

DIGITAL BANKING PRACTICES, PAYTM AND E-WALLET

Abstract-

Digitalization has made a tremendous growth in recent days with the use of internet and mobile phone. Increasing use of mobile, internet and government initiative such as “Digital India” are acting as catalyst that leads to tremendous growth in the use of digital payment electronics consumer transaction for product and services either through internet banking or mobile banking using smart phone or card payment are called as digital payment.

Digitalization has a major impact on increasing consumption pattern and changes in life style. The consumer perception of digital payment has a significant and positive impact on digitalization. This is a secondary data collected from internet. Digital banking is a part of the broader context for the move to online banking where banking services are delivered over the internet. The shift from traditional to digital banking has been gradual and remains ongoing/constant, and is constituted by differing degrees of banking service digitalization.

The Digital Banking helps the Businesses to easily transfer payments in their employee bank account. Some of the regular transfers can also be automated, and so the professionals are able to use their valuable time on something that is more important. Digital banking involves high levels of process automation and web-based services and may includes AIP’s enabling cross-institutional service composition to deliver banking products and provide transactions. It provides the ability for users to access financial data through desktop, mobile and ATM services.

Key words- Digital Banking, Paytm, E-wallet, Digital payment.

Introduction

The earliest forms of digital banking trace back to advent of ATM’s and cards launched in 1960’s. as the internet emerged in 1980’s with early broad band, digital networks began to connect retailers with suppliers and consumers to development needs for online catalogues and inventory software systems by 1990’s internet

became widely available and online banking stated becoming the norm. Internet banking arrived in India in the late 1990s. ICICI was the first bank to champion its usage and introduced internet banking to its customers in 1996. With lower internet costs and increased awareness about electronic media, online banking established itself only in 1999 the proliferation of smart phones through the next decade open the door for transactions on the go beyond ATM machines. Over the 60% of consumers now use their smart phones as the preferred method for digital banking.

Digital banking practice is the digitalization of all traditional banking activities and programmes that historically were only available to customers when physically inside of a bank branch. This includes activities like money deposits withdrawals and transfers. A digital banking service allows an individual to make electronic transactions. This can include purchasing items online with a computer or using a smart phone to purchase something at store. A Paytm wallet is an Indian payment system and financial technology company based out of Noida, India. As per the company over 7 million merchants across India use this QR code to accept payments directly into their bank account. Digitalization is improved vastly from e-commerce to m-commerce. E-commerce refers to commercial activities which are transacted with the help of electronic system whereas m-commerce refers to commercial activities which are transacted with the help of wireless computing devices such as cell phone or laptops.

BENEFITS OF DIGITAL PAYMENTS

- Faster, easier, more convenient-** perhaps, one of the biggest advantages of cashless payments is that it speeds up the payment process and there is no need to fill in lengthy information. There s no need to stand in a line to withdraw money from an ATM or carry cards in the wallet. Also, with the move to digital, banking services will be available to customers on 24/7 basis all days including bank holidays many services like digital wallet, UPI works on this basis.
- Economical and less transaction fee-** there are many payment apps and

mobile wallets that do not charge any kind of service fee or processing fee for the service provided. The UPI interface is one such example, where services can be utilized by the customer free of cost. Various digital payment system are bringing down the costs.

- Waivers, discount and cashbacks-** there are many rewards and discounts offered to customers using digital payment apps and mobile wallets. There are attractive cashback offers given by many digital payment banks. This comes as a boon to customers and also acts as motivational factor to go cashless.
- Digital record of transactions-** one of the other benefits of going digital is that all transaction records can be maintained. Customers can track each and every transaction that is made, no matter how small the transaction amount this.
- One stop solution for paying bills-** Many digital wallets and payment apps have become a convenient platform for paying utility bills. be it mobile phone bills, internet or electricity bills, all such utility bills can be paid through a single app without any hassle.
- Helps keep black money under control-** Digital transactions will help the government keep a track of things it will help eliminate the circular black money and counterfeit notes in the long run. Apart from this, this may also give a boost to the economy as the cost of minting currency also goes down.

FEATURES/IMPORTANCE

- **Customer Service**

With internet freely available everywhere, all the customer needs to access his account is a device and internet connectivity. It saves him time and expense as he no longer has to travel to a bank to carry out transactions. He does not have to wait in unending queues only to find that he will have to go to a different counter to get his job done. Online services make it possible for him to sit in the comfort of his home or

office, or infact in a vehicle while travelling, and carry out transactions without having to wait for anything.

- **24/7 availability**

The customer is able to check his bank records anytime he wishes and a number of banking services are available to him round the clock. Transferring money is easier, quicker and safer.

- **Time constraint**

A number of services required waiting for understandable periods. Banks had boards put up at their branches specifying the time required for different services. Even simply cashing a cheque took time but with digital banking it is instant, with no time constraints.

