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# FINANCIAL LITERACY AND DIGITAL PAYMENT SYSTEM IN INDIA

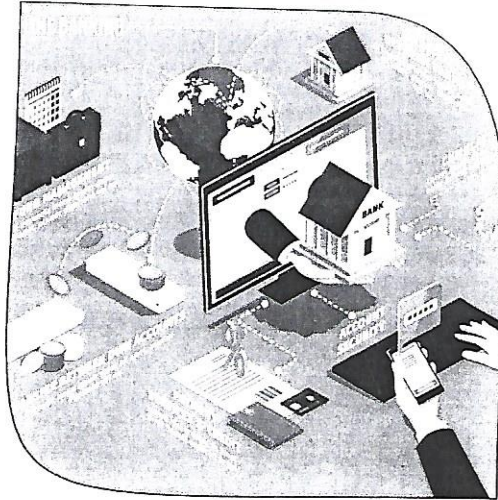
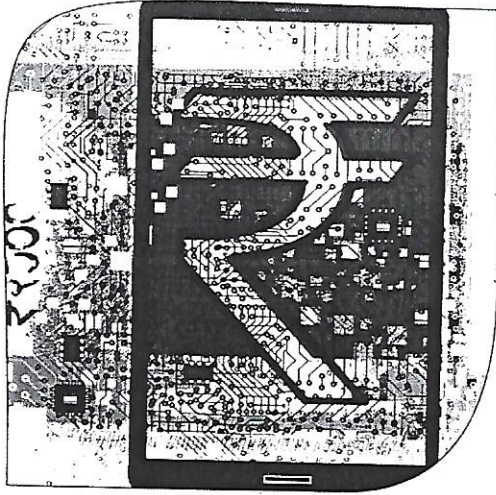
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## Impact Of Digital Payment System On Indian Economy

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### Introduction:--

The term digitalization means to deal money digitally with less use of hard form of money. Digital payment system refers to the electronic consumer transactions that include payments of goods and services through online means. Digital payment system promotes the cashless transaction and leads to create cashless society. 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. This was reflected most of the people are rushing to cashless transactions. Cashless 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.

There are different methods to pay electronically like prepaid cards, NEFT, RTGS, mobile banking etc. Prepaid cards are the plastic cards with a unique identity number. The customer must have access to bank account if he wants to prevail the service of prepaid cards. Mobile banking is a service provided by a bank or financial institution that allows its customers to perform banking transactions using an electronic device connected with internet such as mobile phones or tablets. Electronic payment system has benefits for both buyers and sellers. Bank provides large number of services which may help to accept digital payment system. These services includes ATM, Debit cards, Credit cards, Online banking, Phone banking, Immediate payment service (IMPS), National Electronic fund Transfer ( NEFT), Real Time Gross Settlement (RTGS) etc. Financial service providers such as Paytm, Google pay, Mobikwik, Phonepay, Amazon pay, Free charge, Oxigen, PayU money, Bhimupi, E-wallets, IndiaBankBazar, etc..

### Objectives:-

- 1) To study the use of digital payment system
- 2) To study the impact of digital payment system

### 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.

For digital payment system the following conditions must be fulfilled.

Financial Stability, Education level, Smart phones / Laptops & internet connections, Physical infrastructure etc.

### Instruments of 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 implemented 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, Debit Cards, Credit Cards, Net Banking, Mobile Wallets etc.

#### Advantages of Digital payment System:-

Digital payments have emerged as an important tool for advancing financial inclusion because it lowers the cost of providing financial services to poor people and increases the safety and convenience of using savings, payments and insurance products.

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.

#### Impact of Digital Payment system on Economy:-

The impact of the digital economy will affect a lot to the rural economy. Following are the impacts of digital payment system on Indian economy.

- 1) Job opportunities increased
- 2) Better tax compliance
- 3) E-Commerce business widely increased
- 4) Online payments of Govt. taxes increased
- 5) Online payments of various bills like Electricity bill, mobile recharge, Municipal taxes, etc increased
- 6) Reducing Black money at some level
- 7) Reduction in expenditure of printing cost
- 8) Money transfers
- 9) Reducing rush in Banks
- 10) Adopting more people digital payments.

#### Conclusion:-

Cashless economy is that form of economy wherein market all types of transactions happens with the help of debit or credit cards and electronic payment gateways without any involvement of physical form of money. No Country can be cashless country. It should be less cash country. The Indian Government is supporting digital payment system a lot. It has reduced some taxes and announced incentives for digital payment system. Now a day's more people are showing interest in digital payments. Still India not becomes cash less but we should give more emphasis on making India a less cash society. Now a days we are using various apps for making payments such as electricity bill, Mobile recharge, purchases on e commerce, telephone bills, recharge of dtch, money transfers, etc. There is remarkable growth found in digital payments in last three years. People are proactively adopting new methods of digital payments and also hoist the usage of new digital payment modes over old digital payment modes. In future it will increase the such transactions in India and it will certainly facilitate development of economy at higher growth rate in future.

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