

# Digital Payment Mode: Reasons for growth and Hurdles in its way

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## ABSTRACT

Digital Payment Mode refers to the use of methods other than cash for payment. In Digital payment mode, payment is made by using digital modes for payment. There are various methods for digital payment such as debit card, credit card, mobile wallets etc. Digital payment mode is very convenient and an instant way for making payment. It saves time for both; the consumer and the receiver. But there are many factors which are creating a hurdle in the growth of digital payment mode such as Privacy issue, Lack of trust, Resistance to change and difficulty in using the system.

## 1. Introduction

### Meaning of Digital Payment Mode

Digital Payment Mode refers to the use of methods other than cash for payment. In Digital payment mode, payment is made by using digital modes for payment. Both sender/payer of money and receiver/payee of money use electronic modes for sending/paying and receiving the money. In Digital payment mode internet is used for performing the transaction and no hard cash is involved in this mode of payment. This system of payment is also known as electronic or cashless payment system.

Digital payment mode is very convenient and an instant way for making payment. In cash mode for payment, consumers use hard cash for making payment. If they don't have sufficient cash, they have to withdraw cash from their bank accounts for making the payment. Receiver of cash has to deposit it in his/ her bank account. So this process becomes time consuming for both; the consumer and the receiver. But if Digital payment mode is used money is transferred directly from the consumer/payer account to the receiver account. They need not to visit bank for withdrawing or depositing the money. In this way, use of Digital payment mode is an automatic process which saves time for both; the consumer and the receiver.

### Origin and Growth of Digital Payment Mode

The use of Digital payment mode in daily life is mainly considered from 1990s, with the popularization of electronic banking. By 2010, in many countries use of cashless payment mode was found to be widespread which was evident from widespread use of PayPal and digital wallet systems mainly operated by Apple, use of smartphones or electronic cards for payment and widespread use of electronic banking and electronic billing. By 2010, it was apparent that cash which was a favorable mode of payment was no longer favorable for some transactions. Apart from this because of ease of use of cash in financing of terrorism and money laundering, large amount of cash was treated with suspicion in some situations.

By 2016, an increment in use of cashless payment mode was reported in United Kingdom where it was found that 1 person out of 7 persons no longer uses or carries cash. It was claimed by Consumer Survey Study of United States in 2016 that only 11% respondents were preferring cash as their payment mode while 75% respondents were found to prefer debit card or credit card i.e. cashless payment mode for making their payments. Method of digital payment such as Square and Venmo also contributed towards the growth of cashless payment mode. By using Venmo, it was possible for individuals to pay directly to other individuals without making use of cash. Square was mainly for small businesses which helped them in collection of payment from clients. By 2016, in Sweden also only 2% of total value of transactions was found to be in cash and only 20% transactions of retail were found to be in cash.

In India, for making the country a digital one and empowering it in technology, a campaign named as 'Digital India' was launched by the Indian government. In 2016, after demonetization a mobile app namely BHIM (Bharat Interface for Money) has also been launched by Narendra Modi (the Prime Minister of India) to support digital payments and encourage Indians to go for cashless transactions. Apart from this, Indian government has also provided many incentives to encourage Indians to adopt cashless payment mode.

## 2. Literature review

1. **Birch (1999)** in his study titled "E-cash issues: electronic cash is not just about technology" found various drawbacks of cash such as cash being heavy, inequitable and expensive which caused a shift in economy from cash economy to digital economy. This study also found various problems associated with digital money such as tax evasion, new crime, money laundering, reporting of transactions, seignior age loss, foreign exchange and universal service. These issues required the control and regulations by the government.
2. **Amin (2007)** in his study titled "An analysis of mobile credit card usage intentions" examined various factors that were determining the intention of bank

customers for using mobile credit card. For this purpose data were collected from 108 respondents by using survey questionnaire method. By applying regression analysis it was found that perceived credibility (i.e. security in using credit card), perceived usefulness, perceived ease of use and amount of information on mobile credit cards are positively related with consumers' intention for using mobile credit cards.

