



Challenges and opportunities-Digital payments of rural India

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Abstract

Rural India fundamentally affects the financial advancement of the nation, and with the arising changes of ICT infiltration, and the effect of demonetization, close by the advanced drives did for rural sections, the need for working on the patterns of advanced installments model in country India is vital. Taking into account the advantages like straightforwardness in exchanges, scope for abridging equal economy and working on the simplicity of business, it is exceptionally fundamental that the change towards advanced installments, even in the country economy is engaged. A portion of the progressive advancements in the new past like sendoff of numerous computerized wallets like - Paytm, Mobiwik, Free Charge and so forth and government sending off numerous UPI (joined installment interface) arrangements and BHIM application for smooth progress to advanced installments, there are huge advancements occurring. Details from the statistical surveying additionally portray significant ascent in computerized exchanges post de-adaptation period. As far as challenges, certain key elements like restricted choices for advanced exchanges in light of component telephones, issues of mindfulness towards computerized exchanges, imperatives of PoS exchanges and so on are a portion of the characteristic issues that influence the advanced exchanges.

Despite the fact that the social trends are being very positive in rural segments for embracing the digital payments, still there are considerable challenges too in succeeding the paradigm shift. The futuristic steps like enabling digital payment transactions based on Aadhar numbers could be a game-changers if handled effectively. In this manuscript, the factors that impact and support towards digital transactions in rural economy is reviewed taking stock of current trends, market analysis, readiness of the infrastructure and the stakeholder accountabilities, to gain insights to the critical success factors to be addressed. It is imperative from the review of research reports, statistics over the digital payment trends, that if some of the key macro challenges, business limitations and consumer related issues are addressed, there could be potential developments envisaged in the process.

Keywords: digital payment, rural ecommerce, UPI, Bhim, m- wallet, digital divide, rural and urban India, government, pos, digital transactions, demonetization, opportunities for digital payments

Introduction

Indian economy is one of the fast growing economies of the world. Despite of global turbulences of economic conditions, Indian economy has been focusing on development. In the recent past, there are significant developments that have taken place in the Indian financial system, which has led to huge transformations, trends and changes in the business dynamics. Though the government of India has been focusing on the digital transactions initiatives since last few years, the actual impact of digital payments has taken place in India in significant manner post the demonetization period. India economy has the intrinsic structure of rural and urban economic developments. Majority of the Indian economy depends on rural economy, and only when the digital payment methods become an integral part of rural economic development, the digital initiatives could be considered as successful. In the recent past, digital payments has gained momentum in the country, both in the case of rural and also the urban segments. India has predominantly been a cash driven economy and the culturally the deep rooted trends of cash based purchases has widely been the economic culture. In wake of the government initiatives towards transformation towards digital economy, and many private companies emerging in the space of digital transaction solutions like the EW allets, Mobile app solutions (UPIs), payment bank licenses issued by RBI, it is imperative that the market is gearing up towards more transparent and compliance based system, and of digital trends. For successful implementation of digital transactions and digital banking system, certain key processes that are very essential are net/mobile banking, more of ecommerce presence in rural segments, digital transaction solutions like the PoS solutions usage in merchandise, usage of plastic currency etc. But the crux factor that has to be taken in to consideration is about how effectively the system is adaptable in the rural segments of the country, considering the opportunities and challenges according to the existing scenario. In this research paper, the emphasis is on gaining insights in to the opportunities and challenges that are envisaged in the digital payments system penetration in to rural segments.

Digital payments in rural sector

Rural sector holds significant importance in the economic development of the country, and in the recent past, many fin-tech companies are focusing on rural markets to increase its operational base. For instance, many of the mobile wallets and ecommerce companies are focusing on the rural locations and are adapting strategic approach towards attaining a good market share.

Digital payments on technology-powered offline store apps is a major trend that provides payment collection via dynamic QR payments, Static QR payments, debit/credit cards also inclusive of so many features like Digital Ledger, Inventory, e-Point Of Sale and Neo banking.

Neo banking single-handedly raises the bar of rural digital adoption, since most rural populations engage in B2C businesses involving layers of payment cycles towards vendors and stakeholders. Neo-banking in a store's payment collection app includes bulk/individual payouts, list of inward/outward transactions, some with options even for availing loan and insurance.

Pricings are cheap, merchant paperwork, background checks and integrations needed are uber fast and simple. A classy merchant dashboard with notifications of activities happening on the digital payment app is crucial.

