

How fintech has changed the way we pay

The modern world is undergoing a technological revolution, and payments are no exception. Innovations in financial technology — better known as FinTech, are streamlining archaic processes and systems. Digital technology has and is constantly reshaping payments, lending, insurance, banking, and more, which the COVID-19 pandemic has accelerated, helping people with their needs for digital banking, financial, and payment services.

The shift from the traditional banking system to online banking was a major change in how one pays for goods and services. Some of the driving factors behind this transformation include increased access to information through online banking and mobile apps, reduced costs associated with processing transactions, and improved security measures. And the entire banking system has landed at people's fingertips through payment options like UPI, debit cards, digital wallets, and other methods, so people don't have to worry about their money being stolen, lost or misplaced.

Wide adoption of UPI payments

According to the Prime Time For Real-Time report, India had the largest number of real-time transactions, around 48.6 billion in 2021. UPI has made real-time payment processes easy and convenient by allowing users to make payments through their smartphones or other devices. UPI payments have greatly benefited healthcare, education, and businesses.

Another growing factor is the incentive-centric demand generation model that has enabled UPI market players to provide cashback and rewards to customers. These strategies have helped attract and increase customer loyalty.

The rise of AePS (Aadhaar Enabled Payment System)/ Aadhaar ATM

AePS (Aadhaar Enabled Payment System), developed by the National Payments Corporation of India (NPCI), allows people to carry out financial transactions like withdrawing cash from their bank accounts, generating a mini statement, and making a balance enquiry with just their Aadhaar. It has enabled much simpler and more secure payment processes through mobile and internet banking using Aadhaar.

The service is interoperable, which means that any customer with an Aadhaar can use any AePS service provider to transact.

This system has helped financial inclusion by providing access to banking services in rural and remote areas. In January 2022, there were more than 40 crore last-mile banking transactions every month across 50 lakhs Aadhaar ATM, according to the statistics shared during the India Digital Summit 2022.

Ease of QR code payments

The use of QR (Quick Response) code payments has also seen a rise in recent years. QR code payments have been growing in popularity, especially among small businesses. Major QR code-based payment platforms in India include Google Pay, PhonePe, and Paytm giving more flexibility and reliability to the payment world.

One of the main reasons for the growing popularity of QR code payments is that they are easy to use. There is no need for a physical POS machine or a card reader. All one needs is a smartphone and the QR code. Small and local merchants have adopted QR code payments due to lower costs, fewer chances of fraud, and the ability to track sales and customers. For customers, the main benefit is convenience. They can make payments without carrying cash or cards.

Pay By Link

A payment link or pay by link enables shoppers to make online payments without sharing their card details with others. This is done by generating a unique link for each customer that can be used to make a payment. Pay by link has proved to be a boon to allowing users to pay someone who is sitting far away from them.

Some of the popular pay-by-link providers in India are PhonePe, Paytm, Razorpay, PayU, and Amazon Pay. The customer just has to click on the link to make the payment. This method is secure as the customer's card details are not shared with the merchant. It is also convenient as it eliminates the need for a POS machine.

The Bottom Line

The way one pays for goods and services is changing as the world becomes more digital. Financial technology is making it easier and more convenient to carry out transactions. Many market players are working on new technologies to make payments more secure, faster, and more accessible.

The government's push for a cashless economy is helping to promote the use of digital payments. The adoption of these technologies will help improve the efficiency of the current financial systems. The goal is to make India a less-cash society and promote financial inclusion. This shift will likely continue in the coming years, with even more innovative solutions being introduced.