3. **Teohet al. (2013)** in their study titled "Factors affecting consumers' perception of electronic payment: an empirical analysis" discovered the factors that were influencing consumers' perception for digital-payment. For this purpose data from 183 respondents were collected using questionnaire method. Data collection was done by using convenience sampling technique. By applying multiple regression analysis it was found that self-efficacy, ease of use and benefits had significant impact on the perception of consumers towards electronic-payment while trust and security had no significant impact on the perception of consumers towards electronic-payment.
4. **Shendgeet al. (2017)** in their study titled "Impact and Importance of Cashless Transaction in India" highlighted the importance and impact of cashless policy. The importance of cashless transaction includes transparency and accountability, lesser chances of evading tax, greater liquidity, reduction in bureaucracy and red tapism, no fear of robbery, no need of carrying bundle of notes and easier transactions. The impact of cashless transaction includes e-payment use has been increased, proper audit of concerns, businesses are becoming legally strong, security and transparency in transactions.

### 3. Objective

The paper has the following objectives:

1. To find out different methods for digital payment.
2. To find reasons for growth of digital Payment Mode.
3. To find Hurdles in growth of digital Payment Mode.

### 4. Research methodology

This study is mainly based on secondary data. Various journals, articles, websites and magazines have been used for the purpose of data collection. Descriptive type research design is adopted for achieving the objectives in this paper.

### 5. Digital Payment Methods

Digital Payment mode does not involve use of physical money for payment. This mode requires use of electronic medium for making payment. Consumers have various electronic/cashless methods such as debit card, credit card, mobile wallets etc. which can be used for making payment for the purchases.

#### • Debit card

Debit card is a digital method for payment. Consumers have an option of using debit card for their purchases. When payment is made by using debit card amount is debited from

the payer's (consumer's) account and immediately credited to the payee's (seller's) account. But use of debit card allows the customers to pay only that much amount, that they have in their bank accounts i.e. no credit facility is provided to the consumers as is provided in case of credit card.

#### • Credit card

Credit card is also a digital method for payment. Use of credit card is very simple. Customers have to enter number of their credit card and its expiry date for making the payment. Features of credit card are same as of debit card except that by using credit card consumers can pay extra amount by borrowing it from their bank. But there is a limit for this extra amount. Consumers can pay extra amount only up to their credit card limit.

#### • Net banking

Net banking is another digital method for payment. Consumers can use net banking option to pay for their purchases. Net banking makes it possible for customers to have access to their bank accounts and complete/make a transaction without visiting the bank physically. Consumers are also not required to have debit or credit card for using net banking facility but they are required to have account in the bank and also they have to register with their bank for availing the net banking facility. By entering net banking id and pin, consumers can pay directly from their bank accounts.

#### • Mobile Wallets

Mobile wallet or e-wallet is also a digital method for payment. This is a digital version of physical wallet. Money can be stored in mobile wallets like it can be stored in physical wallets. The money stored in mobile wallets can be used for various purposes such as for sending money to friends or someone else, for recharging the mobile, for paying various bills like electricity bill, water bill etc. and can also be used for payment of online purchases. Many a times cashback offers are also provided at the time of payment through these mobile wallets.

Mobile wallets are very popular now days. It is an easier and faster way of making payment. Registration on mobile wallets is a one-time process since after registering once on mobile wallets and creating a profile, consumers have no need to enter the details every time. There are various mobile wallets. Some of these are:

- Paytm
- MobiKwik
- JioMoney
- State Bank Buddy
- PayUMoney
- Citrus
- Citi MasterPass
- Freecharge

#### • UPI Apps

Unified payment interface (UPI) apps are also a digital mode for making payment. Consumers can use UPI apps for making payment of their purchases. Consumers can also transfer the funds by using UPI apps. For using the UPI app;

user have to first register on UPI app. For using the UPI app android phone is required. It is not essential for the users to have the UPI app of that particular bank where they have the account but any UPI app can be used for transferring and paying the money.

