

## (IJ -04) An Analysis of the Digital Payments System in India

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### **Abstract**

India is a cash dominated and cash dependent economy. Demonetization forced Indians towards opting and trusting digital payments. In the post demonetization period people came to know that digital payment methods are often easy to make, flexibility and convenient to make payments anytime and anywhere. Indian economy is in the pace of replacing traditional methods of payment with digital payments to accelerate and speed up the transactions in its financial system. Digital payments are vivid range of instruments used in different ways for making payments. Users adopt them according to their need and convenience. This paper makes an attempt to analyze the trends of various digital payment modes available in India and to identify if there is an impact of demonetization on digital transactions. There are number of modes of digital payment systems available in India that is Real Time Gross Payment System (RTGS), National Electronic Funds Transfer System (NEFT), Cheque Truncation System (CTS), Immediate Payment System (IMPS), NACH's Aadhaar Payment Bridge (APB) System, Unified Payments Interface (UPI) and others. From the study it can be concluded that there is an increase in the usage of Retail electronic clearing in the form of NEFT, IMPS and NACH as compared to paper clearing. Card payments are extensively being at POS. Due technological advancement there is an increase in usage of m-wallets and mobile banking. Recently launched digital payment systems such as AEPS, BBPS and UPI have also shown an increasing trend in its usage. With use of demonetization as a dummy variable it is found that there is a significant impact of demonetization on the volume of digital payments in India with an R-square of 73.77%.

### **INTRODUCTION**

From being primarily a cash-obsessed economy, India's digital payment story is new but exciting. Driven by progressive regulatory policies and increased use of mobile internet, Indian payment industry is going through a transformational phase. The next few years will witness a whole new way of how money is moved in the Indian economy.

India is a cash dominated and cash dependent economy. Demonetization forced Indians towards opting and trusting digital payments. In the post demonetization period people came to know that digital payment methods are often easy to make, flexibility and convenient to make payments anytime and anywhere. Indian economy is in the pace of replacing traditional methods of payment with digital payments to accelerate and speed up the transactions in its financial system. Digital payments are vivid range of instruments used in different ways for making payments. Users adopt them according to their need and convenience.

The digital payment industry is gaining momentum and is projected to grow at an exponential rate. 81 per cent of existing digital payment users prefer the medium over other non-cash payment methods like cheques or demand drafts. Online shopping, payment of utility bills (like electricity, mobile bills, water bills, etc.) and movie tickets are the three things that an Indian user primarily pays for through digital platform. An interesting angle to India's digital payment story is that it is going to be dominated by micro transactions (transactions of value lower than Rs 100). In fact, 50% of person-to-merchant transactions are to be under Rs.100, as per the Google-BCG report.

This exponential growth of the digital payment sector is driven by multiple factors including convenience to pay, the ever-growing smartphone penetration, rise of non-banking payment institutions (payments bank, digital wallets, etc.), progressive regulatory policies and increasing consumer readiness to the digital payment platform. Another key driver of digital payments is positive policy framework changes and government initiatives like launch of new payments systems like - UPI, Aadhar linked electronic payments and improvement of the digital infrastructure. The convenience to pay along with the availability of lucrative offers, are two key factors that have been driving the growth of digital payments in India.

### **LITERATURE REVIEW**

Mishra (2017) in her study found that Government is decided to set digital targets for banks and payment firms. The government has taken a holistic approach to digital banking, looking at ways to incentivize train merchants and customers who use digital platforms, food and civil supply with the five lakh ration shops. Government is also planning to educate people well about digital payments. The process of demonetization was not properly planned. Planning for making India truly digital has begun only post demonetization. Joshi (2017) The paper made an attempt to study the trend in various modes of digital payments like NFS Inter Bank ATM Cash Withdrawal, NACH, CTS, IMPS, AEPS, BBPS, UPI, BHIM(UPI) and NETC in last three years. In the study it was found that in previous two years (2015-16 and 2016-17) and especially during the year 2017-18 (up to July 2017) there is remarkable growth in digital payment in volume and value both.

