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15. Challenges and Opportunities for Electronic Payment System in India: A Study

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Abstract

The progress of electronic commerce depends upon effective and efficient electronic payment systems. Businesses involved in electronic business have usually never seen each other face-to-face, nor do they exchange currency or hard copies of documents hand-to-hand. When transactions are to be made over a telecommunications network such as the Internet, accuracy, safety and security become critical. Other component affecting the choice of alternative systems such as their applicable environments, their potential for evolution, and their likely acceptance by merchants and consumers, must also be considered. Rapid growth in electronic commerce the Internet uses various electronic payment mechanisms that can cater for much diversity applications. This paper studies the evolution and the growth of electronic technologies, which can provide more advanced technical supports for electronic payment systems. The focus of this paper is to identify and explain the different methods of e-payment in India. This paper explores the new electronic payment applications launched in recent years with an initiative of Central government. Systematic and detailed comparisons of alternative systems are provided. This analysis is intended to be useful for general public in planning to adopt electronic payment system. The Internet and on-line businesses are growing exponentially.

Keywords: E-payment, e-commerce, initiative and business environment

Introduction

Electronic payment system is a mode of payments over an electronic network such as the internet and information & communication technology. Moving ahead, we can say that e-payment is a method in which a person can make Online Payments for his purchase of goods and services without physical transfer of cash and cheques, irrespective of time and location. Electronic payment system is the basis of on-line payments and on-line payment system

development is a higher form of electronic payments. An electronic payment is defined as a payment services that utilize information and communications technologies including integrated circuit (IC) card, cryptography, and telecommunications networks. The need for electronic payment technologies is to respond to fundamental changes in socio-economic trends. Electronic payment can be done using credit card, debit card or electronic checks (e-checks). It makes electronic payments at any time through the internet directly to manage the e-business environment. Demonetization has switched the people from using paper cash to internet banking. Initially, when there were no such internet banking facilities people use to visit to a bank for transferring money, depositing money, withdrawing money. And for transaction they used paper everywhere. Gradually with a time banking system started changing. After enhancement of technology bank started providing facilities for debit cards, credit cards, online banking, etc. which came to into existence. But its facilities limit to some extent. People started using bank websites for doing online banking. The tasks to design payment system infrastructures become more complex as competition and innovation push constantly to the limit the search for better combinations of efficiency, reliability, safety, and system stability in the provision of payment services to larger numbers of individual users and institutions.

In the recent years the Central government of India has been taking initiative to digitalize India under the programs like Digital India & Cashless India. The vision behind these programmes is to transform India into a digitally empowered society and knowledge economy.

The Government of India has launch two important application software to improve electronic payment system in India recently. The first is Unified Payments Interface (UPI) is a framework that powers numerous financial balances into a solitary portable application (of any participating bank), blending a few managing an account highlights, and consistent storing and vendor installments into one hood. It likewise obliges the "Distributed" gather ask for which can be booked and paid according to necessity and accommodation. Each Bank gives its own particular UPI App to Android, Windows and iOS portable platform(s). Unified Payment Interface (UPI) is a versatile based installment framework which permits moving cash continuously 24x7. The USP of UPI is that assets are exchanged without entering your card ledger subtle elements, the net managing an account secret key, and even the CVV number. 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. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).

The second one is Bharat Interface for Money (BHIM) provides fast, secure, reliable medium to make digital payments through your mobile phone using UPI (Unified Payment Interface) platform via Mobile App and USSD (Unstructured Supplementary Service Data) platform via *99# service. BHIM was launched by Hon'ble Prime Minister on 30th Dec 2016 and within 10 days, the BHIM app had one crore downloads from Android Play Store and over 2 million transactions across the UPI (Unified Payment Interface) and USSD (Unstructured Supplementary Service Data) platforms. BHIM is interoperable with other Unified Payment Interface (UPI) applications, and bank accounts. BHIM is developed by the National Payment Corporation of India (NPCI), a not-for-profit company for providing retail payment systems the country under guidance from Reserve Bank of India. BHIM has been designed for quick & secure user on-boarding, sports a best-in-class and intuitive user interface and makes digital transactions seamless. BHIM has been a huge boon for merchants who can now accept payment directly into their bank accounts. All users, including merchants, get a ready to use VPA (virtual payment address) and an exclusive, ready-to-print QR code upon sign-up.

