

Studying The Impact Of The Covid-19 Outage On Digitized Payments In India

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Abstract

A once-in-a-century pandemic Corona has a terrible impact on economy all around the world during the entire fiscal year 2020–21. Although the covid outbreak has caused a surge in electronic payments in the retail market, the Indian economy has shown resilience because to its strong fundamentals. When compared to the financial year prior to the pandemic, 2019/20, digital payments (retail) have greatly increased in both volume and value terms. The beneficial outcome has demonstrated India's digital payment system's ability to process a significant number of financial transactions via digital channels. The significant increase in digital payments that will occur in 2021 and 2022 will be successfully managed by the payment system thanks to the emonetization seeds planted on November 8th.

Keywords-Impact, Covid-19, and digital payments

Introduction

The once-in-a-century Corona pandemic in India had a terrible influence on the entire fiscal year 2020–21, much like it did on the global economy. However, because to its strong foundation and adaptability, the retail market has seen a notable rise in digital payment during the covid time lag. The quantity and value of digital payments (retail) have significantly increased in the pandemic-affected fiscal year 2020 - 2021 as compared to the preceding fiscal year 2019-2021. The amount of online payment transactions in the retail sector increased by 42 percent, from 26,493,22 in the financial year 2019-2020's pre-pandemic period to 37,512,72 million in the fiscal year 2020-2021. The entire transaction value increased by 3%, from Rs. 160,924 billion to Rs. 165,530 billion. The good news is that it has demonstrated that India's digital payment infrastructure can manage a huge amount of financial transactions via digital channels. This study examines how the Covid-19 epidemic affected cashless transactions in India in order to gauge the country's capacity to withstand, manage, and respond to significant economic downturns brought on by extraordinary occurrences like the Corona outbreak.

Review of Literature

As according De et al. (2020), the Covid19 crisis has boosted use of digital technology as a result of extensive closures and laws governing interpersonal distance. They have examined between the possible ramifications of the rise of online and the ensuing research challenges. People are increasingly adopting virtual money because of worries that using actual money could spread the corona virus, According to Jain et al. (2020). Electronic payments seem more

enticing because there is a worry that cash can spread the corona virus. A similar finding was made by Auer et al. (2020) in their investigation. To retain faith in cash, banks all over the world are vigorously contacting customers and urging a continuance of cash acceptance. On rare occasions, banknotes have undergone sterilization or quarantine. In their paper, Arner et al. (2020) explore how the digital financial infrastructure, which mostly emerged in the wake of the 2008 Global Financial Crisis, is being used to address the pandemic's immediate challenges as well as get ready for its potential economic repercussions. Brem et al. (2020) predict that a Corona-like pandemic will undoubtedly attack humanity again; nevertheless, the technologies created to fight the epidemic may prove valuable in the future. According to Bisong et al., the World Bank forecasts a historical decline in worldwide remittances of US\$110 billion in 2020. (2020). Sub-Saharan Africa (SSA) is anticipated to see a drop of roughly 23.1%. There has never been a study evaluating and analysing the impact on electronic transfers in the Indian retail sector.

Research Methodology

The study used a continual comparative method to see how the Covid-19 outbreak affected digital payments in India. The functional impact was calculated using the volume and value of retail digital payments as a proportion of the 2019–20 fiscal year compared to the 2020–21 fiscal year. Covid-19 began to have an effect on FY 2020/21 on May 1, 2020, and continued without interruption until March 31, 2021. On the other hand, a sizable portion of FY 2019/20 falls within the time span prior to COVID-19 (up until March 23, 2020, when the nationwide lockdown went into effect). As a result, the changes in the value and volume of contactless banking (retail) in FY 2020–21 over FY 2019–20 fully reflect the pandemic's effects. Similar data was available in this instance. Effect interpretations were made as a result of examining the changes between the two fiscal years using the empirical approach.