Bhakta (2017) noted that digital payments grew 57% year-on-year in the last fiscal with mobile wallets more than doubling and card payments rising 44%, helped by a strong government push particularly after the demonetization. He had also reported Aadhaar-enabled payment systems and the government-backed, Unified Payments Interface (UPI), have crossed transaction of 8.8 billion. In his article he has also covered details found in interview with AP Hota, MD, NPCI. He reported that hope in increasing in UPI as use of RuPay card is increasing will help to achieve target of 25 billion transactions. 1 lakh BharatQR codes that have been distributed across merchant outlets this year and they have plan to do another additional 93,000 the coming year. RuPay cards had 195 million transactions at PoS terminals and around 87.5 million transactions for online transactions

Bhakta and Variyar (2017) reported that The Ratan Watal committee recommend proper measures for encouraging digital payment in India, may have envisaged a rosy picture for digital transactions and recommended sweeping changes to regulation

around payments. But industry executives and experts felt that the report was extremely futuristic and almost verges on wishful thinking as several recommendations are likely to face implementation issues.

Agarwal and Variyar (2017) reported in their article that in Budget our finance minister Arun Jaitley encouraged digital payments and announced a mission targeting at least 2,500 crore cashless transactions in 2017-18 through payment modules such as the government's Unified Payments Interface (UPI) and Aadhaar Pay. The biometrics-based payments system will be launched shortly, for which banks will be encouraged to roll out 2 million Aadhaar-linked payments terminals by September. He also put a proposal to mandate all government receipts through digital means beyond a limit is also under consideration.

Variyar (2017) reported issues of digital payment did not consider in Budget 2017. Such issues were: costs of incentivizing digital payments should be borne by government and RBI and not customers or financial intermediaries. Other issue was interoperability and open access to payment systems by non-bank payment service providers emphasized by Ratan Watal Committee. She also reported an issue related to role of NPCI.

Ravi (2017) in his study found great scope of digital payment in rural India as it is faster and cheaper. He also argued that NPCI had developed new payment application, which are designed to work on all phones with or without internet and even without phones is helping rural India. He also emphasized on advantages of new digital payment system like: reduction in transaction cost, development of IT act in support of digital payment system, scope for development of ICT in India and ease in day settlement for merchants and small retailers.

Kumari and Khanna (2017) mentioned that cashless economy initiative will be of significant benefits to developing economy; hence the cashless system will be helpful in the fight against corruption and money laundering. One most significant contribution of the cashless economy is that it is expected to reduce the risk associated with carrying cash like loss of cash, theft and armed robbery, which will drastically reduce. They have also put an argument about positive relationship between cashless and economic growth.

### **OBJECTIVES OF THE STUDY**

1. To analyse the trends of different modes of digital payment systems in India.
2. To study the impact of demonetization on the volume of use of digital payments.
3. To analyse benefits and drawbacks of using digital payment system in India

### **RESEARCH METHODOLOGY:**

Secondary data has been used for this data. OLS regression model has been used to study the impact of demonetization on usage of digital payments for a period of 10 years from 2009 to 2019. A dummy variable is created which represents the event of demonetization. The accessible secondary data is intensively used for research study

### **OVERVIEW OF DIGITAL PAYMENTS IN INDIA**

The Payment and Settlement Act, 2007 has defined Digital Payments, as any "electronic funds transfer" that is any transfer of funds which is initiated by a person by way of instruction, authorization or order to a bank to debit or credit an account maintained with that bank through electronic means and includes point of sale transfers; automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and, card payment.

Segments of payment system

The payment system could be bifurcated into two main segments.

1. Instruments which are covered under Systemically Important Financial Market Infrastructure (SIFMIs),

2. Retail Payments.

Systemically Important Financial Market Infrastructure (SI-FMI)

It is defined as a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions.

Under this segment (SIFMI) there are four instruments of payments:

1. RTGS: Real Time Gross Settlement is defined as the continuous (real-time) settlement of fund transfers individually on an order-by-order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of fund transfer instructions occurs individually (on an instruction-by-instruction basis). This system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is Rs 2 lakh. For inter-bank fund transfer there is no floor.

