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A STUDY ON “IMPACT OF COVID 19 ON DIGITAL PAYMENTS”

CAPSTONE REPORT

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Abstract: Digital payments have many benefits over cash in the current environment, including easy transactions, security, and transparency. In this pandemic situation, the banking sector plays a crucial role in digital payment by providing digital instruments like debit cards, mobile banking, mobile wallets, etc. The pandemic might accelerate the transition to digital payments. Factors driving digital payment. Payment systems continue to enjoy a high level of public trust because they have demonstrated that they are reliable and sustainable. The lock-down and company closure, however, led to a decline in average transaction volumes. It is crucial that the environment for digital payments develops quickly and benefits from the post-COVID era to support the recovery and help this new standard emerge.

This focuses on the value of digital payments during pandemics, various digital payment systems, and the development of digital payments over the previous three years. Additionally, the future of digital payments.

INTRODUCTION

The COVID-19 pandemic outbreak has caused significant changes in how people live their daily lives all around the planet. Due to the pandemic, people and organisations must now use digital solutions for a variety of tasks, including payments. The pandemic has had a substantial effect on the digital payment ecosystem in India, one of the world's largest and fastest-growing digital payment marketplaces.

This study's goal is to evaluate COVID-19's effects on electronic payments in India. The study will look at how the pandemic has affected the uptake and use of mobile wallets, UPI, and other digital payment platforms in India. The study will also evaluate the difficulties and chances that the pandemic has brought about for digital payment providers in India.

The study will also examine the Reserve Bank of India's (RBI) and Indian government's policy reactions to the pandemic's effects on the digital payments industry. The study will look at the steps made to encourage the use of digital payments and the initiatives to deal with the difficulties digital payment service providers encountered during the pandemic.

Overall, this study will give readers a thorough grasp of how COVID-19 has affected digital payments in India and what it means for the country's future in terms of its digital payments ecosystem.

LITERATURE REVIEW

1. MANISH SINGH, TECHCHRUNCH, SEPT 2022. UPI has surpassed all other online payment methods in India in just six years. In the second-largest internet market in the world, the mobile electronic payments system was used for more than 6.57 billion transactions last month.
2. TIMES OF INDIA, SEPT 2022. Unified Payments Interface, also known as UPI, a popular platform for mass retail payments, reported another record-breaking month in August. According to information provided by the National Payments Corporation of India (NPCI),

- the platform handled 6.57 billion (657 crore) transactions for a total of 10.73 trillion rupees. UPI transactions increased by roughly 68% in value over the previous year while increasing by 85% in volume.
3. BFSI, NOV 2021. UPI transactions increased from nearly 2 billion in October 2020 to 4.21 billion in October. In terms of dollar amount, transactions in October 2021 totaled Rs 7.7 lakh crore.
 4. BUSINESSLINE, NOV 2020. The Covid epidemic seems to have raised people's awareness of contactless payments in daily life. Even while many people started utilising UPI (Unified Payment Interface) before the epidemic, its use has significantly expanded during the lockdown.
 5. BJEFF KEARNS AND ASHLIN MATHEW, OCTOBER 2022. Over the past five years, the volume of digital payments in India has increased at a rate of roughly 50% annually on average. Even while that growth rate is among the quickest in the world, India's unique real-time, mobile-enabled system, the Unified Payments Interface, has seen an expansion rate of approximately 160 percent annually (UPI).
 6. BUSINESS STANDARD, AUGUST 2022. The number of transactions recorded by India's leading digital payments platform, Unified Payments Interface (UPI), in July exceeded 6 billion, reaching a record high since the platform's launch in 2016.
 7. (DESHWAL, 2015). Study covered how important mobile phones have been in India for providing financial services and how they have helped the country's economy flourish at a lower cost. She thinks that reaching out to the most rural areas of the nation is a good approach to 9464 promote inclusive growth for the average person. To boost the adoption of mobile banking from high end users to low end users and from major metropolitan regions to rural areas, collaborations between various organizations are required. She goes on to explain how different advertising efforts might encourage users to use mobile banking.
 8. (GOYAL, PANDEY, & BATRA, 2012) They have found that removing the different barriers in the areas of security and privacy is essential for ensuring the successful adoption of online payments and their widespread acceptability. They also emphasized the need for companies and retailers to take the initiative and make value-adding investments in order to win over customers and get them to accept this payment mechanism. They also highlighted how countless efforts are being made to develop prospective technological improvements that can address customers' security issues and address their complaints despite the fact that many solutions to extending safe transactions have failed.
 9. (SREELAKSHMI & PRATHAP, 2020) In their study, it was suggested that launching various health and awareness campaigns about the dangers of COVID-19 will help to promote mobile banking and raise knowledge of preventive health issues. They also talk about how crucial it is to stress the importance of encouraging customers' self-efficacy through online literacy and promotion campaigns in order for them to use the services. Their study also made the observation that the uptake of mobile payment services might be further accelerated by the inclusion of other features and products on a single platform.
 10. (PRIYA, GANDHI, & SHAIKH, MOBILE BANKING ADOPTION IN AN EMERGING ECONOMY AN EMPIRICAL ANALYSIS OF YOUNG INDIAN CONSUMERS, 2018) In their study, the authors noted that mobile banking should be viewed as an efficient, easy, quick, and comfortable method of carrying out banking activities. They think that in order to promote the mobile banking platform, banks should take advantage of this chance and provide clients with more valuable services. It was also mentioned that customers' opinions of privacy and security would change if they could complete transactions without making any mistakes, which would encourage them to switch to mobile banking. One happy customer could therefore influence many others.

