the banking system and broader payments framework. Based on the goal of the transaction, prior experience with online fraud may discourage digital payments. (Sudiksha Shree1 · Bhanu Pratap 2021) Mobile payments provide flexibility, security, and convenience in a variety of contexts, including restaurants, retail outlets, and public transit. They are made possible by wireless technologies including NFC, Bluetooth, and QR codes. But with 90% of the population living in rural regions and over 70% not using digital payments, India has a poor acceptance rate of these methods. India's cities confront additional difficulties because cash is still the most common form of payment. The objective of this article is to recognize these obstacles and enhance the uptake of digital payments in India. (Hemant Trivedi and Dr. Shashi Sanchiher 2023) A notable change in digital payment methods was brought about by the COVID-19 lockdown in India, as more people started using digital methods. This change was affected by elements including welfare transfers for pandemic assistance, availability to cellphones and debit cards, and knowledge of digital channels. Consumers who have previously given up on digital payments because

of bad experiences started using them again. To investigate these aspects, this study makes use of a sizable survey dataset. (Rajas Saroy¹, Sakshi Awasthy² et al 2022)

RESEARCH GAP

There are research studies, according to the earlier analysis of a few crucial research studies on digital banking but very few studies analyzing the Growth of Digital Payment Systems in India. The current study has a lot of potential and significance because of the influence and, subsequently, the digital payment growth. Therefore, the present study is highly important, urgent, and necessary since it will close a large research gap on this issue.

OBJECTIVE OF THE STUDY

- 1) to study the government initiative towards digital payments system
- 2) to Analyse the growth of digital payment system

RESEARCH METHODOLOGY

The current study analyses how India's digital payment system is expanding. This study's main goal is to illustrate how digital payment systems have grown from the beginning of the year to the present. This study is based on secondary data that has been gathered from a variety of sources, including government reports, websites, research papers, and blogs like NIC (Digital Payments fuelling the expansion of Digital Economy). Shri The implementation of digital payments in India has hurdles, according to Inder Pal Singh Sethi, Deputy Director General, NIC, Ministry of Electronics and Information Technology (MeitY), NPCI (hemant trivedi, Dr. Shashi Sanchiher NOV 2023) advent of a new phase in online banking Government of India's Ministry of Information and Broadcasting.

RESULTS AND DISCUSSION

Government initiative:-

The Payment and Settlement Systems Act of 2007 marked a turning point for India's payment systems. Over the next decade, the Indian government increased its role in the digital revolution by developing the India Stack, a scalable public infrastructure that includes the universal biometric identity program Aadhaar.

National Payments Corporation of India (NPCI) was set up in 2009 as the central infrastructure for various retail payment systems in India and was envisaged by the Reserve Bank of India (RBI) as the payment utility for all banks in the country. During the last six years, the organisation has grown multi-fold from 2 million transactions a day to 25 million transactions now. From a single service of switching of interbank ATM transactions through National Financial Service, the range of services has grown to Cheque Truncation System, National Automated Clearing House (NACH), Aadhaar Enabled Payment System (AePS), USSD based *99#, RuPay card, Immediate Payment Service (IMPS) and Unified Payments Interface (UPI)[5].

The Pradhan Mantri Jan-Dhan Yojana (PMJDY) was launched in 2014 to provide financial services to financially disadvantaged persons via zero-balance bank accounts. The Digital India initiative was launched in 2015 with the goal of developing online infrastructure and internet connections so that citizens may access government services electronically. In 2016, the National Payments Corporation of India (NPCI), the umbrella organization for all retail payments systems in the country, launched the next generation online payments solution, Unified Payments Interface (UPI), which will capitalize on trends such as rising smartphone adoption and deeper penetration of mobile data. (NPCI Press Release April 11, 2016)[2]

RBI has been observing a Digital Payments Awareness Week in second week of march from 2021. During the week observed in 2023, RBI launched Mission 'Har Payment Digital' as an awareness initiative to make every person in India a user of digital payments. RBI has also launched '75 Digital Villages' programme in observance of 75 years of Independence. Under this programme, Payment System Operators (PSOs) will adopt 75 villages across the country and convert them into digital payment enabled villages.

Another significant accomplishment of the DigiDhan Mission has been the establishment of a digital infrastructure for financial transactions. The government has adopted many efforts to boost the usage of digital payments, including the launch of the Aadhaar-enabled.

Government legislation, increased internet and smartphone usage, the development of fintech firms, and shifts in customer preferences have all played a role in this development.

