



Digital Payment in India: Pros and Cons

Sangeeta

Research Scholar, Department of Commerce & Management

Mewar University, Chittorgarh

Abstract:

India is the country with a lot of varieties and resources. Since ancient time there is various methods adopted for exchange of goods and resources in India. In early times it bases on material exchange. After the embarkment of metals and paper it is converted in currency form. Now, in the era of artificial intelligence it is based on digital banking. Digital payment is a new type of platform that is used for the transfer of the currency and the banking administration. Digital payment has a crucial and positive effect in amount exchange. Gone are the days when individuals used to remain in long queues of bank trusting that their turn will pull out cash or to store money in banks. People may now visit banks based on their needs without having to wait in lengthy lines and without having to worry about the working hours. People used to be reluctant to alter their trade habits when digital payments were available, but following demonetization, they are left with little choice but to conduct their transactions via digital payments. Growing online usage, flexible access, and government initiatives like Digital India are serving as catalysts for the sharp rise in the use of digital payments. The way that customers perceive digital payments plays a crucial and advantageous role in the adoption of these methods. But as Robert Cox stated that every theory exists with some advantage and disadvantage. Same as this platform also has some disadvantages like failed payments, money frauds and several others. Various hacking organisation and technology experts make fool to the normal people and fraud them. So, in this reference this paper is drafted to explore the major pros and cons of digital payment along with its rise up in India. This paper is based on the secondary resources but some primary information was also used like bank statements and unstructured interview of local vendors.

Keywords: Currency, Digital Payment, Finance, Platforms, Transition, Economy



Introduction:

Digital payment refers to a payment mechanism that use digital platforms. Both the payer and the payee use digital channels to transmit and receive money while making digital payments. It goes under the name of electronic payment as well. Digital payments do not involve the use of physical currency. Every transaction involving digital payments is completed online. It is a quick and convenient method of payment. In the case that we discuss financial payments, you must first remove funds from your record. You then use this money to make purchases at stores. The businessman visits the bank to deposit the funds he received from you. Both the retailer and you find this cycle to be annoying. The Indian government's vision to transform India into an information economy and digitally engaged society is embodied in the Digital India programme. One aim of Digital India is to be anonymous, paperless, and credit only. The government has imposed a plethora of restrictions and gifts on digital transfers in an effort to accelerate the transition to a credit-only economy.

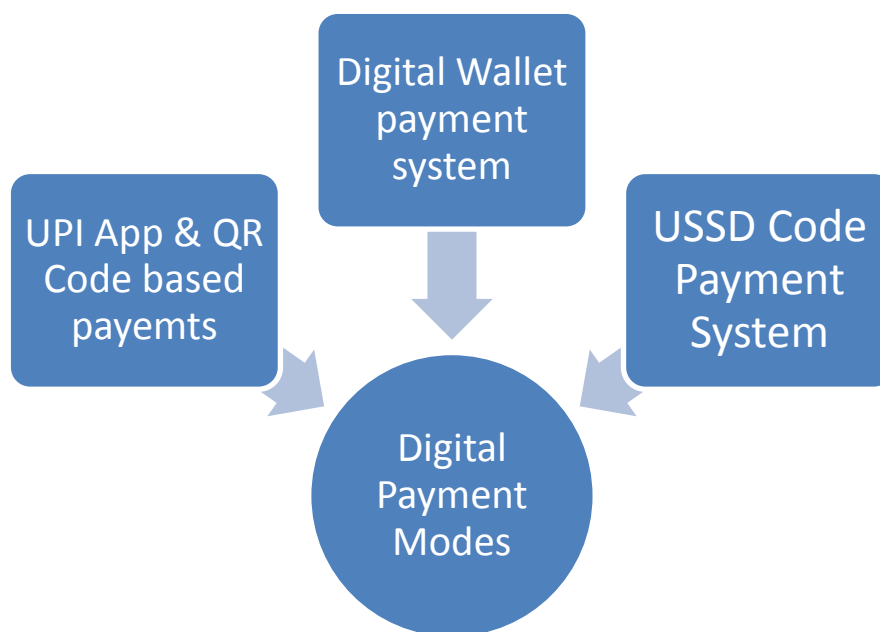
Even this digital payment platforms are nature friendly. The transfer of the amount through technology requires only internet connectivity along with minimum required features. No paper work is used during this and to maintain this. So, this works according to the the principles of sustainable development. But in contrast of botanical savage, it harms to zoological life. The requirement of internet with high-speed data harms the birds, irregulars the mensuration cycle and many other diseases in various species. Along with this it also requires some technical knowledge for repentant and payers. Several incidents are observed of frauds and technical impeachment. The most effect of these failed payments overburdens the small traders, vendors and local merchants. In thus paper the major pros and cons are discussed.