OBJECTIVE

1. To examine how the pandemic has impacted consumers' adoption and utilization of digital payment systems, including mobile payments, e-wallets, and online payments.
2. To determine the extent to which digital payments—particularly those that enable remote transactions and lessen the need for physical cash and contact-based payments—have lessened the economic burden of the pandemic.
3. To look into the obstacles with infrastructure, technology, regulation, and trust that could prevent the acceptance and use of digital payments during the pandemic.
4. To examine the pandemic's possible long-term implications on the ecosystem of digital payments, including potential modifications to consumer behavior, business models, and market dynamics.

RESEARCH METHODOLOGY

Primary Data:

The primary data for this study is collected by circulating a questionnaire among the general public to know the effects of the pandemic on digital payments.

Sample size – 150

Tools for analysis – Graphical presentation

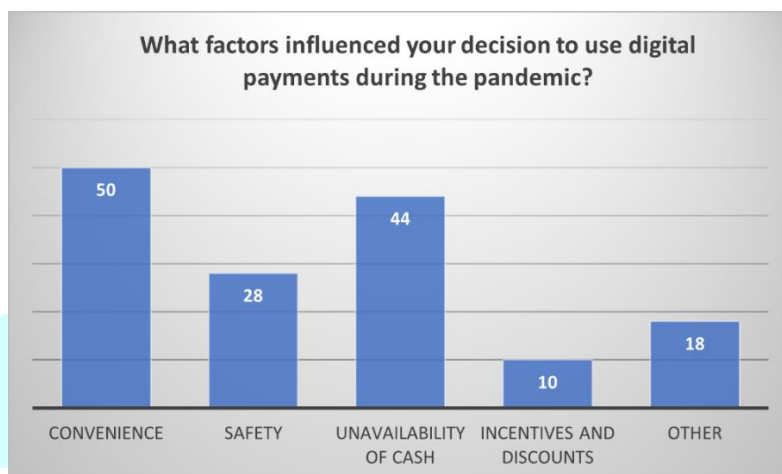
DATA ANALYSIS

FIGURE 1 – Analysis of factors which influenced user decision for Digital Payments

INTERPRETATION - According to the data we've gathered, convenience was the main impetus for people to use digital payments throughout the outbreak, when they were advised to follow social distance and avoid contact with others. According to the research, with 50 and 44 respondents, respectively, choosing these choices, convenience, and the lack of access to cash were the main factors influencing respondents' decisions to utilise digital payments during the epidemic. Another important element was safety, which 28 respondents chose as an answer. Just 10 respondents chose incentives and discounts as the least important aspect, making them the least significant component.

