

IMPACT OF CHANGING BANKING PRACTICES ON THE INDIAN ECONOMY



Indian Council of
Social Science Research

ICSSR Sponsored Two Days National Level Seminar
(28.03.2023 to 29.03.2023)

Editors

Dr. R. Sathya

Dr. Padmaja DV

Organized by

Department of Commerce (Financial System)

PSG COLLEGE OF ARTS & SCIENCE

An Autonomous College, Affiliated to Bharathiar University

Accredited with A⁺ Grade by NAAC (4th Cycle)

College with Potential for Excellence (Status Awarded by UGC)

Star College Status Awarded by DBT-MST

An ISO 9001:2015 Certified Institution Coimbatore - 641 014



Since 1947

Edition: First

Year: 2023

ISBN: 978-93-94428-56-0

All Rights Reserved: No part of this publication can be stored in any retrieval system or reproduced in any form or by any means without the prior written permission of the publisher.

©Authors

© Publisher

Publisher



Kanyakumari, Tamilnadu, India.

Phone: +91 6384730258

E-Mail: editor@multispectrum.org

www.multispectrum.org

Content

S.No	Title and Authors	Page No
1	The Rise of Biometric Payments: How Banks are Adopting the Latest Technology to Secure Transactions <i>Jolin Daisy Rethnapriya A & Dr. D. Ponrani</i>	1-5
2	Customer Usage Level and Preference Towards Online Payment Apps <i>Dr. K. Sudhakar, Dr. K. Poorna & Dr.R.Saranya</i>	6-10
3	Consumer Preference on Unified Interface Payment – A Study <i>Dr. M.N. Mohamed Abusali Sheik & Parwinder Kaur</i>	11-16
4	An Empirical Study on the Factors Inducing the Use of E-Wallets as a Mode of Payment Among Young Adults in Coimbatore District <i>Dr. S. Muthulekshmi, Ms. Jeevika. R & Ms.Kabila.S</i>	17-22
5	Green Banking in India- Emptors’ Satisfaction <i>Dr. G. Anuradha & Mrs. S. Anupriya</i>	23-28
6	Growth of Neo Banks in India – An Overview <i>S. Nowfara Fathima, M. Ahamedshafana & M. Najlah Fathima</i>	29-32
7	Impact of Changing Banking Practices on The Indian Economy E Banking in India <i>Mr.A.Christhu Kamalraj & Dr.R.Krishna Kumar</i>	33-40
8	An Analysis of Nexus Between Market Capitalisation and Bank Specific Profitability Determinants of Listed Commercial Banks In India <i>P. Arun Prakash,P. Govindaraj & H.D. Sadhanandan</i>	41-51
9	Stimulus of UPI Payments on the Augmented Spending Habits of Individuals <i>Dr Brinda Kalyani P R, Ms Antony Prabha A & Ms Radhika J</i>	52-57
10	Reforms in the Banking Sector <i>Mrs.A.Sathyalekha, R.Aaron Mani Bharathi & S Hari Prasanth</i>	58-62
11	A Study on Customer Perception and Awareness Towards Green Banking Practices in Coimbatore City. <i>Dr.M.Renukadevi & G.A.Hema</i>	63-67
12	Internet Banking <i>Dr.J.Nixon Jesuraj & S.Abi Prakash</i>	68-72