Data analysis and Interpretation

The pre-Covid period and the Covid impacted era are positioned inside the following comparison, per information taken from the (NPCI) National Payments Corporation of India website in 2021:

Table 1 Examines digital payments (retail) for the accounting periods 2019–20 and 2020–21. (volume)

Sr.No	NPCI Operated System	F.Y-2019-2020	F.Y-2020-2021	%Change
	Cash Transactions:	Volume(in Cr)	Volume(in Cr)	Volume
1	Bank ATM Cash Withdrawals	431.160	366.094	(0.15)
2	National Automated Clearing House	340.178	362.619	0.07
3	Cheque Clearing (Processed Volume)	103.588	66.829	(0.35)
4	IMPS	257.918	327.835	0.27
5	(POS) RuPay Card usage	82.260	70.198	(0.15)
6	(E-Com)RuPay Card usage	65.812	67.966	0.03
7	Cash withdrawals and deposits using Micro ATMs via AEPS (Inter Bank) Txn	43.718	96.328	1.20
8	(Bill Payment passing through BBPCU)	14.570	27.609	0.89
9	Unified Payment Interface	125.187	223.306	0.78
10	1.0 USSD	-	-	
11	NETC	58.26	1,32.73	1.28
	Total Cash Transactions:	2649.324	3751.272	0.42

(Source: www.npci.org.in, 2021)

The aggregate volume of electronic payments (retail) rose by 42%, according to the National Financial Corporation of India. 15% fewer ATM cash transfer transactions were made overall. However, there were large increases in the IMPS and UPI categories of 27% and 78%, respectively. As a result, there were notably more transactions using digital payments (retail) during the Covid-19-affected period of FY 2020/21.

Table 2:

Sr.No	NPCI Operated System	F.Y-2019-2020	F.Y-2020-2021	%Change
	Cash Transactions:	Volume(in Cr)	Volume(in Cr)	Volume
1	Bank ATM Cash Withdrawals	1,615.098	1,497.984	(0.07)
2	National Automated Clearing House	1,762.998	1,903.278	0.08
3	Cheque Clearing (Processed Volume)	7,917.461	5,602.611	(0.29)
4	IMPS	2337.542	2,941.495	0.26
5	(POS) RuPay Card usage	114.682	116.939	0.02
6	(E-Com)RuPay Card usage	61.041	92.671	0.52
7	Cash withdrawals and deposits using Micro ATMs via AEPS (Inter Bank) Txn	118.857	228.630	0.92
8	(Bill Payment passing through BBPCU)	21.661	42.973	0.98
9	Unified Payment Interface	2,131.730	4,103.654	0.93
10	1.0 USSD	-	-	
11	NETC	11.293	22.763	1.02
	Total Cash Transactions:	16,092.364	16,552.998	0.03

(Source: www.npci.org.in, 2021)

The value of electronic payments (retail market) overall rose by 3%, according to the National Payment Corporation of India.

Cash withdrawals from ATMs reduced in value by 7%. The IMPS and UPI categories, on the other hand, both experienced a quick 26% and 93% rise, respectively. As an outcome , the value of transactions made using digital payments for retail during the Covid-19 impacted period of FY 2020-2021 has increased significantly. The sharp 29 percent fall in the value of the Cheque Truncation System accounted for the majority of the nominal gain of 3 percent (CTS transaction).The benefits of online payments (retail) has dramatically expanded despite the economy's slowdown.

Conclusion

The results of our analysis show that the retail sector's use of online currencies has really been positively impacted by Pandemic. 2020 and 2021 will be financially impacted by the pandemic, and there has been a significant increase in both volume and value.. A few significant conclusiveness is possible by contrasting the current fiscal year to that of 2019/2020 previous to an epidemic. It is probable that this increase is related to Indian monetary transfers . system was online prepared to handle amount of transactions. The seeds for this were already there when the Indian government enacted demonetization, which is the reverse of emonetization, on November 8, 2016. Through consistent work from 2017 to 2020, the digital explosion became feasible and hassle-free. The nation's rural residents have essential access to the electronic payment system. The ability of the digitized payments system to effectively process 37,512,74 million payments in a calendar year serves as evidence of its sturdiness. Another conclusion that can be drawn is that the value of digital payments in the retail sector did not decrease despite the pandemic's effects. They went from Rs. 160,924 billion to Rs. 165,530 billion, a 3 percent increase overall. This indicates the Indian economy's

ability to withstand and adapt to economic shocks brought on by a pandemic of the scope and size of COVID-19. Consequently, the pandemic that happened in the fiscal years 2020–21 had an impact on the digital payment system used by the retail sector.

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