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Diffusion of Digital Payment System in Rural India

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Abstract- Rural sector in India is home to 66% of the nation's populace which is currently 870 million individuals. Rural India has noteworthy effect on the financial advancement of the nation, and with the developing changes of ICT entrance, and users among rural regions will constitute about portion of all internet users in India in 2020. Considering the advantages like straightforwardness in exchanges, scope for diminishing parallel economy and enhancing the simplicity of business, it is exceptionally fundamental that the change towards digital payment, even in the rural economy is enabled. The present study revolves around digital payment systems in rural areas of South India. The intention of the research is to determine the benefits of digital payments and its influence on the rural sector of India. The study conducted convenient sampling survey with selected number of respondents in rural part of Southern India. The paper presents conceptual framework for better understanding of the concept and uses SEM as the research tool for obtaining Good Fit Model.

Keywords: digital payments, rural sector, economy.

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1. INTRODUCTION

According to Sagayarani (2018), Digital Payment is a payment method which is made through advanced modes. In Digital Payment, payee and payer both utilize advanced modes to receive as well as send money and is also referred to as electronic payment. Digital payments do not involve cash transactions. Every one of the exchanges in digital payment is made through web transactions. It is a moment and advantageous approach to make payments. Demonetization made gigantic opportunity for development of digital payment across India, including the rural sectors. It garbed the prospect to grow across various industries and tremendous increase in market share. Demonetization has displayed a special stage for choosing digital payment as another option to money for consumers of India.

Some of the modes of digital payment accessible in India including rural sectors are:

- Credit cards & Debit cards
- Electronic cash
- UPI (United Payments Interface)
- USSD (Unstructured Supplementary Service Data)
- AEPS (Aadhaar Enabled Payment System)
- Online or mobile wallets

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Easy to use: People in rural areas consider digital payment over cash as it is easy to use. There is a consistency between a progression and encounters, qualities, and buyers' needs. A vital part of similarity for rural people to embrace digital payment techniques is the adaptability of these frameworks with the goal that they can be effortlessly incorporated into buyers' day by day lives. Digital payment strategies are observed to be most advantageous for making payments for online shopping, mobile games and movie tickets (Mallat, 2007). Therefore, it is understood that digital payment in rural areas are convenient and easy to use when compared to hard cash.

Secured Transaction: Protocols such as SSL and SET are used to ensure safety of online transactions. The presentation of mobile payments has raised a few security issues such as cloning a gadget, application malware and theft of identity. Then again the gadget itself can likewise help include additional layers of security in the installment like tokenization, Sim cardvalidation, patterns of location and authentication of user inclusive of validation of fingerprint (Roy, 2018). Hence, the framework of digital payment need to take after an effective security convention that must guarantee a high security for online exchanges with a specific end goal to be generally acknowledged as a payment process all over the world.

Saves time and money: Purchases that are independent of place and time, avoidance of line, increased accessibility of payment tools and cash complement. Discounts and cash-back are being offered by the vast majority of the players alongside giving disconnected wallet that benefits the rural people. For instance, Mobikwik is a mobile wallet scheme that allows consumers to directly add cash to MobiKwik wallet that helps people from smaller towns in saving money (Kumar, 2017). Thus, the method of digital payment is advantageous among people who sell or purchase products in and around rural areas of India.

Benefits of Digital Payment: To boost the move towards a cashless economy, the Government has introduced various discounts and complimentary gifts on digital payments. The confirmations all through the world demonstrate the positive advantages of cashless economy. The change to cashless means would require higher proficiency, unwavering quality and security so as

to make it as an empowering stage for business (Gangopadhyay, 2009). These statements imply that digital payment will help the Indian economy generously which will additionally contribute emphatically to the GDP of the nation.

a) *Influence of digital payment in rural sector of India*

The absence of trust among consumers and security issue is a major hindrance to adopt e-commerce in India. Buyers require privacy, confirmation, information trustworthiness, and non-disavowal as key prerequisites for making secure installments over the web. The progress to a cashless economy has its own focal points and impediments from various measurements. It is extensively announced to get positive advancement and give extensive variety of advantages to every one of the players in the economy. A cashless economy implies a decrease in the volume of money exchange and in the meantime gives a way to check down assessment equivocal practices (Siau et al, 2004). These likewise conquer any hindrance from parallel economy and get straightforwardness exchange and business.

II. REVIEW OF LITERATURE

Literature review is intended to obtain quintessence of the subject under study. The chapter includes the theories developed by various scholars and writers in order to gain a complete outcome.

