

A Study of Growth of Digital Payment Transactions in India: Challenges and Suggestions

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Abstract

Digital Payment System is the core of Indian Economy in present scenario. In the present study, a comprehensive analysis of the growth of digital payment transactions in India over the last five years is conducted. The study analyses the trends and patterns in the adoption of digital payment systems and identifies the key drivers and challenges associated with their growth. The paper also examines the impact of digital payment transactions on various sectors of the Indian economy, including banking, retail, and e-commerce. Additionally, the research explores the role of government policies and initiatives in promoting digital payments in India. The findings of this study could be useful for policymakers, businesses, and individuals interested in the growth and development of digital payment systems in India. The research paper throws light on the rapid growth of digital payment transactions in India and its potential to transform the country's economy in the coming years.

Keywords: Digital Payment, Banking, Growth, Economy.

Introduction

The use of digital payment transactions has increased significantly in India in recent years. This growth can be attributed to a number of factors such as government initiatives, technological advancements, and changing consumer behaviour. The shift towards digital payment systems has brought about significant changes in the Indian economy, particularly in the banking, retail, and e-commerce sectors. The COVID-19 pandemic has further accelerated this trend, with more people opting for digital payment methods to reduce physical contact. This research paper aims to analyse the growth of digital payment transactions in India over the past five years, from 2017 to 2022. The study aims to identify the key drivers and challenges associated with the growth of digital payment transactions in the country. Additionally, the paper examines the impact of digital payment transactions on various sectors of the Indian economy, and explores the role of government policies and initiatives in promoting digital payments. The findings of this research paper will provide valuable insights into the growth and development of digital payment systems in India. This analysis will help policymakers, businesses, and individuals to understand the changing landscape of digital payments in the country and its potential to transform the Indian economy. Overall, the research paper aims to contribute to the ongoing discourse on the growth of digital payment transactions in India and its impact on the economy.

Review of Literature

1. "Digital payments in India: Trends, issues, and opportunities" by Priya Desai and Rajni Jain (2019): This study provides a comprehensive

overview of the growth of digital payments in India, analysing the trends, issues, and opportunities in the sector. The authors discuss the various digital payment modes, their adoption, and usage patterns in different sectors, and highlight the key drivers and challenges associated with their growth. The study also identifies the impact of government policies and initiatives on the growth of digital payments in India.

2. "Digital payments in India: Opportunities and challenges" by Alok Kumar and Kishore Kumar (2018): This paper analysed the growth of digital payments in India and identifies the opportunities and challenges associated with their adoption. The authors examine the various digital payment modes, their usage patterns, and the factors driving their growth. The study also explores the impact of digital payments on financial inclusion and identifies the challenges faced by users and merchants in adopting digital payments.

3. "Growth and prospects of digital payments in India" by Ashish Das (2019): This study analysed the growth and prospects of digital payments in India, providing insights into the trends, patterns, and challenges in the sector. The author discusses the various digital payment modes, their adoption, and usage patterns, and examines the factors driving their growth. The study also explores the impact of digital payments on the banking sector and identifies the challenges faced by users and merchants in adopting digital payments.

4. "Adoption of digital payments in India: An exploratory study" by Priti Kulkarni and Dipika Agrawal (2018): This paper explores the adoption of digital payments in India, providing insights into the factors influencing their adoption and usage. The authors discuss the various digital payment modes, their adoption, and usage patterns, and

identify the key drivers and barriers to their adoption. The study also examines the impact of digital payments on financial inclusion and identifies the challenges faced by users and merchants in adopting digital payments.

Objectives of The Study

1. To understand the trend in digital payment transactions in India over the past five years.
2. To identify the key drivers and challenges associated with the growth of digital payment transactions in India.
3. To explore the role of government policies and initiatives in promoting digital payments in India.
4. To provide suggestions for policymakers, businesses, and individuals interested in the growth and development of digital payment systems in India.

Importance of The Study

This study is important to understand the changing consumer behaviour towards digital payments and its trend in India. It is also useful for providing valuable insights to policymakers in developing effective policies to promote the growth of digital payments. It will also provide guidelines to businesses to develop strategies to leverage the shift in consumer behaviour towards digital payments. This study prove helpful to identify challenges and opportunities associated with digital payments and guiding further research and innovation.

