

IMPACT AND IMPORTANCE OF DIGITAL PAYMENT IN INDIA

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Abstract: This research paper focuses on the impact and importance of digital payment in India. According to the Government of India the digital payment will increase the employment, reduces risk related to cash like corruption, robbery, and carrying or storage of large amount of cash and made all transactions to be done cashless or digitalised which helps the people to transfer the money with security and safety at high speed. This step of the Indian government even attracted various investors in the country. The impact of this policy is a step towards the modernisation and globalisation by making the economy cashless. In digital payment, banking sector plays a major role by providing digital instruments like debit cards, mobile banking, mobile wallets etc. A major obstacle for the adoption of this digital payment system in India is slow internet connectivity and the additional charges over the digital transactions. No matter India started following digital payment policy over a year ago but still some of the sectors in India are still at the predominance of cash transactions which is acting as a big hurdle for the economy to grow itself.

Keywords: Digital payment, cashless, security, technology, transactions, India.

Introduction

The term digitalization means to deal money digitally with less use of hard form of money or in a layman's language using computerized or digitalized modes of transactions is digitalization. India is a growing economy where 67% of the population is still from rural areas (World Bank, 2016). No doubt we have achieved the literacy rate of 74% but still a huge mass of population lacks technological knowledge and so the problem of digitalization is big in India as compared to other countries in the world. Automated Teller Machines (ATMs) are the first form of digitalization that was introduced in India in the 1987. It took more than twelve years by the people to accept it as a mode of transaction. But as the time has passed people understood how to use it and its importance increased gradually.

As the population increased in India the need of ATMs also increased in various parts of the country so in order to reduce the rush of ATMs, RBI focused on introducing E-banking in the country. The main focus of Reserve Bank of India (RBI) was to ensure safer and authorized payment system to the people. With this objective Electronic Clearing Service (ECS) was introduced 1990s. In the year 2008 National Electronic Clearing cell was launched to handle multiple transactions of individuals and corporate. It came as boon for the economy as many people find it as easy, quick and fastest mode of transaction to transfer their funds to any part of the world. During this transformation a national level e-Governance plan was initiated in 2006. So keeping the focus on rural areas to expand the e-banking and better internet facilities "Digital India" campaign was launched on 1st July 2015. The objective of the campaign is to develop secure and digital infrastructure, delivering government services digitally and universal digital literacy.

According to Internet and Mobile Association of India (IAMAI) and Kantar IMRB report out of 918 million rural population of India only 186 million are using internet and leaving out 732 million potential users. The ratio of male to female Internet users is 64:36. No matter these digital changes have taken place about ten years ago but it is unable to reduce dependency of the people on paper currency in the economy. To reduce the burden of printing more currency and dependency of people on paper currency demonetisation of Rs.500 and Rs.1000 was done on 8th November 2016. Apart from this in order to inculcate the habit of using digital currency government unveiled two schemes namely Lucky Grahak Yojana for customers and Digi Dhan Vyapaar Yojana for traders. The Indian government and Reserve Bank of India is trying very hard to promote mobile banking and e-payments. Along with these efforts recently various small finance banks and payments banks have also been brought to fulfill the motto of financial inclusion and innovative banking solutions. While Digital India is trying its way in rural India but the digital literacy one of the biggest hurdle in making it a great success.

The IAMAI report finds that an estimated 281 Million daily Internet users, out of which 182.9 million or 62% access internet daily in urban area, as compared to only 98 million users or 53%, in rural India. Almost double the proportion of Rural Users access internet less than once a month in rural India as compared to Urban India. Therefore, to make economy digitalized a joint effort of banks, government, educated youth and telecom industry will be required to spread the knowledge. They have to gain the trust of the people that their money is safe if they are doing transaction digitally. There is a requirement of making strict rules regarding cybercrime, online frauds and strengthen the internet security.