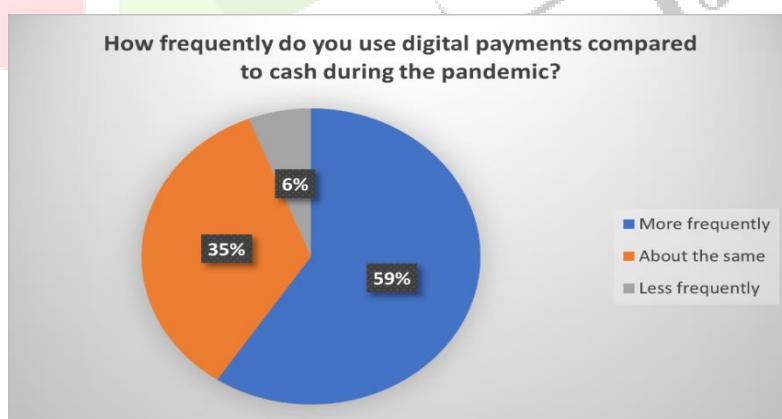


FIGURE 2 – Frequency of use of digital payments as compared to cash during pandemic.

INTERPRETATION - According to the statistics, 89 of the respondents utilised digital payments more often than cash throughout the epidemic. Just 9 respondents said they used digital payments less frequently than cash, while 52 said they used them roughly equally often. This suggests a considerable movement away from cash payments during the pandemic, potentially because of its ease, safety, and scarcity.

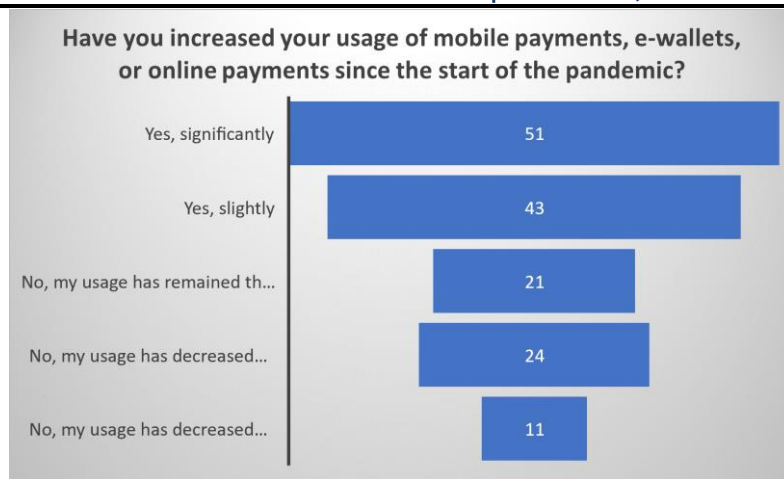


FIGURE 3 – Analysis of increase or decrease of use of digital payment system since the start of pandemic.

INTERPRETATION - According to the statistics, 94 out of the respondents appear to have increased their use of online, mobile, or e-wallet purchases since the epidemic began, with 51 indicating a large rise and 43 reporting a small increase. Just 21 respondents said their consumption had not changed, while 35 said it had decreased, with 24 saying it had decreased somewhat and 11 saying it had decreased significantly.

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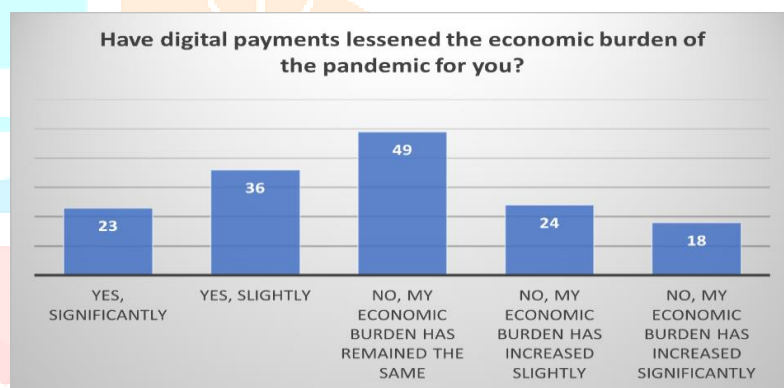


FIGURE 4 – Analysis of impact of digital payments on economic burden

INTERPRETATION - The findings indicate that although 49 out of the respondents said their financial strain had remained the same, 59 out of the respondents said digital payments had reduced their financial burden, with 23 saying it had decreased significantly and 36 saying it had decreased little. 42 respondents, however, indicated that their financial load has grown, with 24 indicating a little rise and 18 reporting a severe increase.

This suggests that although digital payments may have lessened the financial burden of the pandemic for some respondents, they may not be a solution for all, and that other factors like employment, income, and expenses may also have a big impact on how much of a financial burden the pandemic has on specific people.

