

India's Digital Payment Landscape – An Analysis

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ABSTRACT

Purpose: *The Indian payments sector is undergoing far reaching changes, with digital payments capturing a sizable slice of the cake in recent years. The changes began from a fully cash economy to a less-paper-currency system. The Reserve Bank of India and its nodal agencies are working hard to make the digital India goal, a reality. Nearly one billion cards and more than two billion Prepaid Payment Instruments (PPI) such as online wallets, mobile applications, e-wallets, and digital payment modalities have pushed India into one of the world's fastest growing and largest digital payment ecosystem. In fact, an exponential increase in internet infrastructure boosted e-commerce. Unified Payment Interface, popularly known as UPI, is regarded as a revolutionary payment solution in the market for facilitating retail digital payments. The main objective of this paper is to identify innovations in India's digital payment landscape in a phased manner. While doing so, it also analyses the payment facilitating industry by applying PESTEL model to identify political, economic, technological, environmental and legal factors.*

Design/Methodology/Approach: *This study examines India's digital payment landscape in terms of its gradual progress. Using the PESTEL model, it also analyses external factors that contribute to a less cash economy. Secondary sources were used to gather data for the study, which included reports, circulars, rules, and statements made by the Reserve Bank of India and other relevant organisations.*

Findings/Results: *According to the study, India's digital payment segment has seen tremendous success since the implementation of UPI by the National Payment Corporation of India (NPCI) in 2016. The government's Direct Benefit Transfer (DBT) programme enabled the country to achieve financial inclusion of all citizens having access to banking services. Government legislation, regulator intent, social behaviour, increased smartphone usage, lower internet costs, and others significantly impacted the growth of the digital payment industry by ensuring secure, faster, cost-effective, and secure payment solutions.*

Originality/Value: *This study examines the digital payment industry in India using the PESTEL methodology, which allows us to see the industry from all sides.*

Paper Type: *Industry Analysis-based Research Case Study.*

Keywords: Digital Payment, contactless payment, UPI, Digital transactions, National Payment Corporation of India, PESTEL Analysis

1. INTRODUCTION :

In contrast to archaic barter-system, under the currency system, the payment is usually referred to the transfer of the funds from one hand to another. The payment system is described as a facilitating structure or framework for the fund transfer process. One has to pay for purchase of any commodity or service, such payment should be carried on an established payment mechanism. In achieving a high rate

of financial inclusion, the payment system plays a crucial role. India’s payment industry has undergone significant progress throughout the last three decades, by the systemic efforts and roadmaps of the Reserve Bank. At present, the regulator is acting as a catalyst and facilitator in India’s payment segment. There are two different methods used for payment and settlement, one is a paper – payment system based and another is an electronic/digital payment system [1]. A paper currency payment system is a traditional approach that has been in practice for generations. Development of Digital Payment in India started in the year 2004 with the inception of the National Financial Switch (NFS). At present, due to a revolutionary step initiated in the year 2016, by launching the real-time payment system Unified Payment Interface (UPI), India has made its mark in the global payment market in the digital payment space [2]. The primary goal of this paper is to determine how India's digital payment industry has grown structurally since its inception. Furthermore, it also employs the PESTEL technique to identify factors influencing the growth of the digital payment industry. The paper begins with identifying innovations in the digital payment industry in India. The focus then shifts to identifying the political, economic, social, technological, environmental, and legal factors influencing the digital payment ecosystem. The paper's final section focuses on identifying key digital payment solutions that are significantly contributing to the growth of a less-cash economy.

