



DIGITAL PAYMENT APPLICATIONS IN INDIA: A REVIEW OF THE CURRENT LANDSCAPE AND FUTURE DIRECTIONS

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Abstract

Digital payment applications have become an integral part of modern-day financial transactions in India. These applications offer a convenient and secure way to transfer money, pay bills, and make purchases using a mobile device. This research article provides a comprehensive review of the current landscape of digital payment applications, including the different types of applications, their features and functionalities, and the factors that influence their adoption. The article also discusses the challenges and opportunities associated with digital payment applications and explores the future directions of this rapidly evolving field.

Keywords: Digital payments, UPI, Digital Economy, Applications.

Introduction

Digital payment applications have revolutionized the way we transact and manage our finances. With the increasing use of mobile devices and the internet, digital payment applications have become an essential tool for individuals, businesses, and governments. These applications offer a range of benefits, including convenience, security, and accessibility. However, the adoption of digital payment applications is not without challenges, including concerns around security, privacy, and interoperability. This research article aims to provide a comprehensive overview of the current landscape and future directions of digital payment applications.

Types of Digital Payment Applications

There are different modes and types of digital payments that are prevalent in India, which are discussed in detail in the following lines.

1. Banking Cards
2. USSD (Unstructured Supplementary Service Data)
3. UPI (United Payment Interface)
4. AEPS (Aadhaar enabled Payment System)
5. Mobile wallets
6. Point of Sale Machines (PoS)
7. Mobile Banking
8. Internet Banking

Payment gateways are applications that facilitate online payments by connecting merchants and customers through a secure platform. P2P payment applications enable individuals to transfer money to each other using their mobile devices.

Features and Functionalities

Digital payment applications offer a range of features and functionalities, including contactless payments, bill payments, and in-app purchases. Contactless payments allow users to make payments without physical contact with a payment terminal, using near-field communication (NFC) technology.

Bill payments enable users to pay their bills using their mobile devices, while in-app purchases allow users to make purchases within an application.

Factors Influencing Adoption

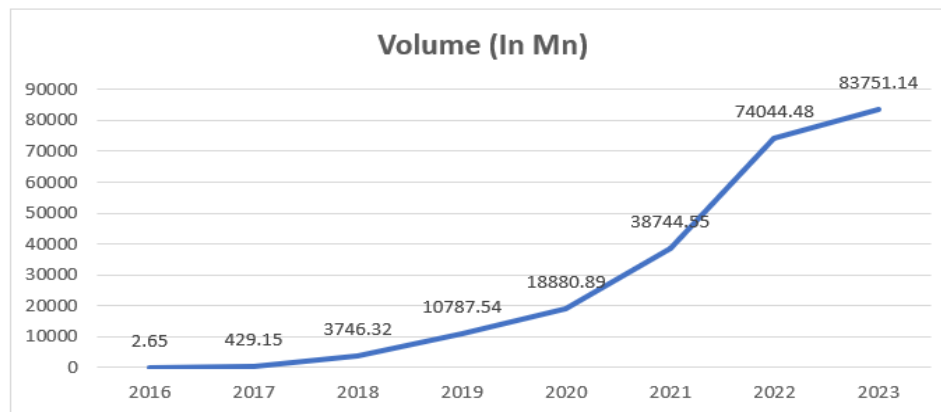
The adoption of digital payment applications is influenced by several factors, including security, convenience, and trust. Security concerns around digital payment applications have been a major barrier to adoption, with users concerned about the risk of fraud and data breaches. Convenience, on the other hand, is a key driver of adoption, with users valuing the ease and speed of digital payments. Trust is also an important factor, with users needing to have confidence in the security and reliability of digital payment applications.

Growth of Digital Economy in India

Indian Government's mission to target 2,500 crore digital transactions in 2017-18 Union Budget through UPI, USSD, Aadhar Pay, IMPS and debit cards for promoting digital payment transactions in the country, this has been a significant step towards the government's goal of increasing the use of digital payments and reducing the dependence on cash transactions. Digital payments have become increasingly important in India in recent years, as the country has seen a rapid increase in the adoption of smartphones and internet access. This has led to a significant increase in the use of digital payment methods, such as mobile wallets, UPI, and card payments. However, there is still a large proportion of the population that relies on cash transactions, and the government is looking to change this by promoting the use of digital payments. This will be used for a variety of initiatives to promote digital payments. One of the key initiatives will be to provide incentives for merchants to adopt digital payment methods. This may include subsidies for merchants to purchase point-of-sale terminals, as well as tax incentives for businesses that adopt digital payment methods.

The digital payments ecosystem in India has also grown significantly in recent years, driven by a combination of government initiatives, an increase in internet and smartphone usage, and the rise of e-commerce. One of the key initiatives is the launch of the Unified Payments Interface (UPI), which allows for real-time inter-bank transactions, and the Bharat Interface for Money (BHIM) app, which simplifies the process of making digital transactions.

UPI (Unified Payments Interface) has seen significant growth in India since its launch in 2016 by National Payments Corporation of India (NPCI). Here are some highlights of the UPI journey in India with YoY (Year-on-Year) growth statistics till Jan 2023.



Source: Reserve Bank of India

These statistics showcase the increasing popularity and adoption of UPI as a convenient and secure platform for digital transactions in India. In 2017, UPI recorded a YoY growth of 900%, processing over 100 million transactions worth INR 67 billion. In 2018, the YoY growth was 246% with transactions worth over INR 1.5 trillion processed. In 2019, the YoY growth was 67% with transactions worth over INR 2.9 trillion processed. In 2020, UPI recorded an YoY growth of 63% with transactions worth over INR 4.3 trillion processed in December 2020. In 2021, the YoY growth was 72% with over 1.49 billion transactions worth INR 5.6 trillion processed in June 2021. At the end of the calendar year 2022, UPI's total transaction value stood at INR 125.95 trillion, up 1.75 X year-on-year (YoY), as per the NPCI. Interestingly, the total UPI transaction value accounted for nearly 86% of India's GDP in FY22. At the end of the calendar year 2023, UPI's total transaction volume stands on 83.75 billion.

Challenges and Opportunities

The adoption of digital payment applications is not without challenges, including concerns around security, interoperability, and regulation. Security remains a major challenge, with the risk of fraud and data breaches continuing to be a concern for users. Interoperability is also a challenge, with different payment systems and applications often incompatible with each other. However, digital payment applications also offer significant opportunities, including financial inclusion, increased efficiency, and new business models in India.

Future Directions

The future of digital payment applications in India is likely to be shaped by several trends, including the rise of mobile banking, the adoption of blockchain technology, and the emergence of digital currencies. Mobile banking is expected to become more widespread, with banks and financial institutions offering a range of digital services through mobile devices. Blockchain technology is also expected to play a significant role in the future of digital payments, enabling secure and transparent transactions. Finally, digital currencies, such as Bitcoin and Ethereum, are expected to become more mainstream, with the potential to disrupt traditional payment systems.

Conclusion

Digital payment applications have transformed the way we transact and manage our finances. They offer a range of benefits, including convenience, security, and accessibility. However, the adoption of digital payment applications is not without challenges, including concerns around security, interoperability, and regulation. The future of digital payment applications is likely to be shaped by several trends, including the rise of mobile banking, the adoption of blockchain technology, and the emergence of digital currencies. Overall, digital payment applications represent a significant opportunity for financial inclusion and increased efficiency in the Indian economy.

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