

IMPACT OF COVID 19 ON DIGITAL PAYMENTS IN INDIA- INCREASED USAGE, PROBLEMS AND GOVERNMENT SUPPORT IN BUDGET 2023-24

Ms. Anita S. Agarwal

Assistant Professor,
Ghanshyamdas Saraf College of Arts and Commerce,
Mumbai, Maharashtra

Abstract:

The aim of present research is to study the concept of digital payment along with impact of COVID-19 on digital payment with special reference 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, but due to the COVID 19 virus which had spreaded 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 growth of digital payment the economy. The research paper is making focus on the problems of digital payment system in India and effects of the system in people and economic system of India. The research paper is also trying to explain the future scope of the Digital payment system as announced in Budget 2023. The secondary research covers some view-points or insights of other researches who contributed their knowledge in related concern. The conclusion of present research paper shows that there is an high increase in use of digital payments services through various applications in India which was not much high before the happening of world-wide pandemic Covid-19.



Keywords: Digital Payment, Covid-19, Consumer Payment, Budget 2023

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Introduction:

Digital Payment System in India:

In a fastest moving digital world there is one largest growing mode of making payments called as Digital

Payments. One of the major objectives of Digital India is to achieve “**Faceless, Paperless, Cashless**” status. The promotion of digital payments has been accorded the highest priority by



the Government of India to bring each and every segment of our country under the formal fold of digital payment services. The vision is to provide the facility of seamless digital payment to all citizens of India in a convenient, easy, affordable, quick and secured manner.

Various Modes of Digital payments:

During the last three years, digital payment transactions have registered unprecedented growth in India. Easy and convenient modes of digital payment, such as Bharat Interface for Money- Unified Payments Interface (BHIM-UPI); Immediate Payment Service (IMPS); pre-paid payment instruments (PPIs) and National Electronic Toll Collection (NETC) system have registered substantial growth and have transformed digital payment ecosystem by increasing Person-to-Person (P2P) as well as Person-to-Merchant (P2M) payments. At the same time, pre-existing payment modes such as debit cards, credit cards, National Electronic Funds Transfer (NEFT) and Real-Time Gross Settlement (RTGS) have also grown at a fast pace. **BHIM-UPI has emerged as the preferred payment mode of users.** The Government of India also launched the digital payment solution **e-RUPI**, a cashless and contactless instrument for digital payment which is expected to play a huge role in making Direct Benefit Transfer (DBT) more effective in digital transactions in the country. All these facilities together have created a robust ecosystem for a digital finance economy.

COVID-19 or Coronavirus is a serious health disease due to which the whole globe was declared as pandemic and shuts all business through implementing worldwide lockdown by governments of every nation in order to safeguard

health's and lives of common people suffering to which numerous individuals lost their existence.

As digital payments gain wider acceptance, Finance Minister Nirmala Sitharaman announced in her Budget 2023, Fiscal support to be continued for digital payments ecosystem to continue and grow for the year 2023-24. Economic Survey 2023 sees RBI's digital currency as a booster shot for financial services.

Review of Literature:

1. Singhal Rashi (2021): quoted in her paper "Impact and Importance of Digital Payment in India" that services offered by banks in digital form provides various opportunities to the banks when it comes to the benefit of their customers. The shoppers have a great impression along with a worthwhile effect upon the use of digital payments services. As one of the largest providers of financial and monetary services in our smart cities and the bush of rural areas, business banks provide inimitable services to their potential customers. She has founded that RBI and Indian government has brought up some noticeable acceptances with an entry of a mode such as non-financial system of deferred payments. The regular improvement in transmission of media as well as innovation has provided stimulation to voluntary framework of computerised instalments. Further she also mentioned about various governmental activities such as demonetisation or GST which is contributing to the economic expansion along with spreading of net for high expenses.
2. Kaur, S., & Walia, N. (2021) investigated the impact of COVID-19 on digital transactions in India. A paired sample t-test found that COVID-



19 influenced digital payments. This study's conclusions may help stakeholders promote digital payments.

- Jain, Sarupria and Kothari (2020) studied, how the happening of COVID-19 has brought a great boost to the Indian economy, especially in the sectors like food and beverages, entertainment and others. The services of digital payments have seen huge growth that is from 5 per cent to 30 per cent after the demonetisation, also with continuous efforts of the government towards the digital economy.