2. REVIEW OF LITERATURE :

In recent years, the use of digital payment alternatives for online shopping, money transfers between bank accounts, and retail purchases has increased dramatically. UPI's popularity stems from its ease of use and zero Merchant Discount Rate (MDR) policy [3]. Due to transparency, rapidity, internet penetration, an increase in smartphone users, low internet prices, and other factors, India is seeing a steady increase in electronic transactions, which has resulted in an increase in FinTech investments [4]. In the retail sector, electronic fund transfers account for 95% of digital transactions, while card payments account for only 5% [5]. In the financial services industry, digital payment is a cutting-edge payment technique. The emergence of technology and the worldwide growth of the internet have both contributed to exciting signs in payment and settlement systems. Banking transactions are become easier and more comfortable using technology at fingerprints, as opposed to stacks of paper on shelves [6]. Below Table 1 shows the contributions of various researchers on India’s digital payment system.

Table 1: Exhibits researchers’ contribution on India’s digital payment system

S. No.	Area	Issues	Reference
[1]	Digital payment platform design	Through strategic platform design and technology design, digital payment platforms have gained market entrance capabilities. Payment services are used by digital platforms to connect and merge core and adjacent platform marketplaces.	Kazan, E., & Damsgaard, J. (2016). [7]
[2]	Innovative digital payment methods	In July, 2015 Indian government headed by prime minister Shri Narendra Modi launched “Digital India Campaign” to make country a “Faceless, Paperless, Cashless” society. As part of this, government has initiated different digital payment methods along with existing modes which includes inception of Aadhar enabled Payment System (AePS), Bharat Bill Payment System (BBPS), Bharath Interface for Money (BHIM), Unified Payment Interface (UPI) etc...	Joshi, M. (2017). [8]
[3]	Demonitisation impact on cash transactions	Demonization has resulted in a huge increase in digital payments, but there is still a pressing need to increase the pace of online transactions and move toward a cashless society. Cash transactions continue to be one of the most popular payment modes. Awareness campaigns and initiatives must be launched by the government, financial intermediaries, and banks. Finance or bank-related service providers must assure security and transaction convenience, so that personal information is not compromised and	Manocha, Kejriwal, & Upadhya, (2019). [9]

		dependable services are supplied to each user.	
[4]	Demonitisation and its impact	The study looked at how people used digital payment systems throughout the demonetisation period, from November 9 to December 30, 2016. The use of digital payment systems is influenced by behavioural intentions and innovation resistance. The government and the RBI must eliminate barriers to the use of digital payment systems. Creating and optimising rules for electronic payment frameworks for digital payments, including receipts from government to government (G2G), government to business (G2B), government to citizens (G2C), government to employee (G2E), and citizens to government (C2G). People should be encouraged to use digital payment systems even at rural and block-level, the awareness and training programmes should be conducted.	Sivathanu, (2018). [10]
[5]	Factors influencing on use of digital payment	In India, behavioural intent, demonetization, and enabling conditions all have a substantial impact on mobile payment adoption. The cost and risk of digital payment have an impact on behavioural intention and use. Younger users place a larger emphasis on the convenience of use of mobile payment services and are more influenced by their peers and society in deciding whether or not to use them.	Sobti, (2019). [11]
[6]	Digital payment	"Digital payment" refers to the transfer of funds from one end to another using the internet or other electronic means. Banks and financial institutions play a crucial role in the development of digital instruments. The level of education has a significant impact on digital payment adoption. Banks are holding awareness campaigns on both physical and online channels to raise customer awareness and urge them to utilise digital payments.	Pushparaj, (2021). [12]
[7]	Real time payment system	UPI has facilitated mobile phone to be used as a payment device for fund transfers. UPI is termed as an advanced payment system over other digital payment option in terms of hassle-free real-time payment settlement. it is featured by easy, quick and hassle-free mode of delivery of money. People are showing positive intent to use UPI because of accessing banking services on smartphones with greater sense of security by adoption of biometric sensors.	Indoria & Devi, (2021). [12]

3. RESEARCH GAP :

India's digital payment system largely comprise players such as government, Reserve Bank of India, Banks, Financial Institutions, Payment service providers, Internet service providers, smartphone users, and importantly bank account holders. There are many research works carried to assess the financial inclusion and few on digital financial inclusion. Large number of studies conducted to assess the status of digital payment adoption, behavioural attitude towards digital service adoption, kinds of payments system, factors influencing towards use of digital payment options. After the inception of UPI in 2016, with all the barriers in its adoption digital payment industry is showing significant growth in retail digital payment segment. But still cash is considered to be the king of all payment system. A chronological analysis of growth of digital payment segment in India need be explored and digital ecosystem is to be screened to identify factors determining its growth.