13	A Study on Usage and Benefits of E-Wallet System <i>Ms V.Sindhu & Dr S.Gnana Sugritham</i>	73-75
14	Advancement of Financial Hi-Tech in India: Unified Payment Interface (UPI) <i>Dr.S.M.Yamuna</i>	76-81
15	Mobile Banking in India <i>Dr D. Padma Sheela & R. Surya Narayanan</i>	82-85
16	Marketing Strategy of Startups Using Crypto-Airdrops – A Case Study <i>Dr.S.Gowri & Dr.S.Birundha</i>	86-93
17	Digital Currency of India <i>Dr. D.Kanakavalli,Mr. M.Premkumar & Mr. M.Muthukumar</i>	94-98
18	Impact of Digitalisation on The Indian Banking Sector - An Overview <i>Dr.K.Latha</i>	99-103
19	The Effect of Improving Bank Practice After a Merger <i>Mr. A. Samuel Raj, Mr. B.Akash & Mr. S. Sankar Vishwa</i>	104-107
20	Users Perception towards Digital Banking with Special Reference to Pollachi Taluk <i>Mrs.Vishnupriya</i>	108-113
21	A Study on Customer Satisfaction Towards Paytm with Special Reference to Coimbatore City <i>Dr.B.Saranya & Mr. R. Gowrishankar</i>	114-118
22	Transforming Digital Payments Ecosystem & Initiating Digital Currency in India <i>Dr.D.Anitha</i>	119-128
23	The New Generation Banking in Indian Banking Sector <i>Dr. Shanmugha Priya .Pon, Dr.Vijayatha Christy & Dr.N.Sofia</i>	129-133
24	An Empirical Study on the Innovative Phase in the Banking Sector: An Artificial Intelligence Perspective <i>Dr.M.Anbukarasi , Darshan.S & R.Prasanth</i>	134-140
25	The Digital Wallet's Renaissance <i>Dr. S. Rani Lakshmi & Dr. M. Thirumagal Vijaya</i>	141-144

26	Customer Satisfaction Towards Online Shopping in Retail Industry with Mobile Banking <i>Dr.Ar.Chitra Juliet Mangeshkar</i>	145-150
27	Digital Transformation in Business & Commerce: Trends, Challenges & Opportunities <i>Mrs.S Priyanka & Mr. Kevin Rajan</i>	151-160
28	BNPL As a New Financial Instrument & Its Impact on Consumer's Buying Behaviour <i>N. Vadivu & Dr.T.Unnamalai</i>	161-168
29	Cash Transaction to Cash Less Transaction in India <i>Dr.M.Vimalarani</i>	169-172
30	Challenges With Adoption of Mobile Banking <i>Dr. G. Ayyanar & Dr. B. Senthil Kumar</i>	173-180
31	A Study on Customer's Attitude Towards Various E-Wallets System <i>Ms. Pavithra & Dr.V.Muruges</i>	181-185
32	Digital Payment System and Its Impact on Indian Economy <i>Dr.N.Rameshkumar</i>	186-190
33	Unified Payments Interface – An Overview <i>Dr.S.V.Revathi, Mrs.S.Kalaiselvi & Mrs.A.Jelcy</i>	191-194
34	Integrated Ombudsman Scheme : An Analytical Research <i>Dr.R Anitha, Dr.R. Umamaheswari & Ms. Bugade Laxmi Arvind</i>	195-202
35	Farmer's Awareness on Central Schemes Available from Agriculture Banks <i>Dr.B.Chitra & Ms.V.Abinayamalini</i>	203-206
36	A Study on Analysis of Factors Favourable In E-Payment at Tiruchirappalli City <i>G. Anandhi</i>	207-211
37	Challenges and Opportunities in Indian E-Banking: Current Scenario <i>Dr.S.Kalaiselvi & Geetha K S</i>	212-218
38	A Study on Green Banking <i>Dr. V. Saranya & Mr. Rohith Rajesh</i>	219-224
39	Unified Payments Interface (UPI) <i>Dr. Manicka Mahesh N.,Ms. Inushree S & Ms. Divya Bharathi R</i>	225-230

DIGITAL PAYMENT SYSTEM AND ITS IMPACT ON INDIAN ECONOMY

Dr.N.Rameshkumar

Assistant Professor,

Department of Commerce,

PSG College of Arts & Science,Coimbatore.