Ravi (2017) stated that the second era comprised of enormous names, for example, MasterCard, Visa and other lenders and leading banks. Nevertheless, the absence of adaptability in use did not make them fruitful. The third-age digital payment framework in the present day fills in as an appeal as they dealt with the before issues. Today it has turned out to be one of the significant developments of the 21st century acquiring consistency over the globe.

Khurana (2017) mentioned that the progress to a cashless economy has its own particular points of interest and burdens from various measurements. It is comprehensively broadcasted to get positive improvement and give extensive variety of advantages to every one of the players in the economy. One of the essential explanations behind this is to control the course of money as real piece of it is charged to be static in nature and stacked through unscrupulous means.

Ali et al (2017) explained that the present period is going into another pace in system of payment by utilizing digital method loaded up with coupons and offers. In this busy world individuals have no time to relax then paying their telephones, power bill, insurance, shopping and so on is a tedious work. Digital payment brings the solution to resolve these issues by paying online instantly rather than standing in long queues. Individuals are utilizing this application in their cell

phones in higher rate thus completing their works simpler.

Objectives of the Research

- To provide an overview of digital payments in rural sector in India.
- To find out the benefits of Digital payments among rural people of India.
- To analyze the influence of digital payments in rural India.

III. RESEARCH METHODOLOGY

This investigation is completed to gauge the status, potential and significance cashless economy in the nation. The examination centers on broad investigation in view of primary as well as secondary information. The information has been gathered using previous researches, e-books, journals and research articles. The examination will be led with target to discover the degree towards cashless exchange.

a) *Research Tool*

The paper has used Structural Equation Modeling (SEM) as its research tool.

b) *Design Sample*

This examination depends on essential information that has been gathered using structured questionnaire. A total of 369 respondents were chosen from rural areas of South India to conduct a survey about the influence of digital payments in the rural sector.

c) *Hypothesis*

H_{01} Benefits of digital payment has positive impact on Easy to use factor

H_{02} Benefits of digital payment has positive impact on Secured Transaction factor

H_{03} Benefits of digital payment has positive impact on Saves time & Money factor

H_{04} Influence of digital payment has positive impact on Benefits of digital payment factor

IV. ANALYSIS AND INTERPRETATION

The study presents the analysis of data gathered from people belonging to rural sector of Southern India. The information obtained on digital payments from these respondents are grouped accordingly to present a significant analysis. A conceptual framework provides a clear picture of the research topic. Structural Equation Model explains the relationship between the multiple variables involved in the study.

a) Conceptual Frame Work

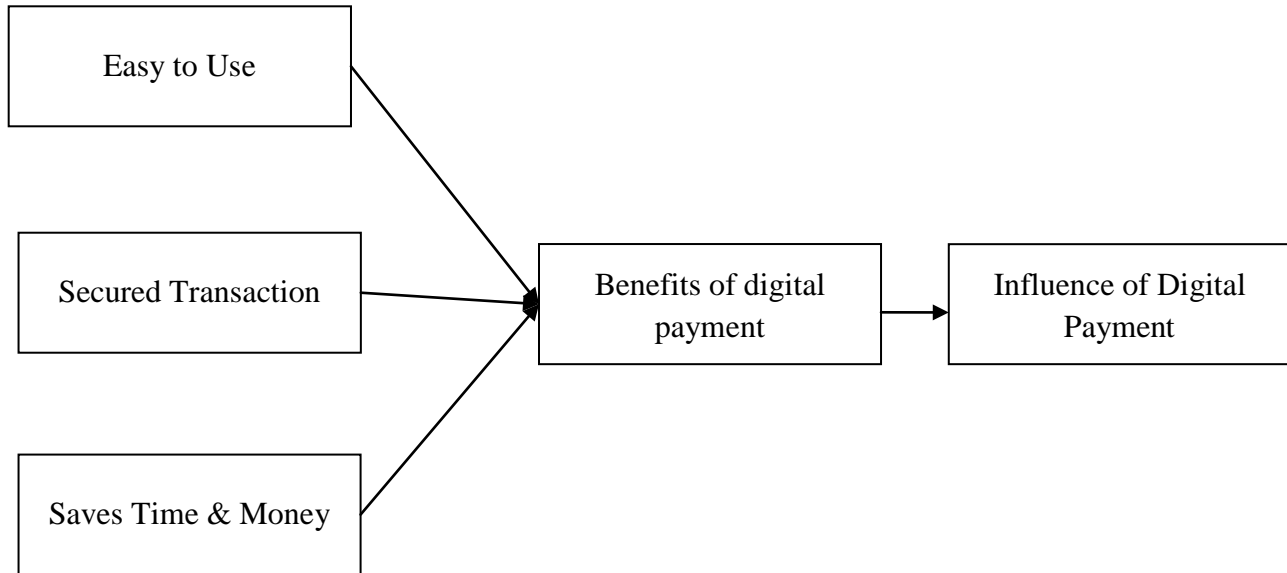


Figure 1

b) Structural Equation Modelling (Sem)

