

**GROWTH IN PAYMENT SYSTEM IN INDIAN BANKS
– AN ANALYSIS**

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Abstract

The Reserve Bank of India and the Government of India both are regularly trying to provide safe, secure, efficient and affordable payment system to Indian customers. Various payments systems are being used in everyday life in place of physical currency with the help of technology. They are of different forms viz. cash cards, credit cards, debit cards, prepaid cash cards and store cards. These payments systems are becoming very popular among Indian bank customers. The present paper is an attempt to study the growth in various select payment systems in banks in India.

Keywords: ATM, Debit Card, Credit Card, RTGS, NEFT

I. Introduction

Payment system constitutes the backbone of the financial economy. It is important for the integration of financial markets which in turns facilitates transmission of monetary policy impulses. The payment system influences the speed, financial risk, reliability and cost of domestic and international transactions.¹ The Reserve Bank of India plays a proactive role in facilitating the payment system initiatives in providing various services to customers.² A robust and well developed payment system infrastructure in the country facilitates safety, security and efficiency of payment transactions coupled with low transaction costs and better risk management for system participants. The Reserve bank of India, the apex bank has always tried for safe, secure, efficient, fast and affordable payment and settlement system in India with the

help of innovations information technology. While ensuring better payment and settlement systems; cyber security, financial inclusion, consumer protection and competition are taken into consideration. It will minimise the cost of exchange of goods and services also. In this context, technology has been a key driver in implementation of various payment systems. It has become a strategic and integral part of banking, driving banks to acquire and implement world-class systems that enable them to provide products and services in large volumes at a competitive cost with better risk management practices.

II. Growth in Select Payment System in Commercial Banks

Following are the growth in different payment indicators in commercial banks in India:

1. Automated Teller Machines (ATMs)

Automated Teller Machine is an electronic telecommunication device which provides various services to customers of banks as well as financial institutions to perform financial transactions which includes cash withdrawal, checking of deposit, printing of receipts and pass book, balance enquiry, generating PIN, etc.

Table 1: Number of ATMs
(As at the end of March)

Year	Number of ATMs
2016	1,98,952
2017	2,08,354
2018	2,06,871
2019	2,02,072

Source: RBI, Report on Trend and Progress of Banking in India, Various Issues.

Table 2: Bank Group-wise and Population-wise Number of ATM s of Scheduled Commercial Banks

(At end-March 2019)

Bank Group	Rural	Semi-urban	Urban	Metropolitan	Total
Public Sector Banks	27,683 (20.3)	40,183 (29.5)	38,498 (28.3)	29,734 (21.8)	1,36,098 (100.0)
Private Sector Banks	5,339 (8.4)	15,388 (24.3)	16,683 (26.3)	25,930 (40.9)	63,340 (100.0)
Foreign Banks	21 (2.3)	18 (2.0)	166 (18.2)	709 (77.6)	914 (100.0)
Small Finance Banks	372 (21.6)	460 (26.7)	482 (28.0)	406 (23.6)	1,720 (100.0)
Total	33,415 (16.5)	56,049 (27.7)	55,829 (27.6)	56,779 (28.1)	2,02,072 (100.0)

Notes: 1. Figures in parentheses indicate percentage share of total ATMs under each bank group.

Source: RBI (2018-19), Report on Trend and Progress of Banking in India, Table IV.22, p. 67.

2. Credit Cards

Credit Card is the modern system of payment system which has to a large extent replaced the traditional forms of payment by cash, cheques, etc. Visa and Master Card are associations of banks, which deal in credit cards. Bank credit cards are a type of consumer loan, revolving in nature, i.e. automatically renewing itself, within specific limits. The holder has the option to utilize it in part or full depending upon his needs. The credit show availed has to be paid within a period and with repayment the limit gets renewed automatically.

Table 3: Selected Payment System Indicators – Annual Turnover

Item	Volume (million)		
	2014-15	2016-17	2018-19

RTGS	92.8	107.8	136.6
NEFT	927.5	1,622.1	2,318.9
Immediate Payment Service (IMPS)	78.4	506.7	1,752.9
Unified Payment Interface (UPI)	-	17.9	5,353.4
National Automated Clearing House (NACH)	340.2	2,057.3	3,035.2
Credit Cards	615.1	1,087.1	1,762.6
Debit Cards	808.1	2,399.3	4,414.3
Prepaid Payment Instruments (PPIs)	314.5	1,963.7	4,604.3
Value (Rs. billion)			
RTGS	754,032	981,904	1,356,882
NEFT	59,804	120,040	227,936
Immediate Payment Service (IMPS)	582	4,116	15,903
Unified Payment Interface (UPI)	-	69	8,770
National Automated Clearing House (NACH)	1,221	7,916	14,762
Credit Cards	1,899	3,284	6,033
Debit Cards	1,213	3,299	5,935
Prepaid Payment Instruments (PPIs)	213	838	2,129

Source: Compiled from RBI Annual Report (Various Issues)

Table 3 reveals the position of credit cards transactions in volume and value in India during 2014-15 and 2018-19. The table shows that credit cards has made 615.1 million transactions valued at Rs. 1,899 billion in the year 2014-15 which increased to 1,087.1 million

transactions valued at Rs. 3,284 billion in the year 2016-17 and further to 1,762.6 million transactions valued at Rs. 6,033 billion in the year 2018-19.