1. CBLO: Collateralized Borrowing and Lending Obligation (CBLO) is a money market instrument developed by Clearing Corporation of India Ltd. (CCIL), introduced in 2003. This represents an obligation between a borrower and a lender to the terms and conditions of a loan. It also does not entail physical transfer of respective securities from borrower to lender or vice versa.
2. Government Securities: A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments.
3. Forex Clearing: The term 'Forex' stands for Foreign Exchange. In simple terms it is the trading in currencies from different countries against each other. In India the settlement of Forex transactions is done by CCIL which was started in 2002.

## Retail Payments

Under the Retail Payments segment which has a large user base, there are three broad categories of instruments.

They are (1) Paper Clearing, (2) Retail Electronic Clearing, (3) and Card Payments. The instruments under these three categories are discussed below:

### (1) Paper Clearing

- Cheque Truncation System (CTS): CTS or online image-based cheque clearing system is a cheque clearing system undertaken by the Reserve Bank of India (RBI) for faster clearing of cheques. It eliminates the associated cost of movement of physical cheques.
- Non-MICR: The Non-MICR clearing refers to the process of manual clearing of cheques where the cheque is physically moved between the bank branches/banks for clearing. MICR (magnetic ink character recognition) is a technology used to verify the legitimacy or originality of paper documents, especially checks.

### (2) Retail Electronic Clearing

- ECS DR/CR: ECS (Electronic Clearing System) is an electronic mode of payment / receipt for transactions that are repetitive and periodic in nature. DR/CR is 'Debit Record or Credit Record'. ECS facilitates bulk transfer of monies from one bank account to many bank accounts or vice versa. ECS includes transactions processed under National Automated Clearing House (NACH) operated by National Payments v Corporation of India (NPCI).
- NEFT: National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the scheme.
- IMPS: Immediate Payment Service (IMPS) offers an instant 24X7 interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM. It is offered by National Payments Corporation of India (NPCI).
- UPI: Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- BHIM is an app that lets you make simple, easy and quick payment transactions using Unified Payments Interface (UPI). You can make instant bank-to-bank payments and Pay and collect money using just Mobile number or Virtual Payment Address (VPA).
- \*99#: USSD based mobile banking service of NPCI was initially launched in November 2012. The service had limited reach and only two TSPs (Telecom Service Provider) were offering this service i.e. MTNL & BSNL. Understanding

the importance of mobile banking in financial inclusion, \*99# was dedicated to the nation by Hon'ble Prime minister on 28th August 2014, as part of 'Pradhan Manti Jan Dhan Yojna'.

- USSD (Unstructured Supplementary Service Data) is a Global System for Mobile (GSM) communication technology that is used to send text between a mobile phone and an application program in the network.
- NACH: "National Automated Clearing House (NACH)" is a service offered by NPCI to banks which aims at facilitating interbank high volume, low value debit/credit transactions, which are repetitive and electronic in nature. It allows participating banks for centralized posting of inward debit/credit transactions and is run by NPCI.
- AEPS is a bank led model which allows online interoperable financial inclusion transaction at PoS (MicroATM) through the Business correspondent of any bank using the Aadhaar authentication
- BBPS is a one-stop payment platform for all bills providing an interoperable and accessible "Anytime Anywhere" bill payment service to all customers across India with certainty, reliability and safety of transactions. The payment modes options facilitated under BBPS are Cards (Credit, Debit and Prepaid), Account transfer, IMPS, Internet Banking, UPI, Wallets, AEPS and Cash. It also provides instant confirmation of payment via an SMS or receipt
- BQR is Person to Merchant (P2M) Mobile payment solution. Merchants need to display QR codes in their premises. User can scan these QR via BQR enabled mobile banking app and pay using Card linked account / VPA / IFSC + Account / Aadhaar.
- NETC is national wide cashless payments of toll fee with nationwide inter-operable network

### (3) Card Payments

- Credit Card: A credit card is a card issued by a financial company which enables the cardholder to borrow funds. The issuer pre-sets borrowing limits which have a basis on the individual's credit rating.
- Debit Cards: A debit card is a payment card that deducts money directly from a consumer's bank account to pay for a purchase and eliminate the need to carry cash or physical checks to make purchases.
- Pre-Paid Instruments (PPIs): PPIs are payment instruments that facilitate purchase

of goods and services, including financial services, remittance facilities, etc., against the value stored on such instruments.

