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AN OVERVIEW ON DIGITAL PAYMENT METHODS

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Abstract: The digital world is empowering day by day, one of the important part of digitalization is digital payment methods which makes the society less dependent on physical cash and to make payment in most convenient and easier way through digital payment platforms. This study is generally based on secondary data to understand the different methods of online payments, its advantages and disadvantages. The result based on the study is that there are number of digital payment methods available to the people but the knowledge and awareness about the digital payments and how to use it is extremely low. Contributing more on training and educating people about digitalization will reflect in increased use of digital ways to make payment in future.

Index Terms - Digital payments, Cashless transaction, Digital Wallet, Digitalization, Internet Banking, Unified Payments Interface.

I. INTRODUCTION

Digital payment is a way of payment which is made through electronic devices over internet. Both the payer and payee use digital modes to send and receive money while making digital payments. All the digital payment transactions can be completed through online. It makes users very convenient and easier to make payments.

With the recent trends and advancement in technology, digital payment plays a vital role in our daily lives. Interesting offers and benefits while using digital payment methods made an impact on users to switch to online payment rather than physical transaction. The main reasons behind the increase in digital transaction are ease of usage, faster transactions, convenience etc.

Mostly the digital payments are done through electronic devices like computer, tabs, smartphones etc. The usage of smartphones are increasing rapidly, this has also paved the way for digital transactions.

Banks are now encouraging users to switch to online payment methods through their own mobile application and internet banking so that users can bring down the number of their bank visits.

Awareness about the digital payment methods is very less among the people. There is a belief in them that digital payment makes them spend more money on unnecessary things, digital payments are unsecured and also banks charges high cost for online transactions. Hence the digital literacy becomes a necessity.

II. OBJECTIVES OF THE STUDY

- To explore the various digital payment methods.
- To analyse the opportunities and challenges in digital payment system.

III. METHODOLOGY

The study is completed based on secondary data and the materials were collected from books, newspapers and websites which have been used to make the study an effective one.

IV. LITERATURE REVIEW

- **Patil P.P., Dwivedi Y.K., Rana N.P. (2017)** study titled 'Digital Payments Adoption: An Analysis of Literature' resulted that usefulness and ease of use are the most important factors of consumer's behavioural intention to use mobile payments and risk was one of the major constraint for mobile payment adoption.
- **Ashish Baghla (2018)** paper titled 'A study on the future of digital payments in India' results that it will take time for India to be complete cashless economy and the major challenges are lack of awareness and lack of digital literacy.
- **K.Suma vally, Dr. K.Hema Divya (2018)** paper titled 'A study on Digital payments in India with perspective of consumers adoption' say that technology development has helped digital payment system and resulted in improved performance in banking sector. And also suggest that banks should concentrate more on creating awareness towards usage of technology and digital payments.
- **D.Sudhir Babu, P. L. Narayanamma(2018)** study titled 'consumer perception towards digital payment' stated that majority of the respondents agree that digital payments are more helpful than traditional payment methods when making purchases.

- **Patil P.P., Rana N.P., Dwivedi Y.K.(2018)** paper titled 'Digital Payments Adoption Research: A Review of Factors Influencing Consumer's Attitude, Intention and Usage' mentioned that the result of the analysis suggest that safety, risk and security are the most examined factors by consumers to make use of digital payment methods.

V. DIGITAL PAYMENT METHODS

As a part of promoting cashless and digital transactions, various types of digital payments are available. They are:

- **BANKING CARDS (DEBIT / CREDIT / OTHERS)**

Banking cards offer customers more security, convenience, and control than any other available payment methods. The credit, debit and prepaid cards provide 2-factor authentication for secure payments. These cards can be used at PoS (Point of Sale) machines, ATMs, microATMs, Shops, wallets, at online transactions, and for e-commerce websites. International cards are used across globe for multiple currencies.

- **UNIFIED PAYMENTS INTERFACE (UPI)**

Unified Payments Interface (UPI) is a system that permits multiple bank accounts into one mobile application, merging several banking features & merchant payments into one single hub. Each customer will be having a unique UPI ID associated to their respective bank. The transactions are based on this unique UPI ID.

- **MOBILE WALLETS**

A mobile wallet is cash in digital format. You can link your credit card or debit card in mobile device to mobile wallet application, or you can transfer money online to mobile wallet. Instead of using your physical credit/debit card to make purchases, you can pay with your Smartphone.

Most banks have their e-wallets and some private companies such as Paytm, Freecharge, Mobikwik, Airtel Money, Jio-Money do have e-wallets.

- **INTERNET BANKING**

Internet banking, also known as online banking, virtual banking or E-banking, is an electronic payment system that enables customers to perform a range of financial transactions through the financial institution's website.

Different types of online financial transactions are:

- **National Electronic Fund Transfer (NEFT)**

National Electronic Funds Transfer (NEFT) is a nation-wide payment system used for one-to-one funds transfer. Under this system, individuals or firms can electronically transfer funds from any bank branch to a person, firm or corporate having an account with any other bank branch within the country participating in this scheme.

- **Real Time Gross Settlement (RTGS)**

The RTGS system is primarily used for large value transactions. The minimum amount transferred through RTGS is 2 lakhs. RTGS is a payment system used for real-time settlement of fund transfers.