- **Online bill payments**

This is a feature that saves the customers a lot of time and expense. Customers do not have to carry cash and queue up to pay their utility bills or other bills.

- **Lower overheads**

Digital Banking has drastically reduced the operating costs of banks. This has made it possible for banks to charge lower fees for services and also high interest rate for deposit. Lower operating costs have meant more profits for the banks.

- **Banking Benefits**

With the increased convenience of anytime, anywhere banking, the number of customers has increased for banks. Human error in calculations and record keeping is reduced, if not eliminated. With records of every transactions being maintained electronically, it is possible to generate reports and analyse data at any point, and for different purposes.

DIGITAL BANKING TRENDS IN INDIA

Digital India in the banking sector has grown sharply in recent times. Some trends we see in digital banking in India are:

1. Increase in customers:

The government's encouragement to use electronic wallets has contributed much to people adopting the use of technology in financial transactions. We see a rapid increase in the use of credit/debit cards as well as electronic wallets.

2. Chatbots:

A number of banks have already employed chatbots in their customer care operations. We will see a steady increase in the number of chatbots employed as well as improvements in their speed of response, quality of interactions and the quality of services rendered.

3. Merge physical and digital process:

Many banks today offer a mixed physical and digital process to their customers. The customers could walk into the bank and then use devices there to carry out their transactions. In the Indian context we will certainly see a steady increase in this kind of service especially in the rural areas.

4. Mobile technology:

The proliferation of mobile phones and the easy and cheap availability of internet has meant that the banking sector had to provide digital service via mobile phones. A number of banks have developed apps to help customers handle banking transactions on their mobile phones.

5. End to End digital marketing:

A number of customers are already using devices to handle their banking tasks. Banks have come to realize that digitalization is the only way forward. Hence a number of banks already started on the path of end to end digitalization, in their effort to provide all kind of services over the internet, resulting in paper list transactions.

SCOPE OF DIGITAL BANKING IN INDIA

a. Education:

A lack of knowledge about banking in itself is a hurdle for many. Also, many parts of India still struggle with a low literacy rate. The lack of knowledge about computers and the use of internet is a challenge.

b. Fear:

There are a number of unfounded fears individuals about the use of the internet. Cases of fraud are often blown out of proportion, and this adds to the fear factor, resulting in a number of ill-informed customers being nervous to use digital banking.

c. Training:

There is much resistance from within the banking industry itself. Employees are not trained in the use of innovative technology. They are unable to utilize different features of digital banking and hence are wary about its implementation. This have been said, the challenges are steadily being overcome.

OBJECTIVES

- Increase the efficiency of banks and their employees
- Improves customer relationship
- Reduces cost of operation
- Reduces the chances of error
- High level of accuracy
- Prevention of fraud and cybercrime
- Convenient and simplified to customers
- Low time consuming
- Payment is simplified due to advanced digital banking methods
- Benefit to business

ADVANTAGES AND DISADVANTAGES OF DIGITAL BANKING

ADVANTAGES

- Transaction made easy
- Settlement of transaction in no time
- Complete access to your own account
- Eco-friendly
- Saving time
- Security
- Track the expenditure
- Attractive discounts

DISADVANTAGES

- International restrictions
- Limited Merchants
- Dependent on the devices
- Danger of losing your money
- Personal relationship with the bank is not established
- Issues with transactions
- Site disruption
- Site navigation
- Cross selling

TYPES OF DIGITAL PAYMENT METHOD IN INDIA

<u>Banking Cards</u>
<u>USSD</u>
<u>Aadhar Enabled Payment System(AEPS)</u>
<u>UPI</u>
<u>Mobile Wallets</u>
<u>Bank Prepaid Cards</u>
<u>Point of Sale (PoS)</u>

<u>Internet Banking</u>
<u>Mobile Banking</u>
<u>Bharat Interface For Money (BHIM)app</u>

- **Banking Cards:**

Cards are among the most widely used payment methods and come with various features and benefits such as security of payments, convenience, etc. The main advantages of Debit or Credit or Prepaid banking card is that they can be used to make other types of digital payments.

Example: customers can store card information in digital payment apps or mobile wallets to make a cashless payment. Some of the most reputed and well-known cards payment systems are Visa, Rupay and Master Card, other among.

- **USSD:**

Another type of digital payment method, can be used to carry out mobile transactions without downloading any app. These types of payments can also be made with no mobile data facility. This facility is backed by the USSD along with the national payments corporation of India (NPCI). The main aim of this type of digital payment service is to create an environment of inclusion among the under served sections of society and integrate them into main stream banking. This service can be used to initiate fund transfers, get a look at bank statements and make balance queries. Another advantage of this type of payment system is that it is also available in Hindi.