## **EVOLUTION OF DIGITAL PAYMENTS IN INDIA**

India's digital payments system - has been evolving robustly over the past many years, spurred by developments in information and communication technology, and fostered in consonance with the path envisioned by the Reserve Bank of India.

Important milestones attained in process of development of the payments system include:

- Introduction of MICR clearing in the early 1980s. It is online image-based

cheque clearing system where cheque images and magnetic ink character recognition (MICR) data are captured at the collecting bank branch and transmitted electronically.

- Electronic Clearing Service and Electronic Funds Transfer in the 1990s.
- Issuance of credit and debit cards by banks in the 1990s.
- National Financial Switch in 2003 that brought about interconnectivity of ATMs across the country.
- RTGS and NEFT in 2004.
- National Payments Corporation of India (NPCI) was established in 2008–has been spearheading the development of the retail payments system
- Cheque Truncation System (CTS) in 2008. Cheque Truncation System (CTS) or Image-based Clearing System (ICS) is for faster clearing of cheques. Cheque truncation means stopping the flow of the physical cheques issued by a drawer to the drawee branch.
- 'Card not present' transaction in 2009. It is most commonly used for payments made over Internet, but also mail-order transactions by mail or fax, or over the telephone.
- New RTGS with enhanced features in 2013 that required banks to adopt ISO 20022 standard messaging formats. The objective of introducing ISO 20022 standard message format for payment system is to bring about standardisation in the messaging formats for various payment systems in the country and to conform to international standard.
- Non-bank entities have been introduced in the issuance of pre-paid instruments (PPI), including mobile and digital wallets. BHIM (Bharat Interface for Money) is a mobile payment App developed by the National Payments Corporation of India (NPCI), based on the Unified Payments Interface (UPI).

These developments capture the evolution of the Digital Payments ecosystem in the country.

## **ANALYSIS OF VARIOUS DIGITAL PAYMENT MODES IN INDIA**

### **1) PAPER CLEARING**

Paper clearing is a medium of retail payments. It includes cheque clearing systems that is CTS and NON-MICR. CTS refers to Cheque Truncation System which is online image-based cheque clearing system and Non-MICR refers to the process of manual clearing of cheques. From the following paper clearing analysis for a period of last five years there is a decreasing trend in the usage of Non-MICR clearing, while the usage of CTS clearing has shown an increasing trend till 2018-19 while it has decreased to 882.98 lakhs in 2019-20

Table 1. Paper Clearing (Volume in Lakhs)

	CTS	Percentage Change	NON MICR	Percentage Change
2015-16	798.66	-0.67 %	114.99	-34.05
2016-17	926.55	16.01 %	79.03	-31.27 %
2017-18	948.37	2.36 %	27.72	-64.92 %
2018-19	920.46	-2.94 %	10.45	-62.30 %
2019-20	882.98	-4.07 %	2.76	-73.63 %

Source: Authors Compilation

## 2) RETAIL ELECTRONIC CLEARING

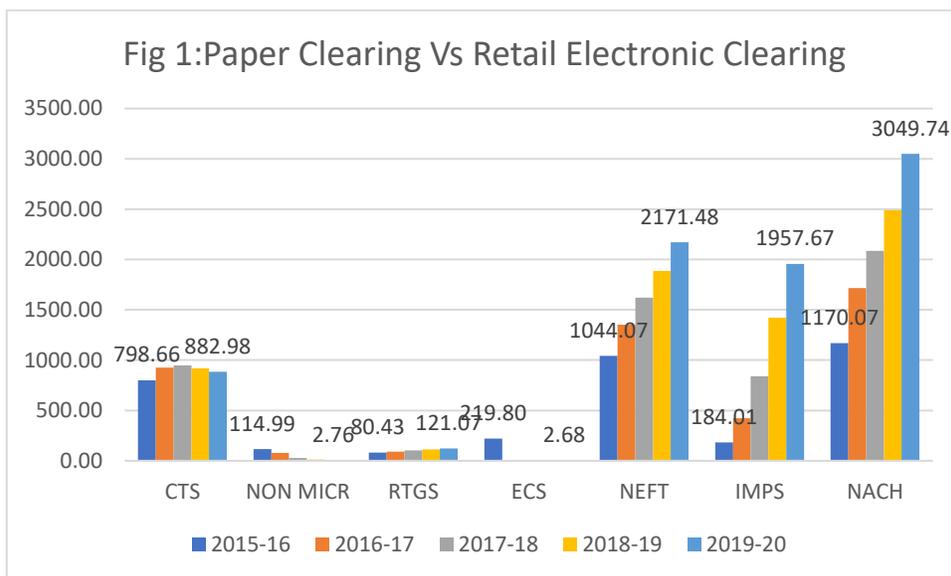
The retail electronic clearing is online mode of payments which includes RTGS(Real Time Gross Settlement, ECS (Electronic Clearing System) , NEFT (National Electronic Fund Transfer), IMPS(Immediate Payment Service), NACH (National Automated Clearing House). During the study period it has been observed that the usage of RTGS, NEFT, IMPS and NACH have shown an increasing trend while the usage of ECS has decreased over the years