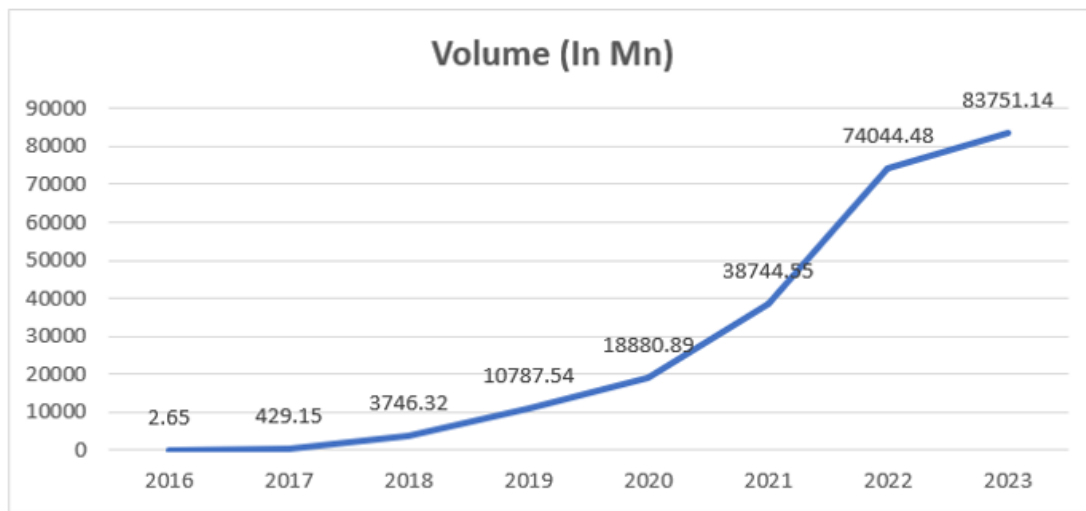
The Reserve Bank of India, has fueled this digital boom by fostering ecosystems with a variety of digital payments, including UPI, RuPay - a debit and credit card issuer with a large market share, the National Financial Switch cash machine network, and a payment system that uses the national identity program to bring banking to underserved areas. As a result, the digitisation of the payment system will continue to increase in the coming years.

GROWTH OF DIGITAL PAYMENT

This transformation did not occur by coincidence; it was the outcome of the government's efforts to make India's economy more paperless. During my childhood, I remember my parents carrying large amounts of cash in their wallets. Fast forward to now, and the situation has changed considerably. The government has pushed the country toward a digital payments revolution through a variety of effective initiatives, laws, and measures.

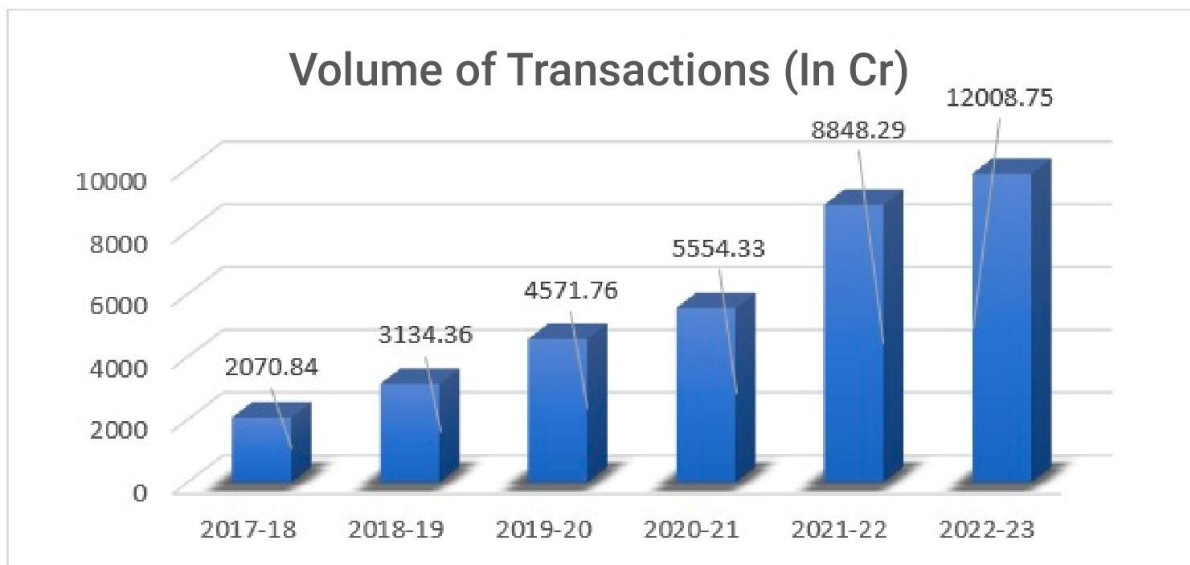
In recent years, India's digital payments ecosystem has expanded dramatically, thanks to a mix of government efforts, increased internet and smartphone usage, and the advent of e-commerce. One of the important projects is the creation of the **Unified Payments Interface (UPI)**, which enables real-time inter-bank transactions, and the **Bharat Interface for Money (BHIM) app**, which streamlines the process of conducting digital transactions. **UPI (Unified Payments Interface)** has seen significant growth in India since its launch in 2016 by National Payments Corporation of India (NPCI). Here are some highlights of the UPI journey in India with YoY (Year-on-Year) growth statistics till Jan 2023.[3]

