



A Study on the Effects of Covid-19 on Digital Payment Methods in India

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Abstract: The COVID-19 epidemic has led to different changes in how people live and work, including a trend toward digital payments. According to the study, the epidemic has expedited the adoption of digital payments in the country, particularly among people who were previously hesitant to use non-cash payment methods. The report also highlights numerous variables that have contributed to this trend, such as the closure of physical businesses, the requirement for contactless payments, and the expansion of e-commerce. In India, digital payments are becoming increasingly popular, and the epidemic has further expedited this tendency. We'll look at how digital payment habits have changed and what factors have led to this transformation. Furthermore, this presentation will discuss the issues associated with digital payment acceptance as well as the future of digital payments in India.

Keywords - Covid-19, Payments, Digital Payments, Transactions, Pandemic, Digital, E-Wallets, E-Payments.

I. INTRODUCTION

A "digital payment" is the process of making a payment for a certain amount via a mobile application or website around the clock from anywhere in the globe. This includes a direct transfer of payments between the debtor's and creditor's bank accounts, with no real contact between the parties. Every country's government is constantly promoting digital payment methods, which have a lot of advantages. Digital payments were originally implemented a decade ago, but they are currently gaining popularity at a quicker rate, particularly in Indian towns and villages, as a result of the COVID-19 worldwide pandemic, which has caused all economies to suffer due to full lockdown control.

The epidemic of COVID-19 has had a huge influence on digital payments in India. These are a few examples of how the epidemic has impacted digital payments in India:

Adoption is increasing: Since individuals are avoiding physical touch and preferring contactless transactions to decrease the risk of infection, the epidemic has hastened the development of digital payments in India. As a result, the usage of digital payments has increased significantly across the country.

Digital wallets are on the rise: During the epidemic, digital wallet companies including Paytm, PhonePe, and Google Pay saw an increase in usage. These wallets enable users to conduct contactless purchases and conveniently transfer money to others. While people stayed home and avoided physical businesses during the epidemic, e-commerce grew significantly. As a result, the adoption of digital payments for online transactions has increased.

Cash transactions have decreased as a result of the epidemic since individuals have avoided personal contact with monetary notes and coins. As a result, there has been a move towards digital payments. **UPI transaction volume has increased:** During the epidemic, Unified Payments Interface (UPI) transactions increased significantly. UPI (Unified Payments Interface) is a real-time payment system designed by the National Payments Corporation of India (NPCI) that allows for rapid money transfers between bank accounts through a mobile device.

II. OBJECTIVES

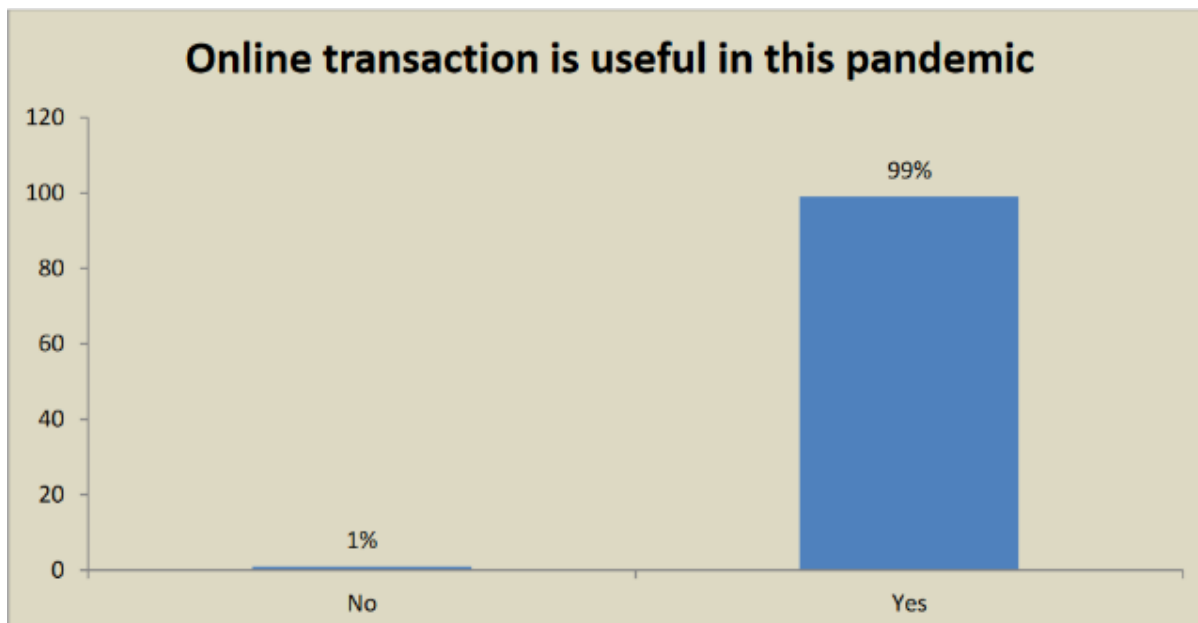
Following are the objectives that we have tried to follow and achieve for this research paper:

