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DIGITAL PAYMENTS: A GRADUAL SHIFT FROM CASH TO NON-CASH DRIVERS IN RETAIL PAYMENT IN INDIAN PERSPECTIVE

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ABSTRACT

The time when parties to a transaction transferred goods and services via barter or gold is long gone. The amount transferred reflects the worth of the goods and services in the relevant area. In India Cash is considered to be the most preferred mode of Payments. As the digital payment industry in India experiences tectonic changes, numerous entities with diverse businesses are vying for a piece of the action. Thanks to increased innovation and variety in the features of digital financial services, which have also greatly increased the vertical and horizontal penetration of the financial system around the world, the way that customers store and trade value has completely changed. In the research work, we intend to highlight the traditional mode of payment, customer preference and how major shift has been created from to Digital payment mode.

Keywords: *Digital payments, Transaction, Cash, Financial System*

INTRODUCTION

Accelerating The provision of digital financial services requires creativity and diversity (Digital financial services) DFS has significantly increased the vertical and horizontal penetration of financial systems around the world and revolutionised the methods in which customers store and exchange assets. Competition and fairness among market participants are crucial, but insufficient, prerequisites for the expansion of digital payments. Aspirations, attitudes, and usage patterns of technology among Indian consumers differ widely. The demands, wants, and behaviours of consumers are complex and diverse. People differ significantly in their appetite for risk and change, as well as in their underlying values, sociocultural norms, educational attainment, and financial literacy, along with a variety of other multifaceted demands. Additionally, digital payments require connectivity on the internet. In India, a sizable portion of the population is still digitally illiterate. Over 600 million people own feature phones despite a 72 percent mobile phone adoption rate. Less than five out of every ten women own a phone. Less than 5% of adults in rural areas are smartphone owners. Additionally, 50% of smartphone owners nationwide do not subscribe.

According to estimates, the Central and Commercial banks in India spend about US$3.5 billion a year on currency operations. In 2014–15, it was calculated that the net cost of cash amounted to about 1.7% of India's real GDP. As a result, the necessity of switching from cash to digital payment methods is becoming apparent. The Indian government has attempted a number of initiatives to shift society away from the use of cash and lessen consumer preference for it. One of the most well-known actions in this regard was the demonetisation operation in November 2016, as a result of which 86 percent of the money in circulation lost its status as legal tender overnight. As a result, between November 2016 and June 2017, there were an increase in the number of digital transactions from 671.5

million to 844.7 million, and the value of those transactions climbed from Rs. 94 trillion to Rs. 113.75 trillion. While it was noted that withdrawals of cash were actually 0.6% more than they had been a year prior, five months after demonetisation. Additionally, the number of transactions made in cash has decreased after the remonetisation of currency notes to the new denomination, from 957.50 million in December 2016 to 862.38 million in July 2017. The value of digital payments increased somewhat over this time, from Rs. 104 lakh crores to Rs. 107 lakh crores, with 221.63 million transactions as opposed to 320.87 million transactions in April 2017. It's time for the government to acknowledge that expanding digital payments requires more systematic reform.

LITERATURE REVIEW

According to a Bamasak research carried out in Saudi Arabia, m-payment has a bright future. The security of mobile payment operations and the improper use of mobile devices as payment methods have been found to be top concerns for users of mobile phones. The two main concerns of consumers when using digital payment methods were security and anonymity. Doan claims that the innovation-decision process for Finnish customers' adoption of mobile wallets is still in its infancy.

The use of mobile payments has been around for a while and is about to take off. Additionally, people are making payments on their mobile devices more and more frequently. Consumers now use "Digital Wallets," which are simply smart phones that can double as leather wallets. Transferring money with a digital wallet has many advantages, including convenience, security, and affordability. The advancement of technology has allowed consumers to transact in a variety of ways that are more practical, socially acceptable, and easily available. Customers are consequently more apt to use mobile payment apps. Offering a variety of advantages, such as flexible payment options, digital wallet businesses are giving customers more ease. The ease of online shopping without physically moving from one place to another is a major element in the adoption of digital wallets. Numerous research on mobile payment applications were undertaken in the past to determine consumer interest. They discovered that consumers have a favourable propensity for the same.