Challenges for Electronic Payment System in India

Security issues: Security is the main concern of any new technology. Since the present century is the century of information and data, every technology which is working with, they are in exposure of data theft, stealing, and fraud. It is more dangerous when the data is about the money and the financial information. For so many companies and even individuals, the secrecy of information about the financial and their accounts and so many things like this, is highly important. If they lose a small amount of data, they may lose their all things. The growth of the Internet as a medium of transaction has made possible an economic transformation in which commerce is becoming electronic.

Privacy: With the increasing usage of the Internet, the fears of privacy abuse become a top concern of most of the Internet users. In fact anonymity features of electronic payment systems play a vital role in protecting privacy in an electronic world, and as the safeguard for a privacy-protecting Internet. Nonetheless, the anonymity of an Internet user is mainly compromised through the payment method that is employed widely on the Internet – credit card.

Since most of the information is being collected on the Internet when users enter their credit card purchasing details. As consumers prefer to keep the details of their transaction private, conversely merchants and issuers in favor to ensure they capture and possess enough an appropriate and sufficient record of their transactions. The Technical Problems

Cultural Problems: Most people still like to do their businesses in traditional form as before. These people like to touch the documents and money in hand and doing the process physically and manually. They believe in every dealing and business, physically rather than digitally. There are many people even in the 21st century, who are not agree and accept the all new technologies. They are always not certain and assured to the technologies. They do everything like old people. The job is very hard to pursue and to make these people eager to do his

Steps to popularize E-payment System in India

The willingness to use the electronic payments is directly proportional to the frequency of usage. Customers should get themselves exposed to electronic payment systems in order to gain experience and increase trust on the existing security. For example, consumers can use the free e-ROM of guidelines distributed by the electronic payment issuers to enhance the process of payments. In case of any confidential information which is yet to be revealed, customers should clarify the request with the issuers beforehand or consult those who have experienced the system beforehand. If consumers feel insecure over certain electronic payments, they may wish to send confidential details separately by telephone. Besides, attending seminar/workshops/talk on the healthy usage of electronic payments is very much encouraged, especially for those machine/computer illiterates.

Effective Use of E-payments System

Most electronic payments cost only around one-third to one-half as much as a paper-based non cash payment and it is clearly understood that the cost of a payment system could be considerably reduced if it is shifted to electronics. Therefore, bank should provide payment services according to their differential costs of services, so users may choose the payment instrument with the lowest net price/non price cost. If the banks can move their account holders from using paper cheque to using electronic debit cards, their costs will be reduced, revenue will be enhanced and consequently profitability will be increased.

In addition, for consumer-to-business point-of-sale and bill payments, electronic payments will reduce the need for business working capital associated with the delimiting type of transaction is governed by the average value of the transaction to be made. Research studies have also proved that preferences for using various types of payment instruments. For example, debit card use and PC banking are more prevalent among those who use direct deposit among others.

Consumers with similar education, income, and age share similar preferences for payment methods. Therefore, the bank's role here is to facilitate and encourage overall payment system efficiency by continuing to offer currency as just one payment technology among several. Alternative payment technologies can be provided freely and users are allowed to choose amongst those competing technologies.

Future Opportunities for E-Payment System

E-commerce is undergoing huge growth in terms of the volume of goods and services that are being traded on-line. New areas such as B2B and the related business to-government (B2G) e-commerce are developing as well as the potential for large numbers of people engaged in m-commerce from wireless handsets are increasing. Even the most optimistic estimations of e-commerce still place the goods value at less than 1% of the total value of goods and services traded in the conventional economy, so as larger numbers of people come on-line, there is plenty of scope for growth. In order to bring an on-line transaction to completion, payment must be fully integrated into the on-line dialogue. Banks will find a demand from their large business clients to effect high-value bank mediated transfers of funds easily and efficiently. A large number of companies have developed universal payment portals offering a whole host of information and services to consumers; the use of real micro payments, though, is clearly not flexible and allows a much clearer link between the content delivered and the amount paid. As telecommunications is undoubtedly the most active area in electronic payments. As telecommunications manufacturers and network operators seek to define the shape of the mobile Internet, start-up companies are busy coming up with new ways to make payments on-line.

One very large area of uncertainty is the degree to which the mobile Internet will resemble the fixed-line Internet. With the advent of modern technologies in telecommunication

infrastructure and protocols, future payments will be made through e-payments by Business to Business, Business to Customer, Customer to Government.

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