4. RESEARCH AGENDA :

This paper screens macro environmental factors of India's digital payment industry and identifies

political, economic, social, technological, environmental and legal factors using PETSEL analysis. Through this it also tries to identify favourable and unfavourable factors for the growth of Digital Payment Industry in India.

5. OBJECTIVES OF THE STUDY :

The study's main objectives are as follows:

- (1) To comprehend the progress of India's Digital Payment Industry.
- (2) To analyse India's digital payment industry using the PESTEL analysis.
- (3) Identifying favourable and unfavourable aspects in the Indian digital payment industry.

6. METHODOLOGY :

In this study, the exploratory research approach is used to understand the growth profile of Indian digital payment industry. Information was gathered by exploring secondary sources such as circulars/notifications issued by Reserve Bank of India, working papers, published research papers searched through Google Scholar and other internet sources. Based on the data gathered, the PESTEL technique was used to examine the political, economic, technical, environmental, and legal issues of the digital payment industry.

7. INNOVATIONS IN INDIAN DIGITAL PAYMENT INDUSTRY :

The digital payment landscape in India is a mash-up of several modalities of digital payment. Despite the fact that the country is moving toward a cash-less economy, cash remains the most popular and preferred method of payment. Digital payments are growing as a result of a joint effort by the RBI and the Union Government. Although the government has established various digital payment methods such as NEFT, Immediate Payment System (IMPS), plastic cards, and e-wallets to facilitate digital transactions in the country, the NPCI's launch of the UPI service gave it a boost because of its unique advantages of simplicity, innovation, adoption, security, and cost (SIASC) **Error! Reference source not found.** The evolution of the digital payment industry can be depicted in a phased manner (Table 1).

Phase 1 (2004-2009): India's digital transactions service began in 2004 with the establishment of the National Financial Switch. The Payments and Settlement Act of 2007 gave the RBI the power to establish rules and regulations that would assist the sector. The National Payment Corporation of India is credited for laying the foundation for India's current digital payment system [15]. In 2009, AADHAR, a 12-digit identifying number, was launched for its citizen. Its advantages may now be seen in digital payments. It gave birth to electronic know-your-customer (e-KYC) and biometric authentication in various industries including the payment industry.

Phase 2 (2010-2015): On October 12, 2010, the Reserve Bank of India (RBI) authorised NPCI for establishing an Immediate Payment System (IMPS) for the purpose of ensuring real-time transfers of funds. The IMPS provides an instant, 24-hour inter-bank electronic fund transfer service that can be accessed via mobile, internet, ATM, and SMS. IMPS currently has 639 members, which include both banks and prepaid payment instruments (PPIs). Aadhar enabled payment system (AePS) was preferably used for transferring benefits directly into bank/postal accounts of targeted beneficiaries to enhance transparency in payment to beneficiaries [16]. To propel RBI's vision 'less cash' economy, NPCI has launched RuPay Card in March 2012. At present more than 1,100 banks (including public sector banks, Private sector banks, regional rural banks, and cooperative banks) are issuing RuPay cards [17]. Banks began offering mobile banking services in collaboration with telecom service providers utilising the Unstructured Supplementary Service Data (USSD) platform after noticing the density of mobile users. In 2013, NPCI created a single platform for financial services on the USSD platform to eliminate the requirement for several bilateral tie-ups and to assure interoperability among banks and telecom carriers. A centralised Electronic Clearing System (ECS) National Automated Clearing House (NACH) was introduced by NPCI to operate automatic debit and credit transactions. AADHAR Payment Bridge (APB) is a system that allows money to be sent to beneficiaries of several government initiatives using only an Aadhar number. It is regarded as a significant step forward by the administration in combating corruption and money laundering. Based on the recommendations of the committee on comprehensive financial services for small businesses and low-income households, the RBI allowed eleven entities to set up Payment Banks on August 19, 2015, to improve financial inclusion and financial literacy,