Adoption of a digital wallet as a payment mechanism is influenced by variables like perceived usability, expressiveness, and trust. These elements, which are often referred to as facilitators, are essential for the acceptance of digital payment methods. It was discovered that young digital wallet use in the state of Punjab was correlated with societal influence and utility, controllability and security, and the need for performance improvement. The obstacles to the widespread use of digital payment systems include high prices, complexity, a lack of critical mass, and perceived hazards.

Braga and Mazzon suggested a thorough model called the "Payment Mode Influencing Consumer Purchase Model." This model took into account elements like temporal orientation and isolation, self-control, and the discomfort of payment mechanisms for the new payment mode of the digital wallet. The two most crucial aspects of mobile payments research are the consumer perspective and mobile payment technologies. In Finland, Mallat researched the uptake of mobile payments by consumers. According to a study, the adoption of mobile payments depends on the absence of other payment options and a few contextual elements.

Digital wallet payments make transactions even easier for customers by allowing flexible payment adds and speeding up trades. Shin and Ziderman tested a comprehensive model of consumer acceptance in the setting of mobile payments. The unified theory of acceptance and use of technology (UTAUT) paradigm's categories of security, trust, societal influence, and self-efficacy were applied. The findings also revealed that users' attitudes and intentions are influenced by perceived security and trust. The model confirmed the traditional role of technology acceptance factors (i.e., perceived to users' attitude). The moderating effects of demographics on the relationships between the variables were found to be significant in the expanded model. With the help of digital purses, customers can make purchases quickly and easily without having to swipe their debit or credit cards. These digital applications also offer instant cash availability and seamless mobility. For instance, the balance in your Paytm wallet can be transferred to your bank account very simply whenever you want. The following are some additional benefits of using electronic wallets for purchases.

RESEARCH GAP

As various studies have been examined previously but it has been found that limited studies exist with Indian perspective. This paper has made various observations with respect to Indian scenario.

STATEMENT OF PROBLEM

In the research work, we intend to highlight the traditional mode of payment, customer preference and how major shift has been created from to Digital payment mode. Major work in terms of research has highlighted about the Customer's adoptions for digital payment mode yet there is lot to cover. Also, the paper is supported by few major recommendations to boost the idea of Digital Payment in years to come.

