

Digital Payments During the Covid Pandemic

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Abstract

Digital Payments have been around the corner from a long time. Its adoption has been on gradual rise. Novel Corona virus resulted in new stage for digital payments. Social distancing, sanitization and safety emerged as new way of life. In this situation Digital Payment being contactless emerged as the preferred mode of payment. Local shoppers, vendors etc started to accept digital payments through barcodes and other means. Government including RBI also provided the suitable ecosystem to facilitate digital penetration. NPCI is also improvising its system to handle increased number of UPI transactions. This scenario drove the common people to try their hands at the digital payments. This pickup of digital payments is expected to continue.

Keywords: Covid pandemic, digital payment, contactless payment, NPCI.

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Introduction

The year 2020 saw the rise of Covid pandemic. This pandemic brought the drastic challenges in life style of the people across the world. Social distancing, safety, isolation emerged as the new way of life. This also impacted our means of living, financial situation and day to day transactions.

Banks pushed for contact less debit cards, card less cash withdrawals, Scan and Pay, Tap and Pay through mobile, payments and remittances, UPI-based collection and chat- bot among other facilities. To further promote social distancing, banks also offered paperless customer on-boarding, Aadhaar and video KYC so that customers need not come to the bank. Additionally, banks have been forging strategic partnerships through open banking. National

Payments Corporation of India (NPCI) approved a WhatsApp proposal to allow users to transfer and receive money through the messaging app.[1]

Objectives

To understand the scenario surrounding the Digital Payments during Covid pandemic.

To understand the situation of Digital Payments during the Covid pandemic.

Hypothesis

H0: There is no change in situation affecting Digital Payments during Covid pandemic.

H1: There is significant change in situation affecting Digital Payments during Covid pandemic.

H2: There is no significant rise of Digital Payments due to Covid pandemic.

H3: There is significant rise of Digital Payments due to Covid pandemic.

Rise of Digital Payments

Convenience

Digital Payments are very convenient as these transactions are done within seconds from any part of the world. Digital Payments eliminates the need to carry cash, which is very helpful in case one need to make payment of huge amount. Also, it comes very helpful when one forgets one's purse / wallet.

Safer mode of payment

The digital mode of payment is the contactless mode of payment. Thus, constricting the chances of spread of the corona virus. Digital Payments are also well online documented. This makes the digital payments the safer and preferred mode of payments.

Habitual Change is Sticky

The tech savvy new generation has participated actively in digital payments.[3] Due to the sticky nature of habit this new generation is expected to keep making digital payments[.4,5,6]. Also, the older generations who are initiating to make digital payments are also expected to keep continuing this habit.

Large-Scale Adoption by Retailers

The safety concerns during the Covid pandemic have pushed the retailers for their adoption of digital payments in large scale. Bar codes for digital payments can be easily seen at almost every retailer. Even the small shops like tea stall, paani – poori vendors, paan shops own barcodes or digital wallet for the payment collection.

Governmental Push

The government took various steps to boost the digital payments. The Main focus of RBI is to (i) facilitate digital platform of transaction; (ii) introduce innovative payment options; (iii) ensure smooth operations notwithstanding the disruptions caused by the COVID-19 pandemic; and (iv) organizing consumer awareness programs on digital payments, these programs lead to the development of less cash society. Apart from this, government has taken following steps to enhance the digital payments:

- Digital payment volumes are also improving due to Government initiative, which provide monetary assistance to the poor via direct transfers to bank accounts.
- The Minister of Finance and CEO of the National Payments Corporation of India have encouraged people to use the digital platform of payment to make it contactless.
- National Payment Corporation has initiated fast-tracked on boarding system of UPI/UPI-QR to make it fully online without any physical contact, , for both vendors and merchants. It facilitates customers to use UPI to pay for the essentials and transfer money digitally without the risk of physical contact.[7,8,9]
- NPCI has allowed payment service providers to provide the facility to make cash withdrawals using the UPI. This service is additional with the existing facility available at ‘Cash at Point-of-Sale (PoS)’ enabled by the cards.[10]

Innovations by Fintechs Improve the Experience

The Fintechs are modifying themselves so that more and more people are motivated for the online transactions. Fintechs also aim to increase the coverage of financial inclusion by delivering the financial products and

services to the financially excluded population in a more accountable and efficient manner in the least possible time.

