

A Study On The Impact Of Digital Payment In Indian Economy With Special Reference To Covid-19

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Abstract: *this perspective covers the potential impact of Digital payment in Indian economy with special reference to Covid-19 on consumer payments, as we all know that people in the economy on first hand use more of cash for any kind of their purchase made and even few digital transaction also by linking the bank account details due to the virus which is spreading across the country made the consumer to use more of the mobile based applications to avoid direct contact with merchants in a view that it transfer the virus, this made a way to analyse how digital payment is contributing the economy and to know the mode of transactions settlement is happening in the economy and also in this paper the analysis is made on digital payment sector estimation in its transaction value. From this digital payment facility adopted and supported by all banks in economy is to protect the local business as well as super markets even it is concentrated for the other sectors of the society. Further India's GDP growth rate is also discussed and analysed how the nationwide lockdown is affected the countries growth.*

Keywords: *Digital payment, Covid-19, Bank account, consumer payment, gross domestic product.*

1. INTRODUCTION:

Modern banking in India originated in the last decade of the 18th century, the banking sector has been evolving, and it is known as one of the longest and oldest businesses in the country. India Act,1934 made a way to establish Reserve Bank of India in 1935. Later in 1969, 14 major private banks got nationalized by the Indian government and in 1980, 6 more private banks were nationalized. These are the nationalized banks who contribute majority of money in the Indian economy for the supply of goods and services. Later banks got progressed and grown with every passing year. Further banks were always regarded as a place with long queues, and unmanageable amount of paper work.

The IT revolution had a great impact on the Indian Banking system the use of computers has led the introduction of online banking in India, due to this banks started to move still towards the technology to grab the opportunity and make their customer satisfy with various modes of digital banking as well as the staff to reduce their work stress and speed up the transactions to reach the entire economy to make county digitalize. As we know that for each and every transaction, we make it is paid via cash, in the economy majority of the exchange is made with cash or we can say that cash is the facto-de mode of payment across the country. According to Tone tag company More than 95% of the transactions in India are still cash based though the currency is wiped out by 86% after demonetization in Indian

markets almost two years ago, other modes of settlement or payment like digital payments have seen the progress steadily for past many years in the economy.

In India the most popular cashless payments are introduced three decades ago that is credit card and debit card this adoption is still measured slow and steady due to the lack of infrastructure, connectivity and Point of sale machines. Demonetization interrupted the cash economy for a while with the rise in digital payments. Due to demonetization digital payments growth has been accelerated by four years. From there the cash is back by mobile payments which is being used twice as much, presently less than 5% of the transactions are cashless and there has been a strong push by the government for promoting mobile based payments like net banking, UPI and Aadhar based payments etc.

The main objective of digital banking is to make the payment system user friendly which result in customer purchase pattern, for this reason the mobile wallets like Paytm, google pay and PhonePe have become the key indicators by scanning QR code (Quick response code) or by entering seller cell phone number customer can settle the payments in addition to that the value added services like bill payments, ticket booking provided by these wallets have made Indian consumer to opt digital payment option. When consumer are preferred this payment mode to exchange for their goods and services purchased they look for the another side of this payment that is security, the research says that the future of electronic payment lies in providing further simplified and secure user experience, in this search the banks are providing secure identification and payment by the one-time passwords generation to protect customers personal data and to enhance the confidence in it later voice recognition, face detection is also made a way to protect the customer privacy, even than the economy is hoping for the next level of technology in banking sector.

Along with encouraging cashless transaction and transforming India into reduced cash society, various modes of digital payments are offered such as:

Debit and credit card: - its feature is, suitable for offline and online transactions the details require to operate this card is card number, expiry date along with this transaction limit is set by the card issuing bank and to meet its maintenance the cost is incurred in respective amount in the percentage.

RTGS and NEFT: - (Real Time Gross Settlement and National Electronic fund transfer) its feature is, suitable for high amount of online transactions the details required to run this option is account number, IFSC code and transaction limit is minimum 2 lakhs to 10 lakhs per day.