1. To research the economic impact that digital payments are having.
2. To understand the amount of economic activity within the current circumstances.
3. To do research on those who have not previously used digital payments but are now doing so.
4. To learn how consumers are conscious of using digital payments for their own protection.
5. To understand how the existence of COVID-19 will affect banks' profitability

III. REVIEW OF LITERATURE

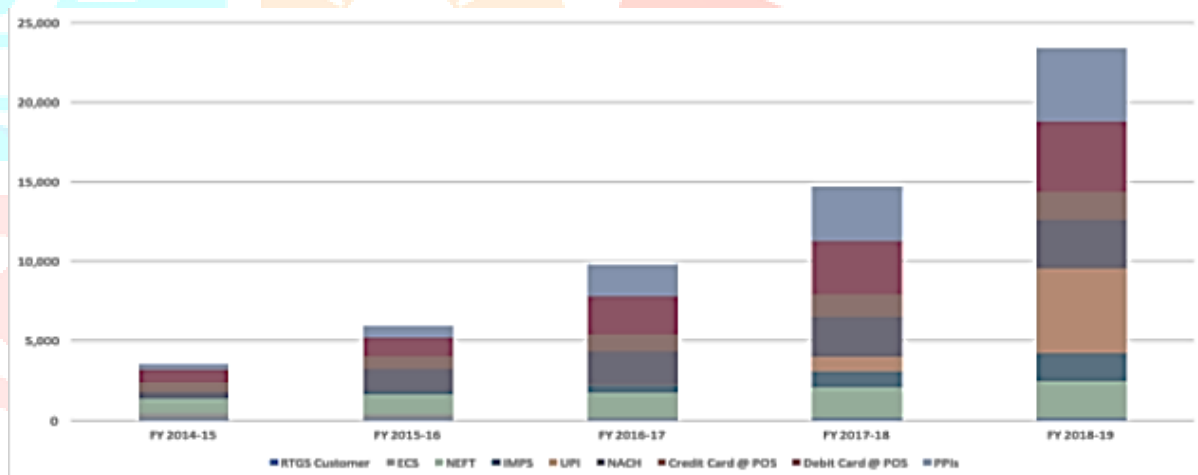
1. This study explores the different digital payment techniques utilized in the case of a pandemic, based on primary data collected from 220 respondents. The Digital India project is a flagship program of the Indian government with the goal of transforming India into a digital society and information economy. In this futuristic society, all purchases can be made via contactless cards, smartphone applications, and other technical means. Last year, the Reserve Bank of India proclaimed its intention to grow digital transactions to 15% of GDP by 2021. (Sornaganesh, 2020)
2. The study is mostly concerned with secondary information, and materials were obtained from books, papers, journals, and related websites. Inspect in order to review and progress one of them. This article detailed the numerous sorts of digital money transfers used by regular people in their daily lives. 4018 billion mobile banking transactions were conducted in 2015-16, up from 60 billion in 2012-13. Cell networks, the Internet, and energy are increasingly reaching remote regions thanks to digital payments. The Indian government pushed citizens to engage in all transactions, direct or indirect, during the demonetization phase. There are around 100 million active network connections in India, with over 22 million crore smartphone users. (Franciska, May-June, 2015)
3. This article focused on how digitalization might help Indian economic growth and the acceptance of new technologies for our region's globalization and modernization, which will contribute to development. All of the rules and processes implemented by the Government of India assist the Indian population in gaining information and understanding, as well as elucidating how digital payment is becoming the strong factor that it is. Everyday transactions are safe and secure. Secondary evidence was gathered from a variety of scholarly journals and government archives. (Mr. Arjun Singh Rathore, April 6-7 2018)
4. This article illustrates how digital banking has cut bank operational expenses significantly. This has made it easier for banks to charge lower service costs while providing depositors with larger interest rates. Lower operational expenses helped banks the most. Through digital transformation, traditional banking is being changed into a digital environment. This article addresses the significance of digitization in Indian banking, the factors that influence the breadth of digital banking in India, and Indian digital banking trends. The information was compiled from a range of sources, including academic papers, Indian government publications, and multiple RBI databases. According to the report, the simplicity of the use of digital banking will increase integration. (M, May to June 2019)
5. This article shows that digital payment is a cost-effective approach for businesses of all sizes to reach out to prospective clients and learn about digital banking, digital payment, and digital payment methods. There are various advantages to using digital payments over cash, including convenience, security, and clarity. Poor internet connectivity and extra fees for digital transactions are significant barriers to the introduction of this digital payment system in India. In the future years, the Indian economy will see a completely new manner of capital transmission. (S., July 2019)
