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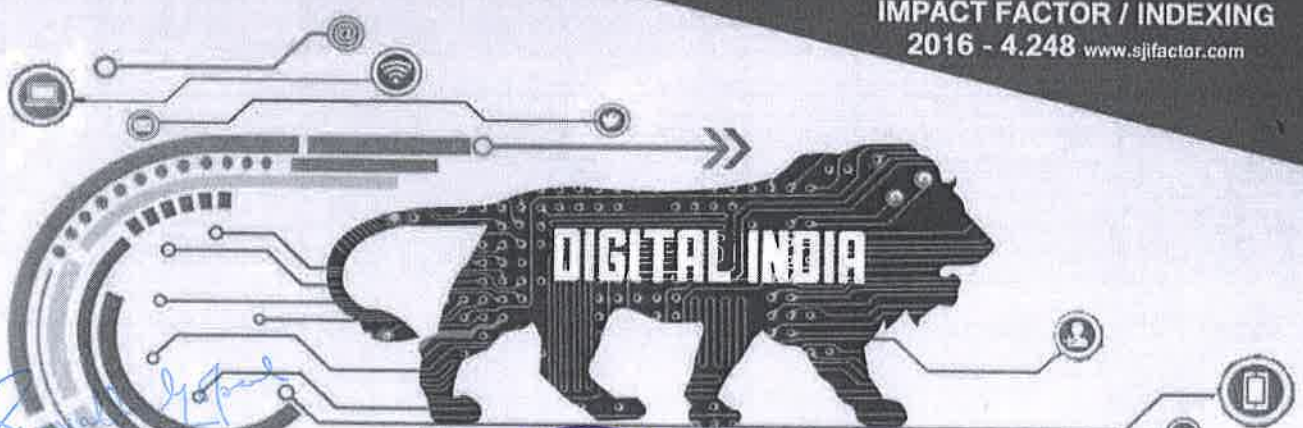
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Current Scenario in Digital Payment System “Demonetization – A Success for Digital Payments”

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Abstract

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency. An e-commerce **payment system** facilitates the acceptance of **electronic payment** for online transactions. Also known as a sample of **Electronic Data Interchange (EDI)**, e-commerce **payment systems** have become increasingly popular due to the widespread use of the internet-based shopping and banking. This article aims to explore demonetization in India, digital payment system and thus identify advantages. The paper discusses conceptual framework, digital payment platforms, instruments and services available in the economy and their robustness. The article also defines strategies to overcome the challenges faced by the economy in digitizing the financial system. This paper emphasizes on advantages and the suggestions that prove the Digital Payment System as very outsourcing and beneficial system which can be utilized by every person.

Keyword: Demonetization, Digital Payment System, Scenario.

Introduction

India's Demonetization

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency.

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Electronic Payment Framework in India

Electronic payment system and mechanisms were existing in India. National Payments Corporation of India (NPCI) promoted by RBI was brought into existence to promote retail payment systems by providing access to standard payment mechanism to common man in 2008. The range of products offered by NPCI are,

National Financial Switch (NFS) was developed by Institute for Development and Research in Banking Technology (IDRBT) in 2004. NFS provides a network of ATMs across India.

- **National Automated Clearing House (NACH)** facilitates high volume inter-bank electronic transactions like electricity bills, water bills, salary etc which are recurring in nature. The government has created a terminal called NACH's Aadhaar Payment Bridge (APB) System to provide subsidies to the poor under Direct Benefit Transfer Scheme.
- **Immediate Payment Service (IMPS)** was launched in November 2010, as a 24/7 instant interbank fund transfer platform through mobile phones.
- **RuPay** a term coined from two words "rupee" and "payment" is a domestic card scheme launched by NPCI in 2014, to fulfill RBI's vision.
- **Cheque Truncation System (CTS)** commenced in 2010 to ensure faster payments of cheques by stopping the physical movement of cheques. The CTS works by capturing the image of the cheque and magnetic ink character recognition (MICR) and transmitting it to the other bank.
- **Aadhaar Enabled Payment System (AePS)** is a model developed by RBI, NPCI, UIDAI, IDRBT and some other representatives of banks and research institutions, to enable bank transactions like balance enquiry, cash withdrawal, cash deposit and Aadhaar to Aadhaar funds transfer. These organizations have also enabled transactions on PoS (microATMs) and are further working on to make the system work smoothly.
- **Unified Payments Interface (UPI)** which was launched in April 2016 is an electronic fund transfer platform which can be operated 24/7 for 365 days of the year. It is operated on a mobile platform. The UPI app powers the multiple bank accounts to operate on a single platform. It operates on a virtual payment address. Per transaction cost of UPI is only Rs.0.5 while in case of IMPS transactions it is Rs.5.
- *99# is a payment service provided by GoI in 2014, as a part of Pradhan Mantri Jan Dhan Yojana (PMJDY). This service was proposed to cater common man as it can be