Structural equation modeling is a multivariate statistical analysis technique that is used to analyze

structural relationships. This method is preferred by the researcher because it estimates the multiple and interrelated dependence in a single analysis.

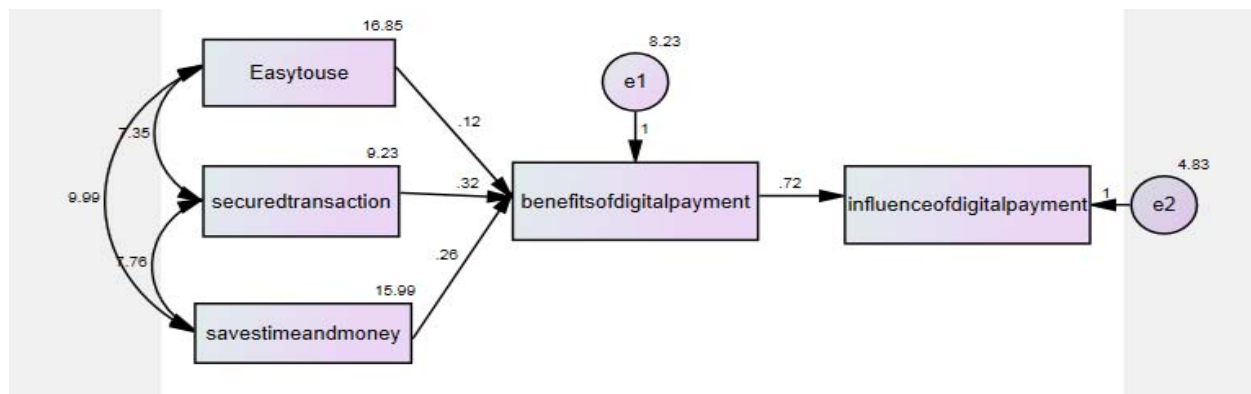


Figure 2

Source: Primary Data

Major Model Fit Indices Summary

Parameters	Acceptable values for Good Fit	Research Model Values
GFI	>0.9	0.931
AGFI	>0.9	0.917
CFI	>0.9	0.924
RMSEA	<0.06	0.000
RMR	<0.08	0.04

Interpretation:

The Goodness of Fit index (GFI) value was 0.931, Adjusted Goodness of Fit Index (AGFI) value was 0.917 and Comparative Fit index (CFI) value was 0.924. All these values were greater than 0.9 indicating a very good fit. It was found that Root Mean Score Error of Approximation (RMSEA) value was 0.00 (lesser than 0.06) and Root Mean Square Residual (RMR) value was 0.04 (lesser than 0.08).

c) Discussion

The above table result shows that the model fit is good for the research analysis.

d) Limitations of Research

1. Few respondents were unaware of the thriving change of India moving towards cashless economy and hence they were restrictive in answering questions.
2. The research cannot be used in any other parts of India as the study is limited only to rural sector of South India.

V. RECOMMENDATION

- It is important and necessary to create awareness over the rural areas in relation with cashless payments.
- Few people will even now require help to see how to introduce and utilize the system of digital payment. In spite of the fact that it would be unthinkable for any nation to wind up a cashless economy in the short measure of time since, it is certainly something the nation can anticipate.
- Lessen the exchange charges over the advanced installments and reduce transactions through cash.
- Digital payment needs to find a way to defeat delay in payment processing.

VI. CONCLUSION

Government's decision to drive towards digital payments has introduced another period of digitalization in India. Digitalization is not only a piece of our lives any longer but it is a priority of life. Our future would be defined according to the digital economy and its apparatus impacting the social system and thus, how it shapes those developing devices. It involves expanding mindfulness in rural sectors. Enhanced arrangements as far as UPIs, mobile payments and digital transactions with more anchored highlights, simplicity of exchanges and diminished cost of dealing with the payments through digital mode could prompt more potential improvements and supporting in enhanced states of computerized installments preparing in rural areas.

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