particularly in the rural sector **Error! Reference source not found.** An innovative step of the contactless payment system Tap and Go was initiated in 2015.

Phase 3 (2016 – 2021): UPI was established in 2016 with the goal of providing a platform for everyone in the country to use as an easy and effective tool for digitalizing payment services [19]. NPCI is authorised to operate National Electronic Toll Collection (NETC) system, for toll collection/payments at toll plazas operated by the National Highway Authority of India (NHAI). In response to RBI’s payment vision 2018, Bharath QR was created as an innovative, interoperable, and secured payment mechanism to facilitate transition India into less-cash society [20][21]. Bharath Bill Payment System (BBPS) is an established integrated bill payment system that provides clients with “anytime, anywhere” interoperable bill payment services via online payments and a network of physical agent sites. The BBPS was created to make it easier for people to pay their bills in the country. UPI 2.0 was launched with several major features, including an overdraft facility, a one-time payment mandate, an invoice in the inbox, and merchant verification [22].**Error! Reference source not found.** With a requirement for the application procedure for Initial Public Offerings (IPOs), UPI has made investing easier. When a potential investor uses the UPI app to apply for an IPO, the requisite amount is frozen to execute the application and is well-known as ASBA – Application Supported Blocked Amount. Money will be transferred if the shares are assigned, and money will be unfrozen if they are not.

In the year 2019, an ombudsman scheme for digital transactions was introduced to aid the satisfaction or resolution of complaints involving undertaken digital transactions by consumers on the UPI system [23]**Error! Reference source not found.****Error! Reference source not found.** RuPay Contactless cards have been issued to make payments more convenient and secure without requiring a physical connection. Contactless payments are seen as the future of India's payment industry to achieve RBI’s vision Less-Cash Society.**Error! Reference source not found.** NPCI is gearing up to expand the contactless auto parking solution across the country after a successful rollout of NETC FastTag for toll payments [24]. UPI AutoPay was launched by the NPCI as part of the UPI 2.0 revisions. Users may make regular payments such as cell bills, energy bills, EMIs, Over The Top (OTT) subscription fees, insurance and mutual fund premiums using UPI AutoPay option [25]. NPCI also introduced the RuPay National Common Mobility Card (NMC) in collaboration with the State Bank of Mauritius to enable smooth transit across the nation via metros and other public transportation systems, as well as retail buying and purchasing. Prime Minister Shri Narendra Modi announced the introduction of e-RUPI, a cashless and contactless digital payment system, on August 2, 2021. The eRUPI voucher, according to the Prime Minister, will play a significant role in making Direct Benefit Transfer (DBT) more successful in digital transactions in the country and will provide digital government a new dimension.

Table 2: Exhibits the Evolution of Digi-Payment in India

Phase	Year	Innovation
Phase 1 (2004 – 2009)	2004	Launching of NFS
	2007	Payments and Settlement Act
	2008	Establishment of NPCI
	2009	AADHAR
Phase 2 (2010 – 2015)	2010	IMPS and PPIs
	2011	DBT using AePS
	2012	Launch of RuPay USSD 1.0 based mobile payment and NACH
	2013	AADHAR Payment Bridge System
	2014	Initiation of Payments Banks
	2015	Contactless payment guidelines