Research Methodology

This research paper uses a quantitative research methodology to analyse the growth of digital transactions in India. The data on digital transactions has been collected from various sources such as the Reserve Bank of India, the National Payments Corporation of India, and other relevant government reports. The study is based on secondary data collected from various organisations.

Limitations of The Study

1. The analysis of the study is limited to digital payment transactions and does not include other forms of electronic payments such as cryptocurrencies.
2. The research study is limited to the past five years only.

Hypotheses of The Study

H₀: There is no significant increase in the growth of digital payment transactions in India over the past five years.

H₁: There is a significant increase in the growth of digital payment transactions in India over the past five years.

Data Collection, Analysis & Interpretation

Digital payment modes considered are BHIM-UPI, IMPS, NACH, AePS, NETC, debit cards, credit cards, NEFT, RTGS, PPI and others. Following are some of the Government initiatives for promoting digital payments transactions in India.

Government Initiatives

Digital India Campaign: It is launched in 2015, the Digital India campaign aims to transform India into a digitally empowered society and knowledge economy. The campaign includes various initiatives to promote digital payments, such as the promotion of digital literacy, the creation of digital infrastructure, and the development of digital services. It was aimed at transformation of India in a knowledge and digitally powered economy.

Unified Payments Interface (UPI): Launched in 2016, UPI is a real-time payment system that enables instant fund transfers between bank accounts through a mobile device. The system has been widely adopted in India, with more than 2 billion transactions processed in March 2021.

BHIM App: Launched in 2016, BHIM (Bharat Interface for Money) is a mobile payment app that allows users to send and receive money using UPI. The app is interoperable with other UPI-based payment apps and has been widely adopted in India.

National Payments Corporation of India (NPCI): NPCI is an umbrella organization for all retail payment systems in India. It was set up by the Reserve Bank of India (RBI) and Indian Banks' Association (IBA) in 2008. NPCI manages UPI, BHIM, and other payment systems in India.

Challenges Faced By Digital Payment Transactions And Digital Banking In India

Digital Divide: One of the major challenges is the digital divide, where a large portion of the population still lacks access to digital infrastructure, including smartphones and reliable internet connectivity, making it difficult for them to adopt digital payments and banking.

Cyber Security: With the increase in digital transactions, cybersecurity threats have also increased, and there is a need for robust

cybersecurity measures to protect customers' personal and financial information.

Lack of awareness and education: A significant proportion of the population still lacks awareness and knowledge about digital payment transactions and digital banking, which limits their adoption.

Technical glitches: Technical glitches and system failures can result in delayed transactions, incorrect debits, and other errors, leading to dissatisfaction among customers.

Cash dependency: Despite the push towards digital payments, cash is still king in India, and a significant portion of the population continues to prefer using cash for transactions.

Table 1.1 presented the data shows the total number of digital payment transactions in crore undertaken during the last five financial years in India. It can be observed that there has been a consistent increase in the number of digital payment transactions over the past five years.

Table No. 1.1 Trend in Digital Payment Transactions

Financial Year (FY)	Total number of digital transactions (in crore) Rs.
2017-18	2,071
2018-19	3,134
2019-20	4,572
2020-21	5,554
2021-22	8,840

(Source: RBI, NPCI and Banks)

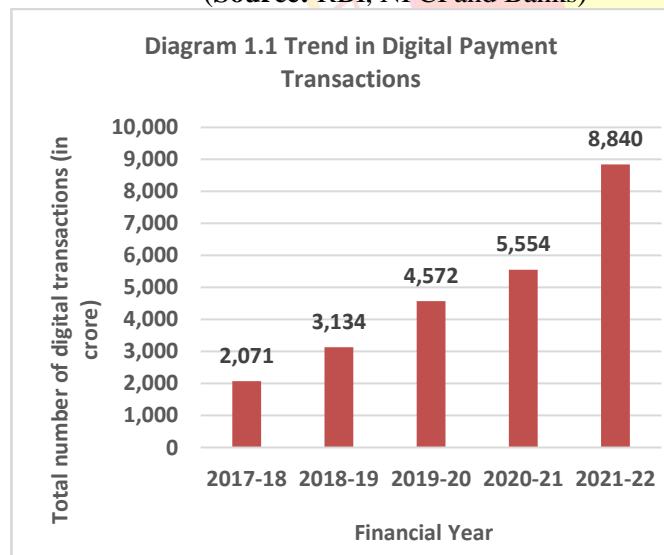


Table 1.1 indicates that in the financial year 2017-18, there were 2,071 crore digital payment transactions in India. This number increased to 3,134 crore in 2018-19, showing a growth of around 51%. In the following financial year 2019-20, the number of digital payment transactions increased to 4,572 crore, which is a growth of