UPI apps are faster and easier way for transfer and making payment. Currently, there are many UPI apps available with the users. Some of these are:

- BHIM (Bharat Interface for Money )
- HDFC UPI app
- SBI UPI
- PhonePe app
- iMobile

## 6. Reasons for growth of digital Payment Mode

Marketing view of consumers is changing because of world being digitalized. Consumers now prefer purchase of products through the internet for which service of internet banking is required. There are various reasons which are driving online consumers to go for digital payment mode. These are:

- **Convenient and efficient:** Using digital payment mode is more convenient and efficient than cash mode of payment. Going cashless makes it unnecessary to draw cash and makes it possible to make the payment where only digital payment mode is accepted. Apart from this, cashless payment system also boosts up the speed of financial transactions and increases the efficiency in completion of transactions.
- **Easier tracking:** Transactions are recorded, as a result of use of digitalpayment mode. There is no need to note down the spending every time as digitalpayment methods automatically record this in passbook or in digital wallet apps. It facilitates tracking of expenditure and movement of money is also recorded. Thus, it is easy for consumers to maintain record, track their spending and plan their budget accordingly.
- **Easier and faster:** Digitalpayment system is faster than cash payment system as cashless payment system boosts up the speed of payment process. It makes it unnecessary for consumers to withdraw their money from ATM. There is no need to be concerned about change while using cashless payment mode. Apart from this, customers can pay on 24/7 basis and from any geographical location by making use of Aadhaar number or by using other cashless payment methods such as UPI, digital wallets etc.
- **Transfer or pay money from anywhere:** Digitalpayment mode allows us to transfer and pay money from any geographical location and at any time. Suppose, if someone need urgent money at mid-night, it is easy to transfer money by using various cashless payment methods such as UPI, digital wallets etc.
- **Less risk if used wisely:** If digitalpayment methods are used wisely, then use of digitalpayment methods is not so much risky. In case mobile phone or debit/credit card is lost there is no need to be much worried about use of mobile phone by others for

making payment; because other person cannot use the mobile phone or cards without knowing the PIN/MPIN or without entering the correct finger print. But one should get the card blocked in case card has been lost and it is also advisable to make a call at helpline number of e-wallet so that wallet account may be suspended at the right time to restrict others from using one's account.

- **Support by the government:** There is a lot of support by the Indian government in making the country a digital one. For making the country a digital one and empowering it in technology, a campaign named as 'Digital India' has been launched by the Indian government. A mobile app namely BHIM (Bharat Interface for Money) has also been launched by NarendraModi (the Prime Minister of India) to support digital payments and encourage Indians to go for cashless transactions.
- The government of India has also announced various incentives and a reduction in taxes to support digital payments. Apart from this, government has also launched a yojna namely DigiDhanVyapar for various shopkeepers and a yojna namely Lucky Grahak for various customers. These incentives and support by the government are driving the consumers to adopt digitalpayment mode.
- **Economical:** Using digitalpayment mode is very economical. Many apps are there which provide the facility of online payment without charging any fee for the facility provided. For example, UPI interface is available which provides the service of online transfer and payment at free of cost.
- **Cashbacks and discounts:** Various discounts and cashback offers are provided to consumers at the time of payment through mobile wallets or digital payment apps. These discounts and cashback offers work as motivating factor and encourage consumers to adopt digitalpayment mode.
- **Increased transparency:** When cashless payment mode is used, transparency is increased since financial transactions are being recorded every time. Increase in transparency is helpful for businesses as well as government bodies.