Phase 3 (2016 – 2021)	2016	UPI, NETC, and USSD 2.0
	2017	Bharath QR, BBPS, and FasTag
	2018	UPI 2.0
	2019	UPI on IPO option with One-time Mandate Ombudsman scheme for digital payment transactions RuPay NCMC card, RuPay Select Debit Card
	2020	NETC FASTag parking UPI Autopay RuPay Commercial Card and IRCTC SBI RuPay Card
	2021	e – RUPI Prepaid voucher

Source: *The Indian Payment Handbook 2020-2025 published by pwc [2].*

8. PESTEL ANALYSIS :

PESTLE analysis, which is sometimes referred as PEST analysis, is a concept in marketing management. This concept is used as a tool by companies to track the environment they're operating in or are planning to launch a new project/product/service etc. **Error! Reference source not found..** Francis Aguilar devised the Political, Economic, Social and Technological (PEST) framework to analyse the macro environmental factors of a business strategy. The PESTEL method is used to examine and monitor macroenvironmental elements that affect the organisation and the industry. PESTEL analysis was used by Rifat, and Alam to identify significant aspects impacting the banking industry [26]. Brian Kampanje used PESTEL analysis to examine Malwi's non-life insurance business [28]. Taking into account the PESTEL framework elements, researchers Dinçer, H., and F. Pinarbaş assessed marketing strategies in the European banking business [29]. The industry study includes an examination of macroenvironmental elements such as political, sociocultural, technological, economic, and legal aspects. The PESTEL analysis-based strategy tries to capitalise the strengths, eliminate weaknesses, seize the opportunities and understand challenges behind these elements [30]. **Error! Reference source not found.**The PESTEL framework is used in this paper to examine India's digital payment sector and to identify favourable and unfavourable variables for its growth.

Table 4: Exhibits previous research works using PESTEL analysis

S. No.	Area	Issue	Reference
1.	Online Banking	PESTLE analysis was employed to identify financial and environmental strategies of banks in online banking segment. The technique allowed to provide insights from different perspectives.	Alessio Faccia & Luigi Pio Leonardo Cavaliere, (2021). [31]
2.	FinTech	To analyse FinTech sector PESTEL analysis was used to look around and examining wider economic and business environment. It allowed to look at all the important issues that may influence the growth and success of FinTech industry. It also comprehends status and trends of significant factors which has strong impact on business.	Ruihui Pu, Deimante Teresiene, Ina Pieczulis, & Jie Kong, (2021). [32]
3.	Priority Banking Business	Aiming to analyse driving forces that could affect the priority banking business, scenario planning was developed by adopting PESTEL analysis for external analysis and Porter 5 forces model was used to determine industry condition. Technology	Ratna Satutikirono & Yos Sunitiyoso, (2021). [33]

		development and its adoption is the crucial issue in priority banking industry.	
4.	Macro environmental analysis of Waste-To-Energy (WTE) incineration industry	The PESTEL framework was used to analyse the macro environment of the Waste-To-Energy (WTE) incineration industry in China, and management implications and proposals were drafted for government and private entities participating in municipal solid waste treatment.	Jinbo Songa, Yan Sun, & Lulu Jin, 2017. [34]
5.	Future scenario of Banking industry	The future scenario of banking industry in south Africa was assessed by comprehensive environmental scanning to identify driving forces. PESTEL analysis enabled for deeper understanding on driving forces. Banking industry is highly complex and influenced by technology advancement. A forward looking and system-thinking process helped for meaningful contribution to achieve greater financial inclusion.	Koekemoer & Jonathan, (2019). [35]
6.	E-government strategic plan	Interdependencies of E-government challenges was studied by PESTEL method. It guided e-government strategic planners with a systematic and holistic method.	Catherine G. Mkude & Maria A. Wimmer, (2015). [36]
7.	Industry analysis	PESTEL analysis is concerned with an organization's external environment and handles the opportunities and threats discovered in a SWOT (Strengths, Weaknesses, Opportunities, and Threats) study. The PESTEL analysis looks at how organisations interact with their surroundings. It investigates crucial aspects that may have an impact on businesses or industries, either directly or indirectly.	Aithal, P. S. (2017). [37]
8.	Banking industry analysis	The banking industry is dealing with a slew of issues stemming from a time marked by cost cutting and technology advancement. PESTEL analysis, Porter's Five Forces model, and VRIO analysis were used to conduct an internal and external exploration of a banking institution.	Ahmad Arshad, et al. (2012). [39]