ABSTRACT :

India is world's second largest nation with a population of 1.3 billion, which is approximately 18% of the global population. To meet the financial service needs of a growing population requires a sustainable approach in the form of digital payment system. In order to transform India into a digitally empowered society and knowledge economy, the Government of India launched Digital India programme in 2015. The programme focuses on three main vision areas: digital infrastructure as a core utility to every citizen, governance and services on demand, and digital empowerment of citizens. Through the programme, the government wants to ensure the availability of high-speed Internet, provide mobile phones and bank accounts to every citizen, ensure availability of services in real-time from online and mobile platforms, make financial transactions electronic and cashless, and ensure digital literacy and availability of digital resources across the country. This research paper highlights the usage and importance of digital payment services and its impact on Indian Economy.

Keywords: Digital payment, Digital Banking, Indian Economy

INTRODUCTION:

Modern banking in India originated in the last decade of the 18th century, the banking sector has been evolving, and it is known as one of the longest and oldest businesses in the country. Digital payment is one of the empowering system in India promoting digital India started by our honorable Prime Minister Narendra Modi, which leads to transparency of cash in the country and directly control the black money in India by tax payment and transparent cash flow of every individual. Digital payment helps India in every sector by providing security and safety in relation to cash and also by advancing the lifestyle by adoption of latest technologies for globalization and modernization of our country which leads to the development. The government of India takes digitalization forward rigorously and tirelessly. The government pushed digitalization through “Digital India” and Demonetization. These initiatives faced a lot of appreciations and criticisms in India. However, the digitalization effort has gained the confidence of people and started to pick up. The digitalization has reached the field of payments and settlement as well. The payments and settlements in India are dominated by cash and this dominance has gradually been minimized by digital payments like Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT), Immediate Payment Services (IMPS), Cheque Truncation System (CTS), Unified Payment Interface (UPI), Bharat Interface for Money (BHIM) and Aadhar Enabled Payment System (AEPS) since 2014.

OBJECTIVES OF THE STUDY:

1. To analyse the impact of digital payment system in India.
2. To find out the overall growth of digital payments in Indian economy

DIFFERENT TYPES OF DIGITAL PAYMENT METHODS IN INDIA.