Most Innovative Digital Payments Modes

There are various digital payments methods like through the innovations of MST (Magnetic Secure Transmission) and NFC (Near Field Communication), transmission wave organisations have developed innovative methods of making exchanges. Through POS (Point

of Sale) equipment, you may certainly make payments to shippers using their remote communicating appealing waves without having to swipe your card. To take use of this office, download the MST enabled programme. Additionally, your phone has to support NFC office. Once completed and your card details have been registered, you may use your phone to conduct contactless transactions on any dealer's point-of-sale terminal.

Digital Payments platform



These platforms have their own importance at various stages like the digital wallet system first transfers the money in the wallet and then dispatch it into e-wallets and then it can be transformed from one to another. Same like as UPI apps makes the virtual id and then locate it through recorded number and IFS codes of bank. Its alternate system id QR Code scanning system which acquires dark squares infiltrated with informative number and data. The computerized instalments that are done through scanning identifies the information and convert it into virtual mode and the money is transferred consequently. The USSD code system is a web office that is implanted in the cell. It is GSM based innovation where exchanges happen through messages. These are several digital payments which reduced the cash bearing process and connected it with technology.



Why we need Digital Banking?

When compared to making trades and withdrawing money, digital payment methods are more secure and beneficial. This method of payment reduces transaction costs, promotes accountability and transparency, and shrinks the shadow or informal economy. No additional cost of money printing because the RBI had to burn away 7935 crores during the demonetization phase in order to print the freshly scheduled money. Along with this its Makes time and money available: While physical currency encourages the use of black market, phoney, and duty-evading methods, digital currency is vulnerable to online data fraud and information gaps.

Advantages of Digital Payment

There is no doubt that digital payment solved various paperwork problems. The digitization of banking sector and other monetary institution made them more accountable, reliable, transparent and exclusive. In various sectors the number of customers increased because the transparent decreased the possibilities of fraud. Even the transaction made through online mode are swifter and more convenient because it erased the Red Tapism. Along with this it enhanced the security of amount. There are various other benefits of Digital payments methods are observed that are discussed later.

- **A rise in the number of customers**

At Present, more than 50% of transactions in the India utilised an electronic payment, and this percentage is only predicted to increase. You'll be able to assist more clients as a consequence. People are carrying less and less cash, and there are fewer businesses around that still take it. Being one of them puts you at risk of losing business to clients that only take electronic payments.

- **Transactions that are convenient and swift**

Anyone don't have to wait for the next banking day to finish an online transaction when anybody utilise digital money. Every transaction you make during the day is finished



quickly. There is no need to stand in line for hours. Even the payments can be made from anywhere. It reduced the travelling and time expenditure to visit the bank again and again. So, in this reference it can be observed that is removed the burden of time wastage.

- **Monitoring Payments**

Digital money has also made payment tracking considerably simpler. Blockchain technology makes all of this possible. All it is an open ledger that everyone can view, giving users the ability to track their payments more accurately and instantly. All the payments were recorded in the system and easy to calculate. Even this it increased the transparency through accumulating the data of payments.

- **Enhanced Security**

There are many security levels for e-payments. To start with, there is no possibility of counterfeiting, as contrast to currency. Moreover, standard e-payment methods like credit and debit cards need PIN verification for bigger purchases. Apple Pay and other cardless payment systems are far safer since they require biometric identification, such a fingerprint or face ID. Additionally, Apple Pay encrypts and fluidizes data, so credit card information cannot be taken from a lost or stolen phone.

- **Minimal Fees**

Naturally, one of the main benefits of digital money is its inexpensive expenses. In traditional banking, there are typically expenses associated with transferring money between individuals. The cost of transactions is greatly increased as a result. Yet these transactions are totally free when using digital money.

Disadvantages of Digital Payment

As Robert Cox stated in its book that every aspect has some reasons. It has both parameters and implications. Same as this mode of the payment also has some negative connotations. Along with this it created the variation in marketing sector.

- **Variations in the Market**

Ultimately, the acceptability of digital currency is not as great as that of regular money.



Considering this, investing in the market is still dangerous. The value of digital money might fluctuate like a rollercoaster on any given day. It is therefore a high-risk venture that might not be appropriate for investors with lesser risk tolerances.

- **Fees imposed by retailers**

The primary drawback of using a payment processor is the financial expense involved.

As mentioned before, this might be a fixed monthly leasing fee or just a portion of each sale. Although these extra costs can mount up rapidly, the majority of suppliers give a cost-effective bundle.

- **Potential for dishonesty**

It is always possible for e-payment systems to experience security lapses, even if they are generally safe. User names and passwords can be obtained by phishing tactics, even if systems might not be specifically targeted. E-payments enable a hacker to make many payments before the actual account holder is made aware of their presence after they have these data.

- **Reliance on the internet**

These payment options are Internet-based. Customers may become irritated and you may lose money if your service fails, bringing your company to a complete halt. If the money is trapped in processing, there is both possibilities it can be go to trader account or sender account, which increase the possibilities of fraud and decisiveness. Along with this it become the habit to not have the money in currency form and at various instances it is observed that network is down. In that situation it also generates the situation of moneyless and anxiety. So, the dependence on the internet is also considered as the major drawback of the digital banking system.