8.1. Political:

- **Digital Payment Initiative:** Adoption of digital payment or cashless transactions took a momentum when prime minister Sri Narendra Modi led government demonetised high value currency of Rs. 500 and Rs. 1000 which was approximately 86% of the total cash in circulation [40].
- **Multiple Digital Payment modes:** Multiple digital payment initiatives such as Payments banks, e-wallets, UPI, FASTag, Direct Benefit Transfer using AADHAR and others.
- **Demonetisation:** Demonetisation has huge impact on the country's monetary policy. It helps to eliminate black money and hawala transfers, both of which rely heavily on paper currency. It also prohibits all illicit actions.
- **Political stability:** In the past eight years India has witnessed a stable government lead by Sri Narendra Modi. It enabled the country to have a clear vision and strategy in achieving of digital economy or society.

8.2. Economic:

- **Vision:** The RBI's Vision Statement aspires to provide every Indian with a variety of safe, secure, accessible, rapid, and economical e-payment solutions.
- **Increase in disposal income:** India has witnessed an increase of disposal income by 5.2% in 2020 compared to 2018 [41].

- **Digitised economy:** Digital payments are an important aspect of the present economic change, which is being driven and supported by global internet behemoths and is based on the tracking, creation, categorization, and classification of digital data [41][42].

8.3. Technological:

- **Raise of smartphone usage:** The number of smartphones in use has more than doubled in the previous decade, from 34 million to 844 million. According to the PayPal survey, 88 percent of customers use their smartphones to make online purchases. E-commerce and smartphones coexist and benefit from one another [42].
- **Reduced cost of internet:** Comparing the mobile data prices among nations, India has the lowest cost, which is mostly due to robust market rivalry. On the one hand, Indian carriers are giving 1GB of mobile data at \$0.09 (Rs 6.7) [43][43].
- **Rapid growth & adoption in e-commerce:** Growth of e - trading platforms like Amazon, Flipkart, Myntra etc... have made significant impact in usage of digital payments methods. App-based digital payment has resulted in behavioural change and promoted the uptake of digital payment systems especially on e-marketing sites [44].
- **Real-time Payment Systems:** Because of real-time payment and settlement technologies, monies may be sent to beneficiaries quickly utilising a variety of payment methods.

8.4. Social:

- **Media impact:** Awareness on digital payments is contributed by media especially the social media which is considered to be vibrant element in influencing payment habit of the people.
- **Move towards contactless payments:** Covid 19 pandemic situation has mediated the ease use of digital payment system. To be in socially distanced environment, pandemic time enabled the people to contactless payments using QR code, NFC etc... [45][44]. Traders availed advantage of technology in terms of product marketing and employed digital payment alternatives to cut down on virus transmission during pandemic hours [46].
- **Growth of urban areas:** Digital payment is much higher in metropolitan and urban areas due to increased level of education and awareness on banking products. **Error! Reference source not found.**

8.5. Legal:

- **RBI's Vision:** The Reserve Bank of India's Payments and Settlement Systems in India: Vision 2018 lays out a strategy to boost electronic payments and allow India to transition to a cashless society or economy in the medium and long term.
- **Legislations:** The key legislations to govern the digital payment ecosystem are Banking Regulation Act, 1949, Payment and Settlement Systems Act, 2007, Prepaid Payment Instruments in India (Reserve Bank) Directions, 2009 and Master Circular, 2014.
- **NPCI as a driver of Digital India:** The National Payment Corporation of India, which was founded to assist retail digital payments, has an aim to make every Indian utilise one or more methods of digital payment service [47].
- **Ombudsman Scheme for Digital Transactions:** The Reserve Bank of India established the Ombudsman for Digital Transactions (OSDT) with the primary goal of reducing instances of fraud and ensuring customer trust in digital payments, as well as providing cost-free and expedited complaint redressal for deficiencies in customer services offered in digital transactions conducted through RBI-regulated non-bank entities [48][47].