IMPS: - (Immediate payment service) its feature is, suitable for instant transfer in which details are required is account number, IFSC code and transaction limit is up to 2 lakhs.

UPI: - (Unified payment interface) its feature is, suitable for instant transfer details required to operate is m pin, and transaction limit is up to 1 lakh

This various application is going to use by the customer to settle the transaction immediately which result in increased number of transactions, reach to various customers with its speed, also this digital payment facility by the banks is actually made more useful in this present situation that is existence on novel corona virus. In India the entry of novel corona virus is made on 30th January 2020 which is originated from china. Ministry of health and family

welfare have confirmed many positive cases which is affecting the economy, the virus is going to spread from people to another people with direct contact this made the way for nationwide lockdown (source: Adam withnall Delhi). Michael Ryan, chief executive director of the world health organization's health emergencies programme said that India had "tremendous capacity" to deal with the coronavirus outbreak to adding for this on 17th march government of India issued an advisory, urging to all Indians states to take social distancing measures till 31 march during this lockdown economic devastation caused huge effects on informal workers, micro and small enterprises, farmers and self-employed. This made people in economy to make their daily work routine from online, and for their daily purchases is also made with digital payment. This made consumers to switch for digital payment to be safe and secure.

2. REVIEW OF LITERATURE:

Balasubramanya (2002) states that a banking sector is entering into the new world and existing developments in banking sector are changing the face of banking. Technology has revolutionized the banking industry in a big way. Technology has helped banks to improve their profitability by their product's delivery. When banks depend on the technology risk of technology has to be understood and sufficient backup plan put in place to ensure continued customer service. Adding to that **Jadhav Anil (2004)** has described various channels of e-banking services as ATM, internet banking, mobile banking and its features. In this study the focus is also given on e-banking opportunities its challenges and security aspects though performing the banking transactions on the internet.

Further **Akinola (2012)** has empathies that the security and reliability part of cashless society. It is true that cashless society got many advantages and it probably reduce the corruption, crimes on one side whereas on the other hand it will able to increase the government revenue to a great extent. To that

Dr. Indrajit Sinha, Sangita Roy (2014) stated that E-payment system in India, has shown tremendous growth, but still there has lot to be done to increase its usage. Still 90% of the exchange are made on cash basis. Four factors which contribute to strengthen the E-payment system is innovation, incentive, customer convenience and legal framework.

STATEMENT OF THE PROBLEM:

To study how the digital payment is made impact on the economy in the presence of covid-19 and also to study how it is benefited for the society to make the transaction by one tap is made to the following

- ✚ To study the challenges faced by customer in the usage of digital banking.
- ✚ To know which kind of digital payment mode is contributing for the better transaction.
- ✚ To study which is the preferable mode of transaction among cash and e-money.
- ✚ To know that the demand for merchants to adopt digital payment applications to make easy settlement.

NEED FOR THE STUDY:

To analyze the impact of digital payment in the Indian economy with respect to covid-19

and to analyze how the transaction are settled to pay for their goods, further to find out the impact on the economy.

OBJECTIVE OF THE STUDY:

- 1.To study the extent to which digital payment is contributing to the economy.
- 2.To know the level of transaction in the economy with the present situation.
- 3.To study about the people who are not use to the digital payment are now switch to use digital payment mode.
4. To know that how people are aware of using digital payment to protect themselves.
- 5.To know the impact on banks profitability in the existence of covid-19

3. RESEARCH METHODOLOGY:

In order to do the study on digital payment in the economy with the special reference to Covid-19, the following research methodology is followed;

The study is purely based on the secondary data i.e.; RBI data, research papers, newsletters and online reports(publications).

DATA ANALYSIS:

With reference to above objectives and statement of the problem this paper has undergone in detail data analysis which is discussed by below points.

