

DIGITAL PAYMENT SERVICE IN BUSINESS

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Abstract

Technological developments have encouraged the upgrade of operating systems and user interfaces and have enabled the transformation of payment services. Several Indonesian digital payment systems exist, namely, Go-Pay, Tcash, Paypro, Ovo, Mandiri e-cash, XL Tunai and Sakuku. Digital payment is becoming increasingly popular in Indonesia, among which Go- Pay is currently the market leader. Opportunities are derived from the attributes of industries with in which business owners are contemplating action. Financial inclusion is a vital entry point for inclusive growth, and Go-Pay can help micro, small and medium enterprises which were previously from the underserved market to transition into the formal system. This study intends to illustrate how digital payment enables business opportunities by using a descriptive approach method and data collection techniques from existing literature. Results show that Go-Pay enables business opportunities by fulfilling its mission as a

digital payment solution and by opening up new economic opportunities. In addition, Go-Pay enables consumers and merchants to tap into a wide market and provides access to various solutions and services.

Keywords: Digital Payment, Opportunity Discovery, Financial Inclusion, Digital Transformation.

Introduction

Digital payments are transactions that occur via digital or online modes. This means both the payer and the payee use electronic mediums to exchange money.

The meaning of digital payment is equivalent to an electronic payment. Digital payments use a digital device or platform to move money between payment accounts. They can be partially, primarily, or fully digital.

Digital payments can take place through the Internet as well as on physical premises. Some examples of digital payments

include buying something from e-commerce platforms and paying for it via UPI (unified payments interface) qualifies as a digital payment. Similarly, if you purchase something from your local grocery store and choose to pay via any other payment method, that also is a digital payment.

Literature Review

Digital Payment

Based on the study by Asia Pacific Accreditation Cooperation Incorporated (APAC) (2018), approximately two in five consumers have issues using and withdrawing cash, including not having enough cash on hand (40%), long queues at banks/ATMs (39%), faulty ATMs and inadequate number of ATMs nearby (36%). Consumers are accustomed to having instant access to most things, courtesy of highly advanced and increasingly powerful smartphones. This innovation has created a shift in mindsets and has raised the bar of expectations, and consumers have less patience for long queues and faulty ATMs. Increasing digital access has presented considerable opportunities for innovation in digital payment across Asia.

Payment, at its most basic level, is the transfer of money, wealth or value from one person or entity to another (Fonté, 2013).

Digital payment is defined as payments made or enabled through digital mobility technologies via handheld devices, with or without mobile telecommunication networks. Although not necessarily linked to financial institutions or banks, these payments are considered as digital financial transactions, (Diniz, de Albuquerque, & Cernev, 2011). In line with Fonte (2013) that stated numerous services offered by nonfinancial institutions are 'disintermediating' the traditional banking relationship and creating the potential for a fundamental shift in how individuals conduct day-to-day purchases and interact with their finances; Nahata (2018) stated that in India primarily dominated by m-wallets, payments based companies and lending aggregators. The public at large in India is primarily exposed to the fintech industry through these Prepaid Instruments. They allow users to make payments towards utilities, flight/train ticket purchases, remittances and many other things.

Types of Digital Payments in India

1. Banking Cards

Indians widely use banking cards, debit/credit cards, or prepaid cards as an alternative to cash payments. In 1981, the Andhra Bank launched the first credit card in India.

Cards are preferred because of multiple reasons, including, but not limited to, convenience, portability, safety, and security. This is the only mode of digital payment that is popular in online and physical transactions. Many apps are being launched to manage card transactions, like Cred, Square, etc.

2. Unstructured Supplementary Service Data (USSD)

The unstructured supplementary service data (USSD) was launched for those sections of India's population which do not have access to proper banking and internet facilities. Under the USSD, mobile banking transactions are possible without an internet connection by dialing *99# on any essential feature phone.

This number is operational across all telecom service providers (TSPs) and allows customers to avail of services, including interbank account-to-account fund transfer, balance enquiry, and availing of mini statements. Around 51 leading banks in India offer USSD service in 12 languages, including Hindi and English.

3. Aadhaar Enabled Payment System (AEPS)

The Aadhaar Enabled Payment System (AEPS) is a bank-led model for digital payments initiated to leverage the presence and reach of Aadhaar. Under this system,

customers can use their Aadhaar-linked accounts to transfer money between two Aadhaar-linked bank accounts. According to data from the National Payments Corporation of India (NPCI), the AEPS had crossed transactions over 205 million till February 2020.

The AEPS does not require physical activity like visiting a branch, using debit or credit cards or signing a document. This bank-led model allows digital payments at PoS (point of sale / micro ATM) via a business correspondent, known as Bank Mitra, using Aadhaar authentication. The AePS fees for cash withdrawal at Business Correspondent points are around ₹15.