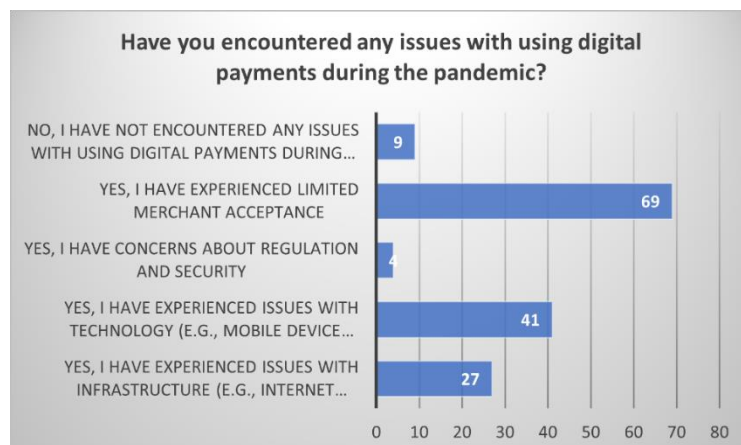


FIGURE 5 – Issues that users have faced while using digital payment system.

INTERPRETATION - According to the statistics, 69 respondents, a sizeable portion of those who used digital payments during the epidemic but only encountered limited retailer acceptance, may point to the need for increased merchant use of digital payment technology. Also, 27 respondents noted concerns with infrastructure, such as internet access, while 41 respondents mentioned issues with technology, such as compatibility with mobile devices.

Four respondents, a very tiny percentage, expressed worry about security and regulation when making digital payments during the epidemic. Lastly, nine respondents said they had no problems utilising digital payments throughout the epidemic.

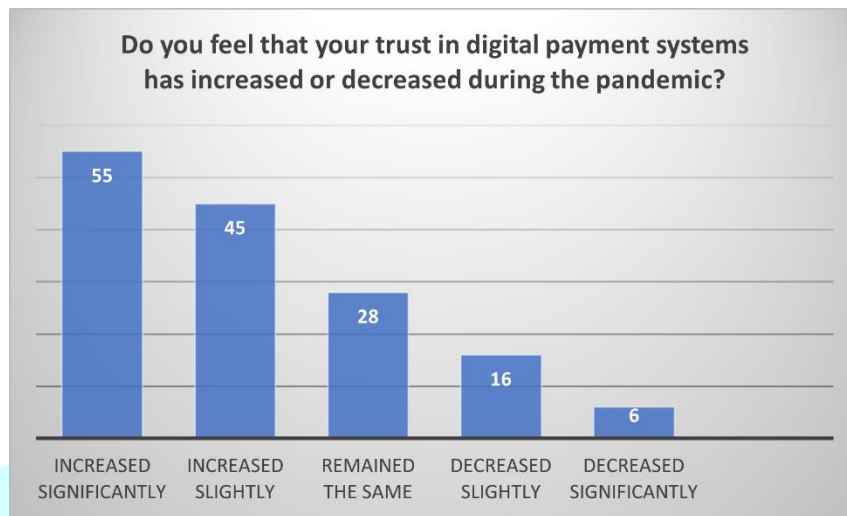


FIGURE 6 – Level of trust among the users of digital payment since the start of pandemic.

INTERPRETATION - According to the data, 55% of respondents felt that the epidemic has greatly enhanced their faith in digital payment methods. A good trend in general trust in digital payment systems is also shown by the fact that 45% of respondents believe their confidence in them has improved slightly.

Just 16% of those polled believe their confidence in digital payment systems has declined little as a result of the epidemic, and only 6% believe it has decreased severely. The fact that 28% of respondents, or over one-third of all respondents, feel that their faith in digital payment systems has stayed constant suggests that there may be space for improvement in the systems' overall level of trust.