Objective of the Study:

- To know the advantages of cashless transactions.
- To identify the impact of COVID 19 on growth of volume and transaction value of Digital Payments.
- To know the problems of digital payment system and provide recommendation to the problems faced by customer in the usage of digital Payment System.
- To know the Government measures and support to boost e- payment system in India.

Research Methodology:

The methodology used in this research paper is secondary data, in order to conduct a successful study on Impact of COVID-19 on Digital Payment in India. The data has been studied and collected from secondary research such as previously published articles, journals and government published sources.

Limitation of the Study:

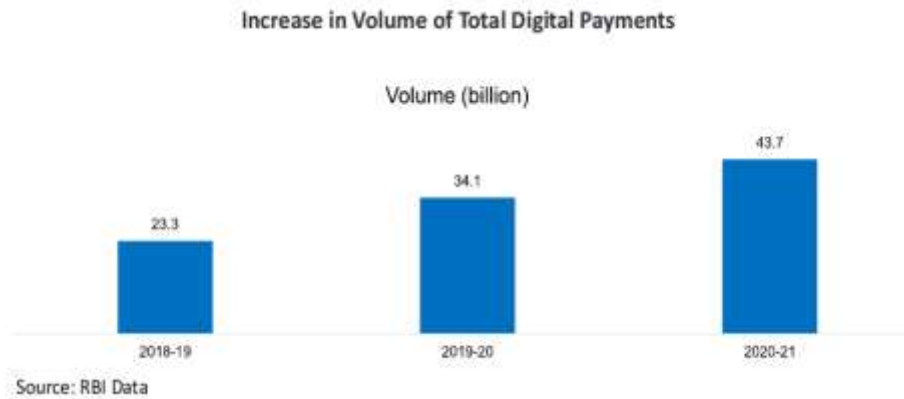
- It is possible that some or many people are not aware about digital payment as they may do not use android mobile phone or computer.

- Time and words constraints.

Advantages of Digital Payment system to Customer:

- Time Saver:** using digital payment system customer can pay to merchant, transfer money quickly and no need to make payment by cheque and waiting for clearing. Because Digital Payment system take less time than traditional payment system.
- Availabilities:** Digital payment system can be used by customer from anywhere and anytime there is no need to go banks for every transaction.
- Easy Purchasing:** The Digital payment system provides facility to user for purchasing by using ATM card, Credit card and POS therefore it is easy for making transaction and no hard cash required to travel with us.
- Use of Wallet:** The Digital Payment system includes digital wallets which make payment easy and with that wallet customer can get discount as well as cash back.
- Written record:** You often forget to note down your cash spending. Or even if you note, it takes a lot of time. But you do not need to note your spending every time with digital payments. These are automatically recorded in your passbook or inside your E-Wallet app. This helps to maintain your record, track your spending and budget planning.
- Less Risk:** In digital Payment system it provides us securities for every transaction it require MPIN or OTP which can avoid frauds in the system.

GROWTH IN DIGITAL PAYMENTS IN INDIA



The volume of total digital payments increased from 23.3 billion during FY 2018–19 to 43.7 billion during FY 2020–21, representing an increase of 88% over the two years. The volume of non-cash payments increased to 98.5% during FY 2020–21 from 97% during FY 2019–20. This indicates the success and future potential of digitalization in India.

UPI: Revolutionizing Digital Payments

UPI has been termed a revolutionary product in the payment ecosystem. Launched in 2016, it has emerged as one of the most popular tools in the country for carrying out digital transactions. UPI is

an instant payment system developed by the National Payments Corporation of India (NPCI). It powers multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing and merchant payments into one hood. UPI has gone a long way in making digital payments a habit, and in firmly placing India on the track toward a cashless economy. In the month of August 2022 alone, 346 banks were live on the UPI interface, with **6.58 billion financial transactions** being carried out for a total **value of nearly Rs. 10.73 lakh**



Few Examples were Digital Payments are used frequently



Vegetable e-Payment



Tollnaka e-Payment



Grocery e-Payment



Online e-Ticket



Tax e-Payment



Railway e-Ticket

Problems in Use of Digital Payment:

1. People use of currency note money: In India people are using currency in High level. People

in Rural area in India nearly made transaction 80% in cash. Because it has become traditional and habitual to the people.