Impact of Changing Banking Practices on the Indian Economy

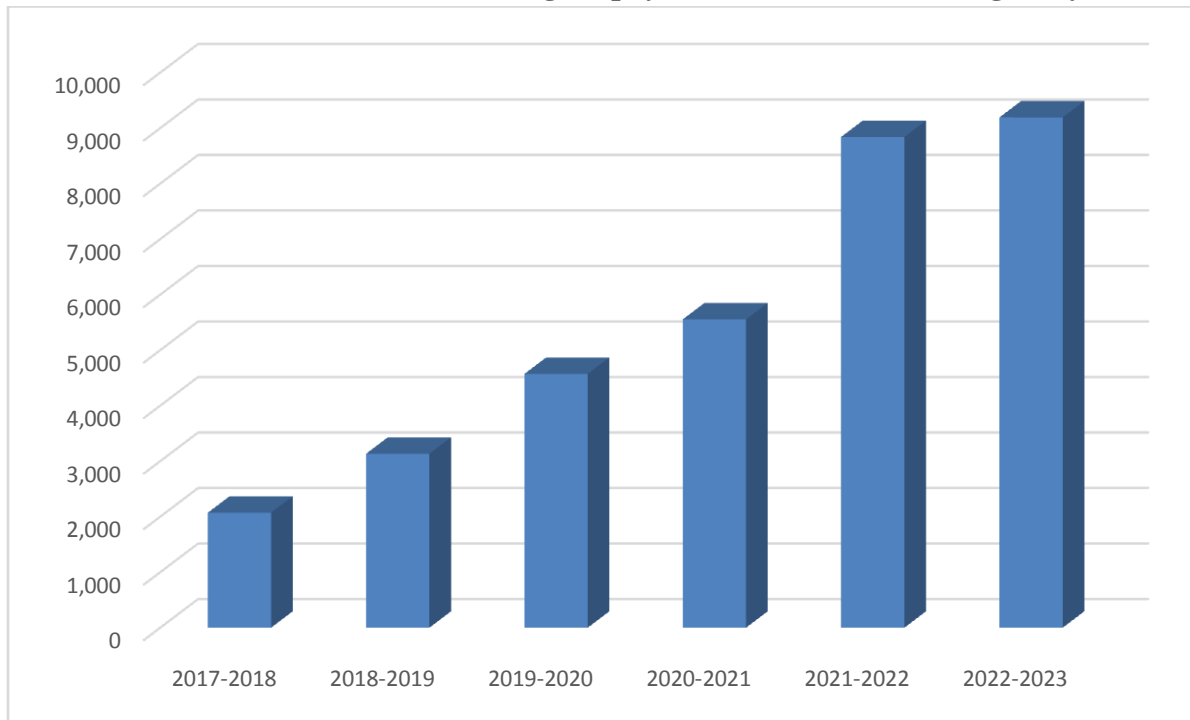
- ❖ **Mobile Wallet** – This is a virtual wallet that stores payment card information on a mobile device.
- ❖ **Point of Sale** – Point of Sale (PoS) is a technological instrument provided by a Merchant Establishment (ME) to carry out the sale of goods or services to customers in a cashless environment.
- ❖ **Mobile Banking** – This is a service provided by banks and financial institutions to carry out financial transactions through a mobile device.
- ❖ **Internet Banking** – This is an online banking method that enables customers of a bank or financial institution to carry out transactions through a portal
- ❖ **Micro ATM** – These are portable devices allowing banking transactions through card swipe machines
- ❖ **Banking Card** – This was launched by the Central Bank of India in India in 1980, in the form of the first credit card. MasterCard was introduced in 1988, and until 1993, several PSU banks started issuing credit cards.
- ❖ **Unstructured Supplementary Service Data (USSD)** – The USSD functionality was launched in 2016. This is a mobile banking facility enabling users to use mobile banking without smartphones or an Internet connection.
- ❖ **Aadhaar Enabled Payment Systems (AEPS)** – This is a bank-led model which allows online interoperable financial inclusion transactions at point-of-sale (PoS) through the business correspondent of any bank using the Aadhaar authentication.
- ❖ **Unified Payments Interface (UPI)** – UPI was developed by NPCI in 2016; it facilitates peer-to-peer, person-to-merchant transactions.
- ❖ **Bank Pre-Paid Card** – Under the motto “Pay Now, Use Later,” the pre-paid cards allow users to buy things with funds available in their cards.
- ❖

Table 1.1 The total number of digital payment transactions during last years

Financial Year	Total number of digital transactions (in crore)
2017-2018	2,071
2018-2019	3,134
2019-2020	4,572
2020-2021	5,554
2021-2022	8,840
2022-2023	9,192 (Till 31 st December)

Source : Primary Data

Exhibit 1.1 The total number of digital payment transactions during last years



GOVERNMENT BENEFIT FROM DIGITAL ECONOMY

By implementing digital payment methods, like Digital Point of Sale (Digital POS), Unified Payments Interface (UPI), mobile wallets, Mobile Point of Sale (mPOS), etc., our country is moving towards creating a digital economy that will benefit the people and the government in various ways. Some of the primary advantages that government witnesses from the digital economy are

- ❖ **Removal of Black Economy:** When the transactions are made digitally, they can be easily monitored. Any payment made by any customer to any merchant will be recorded. This way, there will be no means for illegal transactions to occur. By restricting the cash-based transactions and using only digital payments, the government can efficiently expel the black economy.
- ❖ **Increase in Revenues:** This is one of the most obvious and common benefits of the digital economy. When the transactions are digitized, monitoring sales and taxes becomes convenient. Since each transaction is recorded, the customers will get a bill for their purchase, and the merchants are bound to pay the sales tax to the government. This, in turn, increases the revenue of the government – thus resulting in growth of the overall financial status of the country.
- ❖ **Empowerment to People:** One of the biggest advantages of moving towards digital economy is that it gives an empowerment to the citizens. When the payments move digital, each and every individual is bound to have a bank account, a mobile phone, etc. This way, the government can easily transfer the subsidies directly to Aadhaar-linked bank accounts of people. In short, people no longer have to wait to receive the incentives and subsidies that they are bound to receive from the government. This feature is already in place in most cities.