- **Immediate Payment Service (IMPS)**

IMPS is an instant, 24x7, inter-bank electronic fund transfer service within banks across India through mobile, internet and ATM which is not only safe but also economical and fast. Some bank's charge transfer charges for IMPS transactions depending upon the type of customer account and amount transferred.

- **Electronic Clearing System (ECS)**

ECS is an electronic method of fund transferring from one bank account to another. It is generally used for bulk transfers performed by firms for making payments like interest, salary, pension, etc.

- **MOBILE BANKING**

Mobile banking is a service provided by a bank for its customers to conduct different types of financial transactions remotely using an app on mobile devices such as a mobile phone or tablet.

- **POINT OF SALE**

A point of sale (POS) is the place where a customer makes a payment for goods or services. Every time a customer makes a purchase at the store, they're completing a point of sale transaction. Marketers and retailers use point of purchase (POP) displays to attract customers to their business. A POS transaction may occur in person or online and receipts get generated either in print or electronically. This strategy is popular among firms looking to stay competitive.

- **UNSTRUCTURED SUPPLEMENTARY SERVICE DATA (USSD)**

USSD (Unstructured Supplementary Service Data) is a Global System for Mobile Communications (GSM) that is used to send text messages. USSD is similar to Short Message Service (SMS). This service allows mobile banking transactions through basic feature mobile phone. There is no need to have mobile internet for using USSD based mobile banking.

*99# service has been launched to make banking services accessible to every common man across the country. Banking customers can avail this service by dialling *99# on their phone. Key services offered under *99# service include, inter-bank account to account fund transfer, balance enquiry, mini statement and other services. USSD service is currently offered by 51 leading banks & all GSM service providers.

- **AADHAAR ENABLED PAYMENT SYSTEM (AEPS)**

Aadhaar Enabled Payment System (AePS) is a system developed by the National Payments Corporation of India (NPCI) that permit people to perform financial transactions on a Micro-ATM by providing their Aadhaar number and verifying it with the help of their fingerprint or iris scan.

AePS allows customers to transfer funds, make payments, deposit cash, make withdrawals, make enquiry about bank balance, etc. AePS is a simple, secure and user-friendly platform for financial transactions. AePS is one of many initiatives taken by the National Payments Corporation of India (NPCI) to encourage cashless transactions in India. In order to use AEPS, your bank account should be linked to your Aadhaar.

- **MICRO ATMS**

Micro ATMs are a mini version of an ATM. The micro platform will enable function through low cost devices (micro ATMs) that will be connected to several banks across the country. This would enable an individual to deposit or withdraw funds regardless of the bank associated with the owner of the device.

The platform will help to conduct instant transactions. The basic transaction types supported by micro ATM are Deposits, Withdrawals, Fund transfer and Balance enquiry.

OPPORTUNITIES OF DIGITAL PAYMENTS:

- **Cost Savings**

Government, Companies, International organizations, Individual's waste time and resources for making and receiving inefficient cash payments. Digital payments can be made quickly and efficiently, which decreases overall costs.

- **Transparency and Security**

Transparency and accountability are difficult to achieve with cash payments since they are unknown and hard to trace. Digital payments increase accountability and tracking, lessening the risk of fraud and theft.

- **Faster, easier, more convenient**

One of the important features of digital payment is that it speeds up the payment process without any delay. And also digital banking services are available to the customers 24/7.

- **Long Distance Transactions**

With physical currency, transferring money to the other side of the world can be very expensive. Digital cash can be sent around the world without too much of trouble. The cost to send money to the next door neighbour and to a person on the other side of the world is the same in digital cash system.

- **Special rewards**

Some digital wallet platforms provide users with additional benefits and special offers in order to encourage the utilization of their app. This results in users not only getting a chance to pay for the purchases faster and simpler but also get pleasant perks.

CHALLENGES OF DIGITAL PAYMENTS

- **Lack of trust:**

The trust towards digital payments still lacks in our society. There are people who don't feel safe using digital payment method and they don't trust internet. People believe there is security risk at digital transactions. People in this group may have limited knowledge with the online world and lack of experience and understanding of how it works.

- **Transparency:**

In our society people don't prefer to transparent in all there financial transactions. They don't want to be tracked and that could invite trouble via scrutiny or taxes. Some people wish to live their financial lives off the grid. And they can do it quite simply with cash.

- **Lack of pervasiveness:**

Cash is accepted everywhere. Digital payments are not. Still the society is in developing stage at digitalisation, digital payments are not accepted all over. So, people prefer for cash payments rather than cashless payments.

- **Habit:**

People in our society prefer the traditional way of making payment with physical cash. They feel that the cash transactions are safer than the digital ones.

- **Lack of digital literacy:**

Still many people lack literacy in digital payment and online transactions. This results in decreased usage of online platforms for making payments.

- **Internet connectivity:**

Transactions cannot be held without internet facility. Therefore, the internet can become a constraint in facilitating digital payments.

CONCLUSION

The digital payments are way to future because it makes all financial transaction more transparent and accountable. It is the simplest and easier way for transferring money all over the world without more time consumption. To increase the use of digital payment methods, awareness about digitalisation and cashless economy should be created among people.

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