4. Unified Payments Interface (UPI)

The UPI is a payment system that culminates numerous bank accounts into a single application, allowing money transfers between parties. Compared to NEFT (national electronic funds transfer), RTGS (real-time gross settlement), and IMPS (immediate payment service), the UPI is considered a well-defined and standardized process across banks. You can use UPI to initiate a bank transfer anywhere in just a few clicks.

The benefit of using UPI is that it allows you to pay directly from your bank account without the need to type in the card or bank details. This method has become one

of the most popular digital payment modes in 2020, with October witnessing over 2 billion transactions.

Related Read: What is the Difference between IMPS and NEFT Fund Transfer?

5. Mobile Wallets

Mobile wallets are a type of wallet where you can carry cash in a digital format. Often, customers link their bank accounts or banking cards to their wallets to facilitate secure digital transactions. Another way to use wallets is to add money to the mobile wallet and use the balance to transfer money. You can also check out the digital wallets guide, for necessary details and clarify confusions, if any.

Some popularly used ones include Paytm, Freecharge, Mobikwik, mRupee, Vodafone M-Pesa, Airtel Money, Jio Money, SBI Buddy, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, etc.

Related Read: What is the PhonePe transaction limit for 2024?

6. Bank Prepaid Cards

A bank prepaid card is a pre-loaded debit card issued by a bank, usually meant for single use or can be reloaded for multiple uses. It is different from a standard debit card

because the latter is always linked to your bank account and can be used numerous times. This may or may not apply to a prepaid bank card.

Customers can create a prepaid card with an account that complies with Know Your Customer (KYC) norms. Corporate gifts, reward cards, or single-use cards for gifting purposes are the most common examples of these cards.

7. PoS Terminals

The PoS is the location or segment of a sale. These terminals were considered checkout counters in malls and stores where payments were made for a long time. The most common type of PoS machine is for debit and credit cards, where customers can make payments by simply swiping the card and entering the PIN (personal identification number).

With digitisation and the increasing popularity of other online payment methods, new PoS methods have emerged. First is the contactless reader of a PoS machine, which can debit any amount up to ₹2000 by auto-authenticating it without needing a PIN.

Related Read: What is the Point-of-Sale (POS) limit For Debit Cards?

8. Internet Banking

Internet Banking, also known as e-banking or online banking, allows the customers of a particular bank to make transactions and conduct other financial activities via the bank's website. It requires a steady internet connection to make or receive payments and access a bank's website called Internet banking.

Today, most Indian banks have launched their Internet banking services. It has become one of the most popular means of online transactions. Every payment gateway in India has a virtual banking option available. Some of the top ways to transact via Internet banking include NEFT, RTGS, and IMPS.

9. Mobile Banking

Mobile banking refers to conducting transactions and other activities via mobile devices, typically through the bank's mobile application (app). Today, most banks have mobile banking apps that can be used on handheld devices like mobile phones and tablets and sometimes on computers.

Mobile banking is known as the future of banking, thanks to its ease, convenience, and speed. Digital payment methods, such as IMPS, NEFT, RTGS, and other services like investments, bank statements, bill payments, etc., are available on a single platform through mobile banking apps. Banks encourage you to

operate digitally as it makes processes easier for them.

10. Micro ATMs

A micro ATM is a BC device to deliver essential banking services. These correspondents, who could be local store owners, will serve as a 'micro ATM' to conduct instant transactions. They will use a device that will let you transfer money via your Aadhaar-linked bank account by merely authenticating your fingerprint.

Essentially, the BC will serve as a bank. You need to verify your authenticity using UID (Aadhaar). The essential services that micro ATMs will support are withdrawal, deposit, money transfer, and balance enquiry. The only requirement for Micro ATMs is to link your bank account to Aadhaar.

Conclusion

The popularity of digital payment used by the consumers have changed the expectations of bank clients primarily because of digitization.

The development and acceleration of electronic merchant payments at a broad level can help countries advance financial access and financial inclusion. However, factors that hinder the adoption of digital payments exist and should be addressed.

Financial inclusion a vital entry point for inclusive growth, and Go-Pay can help MSMEs that were previously excluded and part of the underserved market to transition into the formal system.

Digital payment solutions enable consumers and merchants to tap into social media to buy and sell goods and services and to open up new economic opportunities.

Suggestion

Consumers and merchants are becoming increasingly aware that digital payment is starting to have an impact beyond enabling convenient and secure transactions.

Companies should innovate to cater to the needs of the customer, considering factors such as smartphone penetration, income levels, user preferences and privacy and security concerns.

Governments could reduce barriers and encourage adoption by leading by example by embracing digital payment solutions for government-related fees.

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