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An Analytical Study on Digital Payments and Settlement Systems in Indian Banking Sector

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Abstract

Banking industry is backbone to the economic development of the nation. The RBI is a statutory body to formulate and implement directions which will support to strengthen the performance of the banking sector in India. According to the directions of the RBI all the banks have been updating the practices which are more relevant to digital payments and settlement system and also involving process of adoption of electronic payments that are creating trust and safety of operations in the minds of the all categories of users. The Reserve Bank continued its accomplishments to boost up the size of electronic payments and settlement in the country through the cash-less society with the more safer and secure of its policies towards addressing risks of it. Further, the RBI has directed several initiatives for infrastructure enhancement during demonetization period that comprises white label ATMs, card less cash withdrawal facility for unbanked persons, introduction of next generation RTGS and enhancing the capacity of the NEFT system for larger volumes and efficiency. Thus, the present paper mainly outlines about the various facilities provided by the Reserve Bank to accelerate payment and settlement issues.

Keywords- ECS, EFT, NEFT, PoS, Card Based Clearing, RTG, MICR.

Introduction

Indian banking industry has been updating innovative technology oriented practices to enhance the cash-based economy where trepidations of prevailing digital. As per report of Credit Suisse 72% of consumer transactions happen in cash, double the rate as in China. however, a exemplar shift was observed in india when RBI implemented demonetization on 8th November 2016. Which facilitate to prevent availability of few currencies which comprises five hundred and one thousand rupees banknotes. An unsolicited push have initiated to the new economy that strives for digital inclusion and helped to rapid expansion year on year. Due to adding more digital oriented features in Smartphone devices that has supported this tremendous growth and adoption of various digitalized sources. Digital payments will create more employment; assist to reduce risks which are related to cash like corruption, robbery, and carrying huge amounts of cash, helping users to transfer the money with security and