- Digital payment has certain disadvantages, but like every payment system, there are many more advantages than disadvantages. In any event, it makes sense to follow the growing trend of cashless shopping in today's consumer society. At various instances it makes the problem for the uneducated vendors, Due to less knowledge of technology and the digital platform they deny to sell their item.



- **Uncertain Future**

It's hard to say what function digital currencies will play down the road given their current volatility. Whatever the situation, it seems that this particular type of money is becoming more and more well-known every day. The accessibility of internet is also not too much holistic, it also gets trapped in negative weather circumstances. So, there is no clear future for the digital banking.

Suggestions

The following actions are recommended to ensure that India's money-less framework is used smoothly.

- The government must get an e-instalment framework that is clear and productive. The government and RBI use these methods to boost credit-only exchanges by approving instalment banks and promoting mobile wallets.
- The government should give special consideration to RuPay cards and Aadhar-based instalment systems as part of its "Made in India" initiative. The government should stop charging for cards and advance payments.
- Taking steps to weaken the use of money by charging for cash withdrawals made beyond a certain time.
- The government should periodically oversee a financial education campaign to raise public awareness of the benefits of electronic payments.
- Despite business journalists, e-SevaKendras, and the like could be allowed to create small receipts and exchange payments using Aadhar verification in order to enhance financial incorporation. Women should get instruction through missions in order to expedite the receipt of computerised payments. Financial competence will lead to women's empowerment. Social upheaval and advancement will result from this.
- Important financial literacy may also be taught in schools.



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- Encourages all sectors to gradually switch from using cash to non-monetary electronic payment options. Programmes like the Digi DhanVyaparYojana and the Lucky GrahakYojana need to be maintained on boosting electronic ways of instalment.

Conclusion

Digital payments in India have emerged as a transformative force, revolutionizing the way financial transactions are conducted across the country. Over the past few years, there has been a remarkable growth in the adoption of digital payment systems, driven by government initiatives, technological advancements, and changing consumer preferences. However, as with any significant shift, digital payments come with their own set of pros and cons.

On the positive side, digital payments have brought about a multitude of benefits for individuals, businesses, and the economy as a whole. One of the most significant advantages is the convenience and accessibility they offer. With digital payment platforms, people can make transactions anytime, anywhere, eliminating the need to carry physical cash or visit a bank branch. This convenience has not only saved time but has also improved efficiency and productivity in various sectors. Moreover, digital payments have played a crucial role in financial inclusion, bringing millions of people into the formal banking system. Through initiatives like Jan DhanYojana and Aadhaar-based authentication, the Indian government has made significant strides in ensuring that even the most marginalized sections of society have access to financial services. Digital payment platforms have provided them with a safe and secure way to send, receive, and store money, empowering them economically and socially.

Furthermore, digital payments have contributed to the growth of the digital economy by facilitating e-commerce and online transactions. Small businesses and startups have particularly benefited from the ease of accepting digital payments, allowing them to reach a wider customer base and compete more effectively in the market. Additionally, digital payments have helped curb corruption and reduce the circulation of black money by promoting transparency and accountability in financial transactions. Despite these significant advantages, there are also some challenges and drawbacks associated with the widespread



adoption of digital payments in India. One of the major concerns is the digital divide, which refers to the gap between those who have access to digital technology and those who do not. While urban areas and affluent populations have embraced digital payments, there are still vast segments of the population, especially in rural and remote areas, who lack access to smartphones, internet connectivity, and basic digital literacy skills.

Moreover, the rapid digitization of financial transactions has raised concerns about cybersecurity and data privacy. With the increasing prevalence of online frauds, phishing attacks, and data breaches, there is a growing need for robust cybersecurity measures to safeguard sensitive information and protect users from financial losses. Regulatory frameworks need to be strengthened to ensure that digital payment platforms adhere to strict security standards and protocols. Another challenge is the dependency on digital infrastructure and electricity supply. In a country like India, where power outages are not uncommon, reliance on digital payment systems can pose a significant barrier, especially in rural areas with inadequate infrastructure. Furthermore, there is a risk of technological glitches and system failures, which can disrupt financial transactions and undermine user trust in digital payment platforms.

In conclusion, the journey of digital payments in India has been characterized by remarkable progress and profound transformation. While digital payments offer immense opportunities for financial inclusion, economic growth, and efficiency gains, they also present challenges that need to be addressed effectively. To fully realize the potential of digital payments and ensure that the benefits are equitably distributed, stakeholders must work together to bridge the digital divide, strengthen cybersecurity measures, and build resilient digital infrastructure. With the right policies and strategies in place, digital payments have the potential to drive India towards a more inclusive, sustainable, and prosperous future.



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