Reserve Bank of India augmented its efforts to enhance efficiency, innovation, competition, customer protection and financial inclusion with infrastructure designed for operational excellence concentrating on resilience, reliability, security, integrity and cost efficiency.

RBI in its Assessment and Prospects Report of 27th May 2021 noted that “Collaborations between card issuing banks, FinTech players and other stakeholders of the payments ecosystem has developed a new hybrid model of finance that will resolve credit gaps and ramp up last mile outreach by leveraging on the geographical footprint of banks and technological know-how of FinTech companies,” it noted.

Data Collected

The number of UPI payments made in India progressively hit a new height in October, with 207 crore transactions. Overall, the total digital transaction volume in 2020-21 stood at 4,371 crore, as against 3,412 crore in 2019-20, testifying to the affectivity of the digital payment system in the face of the pandemic.

Snapshot of digital payments: Annual turnover (April-March)

	Volume (lakh)		Value (₹ crore)	
	2020	2021	2020	2021
RTGS	1,507	1,592	13,11,56,475	10,55,99,849
AePS (Fund Transfers)	10	11	469	623
IMPS	25,792	32,783	23,37,541	29,41,500
NACH credit	11,290	16,450	10,43,212	12,32,714
NEFT	27,445	30,928	2,29,45,580	2,51,30,910
UPI	1,25,186	2,23,307	21,31,730	41,03,658
BHIM Aadhaar Pay	91	161	1,303	2,508
Card payments	72,384	57,841	14,34,814	12,93,822
Prepaid payment instruments (PPI)	53,318	49,392	2,15,558	1,97,695



Source: RBI Annual Report

Published on May 27, 2021[2]

Result and Analysis

From the above data it can be easily seen that during Covid pandemic there has been significant rise in the digital payments as being contact less it proved to be the safer medium for the transactions. The fear of being infected with corona virus was so strong that it motivated the people for digital transactions to the extent which was not possible even due to the demonetization.

Thus, both Null hypotheses are rejected and both alternate hypotheses are accepted.

Digital payments, once a convenience, became a necessity in these times. A majority of the sectors that contribute to the enhancement of digital payments are reinforcing their role. This trend is predicted to continue beyond the Covid pandemic.

Future of Digital Payments:

The Reserve Bank of India in its Annual Report 2021 noted that the prospects for Fin-Tech (and thus digital payments) in India's financial system in 2021-22 will depend upon the degree of use of digital payment, which depends, upon the flexibility of the underlying acceptance infrastructure, financial literacy and awareness of the users and strengthening of the customer protection and cyber security protocols in place. This report also marked that all these factors will help in building the trust of users in digital modes.

Government of India has taken many initiatives to promote the digital payment various initiatives like an innovation hub, a regulatory sandbox and offline payment solutions; India is keen to maintain its position as a leader. The RBI is using the technology for the geo-tagging framework put in situ to capture perfect location of bank branches, ATMs and BCs to hide payment system touch points, enabling perfect capture of their location all over the country. Further, the likelihood of leveraging India's domestic payment systems to facilitate cross-border transactions is being explored, and corridors and charges for inward remittances are going to be reviewed. In the light of above initiatives by the RBI it can be expected that the Digital Payments has a progressive future.

Conclusion

The digital payment has touched new milestones in this pandemic. Some of the areas witnessed high adoption during the lockdown. These include online marketing grocery shop, pharmaceutical sector, Telecom and media sectors

OTT players, EdTechs, recharge, payment of utility bill and online gaming.

Initiatives from RBI to line up a pan-India new Umbrella Entity will intensify competition within the digital space and convey out the simplest for end users and other participants in terms of efficiency gains and convenience. Finally the COVID-19 has brought the paradigm shift towards the offline payment mode to online mode of payment and redefined the overall business landscape [11].

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