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RECENT TRENDS IN ELECTRONIC PAYMENT SYSTEMS IN INDIA

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Abstract

E-payment system refers to the transfers of fund from one person to another through electronic medium without the involvement of any physical cash or cheques. It can be done with the help of internet. With the advancement in technology the payment system have also developed. Present Indian government also trying their best to replace the paper based payment system to digital payment system. In this paper study has been done on the various e-payment methods available to the customers like NEFT, RTGS and IMPS etc. Further in this paper various issue and challenges have been identified.

Keywords: e-payment, Digital payment, Digital India, NEFT, RTGS IMPS.

Introduction

Electronic payment system is a kind of financial exchange that is established online through an electronic medium between the buyer and the seller without the physical transfer of cash and cheques, irrespective of time and location. With the increased and advancement in technology spread of Internet-based banking and purchasing, electronic payment systems have increased rapidly in the last decades. As the world is moving forward with technology development, we can see the emergence of electronic payment systems and payment processing devices. E-payments get instant, so it's convenient and saves a lot of time. This is important, especially today when every aspect of our life is fast. As soon as the system increases,

improves and a more secure online payment system will be provided, the percentage of cheque and cash transactions will decrease.

Present government of India have come up with the idea of cash less economy. Government of India lunched the campaign know as Digital India in 2015 with the aim of making digital economy. It is one of the most important step taken by government to make cash less economy. The main aim of this programme is to convert cities into smart cities through the uses of high speed internets. With the growing uses of internet in India the concept of e- payments system has become the need of an hour. With the advancement in technology and use of high speed internet there is rapid growth of e-commerce in India as a result of this the use of e-payment

system has become an integral part of our lives.

Objectives of the Study

The following are the objectives of the Study

1. To trace down the evolution of e-payment system in India.
2. To study the various types e-payments methods in India.
3. To identify the challenges of e-payment system in India.

Research methodology:

This study is based on the secondary data. Various journals, newspapers, and relevant websites have been consulted in order to make the study an effective one.

Literature Review:

Mamta, Prof. Hariom Tyagi and Dr. Abhishek Shukla (2016)¹ in their article titled “The Study of Electronic Payment System” they found that risk to the online payment are theft of payment data, personal data and fraudulent rejection on the part of customer.

Deepankar Roy and Amarendra Sahoo (2016)² in their article titled “Payment Systems in India: Opportunities and Challenges” they found that there is healthy and positive growth in e-payment system in India and further RTGS is widely accepted payment mechanism in India.

Dr. K.A Rajanna (2018)³ in his article titled “Growth of Cash-Less Transactions in India: Challenges and Prospects” analyse the growth of cash less transaction in India cash less transaction in India increased day by day from different mode of transactions and after the demonetisation there has been considerable increase in use of digital transaction.

Evolution of E-Payment System in India

The development of e-payment system is closely related to growth of e-commerce and the improvement in this field. E-commerce is very convenient and e-payment is more suited to customer's requirements, as compared to the traditional payment system. The origin of e-payment is related to beginning of internet or World

Wide Web. After all, if there was no world wide web, then online stores and e-services would not be there. The internet was started in 1969. However, the main turning point occurred in 1989 when Tim Berners-Lee discovered the so-called “pages” or “sites” that made it easier to access and publish information on the internet. E-banking was first introduced in New York, United States in the year 1980s by four major banks Citibank, Chase Bank, Chemical Bank and Manufacturers Hanover offered home banking services. Stanford Federal Credit Union was the first financial institution to offer online internet banking services to all of its members in October 1994.

Reserve Bank of India has made several efforts and reforms in Indian banking system for the implementation of online banking in India. One of them is The Payment and Settlement System Act 2007 (PSS Act), the main objective of this Act is to ensure that all types of payment and settlement systems operating in the country are safe, properly secured, sound, efficient, reachable and authorized. Present government is also making several efforts in this field to make India economy cash less economy and digital economy. The various concepts like Digital India, Digital payment and Smarts City have been launched by the government to make Indian economy a digital economy were all the transaction are done through the electronic form. Internet banking was first started in India in the late 1990s. In 1996 ICICI bank was the first bank to introduce the online banking system in India. After words Citibank and HDFC Bank followed the internet banking services in 1999. With growth and development in the banking sector and awareness among the people the e-payment system have growth tremendously in last few years.