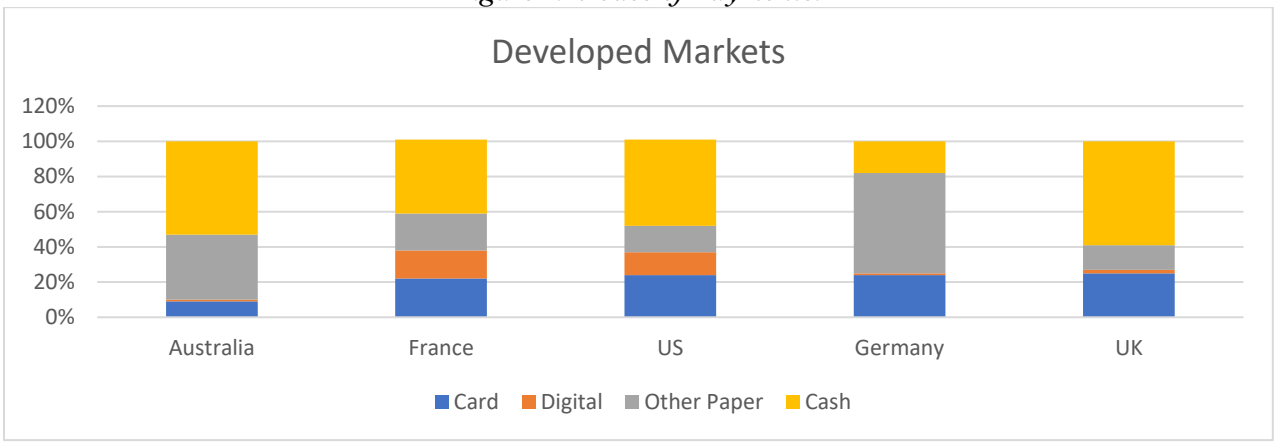
OBJECTIVES OF THE STUDY

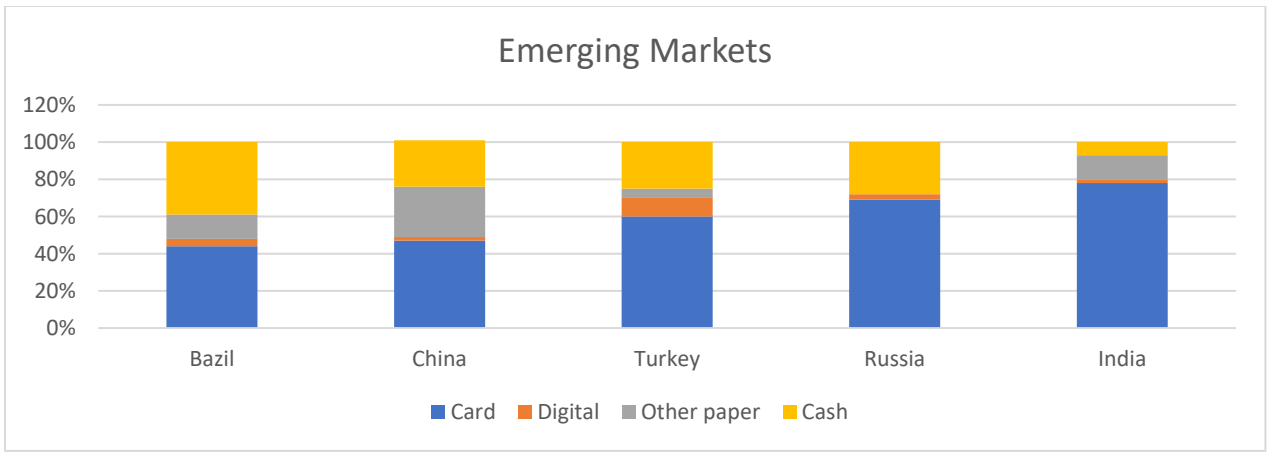
1) To Learn about the many kinds of digital payment transactions is part of studying.
2) To research and examine the numerous digital payment methods that different financial institutions have to offer.
3) To evaluate the scope of digital payment activities when handling online transactions.

THE FASCINATION WITH CASH

In India, cash is still regarded as the most preferred form of payment. In contrast to developed economies like the US and the UK, where currency circulation makes up 3.5-8 percent of GDP, India's GDP is 18 percent accounted for by currency circulation. In India, cash accounts for about 78% of all consumer purchases and 97% of all retail payments. In India, compared to other markets, cash is considered a form of payment a significantly higher percentage of the time. Unaffected by income level, a recent survey in Jaipur showed that cash is still preferred for transactions like paying for food, clothing, shoes, utility bills, car fuel, durable items, restaurants, tours, and leisure activities.

Figure 1: Modes of Payments.





DRIVERS OF NON-CASH RETAIL PAYMENTS

In addition to cash, India has paper-based and non-paper-based methods for making retail payments. Checks and National electronic fund transfers are two examples of paper-based payment methods (NEFT). Customers who

