

COVID 19 – A BOON OR BANE FOR DIGITAL PAYMENTS AND FINANCIAL INCLUSION

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ABSTRACT

A cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile Banking or banking through computers), debit and credit cards, card-swipe or Point of Sales (POS) machines and digital wallets. The research paper though analytical in nature, tries to study through light on the rising trend of digital transactions in India in this COVID 19 situation being carried out in various cashless modes over the last few years but simultaneously being ourselves making alert of the negative impact of going cashless thereby showing downside of digital India. As the people of India are showing amazing response towards digitalization, it is a big indicator of prosperous future for India to be cashless India. So, the need of an hour is to spot the weakness involved in cashless transactions and work out them to achieve the vision of “Digital India” especially during this pandemic. This research paper is a humble attempt to explore the concept of cashless and financial inclusion making India Digitalized.

Keywords: *Card-swipe, Cashless, E-Banking, Mobile Banking, Pos, COVID 19.*

INTRODUCTION

The government has implemented a major change in economic environment by demonetizing the high value currency notes of – Rs 500 and Rs 1000 from 8th November 2016 and push India towards cashless future. What is cashless economy: A cashless economy is one in which all the transactions are done through electronic channels such as debit/credit cards, Immediate Payment Services (IMPS), National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS). The circulation of physical currency is minimum. The Indian Economy continues to be driven by the use of cashless than 5% of all payments happen electronically. Electronic based transactions seek to drive the development and modernization of India's payment system. The essence of the policy is to shift the economy from a cash-based economy to cashless one. Efficient and Modern payment system is a key enabler for driving growth and development. The policy also aims at improving the effectiveness of monetary policy, managing inflation in the economy, maintaining stable pricing system. In India, the ratio of cash to gross domestic product is 12.42% in GDP; this is one of the highest in the world. It was 9.47% in China and 4% in Brazil.

Authorities around the world have moved to encourage the use of digital payments in response to Covid-19. Some of these measures facilitate the use of digital payments during lockdown, while others provide longer-term support for fintech players and financial innovation more broadly. For emerging market and developing economies, the measures respond to the unexpected opportunity to further promote financial inclusion objectives through the use of technology. To increase their effect, these moves should include measures to combat financial crime and protect consumers. To encourage and strengthen cashless economy during this pandemic, it is important to inculcate the habit of making e-payments. Government encourages cashless transactions like mobile banking, Ru-pay cards, UPI, USSD which are the means and methods of digital payments. Government have also introduced Aadhar based payment system, for those people who don't have cards or mobile phones. To control counterfeit notes that could be contributing to terrorism; it can also affect the monetary policy of our country and eliminate the "black money, Hawala transfers can't be made without paper currency;

curbs illegal activities altogether. Even the RBI has also unveiled recently a document, **“Payments and Settlement Systems in India: Vision 2018”**, setting out plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term.

BENEFITS OF CASHLESS ECONOMY DURING THIS COVID 19

Cashless economy during this pandemic has helped in curbing generation of blackmoney. As a result, it reduces real estate prices as most of the black money is invested in Real Estate which inflates the prices of Real estate markets. Untraceable illegal activities like money laundering, illegal gambling and drugs operations are all part of this. With every payment received recorded, it would be infinitely more difficult to evade taxes too. Lower physical theft rates: with no physical money to steal in anyone's pockets, theoretically crime involving cash thefts would disappear. Muggings, shop and house break-ins and handbag theft are just a few examples of crimes that would likely die out. Simpler currency exchange: physically going into a shop to exchange money for another currency may soon be a thing of the past. As we've established, carrying cash makes you vulnerable, particularly abroad. Most digital banks now allow you to pay internationally by card at a great exchange rate and you will never have to worry about if you have enough money to get you through your holiday. 1 in 7 notes are supported to be fake, which has a huge negative impact on economy, by going cashless can be avoided. An increased use of digital payment instead of cash would enable a more detailed record of all the transactions which the place in the society, allowing more transparency in business operations and money transfers which reduces tax avoidance and money laundering. Cashless Economy also reduces the cost of banking services. It also improves monetary policy in managing inflation and increases economic growth in our country. Another benefit of cashless economy is that it discourages cash related robberies and other cash related crimes. A large part of black money is generated in illegal trades like selling drugs etc. Therefore, without cash or less cash illegal trade might become difficult.

