



Digital payment: A giant step towards cashless India

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Abstract

Ancient time was the world of barter system that gradually shifted towards cash world. In cash world, most of the transactions were based on cash or cash/hard cash was required for every transaction that created the risk of security (economical as well as physical/life) so some other secured means were necessary for smooth transactions. Electronic/digital payment is a gateway to risk free /low risk transactions within a meantime. As our honourable present Prime Minister Sh. Narendra Modi is also focusing towards digital India where he has highlighted about the aspects of cashless India especially in the crucial time of demonetization. This is basically a conceptual paper which focuses on the various modes of digital payment which is obviously a very big addition for transforming India into cashless India. In this paper, only those modes have been taken into consideration which has wide acceptability as well suitable in Indian scenario. Efforts have been made through this paper to highlight the concept of such modes throwing light on the basic fundamentals as well as requirements to adopt such modes. With the wide adaptability with acceptability as well as wider circulation with knowledge of these modes can definitely contributes in fulfilling the daydream of 'Cashless India'.

Keywords: digital payment, cashless India

Introduction

Everyone knows very well that Indian peoples are so much habitual with cash transactions. They are indulged in such type of transaction since ancient times. We can't deny the fact that Barter system was practiced very much in ancient times due to lack of wide circulation of currency as well as less developed markets. People used to exchange their goods with the goods of others and fulfil their respective needs. But with the passage of time, Indian banking system came into existence and circulation of money fastened that gave rise to cash transactions. In this time, people used to sell their goods/services in exchange of money that gave origin to cash transactions. As more and more development took place, mode of transactions also showed its wings. As it was neither possible nor safe to carry huge amount of money on personnel basis depicting heavy risk of money as well as life so some modern modes were developed that gave rise to a mix of cash as well as cashless transactions. Such modes were named as ATMs or Smart cards. But at the time of crisis of demonetization, there was a huge demand as well as requirement for cashless transactions time to time, cashless transactions/mode of cashless transactions came into existence immediately signifying huge potential.

Review of Literature

Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003) [2], Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they

earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010) [3] observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy (Moses-Ashike, 2011). Marco and Bandiera (2004) [4] argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it does conclude that central banks can lose control over monetary policy if the government does not run a responsible fiscal policy.

Research Methodology

Any research work is incomplete without a proper methodology adopted for the research. This paper is based on conceptual work so falls under the category of descriptive design. Use of secondary data has been made to conceptualise this paper which is almost the result of internet sources. For review purpose, previous published research papers have been takes into consideration.

Modes of Digital Payment

We are hereby discussing some of the mode of cashless transactions while focusing on digital transactions and such modes are:

a) Banking Cards: Such cards are definitely issued by banks

or on their behalf by other corporations while involving the prime role of banking system. We usually include Debit cards, Credit cards, Travel cards, Cash cards and some others cards. These are usually pocket or valet cards obviously with small and smart sizes having some details of users or banks with digital connectivity. Banking cards are so easy to use along with their security as well as control element. One of the most important features of such cards is availability of user portal in major parts of India meaning thereby is that such cards can be used in majority of India due to wide availability of user portals. Another good thing for such cards is the amount of transactions that is as per the decided cards limit. These cards involve debit, credit as well as prepaid cards showing their variability. Another foremost important thing about these cards is the inherent security having use of PIN and in maximum cases PIN with OTP (One Time Password) that is available to users' provided details only whether it is phone number or e-mail. In case of loss or theft, such cards can be blocked easily within meantime on the basis of users' request. Activation of such cards is too easy with a meantime with least formalities.

- b) USSD:** USSD stands for Unstructured Supplementary Services Data. The biggest issue in India is a big illiterate or less educated population. Literate people can easily access Smartphone but what about the illiterate. USSD emerged as a solution for this issue. Innovative service *99# meant for basic banking is based on USSD that can be easily used by the illiterate or less educated persons with a phone having basic features and internet connectivity is not must in such system. Basically this service has been designed for common man while keeping in mind their basic requirements as well as circumstances and the only intention is to connect them with mainstream of basic banking and it is available in 12 languages while involving Hindi as well as English. Such services can be accessed within a meantime of 1-2 minutes just after proceeding from some basic as well as nominal formalities involving KYC (Know your customer). Fund transfer limit in case of USSD is Rupees 5000/day or Rupees 50000 annually.
- c) AEPS:** It stands for Aadhaar Enabled Payment System. As Aadhaar card has been made compulsory for every citizen of India and majority of population have availed this identity proof usable for multipurpose. Basically it is a model led by bank allowing interoperable financial transactions at Point of sale (PoS) or Micro ATMs through bank correspondents or Bank Mitras. The fundamental requirement for using this service is connectivity of bank account with Aadhaar number. Service can be activated within 1-2 minute conditioning Aadhaar card connected bank account and bio-metric proofs. Balance enquiry, withdrawal of cash, transfer (Aadhaar to Aadhaar), deposits of cash and payments (from customer to business or customer to government) services are available under the AEPS scheme. Payment or transfer limits under the scheme are defined by the bank whereas there is no such limit for RBI.
- d) UPI:** Full form of UPI is Unified Payment Interface. This system offers a single platform for many bank accounts

within a single application for the all participating banks. The fundamental requirement to have access to UPI is internet connectivity with Smartphone or computer system and most important thing is that it is accessible to registered devices only. UPI can be activated within a little span of 5 to 7 minutes only. The limit for funds transfer under UPI is Rupees 1 Lacs/transaction.