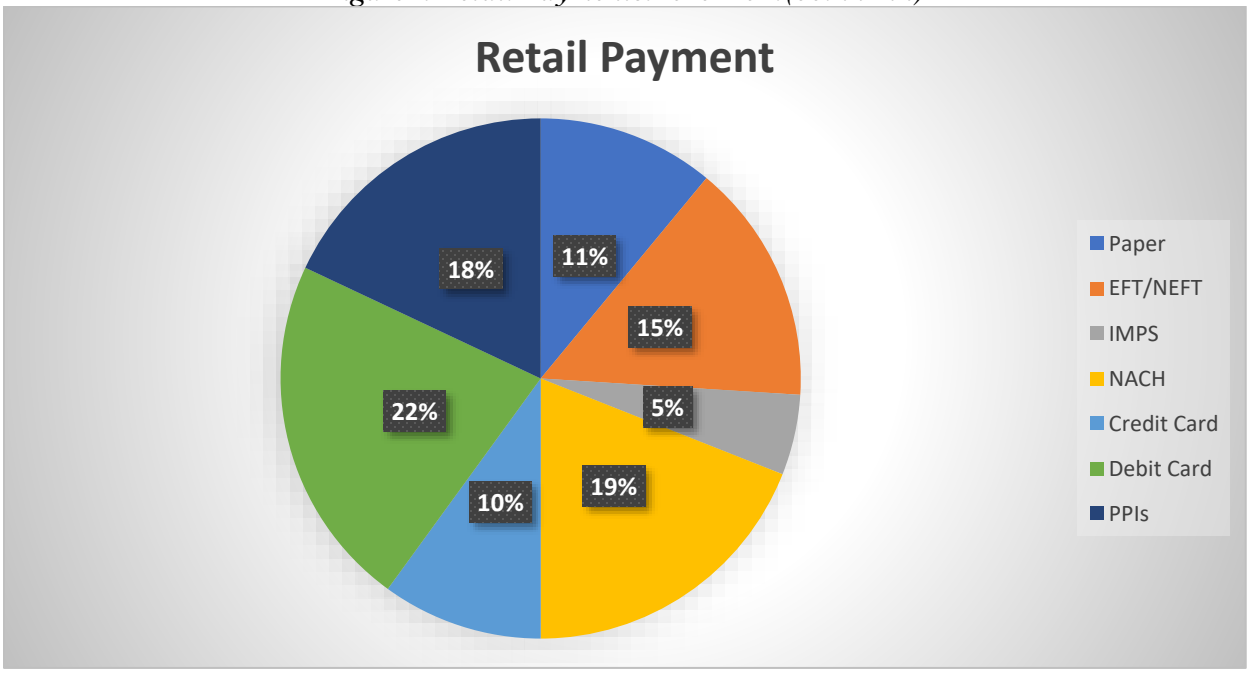
have access to their bank's net banking service can start an online NEFT funds transfer request. Immediate Payments Service (IMPS), credit cards, debit cards, prepaid payment instruments (PPIs), and the National Automated Clearing House are the main non-paper-based methods for retail payments (NACH). A description of the main causes of non-cash payments is given in Table 1. provides a description of key drivers of non-cash payments.

Table 1: Keys Drivers of Non-cash Payments.

NEFT	A national payment mechanism called NEFT makes direct money transfers possible. Under this programme, people, businesses, and corporations can electronically transfer money from one bank branch to another bank branch participating in the programme who also has an account with a person, business, or corporation. The Reserve Bank of India provides it (RBI).
IMPS	Through mobile devices, IMPS provides a real-time, round-the-clock interbank electronic fund transfer service. IMPS is a powerful mechanism that enables instantaneous money transfers between banks in all of India via mobile, the internet, and ATMs. The only retail payment company in India, National Payments Corporation of India (NPCI), provides it.
PPIs	Payment processing instruments, or PPIs, enable the purchase of products and services, including financial services, remittance services, etc., using values that are recorded on the instruments. The three categories of PP Is that can be issued in the nation are I Closed partnership firms, etc., for the sole purpose of simplifying the procurement of products and services from that entity. (ii) Semi-closed PPIs are those that can be used at a select number of clearly designated merchant locations or institutions that have an agreement with the issuer to accept the payment instruments to purchase goods and services, including financial services; and (iii) Open system: PPIs that enable cash withdrawals from ATMs and business correspondents as well as purchases of products and services, including financial services like funds transfers at any card-accepting merchant locations (point of sale terminals). Open system PPIs may be issued by both banks and non-banks, but only banks may issue closed and semi-closed PPIs.

Debit Cards and PPIs account for the majority of non-cash volume. Those with IMPS make for nearly 45% of all volumes. Debit cards are mostly issued by State Bank of India, the largest bank in India and a government-owned institution. It has produced about 284.7 million cards, or 33% of all debit cards in the nation. With 284.7 million cards issued, Punjab National Bank is the second-largest bank in terms of issuing debit cards. HDFC, a private company, has issued the most credit cards.