6. M-commerce is a new idea in e-commerce that offers a variety of e-services via mobile devices. Mobile commerce is becoming a commonly utilized technology throughout the world as the number of wireless internet subscribers and smartphone users grows. M-commerce has enabled people to enjoy a variety of m-services such as M-agriculture, Mobile education, M-finance, and M-shopping. Mobile banking refers to the use of mobile devices to undertake banking transactions, such as payments. According to the Global Mobile Banking Report, mobile banking is quickly gaining traction among new users and is the leading banking channel in terms of transaction volume. The most fascinating discovery was that emerging-market adoption rates are the greatest, reaching 60-70% in India and China. (Sharma, 2016)
7. Given the widespread usage of mobile phones in India, mobile services have emerged as a viable option for the banking industry. Mobile banking transactions are increasing popularity and have enormous potential due to their accessibility and capacity to conduct transactions at any time and from any location. According to many surveys, banks require innovation and creativity in their banking, as well as making mobility self-sufficient to fulfil consumer requirements for fast access and total management of their accounts. Several academics have verified this notion, ensuring a bright future for mobile banking in India. Banks should recognize the benefits of mobile banking for their customers. In this area, one of the most important factors influencing customer mobile banking usage is cost. (Dr Nidhi Singh and Neena Sinha (2016))
8. The awareness and acceptance of digital payments have grown, as have the benefits connected with them, for example. The primary triggers were security, the convenience of use, and speedy payment. 36% of those polled utilized digital payments for the first time during the shutdown, and we were pleased to see such widespread usage across all demographics. The modest SMS has held its own and demonstrated how important SMS communication is in providing the user with confidence and safety. People are clearly ready, and the supply must continue to eliminate the impediments to adoption. (NPCI Report 2020).
9. This rising expansion of the digital payment industry is fuelled by a variety of causes such as ease of payment, increasing smartphone penetration, the rise of non-banking payment institutions, and escalating regulatory policies to the digital payment platform. The ease of paying, as well as the availability of enticing incentives, are two significant elements fuelling the growth of digital payments in India. This, along with rising smartphone usage, is benefiting the digital payments sector. With 300 million internet users, India now boasts the world's third-biggest internet user base. Just 50% of those users have access to the internet through mobile. (IBEF (Indian Brand Equity Foundation) 2019)

IV. DATA ANALYSIS



According to the above data, the pandemic had induced a shift in payment mechanisms from traditional to digital payments.

Although there have been some issues and people may be hesitant to trust digital payments, if certain protections are implemented, customers will surely go to digital payments. COVID-19 has undoubtedly given us pause. Consumers are shifting towards digitalization as they use less cash for all types of payment. Fears have been expressed concerning the COVID-19 being communicated via monetary transactions.