1. The challenges faced by digital payment player in the use of digital payment.

Interpretation: popular payment apps like Paytm and Google pay too have been encouraging customers to go digital i.e; to use digital payment options during the present situation, where it is also advised to avoid social contact when customer purchase their daily needs and other. Many business and retail chains also been encouraging customers to shop online and pay through digital channels.

2. Which kind of digital payment mode is contributing for better transaction?

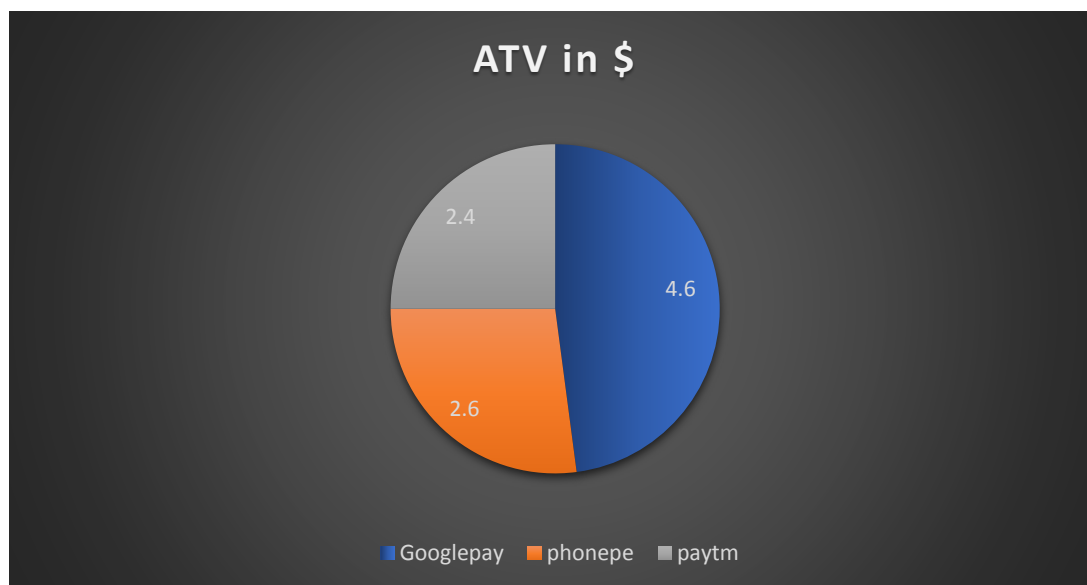
Interpretation: while all the digital payment platforms offer some unique features, they are customized by different audiences to use the system. while

- BHIM makes it easier for customer to make the payment without an internet connection
- Google pay is secure way to use UPI for quick nearby payments with OTP (one-time password).
- Paytm and PhonePe are full-fledged wallets and integrated multiple functions in them.
- In terms of average transaction value, google pay is higher by 50% compared to PhonePe and Paytm.
- According to recent data revealed by Bharathpe, google pay ATV as \$4.6 while PhonePe and Paytm recorded their ATV as \$ 2.6 and \$ 2.4 respectively.

Table 1: Showing the data for the mode of digital payment contribution

PARTICULARS	ATV IN \$
Google pay	4.6
PhonePe	2.6
Paytm	2.4

Graph 1: Graph showing the mode of digital payment contribution



(ATV: Average transaction value)

Analysis: when compare to all other apps which is contributing more to the digital payment is google pay from this even consumer also benefiting with gift vouchers and scratch cards which influence in retaining the consumer and reach the target.

3. Which is the preferable transaction mode for the purchases?

Interpretation: Indians to use the digital payment infrastructure of the country in order to reduce the coronavirus pandemic. RBI governor said, taking example of using NEFT, IMPS and UPI as a way to minimize social contact to carry out the transactions. Further report says that avoid cash to pay the bills. Now a days the youngsters are also attracted for the offers which the mobile based apps will pay in kind i.e; cash back offers, gift vouchers etc.,

This shows that there is a preference for digital payment and also is better to deal with this present situation of Covid-19 existence.