Various Types E-Payments Methods

The following are the various types of e-payment methods in India:

National Electronic Fund Transfer (NEFT)

National Electronic Fund Transfer was introduced by the Reserve Bank of India on November 2005. Under this scheme individual, firms and corporate can electronically transfer funds from any branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the scheme. The minimum amount is Rs. 1 and there is no limit for maximum amount. The maximum amount per transaction is limited to Rs. 50,000 for cash based remittances.

Real Time Gross Settlement (RTGS)

Real Time Gross Settlement was introduced by the Reserve Bank of India in March 2004. In RTGS fund transfer from one bank to another bank in real time and gross basis which means immediate transfer of funds. Minimum amount for RTGS is Rs. 2 Lakhs and there is no upper limit. The transaction timing of RTGS from Monday to Friday is in between 9 a.m. to 4.30 p.m. and for Saturday from 9 a.m. to 2 p.m.

Immediate Payment Service (IMPS)

It is an instant inter-bank electronic fund transfer service through the mobile phone. Users can transfer funds any time any where even in bank holiday. Transaction limit for IMPS using Account number is Rs 2 Lakhs.

Mobile Banking

Mobile banking refers to service provided by the bank to its customer to execute financial transaction through mobile devices such as smart phone or tablet. It can be used any time any where. It is usually done through the banking apps. Customer can pay bills, transfer money, balance enquire and check the mini statement etc.

Banking Cards

Banking Cards are cards issued by the banks to its customers. It is the most common method of payment in India. Banking cards offer consumers more security, convenience, and control than any other payment methods. There are two types of cards they are debit and credit

cards. Some of the examples of payment cards are RuPay, Visa and MasterCard.

Internet Banking

Internet Banking allows customers of the bank to undertake all the financial transactions through a computerized system. 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.

Aadhaar Enabled Payment System (AEPS)

Aadhaar Enabled Payment System is a payment service developed by a National Payment Corporation of India (NPCI) in a bank led model which allows online interoperable financial inclusion transaction at micro ATM through the business correspondent of any bank using Aadhaar authentication. There is no limit for transaction. Through AEPS customer can avail the services like balance enquiry, cash withdrawal, cash deposit and Aadhaar to Aadhaar fund transfer.

Mobile Wallet

Mobile wallet is a store of money transferred into it. It can be done by linking credit card and debit card information in mobile devices to mobile wallet application. Once the application is installed in the mobile phone, a user is registered and know-your-customer (KYC) documents are submitted, a user can transfer money to this wallet and then make payments. Some of the examples of mobile wallets are Paytm, Freecharge, Mobikwik, Oxygen, mRupee, and Airtel Money etc.

Challenges to e-payment system in India

Poor Internet connection: E-payment is entirely based on the internet. Majority of people live in villages and there are no proper internet facilities available. Still the most of the people in India is unaware of the internet. The speed of internet is very slow as compared with the other developed countries in the world.

Lack of Trust: Most of the people don't trust in e-payment methods since they have heard of online fraud, misuse and low reliability. They generally prefer cash transaction then the e-payment.

Web services too complex: Most of the people in India don't have the idea how to use the web services. In e-payment system all the transaction are done through internet and they can't access the web service and it is too complex to understand for them.

Lack of Awareness: E-payment is not viable to the rural areas most of the people are not very literate so they are unaware of e-payment system. Since they are not very literate they don't know how to operate computer and use smart phone.

Unbanked People: Most of the people in India are untouched with banking sector they depends with money lender. All though government are making several efforts to make avail the banking facilities. Government have lunched the programme like Jan-Dhan Yojana but still it not reach the remote places of India.

Conclusion

In Indian senior e-payment system is still in growing stage it has not reached the entire part of the country. There are several challenges that need to be

overcome in order to have a smooth growth of e-payment system. Although Reserve Bank of India along with the government are making several efforts to make Indian economy a cash less economy. They have launched several programmes in regards with online payment. All this efforts will work only when people have awareness regarding e-payment.

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