2. **Computer Illiteracy:** There is only 6% people in India are computer literate and near about 90% Indian people don't understand the computer and internet that's why they cannot use the digital payment system.
3. **Use of ATM Card:** There are many digital payment systems but Indian People still using ATM cards for withdrawal and give money to other. They didn't use M. wallet and digital payment for money transfer.
4. **Mobile Internet Penetrations Rate:** The use of mobile remains weak in rural India. For setting transaction digitally internet connection is requires but the connectivity are not available in the rural area.
5. **Risk and Security:** The Indian people still don't believe in online transaction. And they feel that the traditional system is good and faithful. And also not believe in Security of the transaction.
6. **Training:** There is a communication gap between bank and their customer. It requires giving training about use of online payment system but banks do not provides any training program to increase the digitalization.
4. Be vigilant about phishing calls, do not disclose OTP received in your mobile to anyone. It is advisable to use caller identification apps that help to flag suspicious phone numbers. Remember no banks or payment apps or financial institutions ask for details or demand a transfer of money over a phone call.
5. When making an online payment, pay attention to the fake URL.
6. Check and recheck QR codes-It is important to examine a QR code carefully, especially in public spaces, and don't hesitate to clarify with a vendor whether it is the right one.
7. Use Biometric authentication for digital payments, Hence this reduces the chances of stolen credit cards or phones being misused for fraudulent payments.
8. Avoid saving card details and using similar passwords
9. Beware of fake apps
10. Do not use public WiFi/computers

Recommendation and Safety measures required while paying digitally-

1. Spreading awareness among Employees and Customer through communication channels.
2. Training about use of different online Apps for digital payment system by banks to specially for people in rural area to increase digitalization.(Computer literacy)
3. Strong Internet connectivity to made available in the rural area for smooth setting of Digital Transactions

Government support and measures to boost e-payment system in India as per Budget 2023: Financial Support

After highlighting achievements of the Union



government since 2014 in respect of Digital



Payment, Finance Minister Nirmala Sitharaman announced that the economy has clocked 7,400 crore digital payments worth Rs 126 lakh crore through unified payments interface (UPI) infrastructure in 2022.

As digital payments gain wider acceptance, The Union Budget 2023-24 showed that the government's financial support for the digital payments sector is expected to jump more than two-fold to Rs 2,137 crore for FY 2023, compared to Rs 1,044 crore spent in FY 2022. "In 2022, the (digital payments) showed an increase of 76% in transactions count and 91% in value.



Budget announced that "The financial sector regulators will also be encouraged to have a KYC system fully amenable to meet the needs of Digital India."

Banks also surge on pro-growth measures in support for digital payments in Budget 2023-2024.

Government Initiatives to promote digital payments are:

DIGI shala: It is launched on DD channel to promote digital payments.

DigiDhan Abhiyan campaign: It is organized to promote cashless transactions.

TDS Deduction at Source: In order to discourage the practice of making business payment in cash, 2% tax deducted at source (TDS) will be levied on cash

withdrawals exceeding Rs. 1 crore in a year from a bank account

Use of Low-Cost Digital Modes: Any business entity with annual turnover more than 50 crore shall offer low cost digital modes of payments to their customers and no charges shall be imposed on customers as well as merchants. BHIM UPI, Aadhaar Pay, NEFT and RTGS can be used to promote less cash economy.

Discount on Rail Tickets: People travelling by train by purchasing monthly tickets will enjoy a discount of 0.5% if tickets are purchased digitally.

INR 10 lakhs of Insurance: People travelling long distances using Indian Railways will get travel insurance of Rs. 10 lakhs on unforeseen happening if tickets are purchased digitally.

10% discounts for highway tolls: It can be availed when payments are made using digital payment mode.

Conclusion:

The impact of COVID-19 had an adverse effect on most of the industries world-wide such as retail, fashion, hospitality, airlines and several others, on the other hand the global pandemic has boosted use of digital payments in many sectors such as buying groceries and medicines online and many other. The concept of digital payment services has provided endless benefits to public in having easy as well as frequent payments and also acts as a necessity after the happening of COVID-19.

Today, there is no doubt that the digital payment landscape in India has been transformed. Complementing the efforts of the Government, the people of India have also displayed a great affinity for embracing new technologies. India has emerged as a leader in the creation of digital assets, which can



serve as an example to many other nations. Further, the Government of India is leaving no stone unturned to make India a global leader in the arena of digital payment systems and help it attain the status of one of the most efficient payments markets in the world. Going forward, the emerging Fin-Techs will play a key role in the further growth of digital transactions by enabling transparent, secure, swift and cost-effective mechanisms benefiting the entire digital payments ecosystem.

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