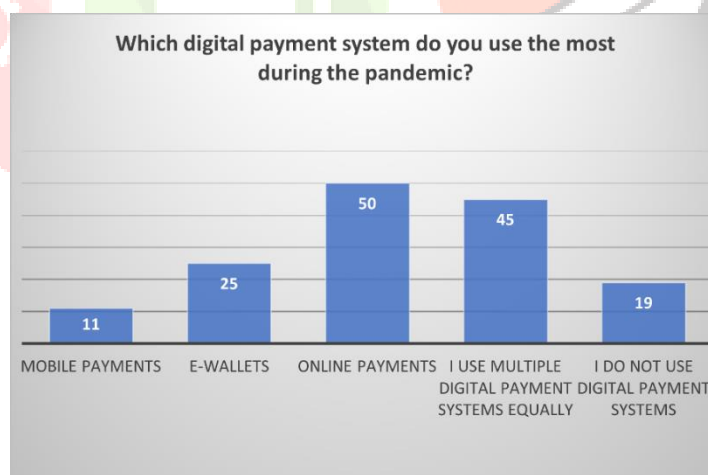


FIGURE 7 – The most used digital payment during pandemic.

INTERPRETATION - According to the data gathered, it appears that 50 out of 150 respondents (or the majority) used online payments the most frequently throughout the epidemic. Twenty-five respondents chose e-wallets, making it the second most popular option. Just 11 respondents chose mobile payments as their most commonly used payment method during the outbreak, making it the least popular choice. It's interesting to note that over one-third of respondents (45 out of 150) claimed to use numerous digital payment systems equally, indicating that they could use various payment methods based on the circumstance or provider.

Ultimately, just 19 out of 150 respondents said they never used any digital payment solutions. It's worth noting that this could be due to a variety of factors, such as lack of access to technology or a preference for cash payments.

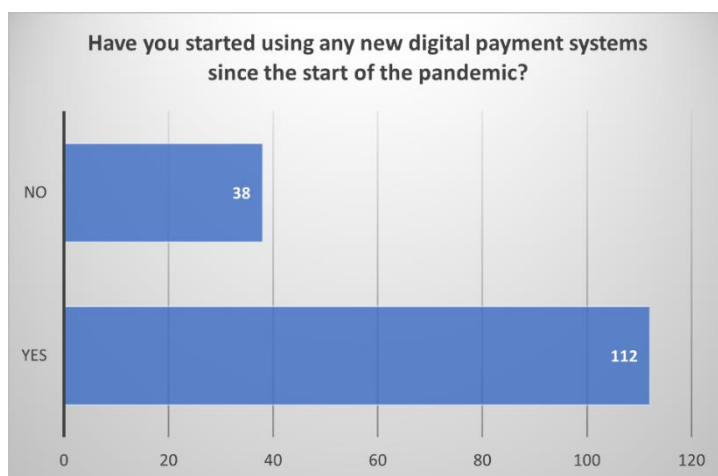


FIGURE 8 – Number of users who have started using digital payments since the start of pandemic.

INTERPRETATION - The majority of respondents (112 out of 150) seem to have started utilising new digital payment systems since the start of the epidemic, based on the alternatives provided. Given that the epidemic has expedited the transition towards digital payments as people try to reduce physical touch and stay away from handling currency, this is not surprising. 38 out of 150 respondents, a sizeable minority, claimed not to have adopted any new digital payment methods since the pandemic's beginning. This could be the result of a number of factors, including a lack of access to technology, a preference for cash payments, or a lack of motivation to transition to a new payment method.

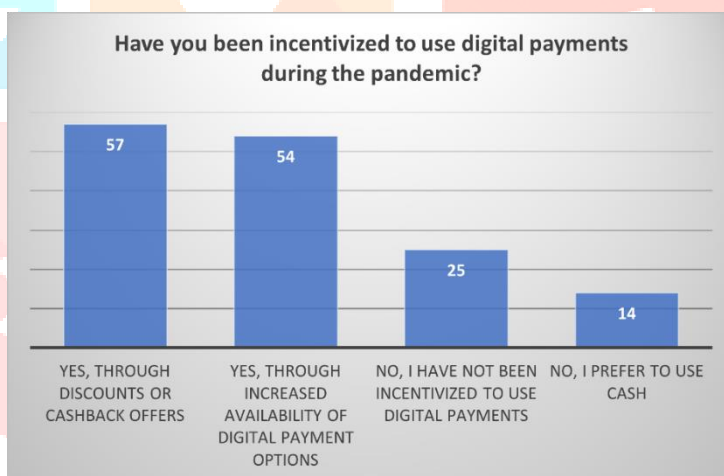


FIGURE 9 – Analysis of how users have received incentives through digital payment systems.