around 46%. In the financial year 2020-21, the number of digital payment transactions further increased to 5,554 crores, showing a growth of around 21%. The data also shows that in the financial year 2021-22, the total number of digital payment transactions has increased significantly to 8,840 crore, indicating a growth rate of around 59% as compared to the previous year. The researcher observed that there has been a significant increase in the adoption of digital payment transactions in India over the past five years, with a particularly rapid growth in the financial year 2021-22. This trend highlights the growing preference for digital payments among Indian consumers and the increasing importance of digital payment systems in the country's economy.

Table 1.2 presents the data regarding total value of digital payments during the last five financial year.

Table 1.2 Total Value of Digital Transactions

Financial Year (FY)	Total value of digital transactions (in lakh crore) Rs.
2017-18	1,962
2018-19	2,482
2019-20	2,953
2020-21	3,000
2021-22	3021

(Source: RBI, NPCI and Banks)

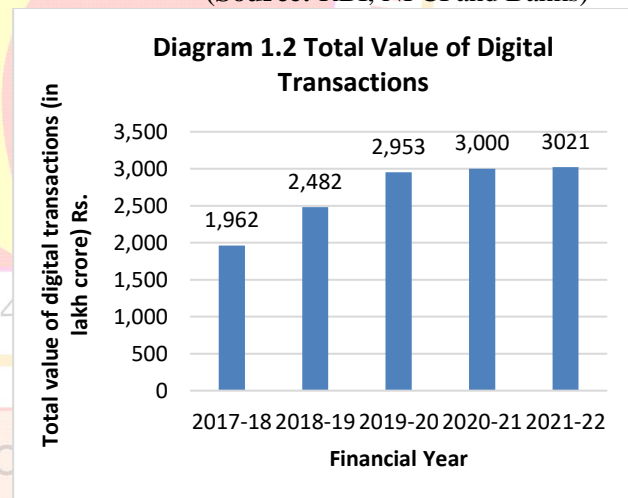


Diagram 1.2 presents the data shows the total value of digital payments in India for the last five financial years. Researcher observed the there has been a steady increase in the total value of digital payments in India over the years. In 2017-18, the total value of digital transactions was Rs. 1,962 lakh crore, which increased to Rs. 2,482 lakh crore in 2018-19. The total value of digital transactions further increased to Rs. 2,953 lakh crore in 2019-20. Although the increase in the total value of digital transactions slowed down in 2020-

21, it still increased to Rs. 3,000 lakh crore. In the current financial year 2021-22, the total value of digital transactions increased slightly to Rs. 3,021 lakh crore. The data suggests that digital payments in India have been on the rise and are likely to continue to grow in the future.

Particularly rapid growth rate of around 59% in the financial year 2021-22. The total value of digital payments in India has also shown a steady increase over the years, with a slight increase in the financial year 2021-22. The trend highlights the growing preference for digital payments among Indian consumers and the increasing importance of digital payment systems in the country's economy. There is a significant increase in the growth of digital payment transactions in India over the past five years. Hence, alternative hypothesis is accepted.

Conclusion and Suggestions

After analysing the collected data, researcher concluded that the data reveals a consistent increase in the number of digital payment transactions and the total value of digital payments in India over the last five years. The growth rates observed in the current financial year 2021-22 are particularly noteworthy, indicating a rapid shift towards digital payments in the country. The data highlights the increasing importance of digital payment systems in the Indian economy and suggests that the trend is likely to continue in the future. This analysis is useful for policymakers, businesses, and individuals, as it can inform decision-making processes related to the development of policies, strategies, and investments in the digital payments sector. Researcher provided the following suggestions -

- The government and financial institutions should continue to invest in the development and promotion of digital payment systems in order to support this trend of growth.
- Businesses should take advantage of the increasing popularity of digital payments by

adopting these systems and offering a variety of digital payment options to customers.

- Consumer education campaigns should be initiated to increase awareness of the benefits of digital payments and to address any concerns or barriers that may prevent some consumers from adopting these systems.
- Further research may be conducted to better understand the impact of digital payments on the Indian economy, including their effect on different sectors, regions, and demographic groups. This information can help policymakers and businesses make more informed decisions and develop more effective strategies.

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