The news of Digital Fraud is increasing and awareness about the security in digital payments is key. Fintechs are incorporating defensive mechanisms for fraud detection and risk prevention and rural merchants are feeling a sense of security in depending on digital payments. But more than the problem of infrastructure it is the people's distrust towards sophisticated technology. There is a quote that says, "A superlatively advanced technology equals magic". While there are many advantages and amazing features that come with digital technology adoption, it also brings in a certain fear factor. The convenience, operability, and speed provided by fintech solutions is conceived like, "known devil is better than unknown angel".

And this is where the Ministry of Electronics and Information Technology (Meit Y) has taken necessary action to set up Common Service Centers (CSCs) which are manned digital financial hubs to spread word on the transparency and reliability that a digital world can bring in. Also it holds the power to cater to the questions and fears of the rural population and explain that digital banking comes under governmental policies and digital finance options laid down for rural citizens. The government has invested more than Rs 65 crore to promote digital financial services such as UPI, IMPS, Bank PoS machines, etc in the rural sectors of the country.

Opportunities for digital payments

Digital payments in India are at nascent stage, and there is a push from varied quarters towards adapting the platform of digital payment solutions, some of the reverent steps that has been incorporated in the recent past towards improving the scope of digital payments.

Limiting the scope for cash payments

RBI has regulated the cash payments in a phased manner. For example, imposing restrictions and tax on cash purchase of jewellery beyond a prescribed value. Imposing transaction charges for cash payments for payment to vendors, suppliers and services etc.

Launch of more digital payment solutions

Though India is cash based economy, slowly the transition has started towards digital economy. RBI issuing payment bank licenses to many fintech companies like Paytm and many competitive mobile wallet solutions emerging from existing banking companies lead to foray of digital payment options available for stakeholders like merchants and consumers. Strategic launch of UPI solutions like BHIM by Government of India, to enable hassle free digital transactions on a government platform leads to more secured platform for consumers. Aadhar based payment solutions that are emerging strongly in to the Indian market signifies potential scope of carrying out digital payments even with feature phones.

Challenges of implementing digital transactions in rural markets

Prior to the demonetization period, usage of digital payments was an option. However, in the rural market segment where cash was the king, the option of digital payments were exercised by very few retail outlets and also the consumers were wary of using such trends. Though, with the rampant penetration of ICT such trends has been changing, still the quantum of digital payments has gone up significantly post the demonetization period. Phenomenal developments has taken place in the process of digital payments and many mobile wallet companies, PoS service providers, ecommerce players, and government initiatives has been focusing on improving the digital payment solutions.

Consumers are yet to get rid of the cash based transaction habits, as for decades India has been a cash based economy.

Digital divide in terms of awareness about using the digital solutions like smartphone based transactions, feature phone based transactions, usage of credit/debit cards at PoS solutions etc are some of the key issues.

The other significant issue of digital divide is the lack of bandwidth and reach of technology to various locations. Though, it is being sounded that every corner of India shall have ICT services in place, still in many of the locations where the installations were complete, services are not available for the customers.

Such instances signify that the digital payments modality can only be practical and true to nature, when the loop holes like connectivity, adequate PoS solutions and other such factors are addressed in quick turnaround time.

Availability of PoS solutions has also become a challenging issue. As the demand for PoS solutions has raised in a compounding way, and the demand is not adhered too, fast track progress of digital payments are getting impacted in rural locations.

Mobile wallet companies has certainly made the transaction process much simpler to the customers, but the costs charged over switching the money from wallet to bank accounts are again a key concern. As the mobile wallet companies are charging anywhere around 1% to 4% for transactions to bank accounts, consumers are wary of using mobile wallets for business transactions.

Conclusion

India is among the fast emerging as one of the largest and strong economies. For sustained development and growth with robust economic development, certain integral factors like improved transparency, corporate governance and restricting the parallel cash based economy. Such developments could be feasible only with rural India too embracing the digital payments and digital transactions. Considering the quantum of opportunities that are unfolding for market dynamics of digital payments, if the challenges that are discussed are addressed and improved solutions in terms of UPIs, mobile wallets, and digital transactions with more secured features, ease of transactions and reduced cost of managing the digital payments could lead to more potential developments and supporting in improved conditions of digital payments processing in rural sectors. In terms of capitalizing on the opportunities, it is very essential that the solutions has to be more robust and following are certain key policies that has to be in force for effectively implementing the digital payment solutions across the rural sectors.

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