4. Is the demand for merchant to adopt digital payment application to make easy payment.

Interpretation: The report recommended that to make merchant around the economy benefit from this virus issue instead of making their business loss many opportunities are planned for betterment that is incentivizing merchants, retailers and consumer through lower taxation, special incentives schemes to shift to digital payment transaction.

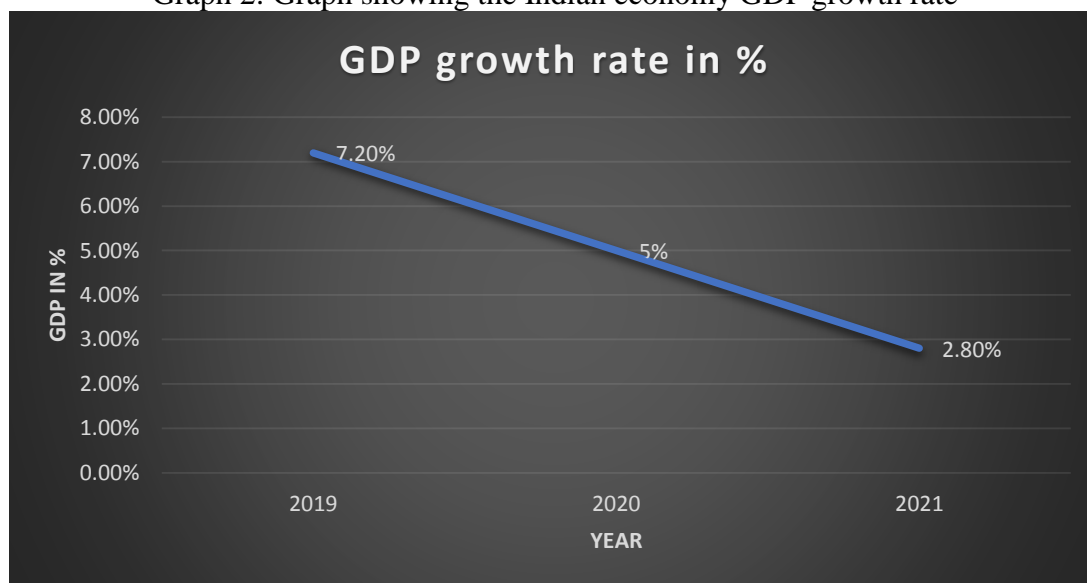
5. The extent to which Covid-19 is caused damage to the Indian economy.

Interpretation: According to south Asia economic report the world bank estimated the Indian economy to decelerate to 5% in 2020 and projected a sharp growth deceleration in fiscal 2021 to 2.8% whereas in 2019 the growth rate was 7.2 %.

Table 2: Showing the data for the Indian economy GDP growth rate

PARTICULARS	GDP GROWTH RATE IN %
2019	7.20%
2020	5%
2021	7.80%

Graph 2: Graph showing the Indian economy GDP growth rate



Analysis: The above graph shows the fall in GDP growth rate when compare to all three years the result of fall in the present year 2020 is due to nation lockdown and the projection of 2021 is based on the present situation which the country is facing.