Table 2. Retail Electronic Clearing

	RTGS	% Change	ECS	% Change	NEFT	% Change	IMPS	% Change	NACH	% Change
2015-16	80.43	4.04	219.80	-22.73	1044.07	35.07	184.01	181.74	1170.07	312.76
2016-17	89.88	11.75	6.40	-97.09	1351.75	29.47	422.28	129.48	1714.39	46.52
2017-18	103.71	15.39	6.40	0.00	1621.96	19.99	841.50	99.28	2086.22	21.69
2018-19	111.81	7.80	5.46	-14.62	1887.73	16.39	1420.66	68.83	2491.56	19.43
2019-20	121.07	8.29	2.68	-50.91	2171.48	15.03	1957.67	37.80	3049.74	22.40

Source: Authors Compilation

A comparison has been made between the paper clearing and retail electronic clearing modes of payments.



Source: Authors Compilation

As per figure: - 1 it can be analysed that there has been a tremendous growth in the usage of NEFT from 1044.07 lakhs to 2171.48 lakhs, IMPS significantly increased from 184.01 to 1957.67 lakhs, NACH rose from 1170.07 lakhs to 3049.74 lakhs, while the usage of Non MICR reduced. Therefore, the usage of electronic clearing is highly being preferred as compared to the old method of paper clearing.

### 3) CARDS

Cards payment is another mode of payment which is classified into two types that is debit and credit card. A debit card is card wherein the customer uses funds from his own account while a credit card is a form of loan wherein the bank gives you a amount on which interest is charged. A debit card as well as credit is used at the ATM and POS. as per the data collected the following tables show the usage of debit and credit card at ATM and POS.

Table 3 Debit Card Usage (Volume in Lakhs)

Debit Card	Usage at ATM	% Change	Usage at POS	% Change
2015-16	6727.82	15.39	978.01	45.23
2016-17	7135.88	6.07	1999.42	104.44
2017-18	7168.55	0.46	2786.16	39.35
2018-19	8152.90	13.73	3642.47	30.73
2019-20	8155.26	0.03	4232.41	16.20

Source: Author's Compilation

- From the above analysis on debit card usage, it is found that there has been a tremendous increase in the usage at POS as compared to ATM. Usage at POS has increased from 978.01 lakhs to 4332.41 lakhs. During 2016-17 there is an increase of 104.44 % usage at POS, a major contributor being Demonetization during this period.

Table 4 Credit Card Usage (Volume in Lakhs)

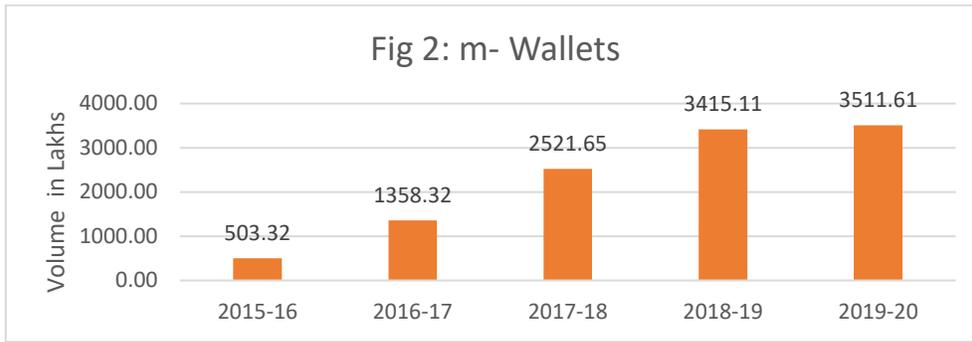
Credit Card	Usage at ATM	% Change	Usage at POS	% Change
2015-16	5.00	39.90	654.73	27.73
2016-17	5.31	6.24	905.94	38.37
2017-18	6.51	22.56	1170.97	29.25
2018-19	8.10	24.42	1454.71	24.23
2019-20	8.47	4.62	1776.18	22.10