3. Debit Cards

Debit Cards are similar to credit cards and are used as at the point of sales to make the payments for smaller amounts and also for obtaining cash. It is used like use of the cheque. Table 3 gives a detail of debit cards transactions in India during 2014-15 and 2018-19. It shows that debit cards has covered a volume of 808.1 million transactions valued at Rs. 1,213 billion in the year 2014-15 which increased to volume of 2,399.3 million transactions valued at Rs. 3,299 billion in the year 2016-17 and finally increased to the volume of 4,414.3 million transactions valued at Rs. 5,935 billion in the year 2018-19.

4. Prepaid Payment Instruments (PPIs)

Prepaid Payment Instruments (PPIs) are payment instruments which facilitate for purchase of goods and services including financial services, remittance facilities, etc. against the value on such payment instruments. These instruments are used in India and are defined under different categories like Closed System, Semi-closed System and Open System.

The Table 3 shows the transactions handled in volume by Prepaid Payment Instruments (PPIs) with value. It shows that Prepaid Payment Instruments (PPIs) has covered a volume of 314.5 million transactions valued at Rs. 213 billion in the year 2014-15 which increased to volume of 1,963.7 million transactions valued at Rs. 838 billion in the year 2016-17 and finally to the volume of 4,604.3 million transactions valued at Rs. 2,129 billion in the year 2018-19.

5. Real Time Gross Settlement (RTGS)

The Real Time Gross Settlement (RTGS) System provides for an electronic based settlement of inter-bank and customer based transactions with intra-day collateralized liquidity (IDL) support from the Reserve Bank of India to the participants of the system. It is a system of transferring funds from one Bank/Financial Institution to another on an immediate basis. In this system, the inter-bank payment instructions are processed and settled one-by-one continuously, i.e. in real time. These transactions are settled individually without netting debits against credits.

It is fully integrated with the Accounting System of the Reserve Bank of India and other settlement services.

The table 3 reveals that RTGS handled 92.8 million transactions valued at Rs. 754,032 billion in the year 2014-15 which increased to 107.8 million transactions valued at Rs. 981,904 billion in the year 2016-17 and further to 136.6 million transactions valued at Rs. 1,356,882 billion in the year 2018-19. It is important to note that RTGS facility was available through 142,975 branches of 216 banks.³

6. National Electronic Funds Transfer (NEFT)

National Electronic Funds Transfer (NEFT) is a payment system used for providing service of fund transfer across the country. It provides facility to individuals to transfer fund electronically from one bank branch to any individual having an account with another bank branch in the country. NEFT is a payment system mostly used for transferring funds electronically from one bank branch to another bank in India. Any individual or a firm or corporate having account with a bank, may avail this service and can easily transfer funds by under this scheme. However, individuals with no account with banks can also avail this facility upto the limit of Rs. 50,000/- per transaction. In such cases, customers have to give their details about address, telephone number, etc. Thus, it provides a facility of fund transfer to account holders or those who have no accounts with some restriction.

It is clear from the Table 3 that NEFT has handled 927.5 million transactions valued at Rs. 59,804 billion in the year 2014-15 which increased to 1,622.5 million transactions valued at Rs. 120,040 billion in the year 2016-17 and finally to 2318.9 million transactions valued at Rs. 227,936 billion in the year 2018-19. It is important to note that NEFT facility was available through 144,927 branches of 209 banks in addition to a large number of business correspondents' outlets.⁴

7. Unified Payment Interface (UPI)

Unified Payment Interface (UPI) is most suitable form of financial transaction interface which came into existence on 23rd August, 2016. It provides instant money transfer through mobile device anytime anywhere. It helps in accessing different bank accounts through a single

mobile application merging several banking features and single click two factor authentication. Every bank maintains its own UPI for different operating systems.⁵

Table 3 reveals the position of Unified Payment Interface (UPI) in terms of volume and value. It has covered a volume of 17.9 million transactions valued at Rs. 69 billion in the year 2016-17 which increased to the volume of 5,353.4 million transactions valued at Rs. 8,770 billion in the year 2018-19.

8. Immediate Payment Service (IMPS)

Immediate Payment Service (IMPS) is an instant inter-bank electronic funds transfer system which provides inter-bank transfer through mobile phones. It differs from RTGS and NEFT and provides service 24x7 throughout the year even during bank holidays. This system is built upon the existing National Financial Switch Network, managed by the National Payments Corporation of India (NPCI). Initially, it was carried in State Bank of India, Bank of India, Union Bank of India and ICICI in the year 2010 and later on extended to other banks including Yes Bank, Axis Bank and HDFC. The objective of this system was to enable the bank customers to use mobile for remitting funds, make the payment simpler and fulfill the object of Reserve Bank of India in retailing.

The transaction of Immediate Payment Service (IMPS) in terms of value and volume has also been presented in Table 3 which shows that it has covered a volume of 78.4 million transactions valued at Rs. 582 billion in the year 2014-15 which increased to the volume of 506.7 million transactions valued at Rs. 4,116 billion in the year 2016-17 and finally increased to the volume of 1,752.9 million transactions valued at Rs. 15,903 billion in the year 2018-19.

III. Conclusion

Thus, it is clear from the above study that RBI is continuously making effort to provide safe, secure, efficient, fast and affordable payment and settlement system in India which in accordance with the need of the Indian people considering the elements like cyber security and consumer protection. Efficient payment system will reduce the cost of exchanging the goods and services on the one side and are indispensable for the functioning of financial markets on the

other coupled with better risk management for system participants. It is the need of the hour to make the use of safe, secure and efficient system by those customers who are still not using these payment systems.

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