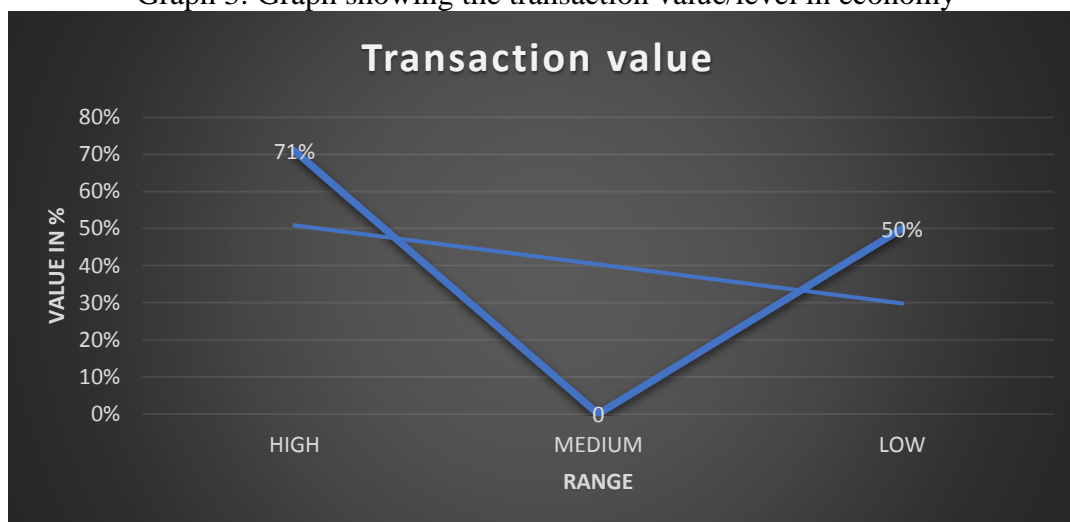
6. How is the digital payment transaction level in the economy?

Interpretation: even Covid-19 has influence on digital payment sector even it is estimated to have registered a decline of around 30% in the transaction level which we can say the economy is having low transaction value.

Table: 3 Calculation showing for the digital payment transaction

PARTICULARS	TRANSACTION VALUE IN %
HIGH	>71%
MEDIUM	51%-70%
LOW	< 50%

Graph 3: Graph showing the transaction value/level in economy



Analysis: The above graph shows that the transaction value in the economy is showing low trend which is below 50% this calculation is made on the above table which says that below 50% falls in the category of low range i.e.30%.

7. The people who are not use to digital payment are now switch to use digital payment.

Interpretation: As According to the special report, covid-19 forces the customer to adopt to

the potential changes with the confidence that digital payment solutions will continue to improve the money flow as well.

On other hand it is yet challenge to shift to digital says 68 years old citizen in this report.

8. Are uneducated people being aware of using digital payment in the country due to Covid-19.

Interpretation: The governor of RBI said that people in the economy need to switch for digital in their transaction because currency notes are considered to be harmful in the existence of covid-19 which can transfer the virus hence many advertisements is issued with respect to go digital.

The lockdown situation has forced even the uneducated or common people to use digital payment apps.

9. The impact on banks profitability in the existence of covid-19.

Interpretation: According to the Moody's a deterioration of economic condition Indian banking system slip negative from stable earlier, further the report says that the effect will be more marked for public sector bank. To support this one more report according to national payment corporation of India states that fall in the transaction banking income due to lower cross border trade also reflect that few banks are facing difficulty to reach out the profit.

4. CONCLUSION:

in this paper, it made an attempt to identify the problem which is exist in the Indian economy due to the Covid-19 and arrived at the banking sector, further many reviews made to take up this research which is supporting the entire economy in smooth functioning that is digital payment with this one facility from banks today we are having the safe, secure transaction. Analysis shows that many digital players are encouraging to go digital for the consumer by scanning the QR code to settle the payments which is better instead of swiping the e-cards, avoid infection and to withhold the loss in transaction. Further the research is analysed that the google pay app is better to handle with lot more security and easy payments. Along with this the paper shows that there is a low transaction level which indirectly effect the economy to slop negative in the GDP growth rate, in next upcoming year the cope up is very much required to take back the economy in stable line. In an end study is also focused on the people with less knowledge is also made protected with confidence to make digital transaction by appealing in the advertisement from the RBI. Though there may be positive and negative impact on economy but during the Covid-19 this digital payment become boon for the common people. The mode of digital payment has widely used by worst section of the people irrespective of their age made today have safe life.

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