INTERPRETATION - 57 out of 150 respondents (based on the alternatives provided) appear to have received incentives to utilise digital payments during the epidemic in the form of discounts or rebate offers, according to the data. This is not unexpected because several merchants and digital payment service providers have been providing similar incentives to entice customers to migrate to using digital payments.

The availability of more digital payment choices during the epidemic, according to a comparable percentage of respondents (54 out of 150), has encouraged them to utilise digital payments. This might involve using new payment methods like contactless or QR code payments, which have grown in popularity since the outbreak.

Nevertheless, fewer respondents (25 out of 150) stated that they had not received any incentives to adopt digital payments throughout the pandemic. This can be as a result of their comfort level with utilising digital payments or the lack of any compelling reasons to switch. Ultimately, just 14 out of 150 respondents said they preferred to use cash and were not encouraged to move to digital payments. This underlines the fact that, despite the epidemic and the growing accessibility of digital payment methods, some people still prefer using cash as a form of payment.

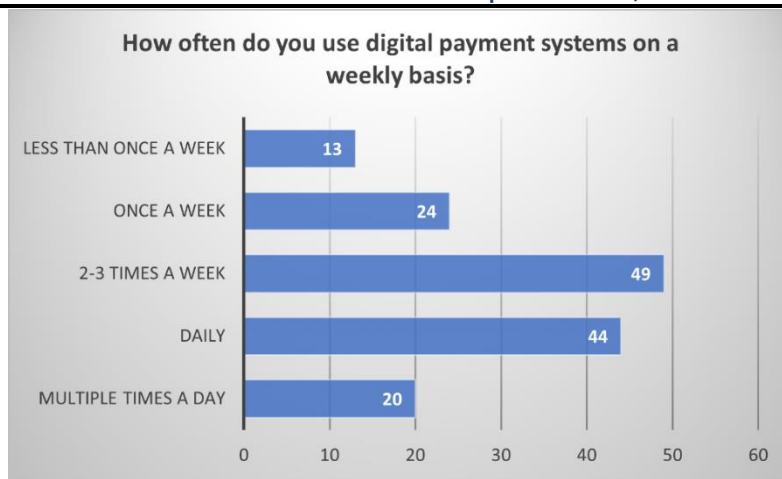


FIGURE 10 – Amount of usage of digital payment systems.

INTERPRETATION - The majority of respondents (113 out of 150) utilise digital payment methods at least twice a week or more frequently, according to the alternatives provided. Particularly, 20 respondents said they used digital payment methods frequently, 44 said they used them every day, and 49 said they used them twice or three times each week.

On the other hand, a lower percentage of respondents (24 out of 150) and an even smaller percentage (13 out of 150) reported utilising digital payment methods just once a week or fewer.

According to these results, a majority of respondents use digital payment systems regularly throughout the week, suggesting that they are a more popular payment option for many individuals.

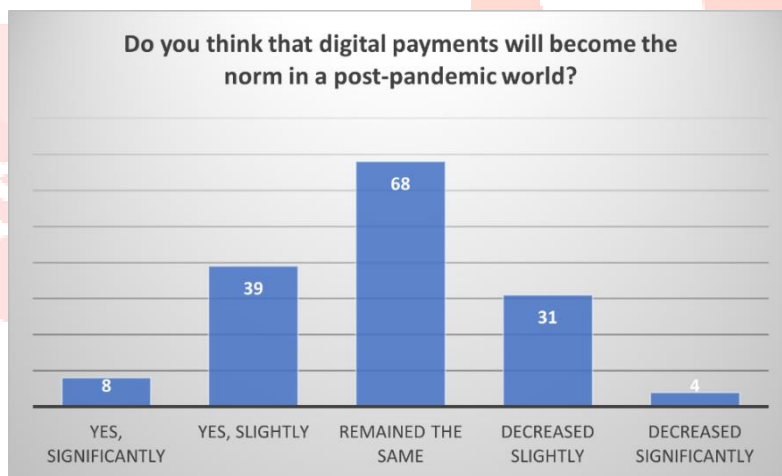


FIGURE 11 – Analysis of user thinking about if digital payment would become a norm in post pandemic world.

INTERPRETATION - Most respondents (68 out of 150) seem to assume that the predominance of digital payments would remain the same in a post-pandemic future based on the alternatives provided. This indicates that even while the epidemic has sped up the adoption of digital payments, many individuals still think that they will be a significant payment option long after the outbreak is ended.