8.6. Environmental:

- **Reduction in paper usage:** The use of technology in payment mechanisms such as mobile applications, e-wallets, debit/credit cards, and others has decreased the need of paper currency.
- **Virtual banking:** As society has seen, it is no longer necessary to drive immediately to a branch to conduct one's financial transactions. It has been considerably reduced the rush at the bank cash counters as a result of payment applications via digi mode. Apps and online banking services handle a wide range of concerns.

9. FAVOURABLE AND UNFAVOURABLE FACTORS FOR THE GROWTH DIGITAL PAYMENT INDUSTRY IN INDIA :

Digital payment solution made payments easier after demonetisation with an adoption of technology with no additional cost. People were benefitted by apps like Paytm for payments [49]. Earlier it was most popular in urban areas but now a days even people residing in rural blocks especially youth have positive intention towards acceptance of digital payment system. Digital payment options were extensively used for online shopping but security and transparency remained an issue to be addressed [50][50]. The acceptance readiness of people is getting increased due to its enormous benefit. Perceived risk, facilitating conditions, performance expectations, and people's attitudes all affected people's readiness to accept digital payment innovation. Stakeholders in the retail and financial sectors, such as banks and other digital payment service providers, should consider people's attitudes and perceived risk while devising innovative digital payment systems [51]. Due to its numerous benefits, the digital payment sector has seen a dramatic shift in recent years. The government is working to transition the country to a cashless society. The RBI is exerting pressure on financial service providers, particularly FinTech firms, to promote digital payment methods. UPI is one of the digital payment options that has allowed the RBI and the government to plan ahead to fulfil RBI's payment vision 2021 emphasising on Empowerment of every citizen with access to a basket of digital payment options that is safer, secured, convenient, quick and reasonable. The below table exhibits the favourable and unfavourable factors for the growth Digital payment industry in India. The below table 3 exhibits the favourable and unfavourable factors exist in digital payment industry.

Table 3: Exhibits a list of favourable and unfavourable factors for Digital Payment Industry in India	
Favourable Factors	Unfavourable Factors
<ul style="list-style-type: none"> • Government initiative for Digital India Campaign • Reduction in paper currency circulation as a result of demonetization • Shift toward contactless payment as a result of pandemic situation in the last few years • RBI's vision is to achieve a "less-cash society" through transaction • settlement in real time with no cost involved. • Multiple digital payment options exist to make payments. • In the last decade, there has been a steady increase in smartphone usage, as well as low internet costs. • RBI's strict legislation on controlling digital payment transactions performed on third-party payment apps or websites 	<ul style="list-style-type: none"> • For online payment gateways, the Merchant Discount Rate (MDR) is applied except for UPI and Rupay debit card payments. • All digital payment options are unavailable to retail traders who handle large amounts of paper currency. • Transaction threshold limit in terms of maximum amount of payment, number of payment transactions, etc. The threat of cybercrime has always existed. • Awful grievance redressal system for digital payment solutions • Threat of abolition of the traditional banking system • Accountability of a single rupee for digital transactions.
<i>Source: Prepared by author</i>	

