

Digital Payment and Its Effects in Indian Business

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Abstract- *A booklet on Digital Payments was prepared by NITI Aayog and released in July 2017. The 2018 edition of the booklet is the second annual edition of the aforesaid booklet. Primary objective of the booklet was to provide relevant data on the growth of digital payments so that policy makers can monitor the progress of digital payments in the country. The booklet inter-alia dealt with legal definition of digital payments as provided under the Payment and Settlement Act, growth trends in digital payments and issues relating to charges and challenges for collecting and disseminating disaggregated data. The Payment and Settlement Act, 2007 has defined Digital Payments. As per this any “electronic funds transfer” means any transfer of funds which is initiated by a person by way of instruction, authorization or order to a bank to debit or credit an account maintained with that bank through electronic means and includes point of sale transfers; automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and, card payment. Here in study provides the changes in market before and after digital payments initiated.*

Indexed Terms- *digital payments, fund transfer, internet.*

I. INTRODUCTION

Digital Payments:

Digital payments are technically defined as any payments made using digital instruments. In digital payment, the payer and the payee, both use electronic modes to send and receive money. No hard cash is used.

Digital Payment System:

It is any system used to settle financial transactions through the transfer of monetary value. This includes the institutions, instruments, people, rules, procedures, standards, and technologies that make it

exchange possible. A common type of payment system is called an operational network that links bank accounts and provides for monetary exchange using bank deposits. Some payment systems also include credit mechanisms, which are essentially a different aspect of payment.

Payment systems are used in lieu of tendering cash in domestic and international transactions. This consists of a major service provided by banks and other financial institutions. Traditional payment systems include negotiable instruments such as drafts (e.g., cheques) and documentary credits such as letters of credit. With the advent of computers and electronic communications, a large number of alternative electronic payment systems have emerged. The term electronic payment refers to a payment made from one bank account to another using electronic methods and forgoing the direct intervention of bank employees. Narrowly defined electronic payment refers to e-commerce. A payment for buying and selling goods or services offered through the Internet, or broadly to any type of electronic funds transfer.

Modern payment systems use cash-substitutes as compared to traditional payment systems. This includes debit cards, credit cards, electronic funds transfers, direct credits, direct debits, internet banking and e-commerce payment systems.

Payment systems may be physical or electronic and each has its own procedures and protocols. Standardization has allowed some of these systems and networks to grow to a global scale, but there are still many country-specific and product-specific systems. Examples of payment systems that have become globally available are credit card and automated teller machine networks. Other specific forms of payment systems are also used to settle financial transactions for products in the equity markets, bond markets, currency markets, futures markets, derivatives markets, options markets.

Additionally. Forms exist to transfer funds between financial institutions. Domestically this is accomplished by using Automated clearing house and real-time gross settlement (RTGS) systems. Internationally this is accomplished using the SWIFT network.

II. DOMESTIC

An efficient national payment system reduces the cost of exchanging goods, services, and assets. It is indispensable to the functioning of the interbank, money, and capital markets. A weak payment system may severely drag on the stability and developmental capacity of a national economy. Failures of such can result in inefficient use of financial resources, inequitable risk-sharing among agents, actual losses for participants, and loss of confidence in the financial system and in the very use of money. The technical efficiency of payment system is important for a development of economy.

An Automated clearing house (ACH) system processes transactions in batches, storing and transmitting them in groups. An ACH is considered a net settlement system, which means settlement may be delayed. This poses what is known as settlement risk.

Real-time gross settlement systems (RTGS) are funds transfer systems where transfer of money or securities takes place from one bank to another on a "real-time" and on "gross" basis. Settlement in "real time" means that payment transaction does not require any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching or netting with any other transaction. Once processed, payments are final and irrevocable.

Comparatively, ACHs are typically used for low-value, non-urgent transactions while RTGS systems are typically used for high-value, urgent transactions.

III. GLOBALIZATION

Globalization is driving corporations to transact more frequently across borders. Consumers are also transacting more on a global basis buying from foreign e Commerce sites as well as traveling, living, and working abroad. For the payments industry, the result is higher volumes of payments—in terms of both currency value and number of transactions. This is also leading to a consequent shift downwards in the average value of these payments.

The ways these payments are made can be cumbersome, error prone, and expensive. Growth, after all, is often messy. Payments systems set up decades ago continue to be used sometimes retrofitted, sometimes force-fitted—to meet the needs of modern corporations. And, not infrequently, the systems creak and groan as they bear the strain. As an example of such systems includes, STEP2 (an upgrade from 2003) processes only Euros and TARGET2 (an upgrade from 2007) is closed on Saturdays and Sundays and some public holidays.

