

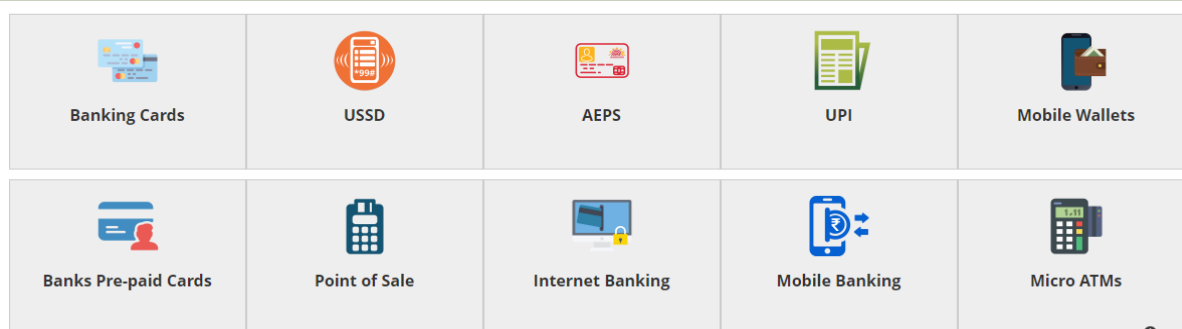
Modes of Digital Payment in India

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ARTICLE ID: 70



Introduction:

A digital payment occurs when goods or services are purchased through the use of various electronic mediums. There is no transfer of cash or cheques in the physical form in the digital payment method. According to International Monetary Fund report (2022), India's digital payment volume has climbed at an average annual rate of about 50 percent over the past five years. That itself is one of the world's fastest growth rates, but its expansion has been even more rapid about 160 percent annually in the Unified Payments Interface (UPI). There are various types and methods of digital payments.

Some of the most used payment modes are described in this article.

Banking Cards (Debit / Credit / Cash / Travel / Others)



The wide variety of cards available including credit, debit and prepaid, offers enormous flexibility to the consumers for making transactions. These cards have two factor

authentication facility for secure payments e.g. secure PIN and OTP. RuPay, Visa, MasterCard are some of the examples of card payment systems. Payment cards give people the power to purchase items in stores, on the Internet, through mail-order catalogues and over the telephone. Credit cards give the ability to withdraw or use extra money to the consumers. The payments done by using debit cards, debit amount from account and credit immediately to the payee's account. Prepaid cards are another type of cards which are used to pay digitally.

Unstructured Supplementary Service Data (Ussd)

This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data or smartphone facility for using USSD based mobile banking. Banking customers can avail this service by dialing *99# on their mobile phone and transact through an interactive menu displayed on the mobile screen. Key services offered under *99# service include, interbank account to account fund transfer, balance enquiry, mini statement, changing MPIN and getting MMID.

Aadhaar Enabled Payment System (AEPS)

AEPS is an Aadhaar based digital payment mode. Customer needs only his or her Aadhaar number to pay to any merchant. It allows bank to bank transactions which mean that the money that has to be paid will be deducted from account and credited to the payee's account directly. It allows transaction at PoS (Point of Sale / Micro ATM)



through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication. The good thing about AEPS is that it doesn't need signature, bank account details or any password. It uses fingerprint as a password. No one can forge anyone's fingerprints, thus it is the most secure digital payment mode.

Unified Payments Interface (UPI)

UPI or unified payment interface is a payment mode which is used to make fund transfers through the mobile app. It powers multiple bank accounts into a single mobile



application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. There are too many good UPI apps available such as BHIM, Google Pay, PhonePe, Paytm, SBI UPI app, HDFC UPI app, etc. UPI apps are a faster solution to send money using VPA or even IFSC and account number.

Mobile Wallets

E-wallet or mobile wallet is the digital version of physical wallet with more functionality. One can link his credit card or debit card information in mobile device to mobile wallet application or can transfer money online to mobile wallet. Instead of using physical plastic card smartphone, tablet, or smart watch can be used to make purchases. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money, SBI Buddy, itz Cash, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, SpeedPay etc.



Point of Sale

A point of sale (PoS) is the place where sales are made. On a macro level, it may be a mall, a market or a city. On a micro level, retailers consider it as an area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase. It is a computerized replacement for a cash register. Physical PoS is the most profitable solution for business which allows offering best services to the customers, etc. A Mobile PoS is a smartphone, tablet or dedicated wireless device that performs the functions of a cash register or electronic point of sale terminal. A Virtual POS is typically a web or windows application that can be used by cardaccepting merchants to manually authorize card transactions. It is a payment gateway which allows them to manually authorize card transactions initiated by the buyer.



Internet Banking

Internet banking—also referred to as online banking, e-banking, or virtual banking—is a type of electronic payment system that enables customers of banks and other financial institutions to carry out a variety of transactions through the financial institution's website. Different types of online financial transactions are:

1. National Electronic Fund Transfer (NEFT): NEFT is a nation-wide payment system facilitating one-to-one funds transfer transactions even without having a bank account. Individuals who do not have a bank account (walk-in customers) can deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT.

2. Real Time Gross Settlement (RTGS): It is a continuous real-time settlement of funds transfers individually on an order by order basis (without netting). RTGS system is primarily meant for large value transactions. There is no upper ceiling for RTGS transactions.

3. Immediate Payment Service (IMPS): IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. Customers can transfer and receive funds via IMPS using their registered Mobile number and Mobile Money Identifier (MMID) or through using their Account number and IFSC code.

Mobile Banking

Using a mobile device, such as a smartphone or tablet, mobile banking is a service offered by a bank or other financial institution that enables its customers to conduct various types of financial transactions remotely. It uses software usually called an app which is provided by the banks or financial institution. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platforms.

Micro ATMS

Micro ATMs offer banks a complete solution for safely bringing ATM services to unbanked rural areas. They are cost effective, with inbuilt biometric authentication that helps the banks to achieve total financial inclusion in real terms. These ATMs are Point of Sale (PoS) Devices that work with minimal power, connect to central banking servers through GPRS, thereby reducing the operational costs



considerably. It enables a way possible for unbanked rural residents to easily access micro banking services in a very effective manner.

Benefits and risks associated:

The major benefits of using digital modes of payment are it reduces the cost of printing money as printing of new currency notes and replacement of soiled and mutilated currency notes involves cost. Cashless transactions have the benefit of transparency as they can be easily monitored by the government. With proper cyber security online payments are relatively risk-free, whereas there are always safety issues with physical cash. Few risks are also associated with digital payment system such as privacy threats; card cloning and it may take several years for a person to recover his hard-earned money. It is difficult to promote the usage of plastic money on a larger scale due to a lower literacy rate in rural and underdeveloped areas of the nation.

Conclusion:

The reach of mobile network, Internet and electricity is also expanding digital payments to remote areas. This will surely increase the number of digital payments. Digital payments are more convenient than cash payments. There is no requirement to always carry a large amount of cash. Digital payments can be completed quickly. The change is not a concern with digital payments when one can pay the exact amount. All of your payments will also be automatically recorded. We all like ease and simplicity. Hence, we can say that digital payments are the future of fund transfer and money transactions.

“The cashless economy has the capacity to enable society to obtain what it truly deserves.”