Objective

The objectives of this study are:-

1. To analyse the impact of digital payment system in India.
2. To understand the consequences of digital system.
3. To check the adoption of technology by the people.

Research Methodology

In order to study the impact of digitalization secondary data from different research papers, reports & government data has been studied and analysed.

Results and Discussion

Indian economy is growing very fast and the literacy rate of the people is also growing but it is calculated on the basis of number of people enrolled in the schools and colleges. But actually how many people have the knowledge of operating a desktop; laptop, mobile or any kind of operating system cannot be assessed through literacy rate. Nowadays we will find even a labor class possess good quality android mobile phones but they do not have complete knowledge of operating it in a better manner. Even though if some of the people know how to use it but, they fear from using banking through online due to online frauds, cybercrimes, limited literacy, unaware of online rules, etc. Moreover population residing in rural areas still trusts on visiting banks to make any kind of transactions rather than performing it online because they believe that face value of an employee is more important to them. If by chance they face any kind of trouble they know whom to catch but while doing transaction online does not bound any particular person.

The government took initiative of linking Aadhar number of the customers to catch the culprits. But many people reduced their bank accounts in order to make them safe from paying any kind of tax to the government. With every new implementation of rule people find new methods or ways to save themselves. In first view it is important to change the perception of the people that whatever is being implemented is basically for their own betterment. It might seem difficult and illogical to do today but it will be fruitful in longer terms. It a combination of individual perceptions and lack of financial literacy among the people. To spread these information the role of banks are very crucial and for that the employees need to keep themselves up to date.

Another problem that can be seen as great hurdle to turn paper economy into digital economy is poor or no internet connectivity. When we talk about internet connectivity still there are number of government banks where there is no internet connectivity. These problems are much more in the higher altitude areas. So without internet facilities it is completely impossible to meet the target of making economy digital. Many times ATMs have money but unable to dispense the amount as it is unable to read the card without proper internet connectivity. Due to these prevailing issues customers feel safe to directly visit the banks and perform their tasks. Apart from these problems it has been observed that people thinks that by using net banking, ATMs or any other e-banking facilities they have to face unnecessary burden of paying various charges. Hence, they try to avoid using these facilities.

Moreover when it comes at implementation of these facilities in the rural areas the other problems like lack of infrastructure facilities, tough terrain, and electric power are the common issues found in rural India.

Discussion and Conclusion

The first and foremost issue of literacy needs to be tackled by the government and for that we need to make our education system strong right from the starting. For the elder people, bank personals need to play very important role. There is a need to set up information centers from where any kind of query regarding programs, policies, new applications, or any technological information can be taken. Moreover the educated youths should also play a role by helping others and passing on their knowledge to those who cannot perform their task on their own. Another issue of cybercrimes and cyber security need to be tackled by the implementing and creating more strict rules regarding cyber security.

Education and training in terms now and latest technology for its advancement in urban as well rural areas can help the economy to be digitalized with its use in everyday life. Banking sector could also initiate in this training policy by giving knowledge and supporting people with less awareness or no knowledge in relation to its use can leads to a drastic change by adoption of digital payment system by people with its full knowledge in their everyday life like withdrawal of cash, deposit of cash and cheque.

Digital payment is one of the empowering system in India promoting digital India started by our honorable Prime Minister Narendra Modi, which leads to transparency of cash in the country and directly control the black money in India by tax payment and transparent cash flow of every individual.

Digital payment helps India in every sector by providing security and safety in relation to cash and also by advancing the lifestyle by adoption of latest technologies for globalization and modernization of our country which leads to the development. All the steps and policies creation by government of India helps Indian society to get knowledge and awareness.

India government taking all the steps and polices as digital India, digitalization, demonetization, better infrastructure etc. leads to the development of India. So, Indian society should also help government to adopt these system and policies as per Indian for our nation development and growth. Even slowly and gradually change is taking place but how much time it will take it cannot be judged at this hour when technology and digital payment market has just started in the country.

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