International Journal of Emerging Trends in Science and Technology
5 (1), June 2019, 13-16
http://www.publishingindia.com/ijetst

A Conceptual Study on Benefits of Electronic Payment System During Demonetization

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Abstract: Demonetization is the act of stripping a money unit of its position as legal tender. It is essential, whenever there is a change of national money. The older unit of money must be retired and replace with a new money unit. This paper suggest the positive impact of Demonetarization on Electronic payment by providing numerical data on how the volumes of transaction increased during the period in which Demonetarization was implemented in India.

Keywords: Credit card, Debit card, E-Money, Electronic fund transfer, Mobile banking, Smart card.

I. Introduction

Electronic payment system refers to the mode of payment of which does not include physical cash or cheque. It includes debit card and credit card, smart card, e-wallet, etc. Both consumers and service providers can benefits from E Payment system leading to increase national competitiveness in long run. The successful implementation of electronic payment system depends on how the security features are provided by the service provider and protects the consumer from loss of personal data and fraudulent activities.

E-Commerce is the procurement and transaction of things and services,the distribution of money's or report, over an online network, primarily the internet. These Business dealings take place either as Business to Business (B2B), Business to Consumer (B2C), Consumer to Consumer (C2C) and Consumer to Business (C2B). The terms e-commerce, online commerce, internet commerce are various terms that are used interchangeably.

E-Business is the behaviour of business dealings on the internet. These online business dealings include procurement and transaction crop, servicing consumers; processing payment; handling and manufacture control; cooperating with business collaborators; distribution of knowledge; passing automatic worker services; employing and more.

The leverage of online payments is not only for E-Business but also for economy where demonetization has been implemented online payment comes as rescue. Demonization is an essential monetarist stair in which a money unit's status as a legal tender is inveterate unacceptable. This is regularly done whenever, there is a change of national money, exchanging the old unit with a new one. For such step, were taken in few countries for example India, Europe and Singapore.

II. Review of Literature

(Jiaqin Yang, 2005) This paper discusses the current trend and improvement of online-banking for small and group of people banks in rural areas through a case study [3]. The purpose of online-banking of several local banks in rural areas are successfully careful and observed. The searching of objective is to examine the trends and level of the occurrence of online banking mainly focusing on some increasing argument and challenge.

(Venkateswaran, 2014) A fast growth in E-Commerce market is seen in current time throughout the world [4]. With ever rising respect of online shopping, Debit or Credit card fraud and individual information security are major concerns for customers, merchants and banks specifically in the case of CNP (Card Not Present). This paper presents a latest method for offering limited report only that is necessary for cash move during online shopping thereby safeguard customer data and communal customer self-assurance and preventing identity theft. The method uses shared claim of steganography and visual cryptography for this reason.

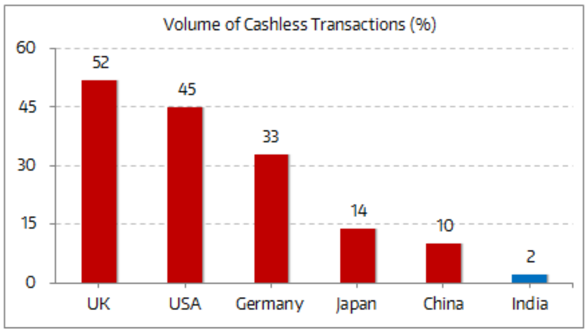
(Banphot Vatanasombut, 2008) The spread of the Internet has not only allowable businesses to plan their yield and conveniences through web-based applications, but it has also broken their talent to maintain their clienteles [2]. It has decreased search costs, opened up obstacles to entry, and weakened individuality of firms. Actual investment of customers allows firms to raise in size and acceptance, thereby communal their profitability. We extended responsibility–Trust theory, a probability – confirmation model, and technology approval theory to get better a model of IS protraction purpose of consumers of web-based applications. Connection promise and trust were found to be central to IS protraction purpose.

(Abeer Musa, 2015) This paper analyzes the issues that change the purchasers reason in adjusting Mobile Payment Device technology in a low-cost [1]. To consider the results reveal that training opportunity, group of people incentive, and seeming communication protection have straight important assets on purchaser's behavioural purpose to adapt the MPD.

III. Discussion

E-commerce sites make use of online payment, where the online payment refers to paperless monetary transactions. Online payment has altered the business special consideration by lessening the official procedure, operation costs, and employees cost. Being customer friendly and less time-consuming than guide allowance, it helps business association to enlarge its market reach / development. Listed below are some of the modes of online payments:

Among the world nation India falls much below in volume of Cashless Transaction when compared to other developed economies as stated in the chart below (ref Fig. 1). This also makes it clear that the step taken by the government for demonetarization could further help in improving the usage of online payment.



Source: Business Today, Mastercard Advisors

Fig. 1

A. Credit Card

Payment using credit card is one of the majority communal mode of online payment. Credit card is a small plastic card with a unique number permanent with an account. It has a magnetic strip surrounded in it that is used to study the credit card via card readers. When a purchaser procurements a product via credit card, the credit card issuer bank pays on behalf of the consumer and the buyer has a short period after which he/she can pay the credit card bill. It is frequently in the credit card monthly payment cycle.

Example: Visa or Master Card.

B. Debit Card

Debit card, also look like as credit card and it is a small plastic card having the UID (Unique Identification Number) is attached with separate bank account number. The purchaser need not carry the money thereby, they can buy the goods easily. The major variation of debit and credit card is that the constraints of using the amount is high in credit card but the purchaser can use the amount only with the total sum exists in debit card.