10. FINDINGS :

- (1) Debit/credit cards, internet banking, mobile banking, AADHAR enabled payment system (AePS), Unified Payment Interface (UPI), mobile wallets, Prepaid Payment Instruments (PPIs), National Electronic Fund Transfer (NEFT), Immediate Payment Service (IMPS), and other digital payment methods are all available in India.
- (2) To enhance retail digital payments, NPCI was given permission to create a hassle-free, easy, and speedy real-time payment system architecture. It now processes the majority of digital payments through its several innovative solutions, which include National Electronic Toll Collection (NETC), Unstructured Supplementary Service Data (USSD), Bharath Interface for Money (BHIM), and Unified Payment Interface (UPI).
- (3) UPI is a cutting-edge real-time payment system that has made a substantial contribution to the payment industry's goal of attaining a cashless society.

- (4) The Bharath Bill Payment System (BBPS), an interoperable bill payment system, enables users to pay their bills including utility bills quickly and easily using the UPI platform, which now includes an autopay option under UPI 2.0.
- (5) The Digital India Initiative, a flagship government initiative with a stable political leadership, aims to create a cashless society. It has a significant impact on the development of policies and guidelines in the area.
- (6) Technology is playing a critical role in making digital payment services more accessible and secure. India is seeing a rise in smartphone use, low internet prices, and the adoption of digital payment methods for e-commerce platform purchases.
- (7) The RBI's mission is to provide every Indian with a selection of safe, secure, accessible, quick, and cost-effective e-payment options. It has focused all of its efforts on making digital payment methods more widely accepted.
- (8) The RBI is giving an appropriate platform for the grievance redressal system by introducing an ombudsman scheme for digital transactions in 2019.
- (9) Payment systems provide a number of advantages, but there are still challenges to adoption in terms of security and settlement accuracy.

11. SUGGESTIONS :

Following the launch of UPI in 2016, the digital payment sector has seen tremendous growth. Google, Amazon, Walmart, WhatsApp, and other significant firms are involved in the digital payment segment, primarily offering payment services in the retail payment sector. In urban and semi-urban regions, digital payments are highly popular. Rural population must adopt digital payment methods in order to achieve a cashless society. should be brought under the sphere of digital payment methods. Government, banks, and financial organisations should all take the necessary efforts to make digital payment systems more widely accepted. Awareness efforts and trust building should boost people's readiness to accept digital payments.

12. CONCLUSION :

India continues to be the world's fastest growing major economy, and with the highest demographic dividend at its side, it has the potential to be a bright spot for the world in today's business environment. Major business players are flocking to the digital payment industry. Digital India, the government's flagship initiative, aspires to convert India into a digitally enabled society and knowledge economy. One of Digital India's professed roles is Contactless, Paperless, Cashless. Various modes of digital payments are available as part of the effort to promote cashless transactions and transform India into a less-cash society. Banking cards, USSD, AADHAR enabled payments service (AePS), Unified Payment Interface (UPI), e-wallets, m-wallets, Prepaid Payment Instruments (PPIs), Point of Sale (PoS), Internet banking, mobile banking, and micro-ATMs are some of the options. NPCI is a pioneering institution that has transformed India's digital payment landscape with key payment solutions such as UPI, RuPay cards, e-wallets, FasTag toll payments, AePS, and so on. In cases like COVID-19 and other epidemics, the e-wallet is a handy platform for doing payment transactions while maintaining social distance and avoiding huge lines [52]. Digital payment solutions in the retail payment segment were a huge success in the digital payment ecosystem. UPI alone accounted for 59 percent of retail payment transactions. The industry is steadily growing as a result of various supportive factors such as the RBI's vision of a cashless society, the shift to contactless payments, the increased use of smartphones with lower internet costs, and key legislations in support of digital payment systems with enhanced security against internet frauds. Payment service providers such as PhonePe, Google Pay, Paytm, Amazon Pay, and others are seeing a surge in digital payment transactions. Banking customers, bankers, and payment service providers play a larger role in the popularisation of digital payment instruments. In the future, behaviour models can be used to study their attitudes toward digital payment adoption and usage.

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