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## E-PAYMENT SYSTEM IN RURAL INDIA: ISSUES AND CHALLENGES

**GHANA SHYAM KAFLEY**

Research Scholar in Commerce

**Dr. M. CHANDRASEKARAN**

Assistant Professor in Commerce  
 N.M.S.S. VellaichamyNadar College, Madurai

### *Abstract*

*E-payment system in city has developed rapidly in India but in rural areas it is still not accepted by the people. India is moving towards digital era but the people in rural areas are lacking behind. There are several issues and challenges which are hindering in the way of digital India. In this paper study has been done in the present scenario of e-payment systems in rural areas. Future the issues and challenges has been study in this paper.*

**Key Words:** *Digital India, Smart City, Internet Banking, Mobile Banking.*

### **Introduction**

E-payment system refers to all the financial transaction which is done through the electronic medium is known as e-payment without the involvement of any physical cash or cheques. It is an online based payment system since it is done through internet. In e-payment system one can transfers funds to another without the use of cash irrespective of time and location. With the advancement in technology and growing popularity of internet buying and selling of goods through online has been growth tremendously over the past decade as a result of this e-payment system have become the need of an hour.

Majority of people living in the villages are unaware of this system. They are lacking in the technological skills which is most necessary when it comes to e-payment system. The concept of smart city has been lunched but the concept of "Smart Villages" should give utmost priority. It will not only

make rural people smart but it will add to the economic development of the country. Still many of the rural people are untouched through the banking sector. With the advancement in services of banking sector various easy methods of payment have been developed like RTGS, NEFT, Mobile Banking and Internet Banking but in rural areas majority of people are unaware of this system.

### **Objective**

1. To study the present scenario of e-payment systems in rural areas.
2. To find out the issue and challenges faced by e-payment system in rural areas.

### **Review of Literature**

**S. Md. Shakir Ali, Md. Wasim Akhtar and S. K. Safiuddin (2017)<sup>1</sup>** in their article titled "Digital Payments for Rural India - Challenges and Opportunities" stated that sustained development and economic growth, transparency, corporate governance and cashless economy can only be achieved when

rural India too embracing the digital payments and digital transactions.

**Zahoor Ahmad Shah (2017)**<sup>2</sup> in his article titled "Digital Payment System: Problems and Prospects" stated that achieving a 100% cashless society will not be possible in near future, but one can towards becoming mostly cashless, cash continue to play an important role for discrete transactions, especially in the most remote areas and informal sector.

### Research Methodology

This study is based on the secondary data. Data has been collected from various journals and websites have

been consulted in order to make the study an effective one.

### Present Scenario of E-Payment Systems in Rural Areas

According to the census report 2011<sup>3</sup> nearly 70 percent of the country total population live in rural area. Majority of the people are living in the rural areas still they have to depend on the money lenders for their banking activities. Most of them are unbanked people and they are still unaware about the changes in payment system. The main reason behind this is they are lacking behind in technological skill.

The following table shows the level of comfort using different banking services in rural area

**Level of Comfort Using Different Banking Services in Rural Area**

Type of Banking Services	Can use it Independently	Can use it with the help of any family member/friend	Afraid of/ not very comfortable using it	Don't know/ refused to answer
ATM/Micro ATM	73.4	22.3	1.8	2.5
Mobile Banking	39.1	55.5	1.7	3.7
Internet Banking	51.8	35.0	2.3	10.9

Source: NABARD All India Rural Financial Inclusion Survey 2016-17

From the above Table 1 it shows the 73.3 percent of people can use ATM/ Micro ATM independently without the help of other, 22.3 percent of people can use ATM/ Micro ATM with the help of family members or friend, 1.8 percent are still afraid/are not comfortable of using ATM and 2.5 percent are unaware of such services.

In terms of mobile Banking only 39.1 percent can use it independently, 55.5 percent can use with the help of family members or friends, 1.7 percent are still afraid/not very comfortable of using mobile Banking and 3.7 percent are unaware of this services.

In terms of Internet Banking 51.8 can use the internet banking of their own, 35.0 percent can use with the help of family members, 2.3 percent are still afraid/ not very comfortable with this services and 10.9 percent are unaware of this services.

### Issue and Challenges in E-Payment System in Rural Areas

There are several issue and challenges in e-payment system in rural areas are as follows:

1. **Literacy:** The literacy rate in rural areas is very low since e-payment are done thorough internet people are not able to operate it most of the banking websites are in English so it is difficult for them to understand.

2. **Technological skill:** People living in rural areas are lacking in technological skill they are not able to operate computers and even smart phones also which is the major problem in rural areas.

3. **Speed of Internet:** The speed of internet is very slow in the rural areas as compare to city. To perform e-payment internet is the most due to slow server many time transaction is cancelled or incomplete.

4. **Financial Literacy:** Financial literacy is very low in rural areas only 10.5% of male and 8.9% of female have sound financial literacy.

5. **Lack of Trust in cashless transaction:** People in rural areas do not trust e-transaction since they believe in cash transaction so they prefer cash transaction rather than cashless.

6. **Lack of awareness:** People in rural areas are unaware of e-payment methods so they don't prefer e-payment methods.

### Conclusion

India is moving towards digital era but the rural people are still untouched with this system. E-payment system is still far for rural people. There are several challenges that need to be address for smooth functioning of e-payment system. Government along with local authorities should make awareness about

present advancement in banking technology. India have very bright future for making cashless economy if above mention challenges and issue are solved.

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