Source: Author's Compilation

From the above analysis it is found that credit cards are also being used as instrument of payments. There is an increase over the years in the usage of credit cards at ATM as well as POS. At ATM usage has been increased from 5 lakhs in the year 2015-16 to 8.47 lakhs in the year 2019-20 and at POS usage has been increased from 654.73 lakhs in the year 2015-16 to 1776.18 lakhs in 2019-20.

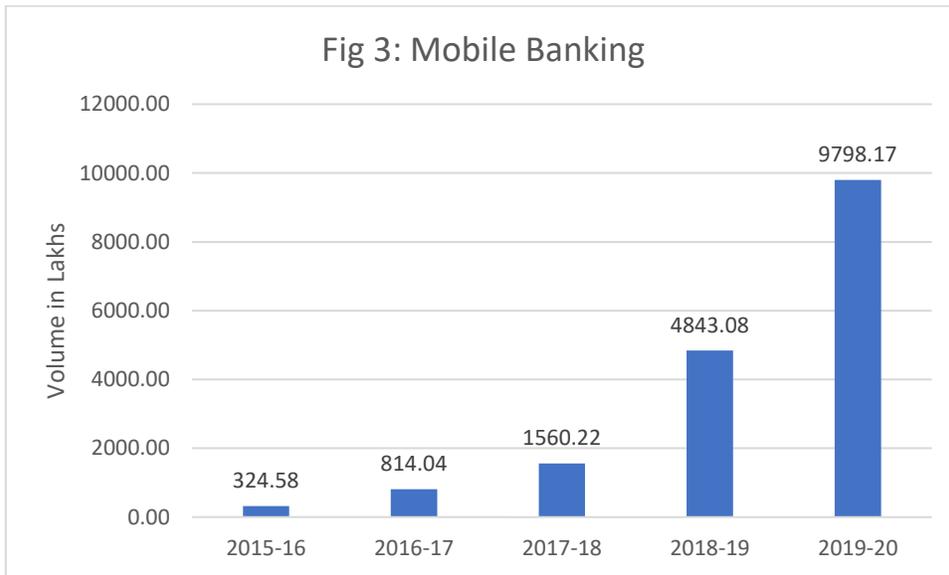
#### 4) M-WALLETS

Another mode of payment is the m-Wallets which is a prepaid instrument. With the advance of technology and increase in the use of smartphones m-wallets are being widely used. During the study there has been an increase in the use of m-wallets.