Graph showing the growth of Digital payment transactions in India



(Source NIC 2023)

In India, the use of digital payments has increased significantly in recent years. In March 2017, the value of digital payments in India climbed by 111%, from Rs. 2,070 billion in March 2016 to Rs. 4,375 billion, according to a study released by the Reserve Bank of India (RBI). The total value of digital payments reached Rs. 6,207 billion in March 2018 and Rs. 8,207 billion in March 2019 as a result of the rise that persisted in the following years. Year on Year growth for Digital Payments in India has been significant and can be referred below:



(Source NIC 2023)

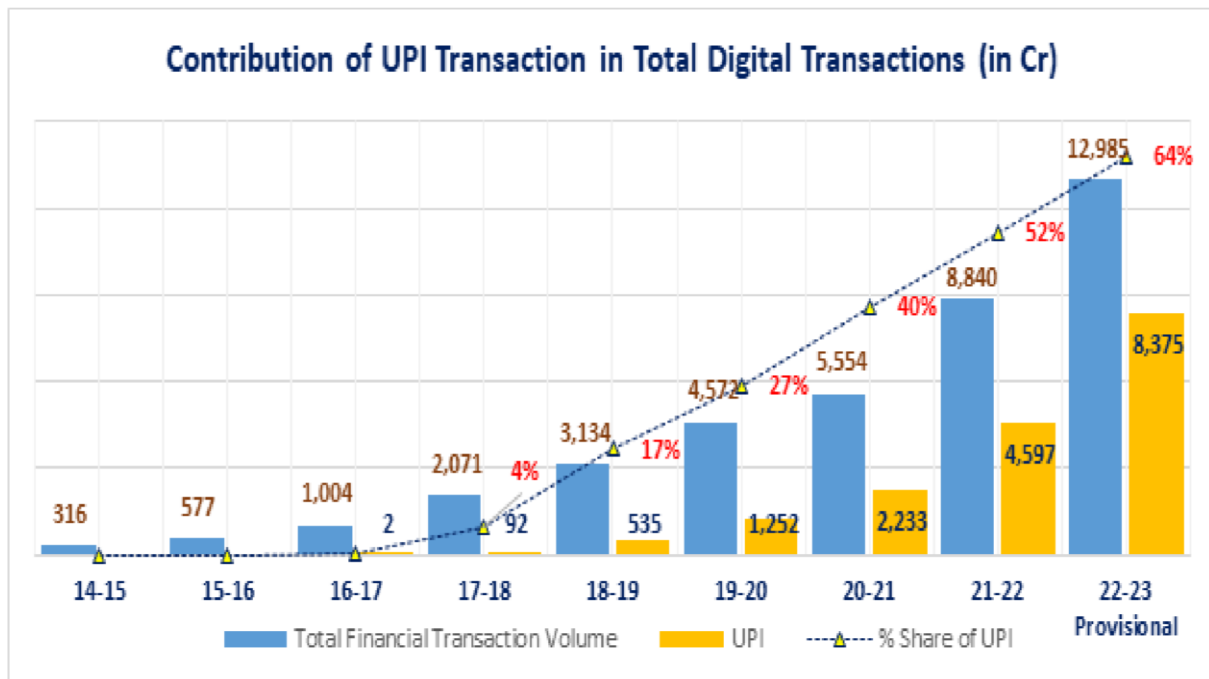
Above the graph Digital Payment Dashboard has been integrated with Integrated with 118 public sector, private sector, payments, regional rural and foreign banks. In FY 2021-22, 8,840 Crores Digital Payment Transactions

were achieved with 87.20% Current & Savings Accounts seeded with Adhere Number, 81.05% Current & Savings Accounts seeded with Mobile Number.(NIC 2023)

Growth in UPI transactions

UPI has gained significant traction in the domestic market, and also recognition in international markets in a short span of time

Platform	F.Y-2016-17		F.Y-2017-18		F.Y-2018-19		F.Y-2019-20		F.Y-2020-21		F.Y-2021-22		F.Y-2022-23	
	Volume (in Lakh)	Value (₹ Cr)	Volume (in Lakh)	Value (₹ Cr)	Volume (in Lakh)	Value (₹ Cr)	Volume (in Lakh)	Value (₹ Cr)	Volume (in Lakh)	Value (₹ Cr)	Volume (in Lakh)	Value (₹ Cr)	Volume (in Lakh)	Value (₹ Cr)
UPI	179	6,947	9,152	1,09,832	53,534	8,76,970	1,25,186	21,31,730	2,23,307	41,03,653	4,59,675	84,17,572	8,37,511	1,39,20,678