Impact of Changing Banking Practices on the Indian Economy

One example of that would be the LPG subsidy that government gives to the common people. This subsidy payment is done via bank transfers these days.

- ❖ **Paves the way to e-governance:** The quicker, safer, and more efficient alternative to traditional governance, e-governance will be the ultimate outcome of the digital economy. From birth certificate to death certificate, everything is available online – thus it is convenient for people to access the information they need on the go. Digital economy will definitely pave a way to e-governance, where delivery of all government services would be done electronically.
- ❖ **Creation of new jobs:** The digital economy has a lot of potentials to enhance job opportunities in new markets as well as increasing employment opportunities in some of the existing occupations in the government. This way, the unemployment rate in the country is bound to decrease.

SUGGESTION AND DISCUSSION

Awareness about using digital solutions like smartphone based transactions and use of credit/debit cards at PoS solutions is still a persistent issue in rural areas. The government, along with Reserve Bank of India (RBI) has implemented and initiated numerous schemes like Pradhan Mantri Jan Dhan Yojana to promote financial inclusion, especially in rural India. Despite all the efforts, some population still doesn't have access to banks. To overcome these challenges, more awareness campaign and training camps should be arranged in rural areas to literate people about the benefits of having bank accounts and doing digital payments.

Make all banks responsible to form a training team at branch level with bank staff and skilled volunteers to train the local merchants and inform citizens about digital payments and benefits of seeding bank accounts with mobile number and Aadhaar. Network issues, poor mobile coverage and internet reach is a major challenge in rural areas, thus denying access to digital forms of transactions. Augmentation of digital infrastructure is required, especially in rural areas to provide better internet connectivity with sufficient band width to promote digital payments.

CONCLUSION

Digital payments have grown sharply in the past few years and the payments industry in India is expected to grow to US\$ 700 billion in 2022. The pandemic gave a strong boost to the Indian digital payments industry and increasingly more users are switching to digital modes every day. In India, the government's focus on reducing cash in the economy has resulted in a robust payment system with ensures safety and efficiency. It has led to phenomenal growth, in particular, in IMPS, M-Wallet and PPI Cards during the study period in terms of both volume and value measures. These mediums have proved to be game changers in digital payments, online payment platforms and fund transfers.

REFERENCES:

1. Raja Kamal(2021), A Study on the Impact of Digital Payment in Indian Economy with special reference to Covid-19, International Journal of Aquatic Science, Vol 12, Issue 02, 884-902.
2. Arpita Pandey (2018), Impact and Importance of Digital Payment in India, Conference on Recent Innovations in Emerging Technology & Science, pp. 176-178.
3. Ravikumar(2019), Impact of Digital Payments on Economic Growth: Evidence from India,

Impact of Changing Banking Practices on the Indian Economy

International Journal of Innovative Technology and Exploring Engineering, Vol.8, Issue-12.

4. RashiSinghal(2021),Impact and Importance of Digital Payment in India, Internationaljournalof Multidisciplinaryeducationalresearch,Vol. 10, ISSUE 2(3), pp.100-104.

5. <https://epp-journal.nmims.edu/wp-content/uploads/2020/11/Final-EPP-Oct-2020-31-41.pdf>

6. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3872001

7. https://ijirt.org/master/publishedpaper/IJIRT157574_PAPER.pdf