## 7. Hurdles in the Growth of DigitalPayment Mode

Every coin is having two sides, so as cashless payment mode. One side of digitalpayment mode consists of various benefits that make consumers to adopt digitalpayment mode while other side consists of various drawbacks which work as hurdles in the growth of digitalpayment mode and prohibit consumers from adopting digitalpayment mode. These are:

- **Privacy issue:** At the time of using digitalpayment mode, a record is left by cashless transactions in company's database. On the basis of this record, a company can predict the future spending by the consumer and a profile regarding consumer's spending can be made by the company. For making digitalpayments consumers have to use information like branch name, debit/credit card number etc. which creates an issue of privacy for consumers. Apart from this, since transactions are recorded automatically; it

is helpful for government but consumers' privacy is not maintained.

- **Non adoption by certain population:** Digitalpayment mode is generally not adopted by certain population such as very poor, elder persons and persons donot having any bank account etc. In India, a large part of population consists of poor persons who have no bank account and are not having technology knowledge. So this kind of population is generally excluded from adoption of digitalpayment system. Apart from this, elder persons also have a little knowledge about digitalpayment mode, they usually prefer cash payments; so they also not adopt digitalpayment mode.
- **Overspending:** Cash is found to be limited in physical wallet, which makes every person think twice before making any expenditure. In this way, cash mode of payment keeps a check on person's spending. But in case of using digitalpayment mode, chances for overspending by the consumers are increased as no such limit is available for consumers.
- **Resistance to change:** In India, many persons can be found who don't use internet for making payment of their online purchases. They are having no believe in digitalpayment mode and are having a tendency of not to change. They prefer to use cash on delivery (COD) option for their online purchases. If in any case, cash on delivery option (COD) is not provided to them, they will shift to physical retail stores where

they can use cash mode for payment of their purchases.

- **Risk regarding theft of data:** A risk regarding theft of data is associated with adoption of digitalpayment system. Since bank's servers can be hacked by hackers. Moreover hackers can also access the e-wallet account and can get the personal information of users of e-wallet. So a risk regarding theft of personal data restricts the consumers to adopt digitalpayment mode.
- **Lack of trust:** There are many persons who do not trust on digitalpayment system. They do not trust on technology and service providers. They are unsecure regarding use of cashless payment mode for their online purchases which generally requires payment in advance by the consumer.
- **Problem regarding internet speed and link failure:** Many a time, in spite of internet connectivity, consumers have to face problem regarding slow speed of internet and link failure while using the internet for making payment of their online purchases. This creates frustration in consumers mind and shifts them to cash mode for payment.
- **Difficult to use cashless payment system:** Some persons find the use of digitalpayment mode, very difficult. They may have less technical knowledge to adopt digitalpayment mode. While cash mode for payment is very simple, and can be adopted by a non-technical person also.

**List of Reasons for growth of DigitalPayment Mode and Hurdles in the growth of DigitalPayment Mode**

Reasons for growth of DigitalPayment Mode	Hurdles in growth of DigitalPayment Mode
▪ Convenient and efficient	▪ Privacy issue
▪ Easier tracking	▪ Non adoption by certain population
▪ Easier and faster	▪ Overspending
▪ Transfer or pay money from anywhere	▪ Resistance to change
▪ Less risk if used wisely	▪ Risk regarding theft of data
▪ Support by the government	▪ Lack of trust
▪ Economical	▪ Problem regarding internet speed and link failure
▪ Cashbacks and discounts	▪ Difficult to use cashless payment system
▪ Increased transparency	

**8. Conclusion**

In the present time use of technology has been increased. Payment is made by using digital modes for payment. Digital payment mode is very convenient and an instant way for making payment. Digital payment mode is an automatic process which saves time for both; the consumer and the receiver. Apart from this many factors are still there which are

restricting the growth of digital payment mode which includes Privacy issue, Lack of trust, Resistance to change and difficulty in using the system. These hurdles should be overcome so that digital payment mode can be successfully adopted and our economy can be converted in a digital economy from a cash economy.

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