


# STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

To kindle interest in economic affairs...  
To empower the student community...

 [www.southindianbank.com](http://www.southindianbank.com)  
Student's Corner

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## CASHLESS INDIA — DIGITAL PAYMENTS

AUGUST 2021 | THEME 356



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The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly publication. Topic of discussion for this month is “Cashless India – Digital Payments”.

## Introduction

The Digital India Programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless, Paperless, Cashless” is one of professed role of Digital India. A cashless economy is one in which the liquid transactions through the system happens with the exchange of plastic currency or through digital currency. Debit and credit cards are plastic currency and online payments come under digital currency.

The last ten years for the payments industry in India have been vibrant, disruptive and innovative. We have witnessed a phase where the government, regulator, banks, service providers and even consumers encouraged and adopted digital payments at a pace never seen before. The transformative journey of banks and other players offering traditional services in brick and mortar model to embracing a mobile-first approach has been spectacular. The usage of cards, UPI and digital wallets, as well as other payment channels, has skyrocketed and the overall acceptance infrastructure is on the rise. A shift to digital payments has also been fuelled by the unprecedented growth in the number of Fintechs in the country.

Specifically, it’s worth acknowledging the efforts of the National Payments Corporation of India in building the payments infrastructure and launching initiatives like Unified Payments Interface (UPI), IMPS, Bharat BillPay, National Common Mobility Cards, Electronic Toll Collection through FASTags and BQR based payments among others.

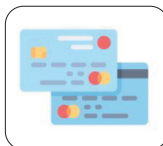
## Digital Payment Methods

As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

### Banking Cards

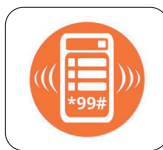
Banking cards offer consumers more security, convenience, and control than any other payment method.

The wide variety of cards available – including credit, debit and prepaid – offers enormous flexibility, as well. Issued by a financial institution or credit card company. RuPay, Visa, MasterCard are some of the example of card payment systems.



### Unstructured Supplementary Service Data (USSD)

The innovative payment service \*99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of underbanked society in the mainstream banking services.



### Internet Banking

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial



transactions through the financial institution's website.

Different types of online financial transactions are:

### **i) NEFT & RTGS**

National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) were introduced by RBI to enable users to transfer money from one bank account to another. NEFT settles fund transfers in 23 half hourly batches (net-settlement). RTGS is defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is 2 lakh. There is no upper ceiling for RTGS transactions.

### **ii) Electronic Clearing System (ECS)**

ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premia, card payments and loan repayments, etc., which would obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service by banks / companies / corporations / government departments, etc., collecting / receiving the payments.

### **iii) Immediate Mobile Payment Services (IMPS)**

IMPS is a real time, instant, inter-bank fund transfer system managed by National Payment Corporation of India (NPCI). It is available 24/7 throughout the year including bank holidays.

### **Aadhaar Enabled Payment System (AEPS)**

AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC) of any bank using the Aadhaar authentication.



### **Point of Sale (PoS)**

A point of sale (PoS) is the place where

sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.



### **Micro ATMs**

Micro ATM enable Business Correspondents (who could be a local kirana shop owner and will act as 'micro ATM') to deliver basic banking services or to conduct instant transactions. The basic transaction types, to be supported by micro ATM, are Deposit, Withdrawal, Fund transfer and Balance enquiry. This would enable a person to instantly deposit or withdraw funds regardless of the bank associated with a particular BC.



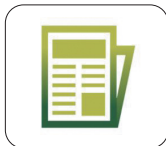
### **Mobile Banking**

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet.



### **Unified Payments Interface (UPI)**

Unified Payments Interface (UPI) is a system that 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. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.



### **Mobile Wallets**

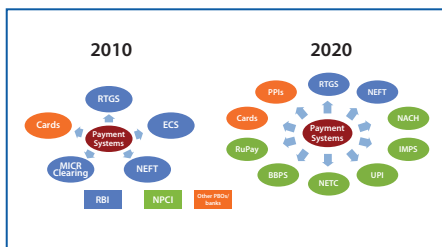
A mobile wallet is a type of virtual wallet that stores payment card information (credit card, debit card and loyalty card) accessible through an app installed on a mobile device.

Mobile wallets allow users to make in-store or online payments without having to carry cash or physical cards. Some of the popular mobile wallets are Paytm, Freecharge, Mobikwik, Airtel Money, Jio Money, SBI Buddy etc.

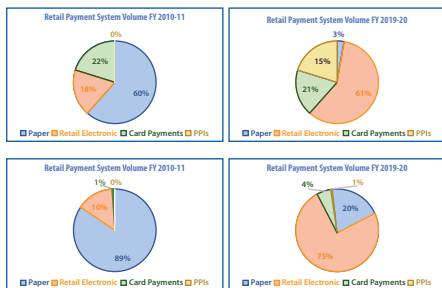


## India's Journey of Digital Payments – 2010 to 2020

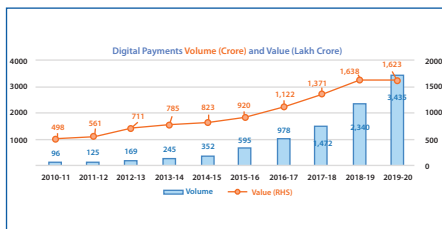
### India's Payment Systems



### Share of Payment Systems



### Digital Payments in India



Source: RBI Data

## Where are we now? What is in the News?

Amid the gloom of the Covid-19 pandemic, the past year has shown

some pleasant surprises in the efforts to promote India's digital journey.

a) As per a ACI Worldwide report, India retained the top spot with 25.5 billion real-time payments transactions, followed by China with 15.7 bn transactions. The report speculated that by 2025 the share of real time payments volume in overall electronic transactions will touch 71.7%.

b) As per the RBI data, Digital payments have recorded a growth of 30.19% during the year ended March 2021.

c) A report by research firms Worldpay and FIS says 39.7% of India's e-commerce payments were done through digital wallets in 2020 and wallets have now become the leading online payment method in the country.

d) As per data by EY, UPI-based digital transactions have increased by 110% in volume and 109% in value, from June, 2020 till June, 2021.

e) On August 2, Prime Minister Narendra Modi launched e-RUPI, a futuristic person and purpose-specific digital payment solution. e-RUPI is a cashless and contactless instrument for digital payment. It is a QR code or SMS string-based e-Voucher, which is delivered to the mobile of the beneficiaries.

## Final Word

The digital payment boom is indicative of a larger paradigm shift in the ease of access to financial services. Much of this is a result of the nudges and diligent policy and technology frameworks created by the central government in the last few years. By giving unique digital identity Aadhaar to 124 crore people and by building the Jan-Dhan-Aadhar-Mobile (JAM) and Universal Payment Interface (UPI) platform, the government has been creating the ground for greater financial inclusion, when even a bank account was an unknown element for millions of people till a few years ago. It is estimated that India's digital economy has the potential to become a 1 Trillion USD ecosystem by 2025. This will have

multiple positive consequences, from an increase in jobs to foreign investment, growth of domestic digital infrastructure, the rise of small and medium businesses and an overall enhancement in the country's economic growth. However, there are many hurdles in India's path to becoming a 1 trillion-dollar economy such as a rampant digital divide, varied demographic profile and underdeveloped technology infrastructure. A first step in

this direction was the Digital India that amplified pre-existing approaches along with newer targeted schemes.

Source:

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