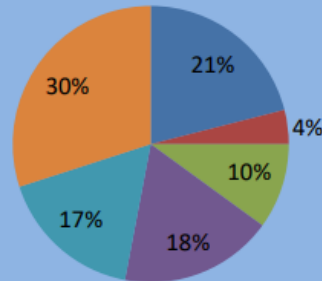


Source: Annual Report provided by RBI (No of transactions in millions)

The above graph depicts the number of transactions over the last five years, including RTGS, ECS, NEFT, UPI, NACH, Credit card, Debit card, POS, and PPIs. The accompanying graph demonstrates that there has been tremendous growth in the number of digital payments.

Reasons for avoiding digital payments

- Lack of confidence among people about digital payments
- Lack of transparency
- Payments in cash are accessible everywhere
- People's habit of transacting in cash
- Security Issues
- Technical Issues



According to the pie chart above, there are several reasons why people used to avoid cashless payments, but one of the biggest ones is individuals having technical issues with payments and comprehending the E-Payment technique in general. They are still concerned that their money will be taken, and that the previously suggested method of payment is unsafe.

V. RESEARCH METHODOLOGY

The purpose of the research is to determine how the Covid-19 epidemic has affected digital payments. The Covid-19 epidemic harmed all businesses and profoundly affected how we live today. Let's take a look at the brighter side or good effect of Covid 19, which has brought out the best in digital payments, notably in India. Covid 19, the devastating virus that killed millions and affected billions, has had an influence on numerous industries. Digital payments have expanded in India, greatly outpacing any other industry in terms of usage, thanks to UPI and platforms such as Google Pay, Paytm, PhonePe, and BharatPe. The massive scope of the digital payments problem illustrated how India is growing under our Prime Minister, Shri Narendra Modi, who has championed the country's transformation to become a digital one, substantially benefiting the common citizen. Digital payments were first beyond the normal person's capacity to adapt, but they can now be done relatively comfortably. According to figures for this area, there were more than 180,00,000 agreements in September of 2020 alone, a 19.00,00 growth over the previous year of 2019. Virus worries encouraged the use of digital money. The adoption of digitization by the country has immediately resulted in positive and upward societal transformation. Almost 210,000 IMPS procedures were done in September 2020 alone. Nonetheless, as part of the adaption, ATM withdrawals will continue through 2020 to safeguard your safety in the event of an emergency. We will be able to grasp the study's objectives later on, which are related to the national reach of digital payments, outreach to rural regions, and improving public awareness of digital platforms. UPI has been and will continue to be a huge help in going forward. The digital payments epidemic was enormous, demonstrating how India is growing as a digital nation, as launched by our Prime Minister, Shri Narendra Modi, which has aided the ordinary man in inconceivable ways. Digital payments have aided the ordinary man in a variety of ways, and while the adaption of digital payments was once beyond imagination, it has now become comfortable. Further in this study, we can grasp the study's aims, which include the reach of digital payments in the nation, reaching out to rural regions, and making people aware of digital platforms. UPI has played an important role in moving the process along and will continue to do so.

VI. CONCLUSION

To conclude, the COVID-19 epidemic has had a tremendous influence on India's digital payments. The lockdowns and social distancing measures put in place to stop the virus's spread resulted in an increase in online transactions as individuals switched to digital payment methods to avoid physical touch. This change to digital payments has not only hastened the development of digital payment infrastructure in India but has also opened new avenues for financial inclusion and economic growth. Moreover, the Indian government's push towards a cashless economy through projects like as Digital India, UPI, and BHIM have aided in the expansion of digital payments during the epidemic. While there have been issues and worries about the security and dependability of digital payment systems, for many customers and organizations, the benefits and convenience they provide exceed these concerns. Although there was a downfall in the health industry, India rose from the ground and build it itself back up. Overall, the COVID-19 pandemic accelerated the adoption of digital payments in India, and this tendency is expected to continue in the post-pandemic

environment. The influence of digital payments on the Indian economy and society is likely to be enormous and long-lasting as the country works to develop a comprehensive digital payment infrastructure and improve financial inclusion.

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