Source: Author's Compilation

#### 5) MOBILE BANKING

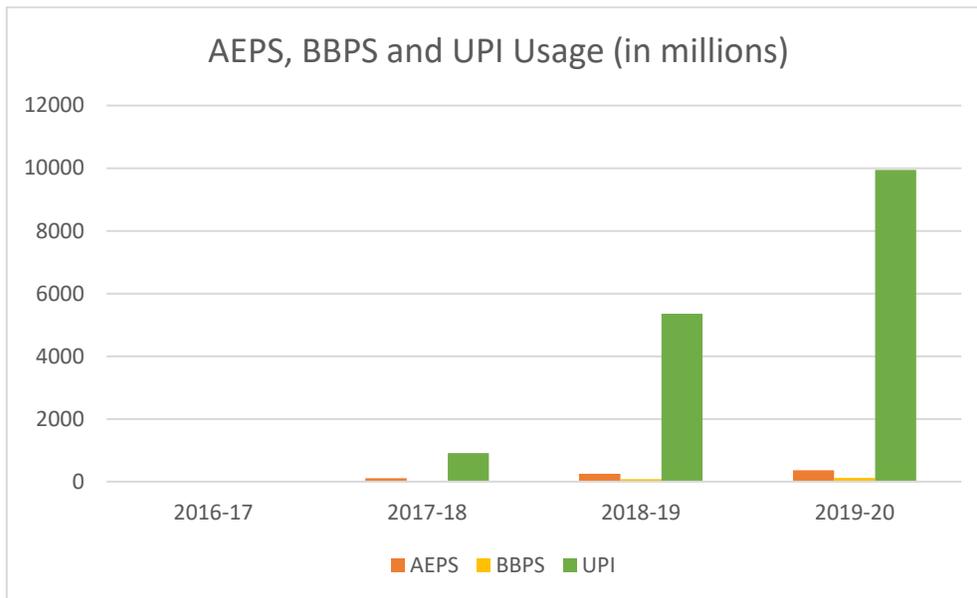


Source: Author's Compilation

Mobile banking is being widely used due to convenience and ease. It has shown a significant growth in usage during last 5 years.

It rose from 324.58 lakhs in 2015-16 to 9798.17 lakhs in 2019-20.

#### 6) OTHER DIGITAL PAYMENT PLATFORM



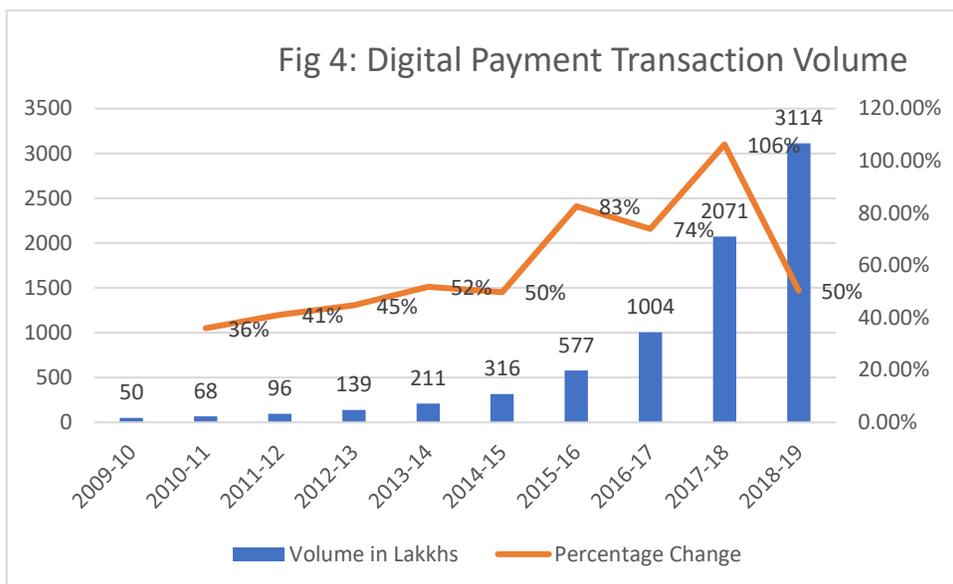
Source: Author's Compilation

From the above graph it can be analysed that AEPS (Aadhaar Enabled Payment System), BBPS ( Bharat Bill Payment System) and UPI (Unified Payment Interface) have shown a significant increase from 2016 to 2019. Usage of AEPS rose to 362.05 millions in 2019-20 from 16.29 million in 2016-17. While usage of BBPS was very low in the year 2016-17 , very high in 2019-20 with usage of 114.92 million.

Usage of UPI tremendously increased from 17.86 million in 2016-17 to 9946.08 million in 2019-20

#### OVERALL GROWTH IN DIGITAL PAYMENT TRANSACTIONS VOLUME

Over the years there has been a significant growth in digital payments as seen in figure 4. In the year 2010-11 the country seen 68 lakhs digital payment which kept increasing to 1004 lakhs in the year 2016-17. There was an increase from 36% to 74% usage in digital payment during year 2010 to 2016-17. Further increase of 104% is seen in the year 2017-18, wherein the usage increased to 2071 lakhs. This increase can be attributed to the demonetization effect, development of innovative digital payment platforms such as UPI, BHIM, payment service providers.