- **AEPS:**

Expanded as Aadhar Enabled Payment System, can be used for all banking transactions such as balance enquiry, cash withdrawal, cash deposit, payment transactions, Aadhar to Aadhar fund transfer etc. all transactions are carried through a banking correspondent based on Aadhar verification there is no

need to physically visit a branch, provide debit/credit cards, or even make a signature on a document. This service can only be availed if your Aadhar number is registered with the bank where you hold an account. This is another initiative taken by the NPCI to promote digital payments in the country.

- **UPI:**

UPI is a type of interoperable payment system through which any customer holding any bank account can send and receive money through a UPI-based app. The service allows a user to link more than one bank account on a UPI app on their smart phone to seamlessly initiated transfers any make collect request on 24/7 basis and on all 365 days a year. The main advantage of UPI is that it enables user to transfer money without a bank account or IFSC code. All you need is Virtual Payment Address (VPA). There are many UPI apps in the market and it is available on both android and iOS platforms. To use the service, one should have a valid bank account and a registered mobile number, which is linked to the same bank account. There are no transaction charges for using UPI. through this, a customer can send and receive money and make balance enquiries.

- **Mobile Wallets:**

A mobile wallet is a type of virtual wallet service that can be used by downloading an app. The digital or mobile wallet stores bank account or Debit/Credit Card information or Bank account information in an encoded format to allow secure payments. One can also add money to a mobile wallet and use the same to make payments and purchase goods and services. This eliminated the need to use Credit/Debit cards or remember the CVV or 4-digit pin. Many banks in the country have launched e-wallet services and apart from banks, there are also many private players. Some of the mobile wallet apps in a market are Paytm, Mobikwik, Freecharge, etc. The various services offered by mobile wallets include sending and receiving money, making payment to merchants, online purchases, etc. Some mobile wallets may charge a certain transactions fee for the service offered.

- **Bank Pre-paid cards:**

A prepaid card is a type of payment instrument on to which you load money to make purchase. The type of card may not be linked to the bank account of the customer. However, a debit card issued by the bank is linked with the bank account of the customer.

- **Pos terminals:**

Traditionally, PoS terminals referred to those that were installed at all stores where purchase were made by customers using Credit/Debit. It is usually a hand held device that reads banking cards. However, with digitalization the scope of PoS is expanding and this service is also available on mobile platforms and through internet browsers. There are different types of PoS terminals such as physical PoS, mobile PoS and virtual PoS.

- **Internet Banking:**

It refers to the process of carrying out Banking transactions online. These may include many services such as transferring funds, opening a new fixed or recurring deposit, closing an account, etc. Internet banking is also referred to as

e-banking or virtual banking. Internet banking is usually used to make online fund transfer via NEFT, RTGS or IMPS. Banks offer customers all types of banking services through their website and a customer can log his/her account using username and a password. Unlike visiting a physical bank, there are no time restrictions of internet banking services and they can be availed at any time and on all 365 days in a year. There is a wide scope for internet banking services.

▪ **Mobile Banking:**

Mobile banking is referred to the process of carrying out financial transactions/ banking transactions through a smartphone. The scope of mobile banking is only expanding with the introduction of many mobile wallets, digital payment apps and other services like the UPI. Many banks have their own apps and customers can download the same to carry out banking transactions at the click of a button. Mobile Banking is a wide term used for the extensive range or umbrella of services that can be availed under this.

▪ **Bharat Interface For Money (BHIM):**

The BHIM app allows users to make payments using the UPI applications. This also works in collaboration with UPI and transaction can be carried out using a VPA. One can link his/her bank account with BHIM interface easily. It is also possible to link multiple bank accounts. The BHIM app can be used by anyone who has a mobile number, Debit card and a valid bank account. Money can be sent to different bank accounts, virtual addresses or to an Aadhar number. There are also many banks that have collaborated with the NPCI and BHIM to allow customers to use the interface.

PAYTM WALLET VS PAYTM BANK

SERVICES	PAYTM WALLET	PAYTM BANK
NEED KYC?	NO	YES
SEND MONEY TO OTHER BANK	2%	FREE

TRANSACTION LIMIT	20 LAKH & 1 LAKH (KYC)	1 LAKH
INTEREST ON MONEY	0%	4% P. A
DEBIT CARD (VIRTUAL AND PHYSICAL)	NO	YES
INSURANCE, LOANS AND MUTUAL FUNDS	NO	YES
RBI POLICIES WITHDRAWAL	NO	YES
PAYTM PAYMENTS BANK (BETA VERSION) FOR TRANSFERING MONEY FROM E-WALLET TO BANK (PAYTM)	YES	NO
NET BANKING AND MOBILE BANKING	NO	YES

CONCLUSION:

I hereby conclude that Digital Banking system is safe with a proper precautions and it is reaching its growth day by day. Just after Demonetization E-wallets like Paytm and Mobikwik has got a boost up. Most importantly its very easy to use. It enables customer to pay from home using smartphone. It educates them and create awareness, enables people to capitalize the global market. As E-commerce market booming rapidly, we can expect more companies in the near future.

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