- e) Mobile Wallets:** As it seemed so much risky to carry cash in pocket so Mobile wallets emerged as solution to this problem. As its name implies it is a wallet but digital wallet that is able to carry cash in digital format. There are two ways to transfer money in Digital wallet: one is by linking debit or credit card with digital wallet and other is direct online deposit in digital wallet conditioning access to digital wallet application in both cases. There is no requirement to use plastic cards in case of digital wallet. Payment or transfer tasks can be accomplished through Smartphone, PC/laptop/tablet or smart watches. Most of the banks have their own e-wallets while some private companies also offers the same such as Pay tm, Mruppee, Airtel money, Jio money, SBI Buddy, Vodafone M-Pesa, Speed Pay, ICICI Pockets etc. Some cost is charge for such services. There is option to open zero or full KYC account and consumer or merchant accounts as well. The funds transfer limit in case of users/consumers with no KYC is Rupees 20000/month and with full KYC are 100000 per month while in case of merchants such limits with no KYC is Rupees 50000/month and with full KYC is Rupees 100000/month. All the basic banking services are available under mobile wallets.
- f) Bank Pre-paid Cards:** While opening new bank account with full KYC details, there is option to have access for wallet or pre-paid cards. After such application, user gets a MPIN/PIN that is required to use pre-paid cards. Money can be loaded in such cards through bank account subject to fulfilment of bank limitations and regulations. Internet connectivity with Smart phone/PC is must to use such cards. Service charges are applied for each transaction in case of customer (1% to 2.5%) as well as merchant (0.5% to 2.5%) that may be fixed by bank at a fix rate or fixed as well as varying as per nature of transaction. All the basic banking services with some advanced features are available under such cards. Funds can be transferred up to a limit of Rupees 100000 for consumers/users while Rupees 50000 for self-declared merchants and Rupees 100000 in case of merchants with full KYC.
- g) PoS:** Full form of PoS is Point of Sale meaning thereby is a place where sales takes place that may be a shop, mall, market or city. A checkout counter/corner is also termed as PoS as well as PoP (Point of Purchase). The fundamental requirement for using this service is internet connectivity with computerised system, merchant account and Bio-metric reader or handheld device with card reader. Merchant account with bank is a vital condition and with the deposit of some fee, such devices can be collected and employees/operators training with configuration are also required. There is no limit in case of regulators while funds limit in case of payees' as well as merchants' depends on theirs' respective banks' discretion.
- h) Internet Banking:** It is also known as online banking,

digital banking, virtual banking or e-banking. In internet banking, customer of a bank/financial institution can make transaction with other bank/financial institution through the bank's/financial institution's website. There are various categories of online financial truncations under e-banking system. Some of such categories are:

1. **NEFT (National Electronic Fund Transfer):** It is a one to one fund transfer system under which users (Individuals, Firms, and Corporations) can transact electronically from any bank branch to any bank branch located in the country participating under scheme. There is a maximum limit for remittance of Rupees 50000 per transaction under this scheme.
2. **RTGS (Real Time Gross Settlement):** Real time means settlement at the time when instructions are received not later. Settlement is done on order by order basis under this system. Gross Settlement means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). This system is particularly meant for large transaction and works under the surveillance of RBI so transactions under this system are final as well as irrevocable. Minimum amount to be transacted under RTGS is Rupees 2 lacs whereas there is no upper limit for funds to be transacted.
3. **ECS (Electronic Clearing system):** ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premium, card payments and loan repayments, etc., which would obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service by banks/companies/corporations/government departments etc., collecting or receiving the payments.
4. **IMPS (Immediate Payment Services):** IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM which is not only safe but also economical both in financial and non-financial perspectives.
 - i) **Mobile Banking:** This service is provided by the respective bank in which user has his account. This is an application based system so definitely demands for Smartphone/PC/Tablet with internet connectivity.
 - j) **Micro ATMs:** It is basically a device used by business correspondents to provide the basic banking services in remote areas. It is a low cost device which has connectivity all over the country. This device instantly makes possible withdrawal or deposit of money with a bank whether the Business correspondent is associated with that bank or not. This device has basically connectivity with mobile phone. In common words, Bank Correspondents here play the role of a bank for a customer and their most important job is customers' authentication through the UID. Only the very basic types of transactions are possible through such Micro ATMs which involve deposit, withdrawal, balance enquiry and fund transfer.

Conclusion

Twenty first century is the century of digital world and in a digitized world, it is vital to have connectivity with the digitized economy also that is possible only with the contribution of digitized banking or in other words, we can say that digital payment is the gateway to survive in the digitized twenty first century. All the above mentioned modes are suitable as per the Indian environment while taking into mind the composition of Indian population as well. Modification has been made as well as will be made as per the changing scene of Indian economy and hopefully such modes will definitely play a significant role in fulfilling the ours' prime minister dream of 'Cashless India'.

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