As of 2014, STEP2 is the only Pan-European automated clearing house (or PE-ACH system) in operation. This type of system is thought to become less relevant as banks will settle their transactions via multiple clearing houses rather than using one central clearing house.

TARGET2 (Trans-European Automated Real-time Gross Settlement Express Transfer System) is a RTGS system that covers the European Union member states which use the euro. It is part of the Euro system, which comprises the European Central Bank and the national central banks of those countries that have adopted the euro. TARGET2 is used for the settlement of central bank operations, large-value Euro interbank transfers as well as other euro payments. TARGET 2 provides real-time financial transfers, debt settlement at central banks which is immediate and irreversible.

IV. DIGITAL PAYMENT METHODS

- Banking Cards.
- USSD.
- AEPS.
- UPI.
- Mobile Wallets.
- Banks Pre-paid Cards.
- Point of Sale.
- Internet Banking.

V. MOBILE WALLETS

A mobile wallet is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your smartphone, tablet, or smart watch. 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.

How to get it:

- Option to open Zero KYC or Full KYC wallet
- Option of Consumer vs. Merchant wallet
- Mobile Number
- An App to be downloaded in smart phone

Service Activation:

- Load money (subject to regulatory limits) using internet banking or merchant locations
- Bank A/c
- All Cards
- Cash-In

What is required for Transaction?

- Smartphone or internet
- Use MPIN
- Self-service and/or Assisted mode

Transaction Cost:

- Customer pays for remittances to bank a/c @ 0.5%-2.5% of fixed fee.
- May pay for data charges in self-service mode.

Disclaimer: The transaction costs are based on available information and may vary based on banks.

Services Offered:

- Balance Enquiry
- Passbook/ Transaction history
- Add money
- Bank A/c
- All Cards
- Cash-In
- Accept Money
- Pay money
- Another wallet (mobile no.) with same provider
- Pay merchant
- Bar Code reader
- Manage Profile
- Notifications

Funds Transfer limit:

- For Users
- No KYC - Rs 20,000/ month (revised from Rs 10,000 to current till 30th Dec. 2016)
- Full KYC – Rs 1,00,000/- month
- For Merchants
- Self-Declared - Rs 50,000/ month
- With KYC – Rs 1, 00,000/- month

Disclaimer: The funds transfer limits are based on available information and may vary based on banks.

Service Available from no. of operators:

- 40 companies
- No Cash-Out
- Non-interoperable

Comparison and analysis of business using SPSS

Business (In %)	Before mobile wallet	After mobile wallet
Grocery shop	50	60
Pan shop	60	80
Big bazaar	50	70
Cinema hall	48	75
Transport Business	58	79

Model Description

Model Name	MOD_2	
Dependent Variable	1	After mobile wallet
Equation	1	Linear
Independent Variable	Before mobile wallet	
Constant	Included	
Variable Whose Values Label Observations in Plots	Unspecified	

Case Processing Summary

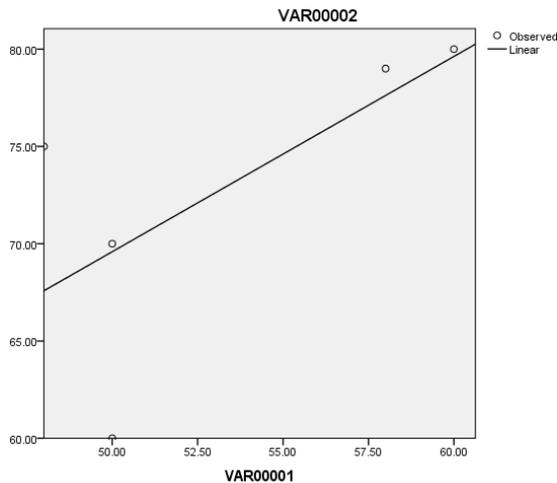
	N
Total Cases	5
Excluded Cases ^a	0
Forecasted Cases	0
Newly Created Cases	0

a. Cases with a missing value in any variable are excluded from the analysis.

Model Summary and Parameter Estimates
Dependent Variable: after wallet

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.441	2.365	1	3	.222	19.418	1.003

The independent variable is before wallet.



CONCLUSIONS

The each and every business in India grow after utilization of digital payments like mobile wallet and all other. Here the study concludes that the method of digital payments were best and user-friendly so the all business entity implementing this techniques in their business.

FUTURE OPPORTUNITIES

- Digital Payments offer unique opportunities. The Global trends indicate heightened customer expectations for value-added services, increased competition due to the emergence of Fin Techs, new technologies, and an ever-changing regulatory landscape.
- These emerging global trends is expected to impact the Indian Digital Payments ecosystem and provide impetus to the growth of Digital Payments.

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