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PART - V


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Ajanta-Prakashan




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Anadur, Tal. Tuljapur, Dist. Osmanabad.

3. Digital Payment System: Advantages and Difficulties

Shri. Birajdar S. G.

Head, Dept. of Commerce, Jawahar Arts, Science & Commerce College, Anadur , Tq.
Tulajapur Dist. Osmanabad.

Introduction:-

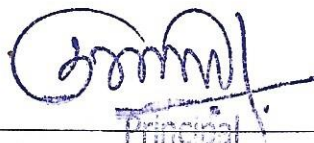
India is the agro-based country, country of villages, country of poor, country of financial excluded people, country of people of vulnerable group, etc. this is the identity of rural India. It includes various types' agro-based businesses, entrepreneurs, etc. and the farming is main source of income in rural India.

On 8 November 2016, India's Prime Minister Narendra Modi announced the Government of India's decision to cancel the legal tender character of five hundred rupee and one thousand rupee banknotes with effect from 9 November 2016. These demonetization measures have had significant and immediate impact on the Indian economy. This move is expected to cleanse the formal economic system and discard black money from the same. This was reflected most of the people are rushing to cashless transactions. Cash transactions impacted by a decrease in liquidity, alternative payment methods, such as e- wallets, and apps online transactions using e-banking, usage of plastic money i.e. Debit and credit cards have increased. This will increase usage of such payment system, and enable a shift towards an efficient cashless infrastructure.

Digital payments system has been introduced to promote cash less transactions to create a cashless society. Digital transactions bring in better transparency, scalability and accountability. The RBI classifies every mode of cashless fund transfer using cards or mobile phones as prepaid payment instruments. These can be issued as Smart Cards, Magnetic strips cards, Net accounts, Net Wallets, Mobile accounts, Mobile wallets etc.

Objectives:-

- 1) To study the use of digital payment system
- 2) To study the advantages and difficulties of digital payment system



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Research Methodology :-

The paper is mainly based on secondary data which was collected from News papers, Books & banking reports.

Digital Payment System:-

Cashless transactions means alternative payment methods, such as e- wallets, and apps online transactions using e-banking, usage of plastic money i.e. Debit and credit cards have increased. This will increase usage of such payment system, and enable a shift towards an efficient cashless infrastructure. Digital transactions bring in better transparency, scalability and accountability. The RBI classifies every mode of cashless fund transfer using cards or mobile phones as prepaid payment instruments. These can be issued as Smart Cards, Magnetic strips cards, Net accounts, Net Wallets, Mobile accounts, Mobile wallets etc.

Instruments Digital Payment System: -

Three types of instruments are used for cashless transaction

1) Closed: - Issued by an entity for purchasing goods and services only from it, these don't allow cash withdrawal.

2) Semi closed: - These are used to buy goods and services, including financial services, from merchants that have a specific contract with the issuer. These too don't allow cash withdrawal. It includes wallets offered by service providers like Pay tm and State Bank Buddy.

3) Open: - These can be used to buy goods and services, including fund transfer at merchant's location, and also permit cash withdrawal at ATMs. All Visa and Master cards are included in this category.

As we shift from cash dependent to a cashless economy, we look forward to better social equity, availability of more resources for development work. For this purpose we have implement Vittiya Shaksharta Abhiyan. The purpose of Vittiya Shaksharta Abhiyan is to actively engage the youth/ students of higher education institutions to encourage and motivate all payers and payee to apply cashless modes.

Plastic Money: -

Plastic money is the alternative cash or the standard money. Plastic money is much more convenient to carry around as you don't have to carry a huge sum of money with you. Plastic money includes Cash Cards, Credit Cards, and Debit Cards etc.

1) **Debit Cards:** - Each and every bank is giving debit cards to their account holders at the time of account opening, and also for the already account holders with their application

for debit cards. Debit cards allow you to pay or buy any product if you have money in your account. Debit cards also allows you to withdraw cash from a cash machine i.e. ATM of any bank. You don't have rush to your bank and to stand in a queue to get money out through withdrawal form or cheque.

- 2) **Credit Cards:** - Credit card is the same as debit card but the only difference is that the money which is in your credit card is credited from our card issuer bank. Credit card allows you to pay in advance for your merchant without any interest or charges but you have to pay back within the grace period (generally fifty days). If you cross the grace period bank will apply interest and send you a bill that you have pay.
- 3) **Net Banking:-** This does not involve any wallet and is simply a method of online transfer of funds from your bank account to another bank account. Online banking also known as internet banking, e-banking.
- 4) **Mobile Wallets:** - This is basically a virtual wallet available on your mobile phone. You should have a Smart phone and internet facility in mobile. You can access it a wallet from computer as well but e- wallet is specially designed for mobile users to avoid cash transactions. Mobile payment is being adopted all over the world in a different way. There are number of e-wallets app are available in Google play store. We can download it easily.

Advantages of Digital payment System:-

1. Saves time, labour and energy.
2. Transactions can be done from anywhere (home/office/travelling).
3. Online money transfer through internet banking.
4. Online bill payment of phone, electricity, LIC premiums, income tax or Govt. payments.
5. Share market is totally online
6. Online travel, tour and hotel booking and payment.
7. It will reduce pick pocketing and highway robbery which is very rampant in some countries.
8. It will drive the development and modernization of the payment system, promotes transparency and accountability, reduce transaction cost, etc.
9. Electronic payments will help business people grow their customer base and resource pool, far beyond the limitations of their immediate geographic area.

10. If stolen it is easy to block a credit card or a mobile wallet.

Difficulties of Digital payment system -

Availability of internet connections and financial security. Not enough people have smart phones, internet connections, or use it regularly, on a smart phone, which supports all languages.

1. Though bank accounts opened through Jan Dhan Yojana most of them are lying un operational. Unless people start bank accounts cashless economy is not possible.
2. India is dominated by small retailers. They didn't have resources to invest electronic payment infrastructure.
3. The process of making digital payments in India is not easy and it is time consuming.
4. Most card users fear that they will be charged more if they use card. Most of are not aware of the benefits of credit cards.
5. Most people have fear in the mind for online payments, due to hacking.
6. People may forget PIN.
7. Fear of someone can steal your credit, debit card.
8. Difficult to use mobile money for some people.
9. High risk of mobile theft.

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Jawahar Arts, Science & Commerce College,
Andur Tal. Tuljapur Dist, Osmanabad