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operated through any featured mobile phone and doesn't require internet connectivity. The key services offered by *99# are, Account Balance, Mini statement, send money using MMID, send money using IFSC, send money using Aadhar Number, show MMID, change M-PIN, generate OTP. *99# service works on Unstructured Supplementary Service Data (USSD) technology, a service is provided by Telecom Service Providers (TSPs) on all GSM mobile phones. The transactions through this service can be done only in banking hours and per transaction cost is Rs.1.5.

- **BHIM** is a new digital payments app based on the Unified Payments Interface (UPI). The app is currently available only on Android; so, iOS, Windows mobile users etc. are left out. BHIM is also supposed to support Aadhaar-based payments, where transactions will be possible just with a fingerprint impression.
- **E-wallets** allow people to transact online by using any electronic gadget like computer or a smartphone. Post demonetization move in India on 8th November 2016, the RBI has promoted the national banks to create their own wallets and thus wallets like SBI-Buddy came into existence.
- **Paytm** is an e-wallet company in India has further got license to enter in the domain of payment banks.
- **Other private e-wallet companies like Freecharge** - Freecharge is e-wallet service provider along with mobile recharge facility.
- **MobiKwik** is an e-wallet company.
- **IndiaBankBazaar.com** provides an online platform for loans and insurance products.
- **Lendingkart, Policy Bazaar and VistaarFinance** are an online lending platform for SMEs.
- **Capital Float** is an online lending platform for working capital finance to SMEs.

Suggestions to Improve Digital Payments System

Keeping in view the problems faced by public after demonetization and government promoting digital payment systems rather than using cash. Indian government has to take various measures to overcome this situation and to make public use more digital methods. Some of these are discussed hereunder:

- Internet connectivity should be available everywhere. The connectivity should have adequate bandwidth and should be available free or at cheapest rates.

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□ Cyber Security framework must be strengthened by the government. There were many cases which reported that security has been breached and the personal data of many customers has been taken out. The website of IRCTC, Canara Bank was also breached. The legal framework should be quick enough to punish the culprits as well as proper IT mechanism should exist to avoid any frauds and to ensure the security.

□ Mobile network availability should be available in villages and remote areas also.

□ Financial and digital literacy will be an important step in improving the situation. Common man should be informed and educated about various financial instruments and use of mobile technology to access banking facilities.

□ Awareness to be created amongst public to use digital technology and mobile apps. Government should try to build confidence and trust among the public.

Conclusion

Demonetization was done to curb black money in Indian economy. Digital payment systems were existing earlier also in India, but now government is encouraging people to use digital medium of transaction rather than cash, because of limited supply of currency. The initiative by the government to back the bank accounts by biometric aadhaar authentication numbers is a move which has lasting effects. The biometric backed bank accounts not only makes the system fool proof but also serves as an excellent instrument for illiterate people to make payments with just their thumbprints. There are some problems for public to use cashless digital methods at present. But government can create awareness, build trust, provide cyber security framework and provide necessary infrastructure to make it possible for public to adopt digital payment systems.

This data and the analysis of the scenario throughout the paper makes us realize that the DPS has successfully lead the way out to black money. Even the simplest of the technologies can be applied to the use by common people and made them to utilize online systems proving more secure and hassle-free.

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