C. Smart Card

Smart card is also just as a credit card or a debit card in its look, and little micro processor attached in it. In smart card, the possibility of storing individual and customer's work related information is possible. This is one of the major advantages in smart card. The bank generally allocates PIN number for security purpose and the same have to be given while operating the personal transactions. Smart Mondex and Visa Cash cards are some of the examples of smart cards.

D. E-Money

E-Money dealings is quite popular pertaining to transfer the money from one financial body to another. This saves considerable amount of time thereby the transactions can be carried out quickly and easily. This is the reason E-Money transactions are preferred by business people to a greater extent. In addition to E-Money, E-Money transactions, e-cash also becoming one of the channels for exchanging the currency.

E. Electronic Fund Transfer

In general, there are two possibilities of transfer the money i.e., Intra bank and interbank transfer. Due to the advancement of technology, the applications of online banking have widespread among the business and society. NEFT and RTGS are the two ways through which transfer of money is quite easy for business people and fulfils the deviation of society's purpose. Operation charges are also reasonably meager by adopting of mobile banking.

F. Mobile Banking

In present scenario the role of mobile banking occupies predominant position in everyone's life. The customers are generally prefers for many reasons pertaining to the applications and usage of mobile banking. Besides there are various benefits offered by various banks in par with one another due to hectic competition prevails in the sector. The simplicity, free maintenance and easy operability of mobile banking are the some major reasons which incline the customer towards acceptability of mobile banking.

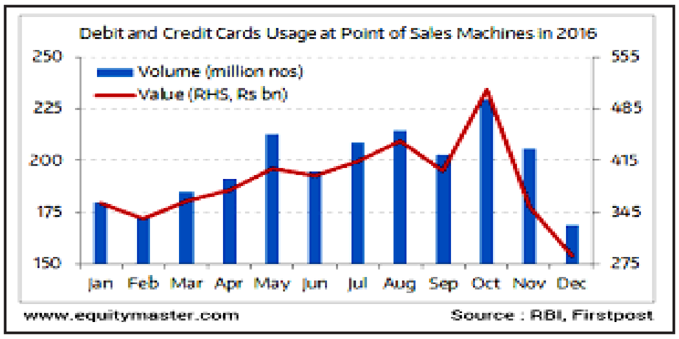
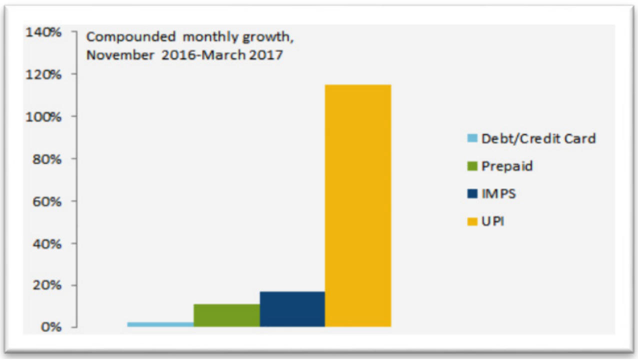


Fig. 2

The above statistical figure indicates that debit & credit card usage at point of sales machines in 2016 and its value in Rupees (in billion). There has been a increase in the usage of Debit and credit card in the month of Oct 2016 to as much as Rs.485 Bn. However, there has been a drop to around Rs.429 Bn in the following month and further steep drop in December to 330 Bn.



Source: Reserve Bank of India

Fig. 3

This explains that since demonetization Growth in Digital Payment following:

Immediate Payment Service (IMPS)

IMPS is an immediate real-time inter-bank electronic funds transfer system in India. IMPS recommend an inter-bank electronic fund transfer service through mobile phones.

Unified Payments Interface (UPI)

UPI is a payment system initiate by National Payments Corporation of India and regulated by the Reserve Bank of India which assist the immediate fund transfer between two bank accounts on the mobile platform.

The data illustrate a vital move towards new mobile-based payment method, with older forms of non-cash payment, like debit and credit cards, viewing less uptake (see Fig. 1). Card payments spiked 51 percent in December 2016 before declining in the following months, with latest data viewing them up a modest 10 percent overall since demonetization.

Recent financial inclusion efforts have considerably improved card payment to 869 million as of the end of February, yet monthly card dealings averaged 244 million over the past few months (see Fig. 2). This means the vast majority of cards are dormant. By comparison, according to 2015 data from the Federal Reserve, Americans made an average of 8.6 billion card dealings per months (see Fig. 3), more than 40 times the recent Indian average despite a US population approximately one-quarter India's size. Card payment, long ubiquitous as cash alternatives in the developed world, have had uneven achievement in India due to the inadequate number of point-of-sale (pos) terminals that make cards useful. Such payment communications is particularly lacking in the countryside because, at least according to payment operators like visa, their cost is greater than the operation fees the market support. India's secretary for information technology stated the government is targeting the addition of 2 million new POS terminals by September 2017. Even though, if this goal is met, newer digital payment tools offer a cheaper, simpler choice.

IV. Conclusion

The electronic payment systems like Debit cards, Credit cards, Electronic Fund Transfer, Direct credits and Internet Banking truth in banking sector. These new methods of dealings have made it easier for banks operations to cut on capital costs, achieve many customers irrespective of distance, improve security while transacting large amounts of sums, easier monetary packages group customization with the end outcome being elevated income stream for the banks. Visibly every place income are involved, a small number of challenge will forever pop up.

The obstacles that banks should address in order to continue benefiting from e-payment systems relate to factors like lack of e-payment systems trust by majority of bankers, incidences of online fraud, difficulty in usability of a few technologies therefore need for highly trained practical employees, high operation costs due to double taxations and fear for high risk savings.

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