A sizable minority of respondents (39 out of 150) do anticipate a small increase in the use of digital payments in the post-pandemic era, indicating that the pandemic has had a long-lasting effect on payment habits.

A lesser percentage of respondents (31 out of 150) think that digital payments would somewhat decline in the post-pandemic era. This might be because more people will likely switch to more conventional payment methods when the pandemic's acute concerns have subsided.

Lastly, only a very tiny percentage of respondents (8 out of 150) think that in a post-pandemic society, digital payments will decline dramatically. Given that the majority of data points to the likelihood that digital payments will remain a significant payment option in the future, it is unclear what variables may be behind this opinion.

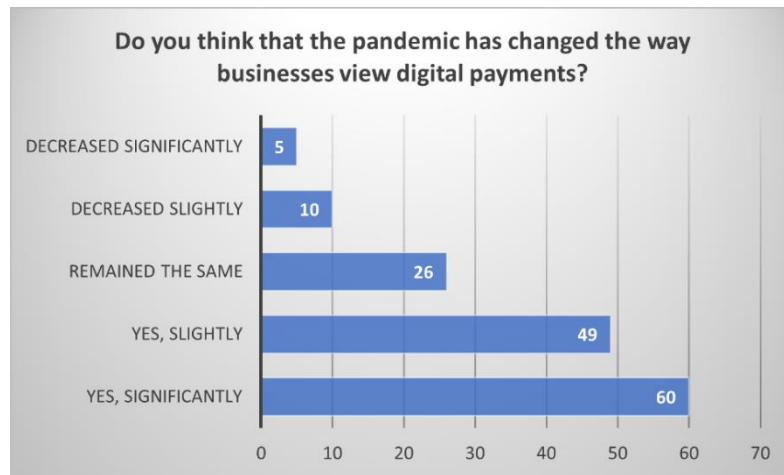


FIGURE 12 – Analysis about how pandemic have changed the way business view digital payment.

INTERPRETATION - According to the alternatives provided, it appears that 60 out of 150 respondents, or a majority, feel that the pandemic drastically altered how businesses approach digital payments. Given that the epidemic has compelled many companies to swiftly adopt new payment technology in order to reduce physical interaction and preserve social distance, this is not shocking.

The epidemic, according to a sizable minority of respondents (49 out of 150), has only minimally altered how businesses approach digital payments. This shows that even while some businesses may have already been looking into digital payment solutions before the epidemic, the pandemic has sped up this process and made digital payments a more crucial factor for enterprises to take into account.

A lower percentage of respondents (26 out of 150) think that the pandemic hasn't really altered how businesses think about digital payments, which may mean that some companies were already familiar with these technologies before the outbreak.

The epidemic, according to a small minority of respondents (10 out of 150), may have had a little negative impact on how businesses regard digital payments, maybe as a result of difficulties deploying new payment technology or a preference for more conventional payment methods. Just 5 out of 150 respondents think that the epidemic has significantly changed how businesses regard digital payments, although it's unclear what could be behind this perception.

CONCLUSION

Digital payments in India have been significantly impacted by the COVID-19 outbreak. According to the results of our study, as a result of individuals trying to avoid direct contact and stop the transmission of the virus, digital payments have become more widely used. The majority of survey participants said they used digital payments on a weekly basis, with many doing so daily or often. In addition, a sizable proportion of respondents said that since the epidemic began, they had begun using new digital payment systems.

Businesses have also been impacted by the epidemic, with many respondents claiming that it has dramatically altered how they perceive digital payments. To fulfil the evolving expectations of their consumers and uphold social segregation practises, businesses have had to swiftly adopt new payment methods. As a result, there are now more digital payment choices available, and incentives like discounts and cashback deals are being offered.

Going ahead, our research's conclusions indicate that in a post-pandemic environment, the prevalence of digital payments is likely to stay the same or perhaps slightly grow. Digital payments have become more widely used as a result of the epidemic, and many people think that they will remain a crucial payment option even after the crisis is resolved.

The COVID-19 epidemic appears to have had a substantial influence on digital payments in India, according to the overall research findings. Digital payments are anticipated to become a bigger part of people's financial transactions in India as companies and consumers continue to adjust to the changing environment.

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