Figure2: Retail Payments:2016-2017(vol in mn)

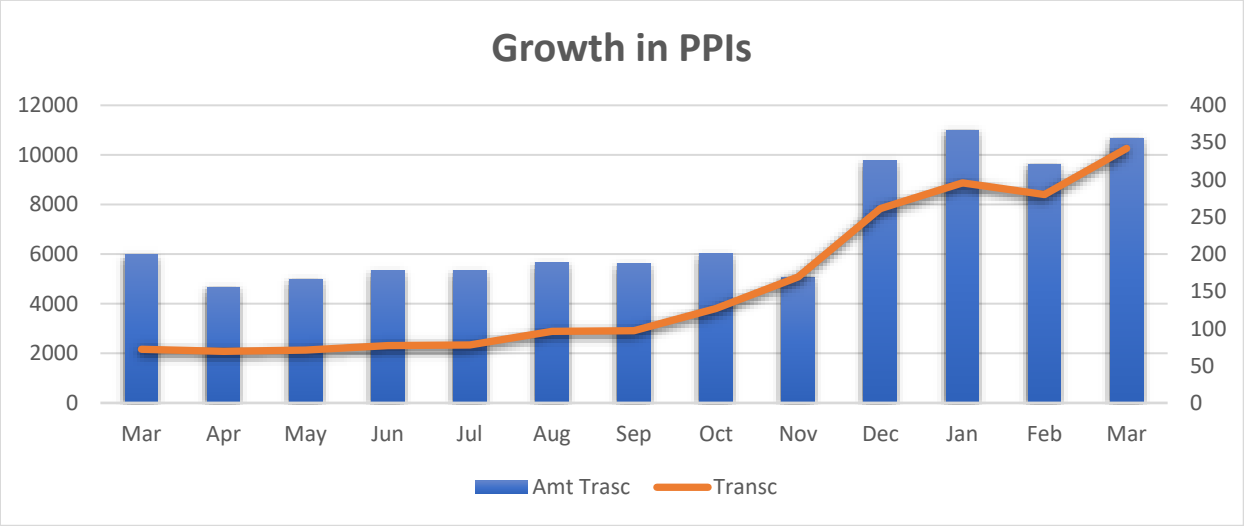


Source: Booklet on Measurement of Digital Payments, 2017, National Institution for Tranforming India (NITI)

Aayog.

Paytm, Mobi Kwik, and ItzCasg are some of the leading non-bank issuers of PPIs and wallets. 218 million people were using Paytm wallets as of March 2017, and there was a total balance of Rs. 899.11 crore. There were 55 million users of Mobikwik. ItzCash had 110 million registered users as of September 2016. In recent years, the PPIs have seen tremendous rise. PPI transactions increased to 342 million for the 12 months that started in March 2016, a 375 percent rise from the previous year, while the amount exchanged increased by 79%.

Figure 3 depicts the growth in PPIs.