(Source rise of a new era in digital payments report 2022)

Convenience and security:

Payments are UPI ID-based, ensuring greater security and confidentiality for the recipient. For convenience of customer NPCI launches Unified Payments Interface 2.0. The key features of UPI 2.0 are: Overdraft facility, One Time Mandate, Invoice in the inbox, Signed intent & QR. [4]

The National Payments Corporation of India is at the forefront of creating digital payments, ensuring that consumers enjoy an easy, safe, and seamless experience. As digital payments grow more prevalent, it is critical for consumers to understand the security concerns connected with emerging ecosystems. NPCI began the process of ensuring customer safety within the applications by implementing different security safeguards. The RBI has published an advisory (Alert 1/2019) dated February 14th, 2019 on a new method of committing fraud in the digital payment ecosystem utilizing remote screen access apps. The NPCI is committed to consumer protection and reiterates its complete support for the reasons stated by the RBI. Recently, this new sort of fraud has been recognized by NPCI exclusively and proactively disclosed to the regulator and other authorities.

The RBI has been promoting consumer convenience, safety, and security through a number of digital payment programs. A total of 1184 e-BAAT courses highlighting the advantages and safety concerns of digital payment systems were conducted in different locations between 2019 and June 2023. Since 2021, the RBI has moreover observed a Digital Payments Awareness Week, introducing the Mission 'Har Payment Digital' to guarantee that Indians utilize digital payments. The RBI launched the '75 Digital Villages' program to celebrate 75 years of independence, converting 75 villages into communities that accept digital payments.. [Posted On: 31 JUL 2023 7:01PM by PIB Delhi][6]

BENEFITS

- ❖ With over 390 banks using the UPI system, India has demonstrated its capacity to build a top-notch payments infrastructure from the ground up
- ❖ Global firms like Google, however, What Sapp, Walmart, True Caller, Amazon, and Uber are able to offer UPI services because of open platforms
- ❖ Additionally, UPI offers several ways to integrate merchants; the most often used option is QR-based payments. From just 2.5 million devices that were receiving merchant payments before to this, over 256 million UPI QRs have been deployed in the market to collect payments from merchants in just 5 years.
- ❖ Contactless payment methods are made possible by the system via a number of platforms, including mobile, ATM, internet, and mobile banking
- ❖ Google India Digital Services and NPCI International Payments Ltd have signed a Memorandum of Understanding to expand the transformative impact of UPI to countries beyond India. The MoU aims to expand UPI payments for travelers outside India, establish UPI-like digital payment systems in other countries, and simplify remittances using UPI infrastructure
- ❖ In summary, UPI's numerous benefits have substantially transformed the nation's financial landscape from one that relied heavily on cash to one that is recognized for its digital payments system

CONCLUDING REMARK

The Indian government offers quick, easy, affordable, safe, and seamless mechanisms to encourage the use of digital payments. A 'Digidhan Mission' has been established by the government to inform the people about digital transactions. The expansion of merchant acceptance infrastructure, remote banking, incentive programs, next-generation technology, UPI referral and reward programs, and raising digital literacy are some of the digital payment changes. Online purchases are becoming more common and secure because of developments in cyber-security, demographic changes, and digital payment technologies. Paying with cash decreases dangers for businesses, lowers security expenses, and enables customers to make purchases and sales without taking out cash.

REFERENCES

- [1] <https://digipay.gov.in/>
- [2] <https://www.npci.org.in/npci-in-news/press-releases>
- [3] <https://www.npci.org.in/what-we-do/upi/product-statistics>
- [4] <http://www.bhimupi.org.in/>
- [5] <http://www.npci.org.in/>
- [6] <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1944425#:~:text=During%20the>
- [7] (16 nov 2022). *Rise of a new era in digital payments*. press information bureau.
- [8] Saroy, R., Jain, P., Awasthy, S., & Dhal, S. C. (March 2023). Impact of digital payment adoption on Indian banking sector . *Journal of Banking and Financial Technology*.
- [9] Shree1, S., Pratap, B., Saroy, R., & Dhal, S. (12 November 2020). Digital payments and consumer experience in India: a survey based . *Journal of Banking and Financial Technology*.
- [10] Sujata, D. T. (2017). A Comparative Study on Pre and Post Demonetization on. *IOSR Journal of Business and Management (IOSR-JBM)* .
- [11] Trivedi, H., & sanchiher, D. (April - June, 2023.). CHALLENGES IN DIGITAL PAYMENT ADOPTION IN INDIA. *International Journal of Education, Modern Management, Applied Science & Social Science (IJEMASSS)*, 32-38.