Source: Author's Compilation

#### Impact of demonetization on use of digital transactions

An regression analysis has been used to study the impact of demonetization on the usage of digital payment transactions in India.

$$Y = \alpha + \beta_1 X + e$$

Volume of digital payments (in lakhs) is taken as the dependent variable i.e 'Y' while the event demonetization which took place on 8<sup>th</sup> November 2016 is taken as the dummy variable i.e 'X'.

Table: OLS regression Model: Impact of demonetization on usage of digital transactions

	Coefficient	Std. Error	t-ratio	p-value	R-square	F-statistics
const	7654.98	431.786	17.7286	<0.00001***	0.737690	4.36e-36
Dummy	14564.5	799.513	18.2167	<0.00001***		

Source: Author's Compilation

From the above OLS regression output it can be analysed that the p-value is below 0.05 therefore the null hypothesis is rejected at 5% significance level that is demonetization has an impact on the usage of digital payments in India. The coefficient obtained for the dummy variable is 14564.5 which implies that there has been a positive increase in usage of digital payments. The R-square obtained is 73.77% which explains the model to have a significant impact. There has been a tremendous increase in the usage of digital payments by people in the post demonetization period. Indicating that India is moving from a cash-based economy to now a cashless economy.

## **BENEFITS OF DIGITAL PAYMENTS**

- a) Quick and convenient mode of payments:

The speed in the payment process with the no waiting time and convenience in handling the transactions is the ultimate advantage of digital payments.

- b) Low transaction handling cost:

The payment apps and UPI interface are free of cost and do not demand any charges from the users.

- c) Waivers, discounts and cash backs:

There are many rewards and discounts offered to customers using digital payment apps and mobile wallets. There are attractive cash back offers given by many digital payment banks, which motivate the customers to go cashless.

- d) Tracking of transactions:

Customers can have evidence of the transactions made by them and track the record of all the transactions made by them irrespective of its value.

- e) Platform for paying bills:

The digital payment systems have made a convenient platform for paying utility bills in a single click. Consumers are busy with their routine life, so they find it more convenient to make digital payments.

- f) No movement of physical currency:

Digital transactions will help the government keep a record of all the transactions. There by it eliminates circulation of black money and counterfeit notes in economy in its long run survival. The cost of maintain and minting to currency notes reduces on the part of government.

## **DRAWBACKS OF DIGITAL PAYMENTS**

The following are some of the challenges faced by India in the era of digital payments

- a) Literacy Rate in India: The literacy rate in India was at 74.04% in 2011, but the financial and computer literacy is much lower than this rate
- b) Risk of Security & Cyber Fraud: The problem of hacking, data theft, security breaches continue to reflect in the digital payment which is the main hindrance objecting users to trust the digital payments. A recent example is an attack on 3.2 million RuPaycard details stolen in October 2016.
- c) Privacy problems: Some users think that the data can be accessed by other parties and thereby they do not come forward to utilize the services of digital tools.

## CONCLUSION

Demonetization forced Indians towards opting and trusting digital payments. In the post demonetization period people came to know that digital payment methods are often easy to make, flexibility and convenient to make payments anytime and anywhere. Indian economy is in the pace of replacing traditional methods of payment with digital payments to accelerate and speed up the transactions in its financial system. Digital payments are vivid range of instruments used in different ways for making payments. Users adopt them according to their need and convenience.

The digital payment space is being transformed and the sector has witnessed tremendous growth, innovations, and regulatory support over the last two years. Such has been the changes that India has become the most evolved country when it comes to the digital payment ecosystem. The focus should be to keep the momentum going with more support from the government and innovations, safety, and convenience from the players.

From the study it can be concluded that Increase in the usage Retail electronic clearing in the form of NEFT, IMPS and NACH as compared to paper clearing. Card payments are extensively being at POS. Due technological advancement there is an increase in usage of m-wallets and mobile banking. Recently launched digital payment systems such as AEPS, BBPS and UPI have shown an increasing trend in its usage. The OLS regression model explains that demonetization have a significant impact on usage of digital transactions. there has been a tremendous increase in the usage of digital payments by people in the post demonetization period. Indicating that India is moving from a cash-based economy to now a cashless economy.

Convenience, ease, record of transactions by government, waivers, discounts and cashbacks are the advantages of digital payments. While disadvantages of digital payment are risk, cyber security, fraud, overspending and lower computer literacy.

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