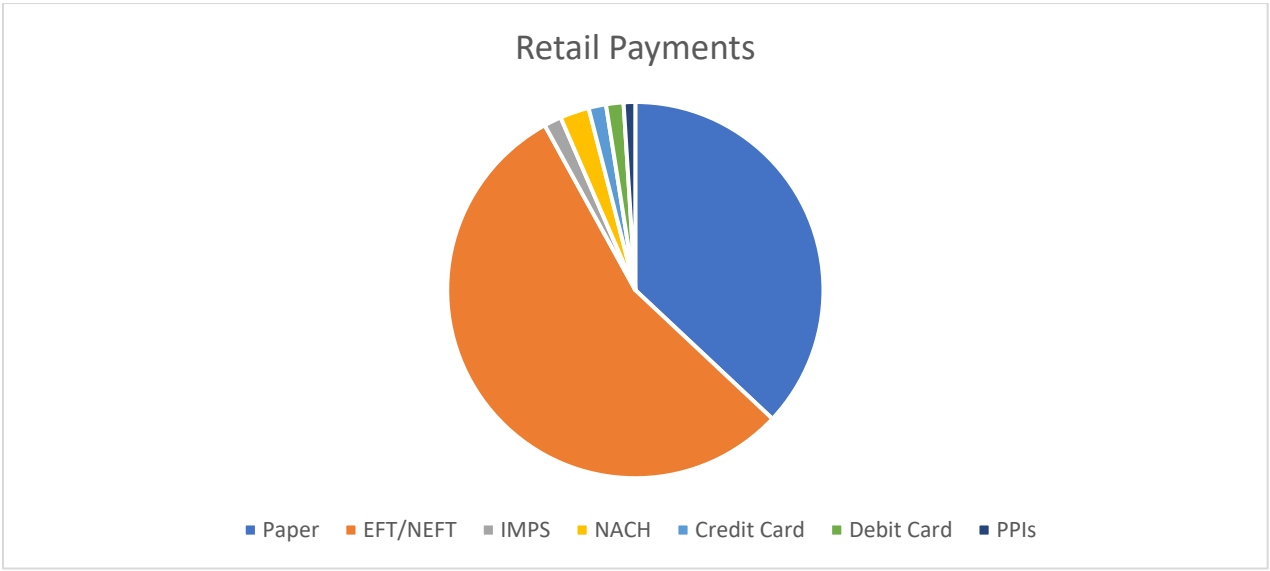


Source: Akamai, Digital payments in India, Medianama, May 2017.

In addition to the digital payment methods mentioned above, a number of new ones have lately been introduced in India. These include the Bharat Bill Payment System (BBPS), Aadhaar Enabled Payments System (AEPS), Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), and Bharat Quick Response Code Solution (Bharat QR).

FINDINGS

Despite the recent months' rapid increase and significant addition to the number of non-cash retail payments, the value of digital modes (other than NEFT) has been minimal, amounting to only about 10% of non-cash retail payments. Reports claim that between March 2017 and July 2017, the value of digital payments actually dropped from Rs. 149 lakh crore to Rs. 107 lakh crore.



Source: Booklet on Measurement of Digital Payments, 2017, NITI Aayog.

Table2: New Modes of Digital Payments

AEPS	Aadhaar number connected to bank account permits balance inquiry, cash deposit/withdrawal, and inter-bank transfer. This is made possible by the Aadhaar number, fingerprint, and unique issuer identification number (used to identify the bank to whom the Aadhaar number is matched). NPCI manages the AEPS.
UPI	Quick financial transfer through mobile device 7 days a week, 365 days a year. It enables single-click two-factor authentication and access to many bank accounts via a single mobile application (security standard prescribed by regulation). UPI is handled by NPCI and relies on IMPS.
BBPS	operating a tier-based uniform bill payment system. The task of creating business standards, regulations, and procedures for each participant's technological and commercial needs falls to the authorized Bharat Bill Payment Central Unit (BBPCU), also known as NPCI. Additionally, it handles clearing and settlement tasks for transactions that go via BBPS. Card payments are one of the alternatives for payment modalities offered by BBPS.
BHIM	a mobile program that uses the Unified Payments Interface to allow quick, simple, and straightforward financial transactions (UPI). Only a mobile number and virtual payment address are required for instant bank-to-bank transactions and pay and receive features. (VPA). The application was initiated by the NPCI.
Bharat QR	NPCI, Mastercard, and Visa developed an interoperable QR code solution. Customers can pay through a linked account by scanning these QR codes using the Bharat QR enabled application in an interoperable setting, which merchants can display on their property.

CONCLUSION

With the aforementioned facts and points, it seems that India's semi-urban and rural areas have a severe lack of digital payment options. Rural India and all regional rural banks (RRBs). There is still work to be done to integrate all regional rural banks (RRBs) and rural cooperative banks into a single pan-Indian electronic network. Only a small number of the 371 district central cooperative banks are a part of networks like NEFT, IMPS, and UPI. Despite having more than 15000 branches, RRBs' contribution to IMPS is low.
Consequently, the potential of digital modes has remained unfulfilled in advancing retail payments.

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