CHALLENGES OF A CASHLESS ECONOMY DURING COVID 19

- Large part of population is still outside the scope of Net banking like use of debit or credit cards, making transactions using mobile phones, and using the internet to pay bills as they are not in a position to reduce their dependence on cash.
- The risk of hackers: Electronic money means vulnerability to hackers. Although your money is protected in the majority of circumstances under federal law in the United States and Organizations such as the FCA (Financial Conduct Authority) in the United Kingdom, it can be very inconvenient and stressful if your bank account is hacked and possibly drained.
- The temptation to splurge: with no physical banknotes leaving your hand when you make a purchase, psychologically it may be able to spend more frequently and more per transaction without noticing. Many popular digital banks that promote a cashless way of living provide users with information and tools in saving and staying in control of money.
- Relying on technology: if systems malfunctions or servers face an error, it is out of your control. Money in your account would be inaccessible, and there would be no emergency cash to use for the time being.
- The economic divide: a cash-free society would mean nearly all money management and transfers would have to be done via the internet or on a mobile app. Accessibility to these devices and services would be much more limited to those who could not afford to buy a phone or home computer. Those with no fixed address would also not be able to open a bank account at all, creating a further rift between the rich and the poor.
- About 90% of the rural sector workforce produce nearly half of the output in the country. It will not be easy for this sector to become cashless.
- There is a general preference for cash transactions in India. Merchants prefer not to keep records in order to avoid paying taxes and buyers find cash payments more convenient.

- Although cashless transactions have gone up in recent times, a meaningful transition will depend on number of things such as awareness, technological developments, and Government intervention.
- People face difficulties in making electronic payments even in metro cities because of poor network. The availability and quality of telecom network will play an important role.
- The government will also need to play its part, as to find ways to incentivize cashless transactions and discourage cash payments.
- It is difficult to change people's attitudes and perception to make them move towards Digital India, as they are dominated by small retailers. They don't have enough sources to invest in electronic payment infrastructure.

REVIEW OF LITERATURE

Review of Literature paves way for a clear understanding of the areas of research already undertaken and throws a light on the potential areas which are yet to be covered. The purpose of this research paper is to describe variety of opinions and views related to use of Digital Payments during this pandemic in India. Keeping this view in mind, an attempt has been made to make a brief survey of the work undertaken on the field of Cashless Economy. The researcher made an attempt to study about the demonetization impact and financial technology company. The researcher also analyse about payment service sector during the demonetization period. Fast Moving Consumer Goods have extended their credit cycle to address this liquidity situation some of the consumer's companies have extended some credit to the distributors through RTGS. Digital payment is the largest bet in the mobile internet space from the technology point of view. The reviews of some of the important studies are presented below;

Cashless Economy is defined as one in which they are assumed to be no transactions friction that can reduced through the use of money balances, and that accordingly provides a reason for holding such balances even when they earn rate of return. In cashless economy, how much cash is in your wallet is practically irrelevant. You can pay

for purchases by any one of the plethora of credit cards or bank transfer **(Woodford,2003)**.

Article is revealed that after demonetization changes in buying behavior are clearly explained. After demonetization the main impact is reduce the paper money and increase the digitalcash. Most of the customers used digital cash after the demonetization, used through the mobile applications, Internet Banking, etc., for paying their bills.**(G. Sudha and Dr.V.Sornaganesh (2019)**

The study is revealed that the traditional system of cash transaction cannot completely be replaced by card or e-payment system. People can adopt and use their mobile wallets for the payment transaction, fund transfer, purchasing groceries and paying bills etc. The study has discussed the trust is the main factor affecting users' satisfaction directly and it impacts on many user's intention to adopt mobile wallets. They argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system.**(M.Thangajesu Sathish (2020)**

“E-Payments and e-banking” opined that payments will be able to check the growth patterns of Cashless transactions system. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the needs of e-payments and modes of e-payments and communication networks **(Jain,P.M, 2006)**.

He observed that developed countries in the world, to a large extent, are moving away from paper payment instruments to electronic ones especially payment cards. Some aspects of functioning of cashless economy is enhanced by e-finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are affected in cashless economy **(Roth, 2010)**.

India's unbanked population was at 223 million; even for people with access to banking, the ability to use their debit or credit cards is limited because there are only about 1.46 million points of sale which accept payments through cards. A study by

Boston Consulting Group and Google in July noted that wallets have already surpassed the number of mobile banking users and are three times the number of credit card users. A cashless society describes an economic state where by financial transactions are not concluded with money in the form of notes but rather through the transfer of digital information between transacting parties. (**Price Water House Coopers, a report of 2015**).

OBJECTIVE OF THE STUDY

1. To analyze about the meaning of Cashless Transactions.
2. To study the Impact and Importance of Cashless Transaction System during COVID 19.
3. To discover the future trends of Cashless Transactions.
4. To chalk out the major challenges in making India cashless during this Pandemic.
5. To access the growth of India on the path of being cashless in terms of digital transactions such as POS, Credit and Debit Cards and Payments Bank etc.

STEPS TAKEN BY RBI & GOVERNMENT TO DISCOURAGE THE USE OF CASH DURING COVID 19

Government is also promoting mobile wallets as it allows users to instantly send money, pay bill, recharge mobiles, book movie tickets and send physical and e-gifts both online and offline. Recently, the RBI had issued certain guidelines that allows the user to increase their limit to Rs 1,00,000 based on certain KYC verification. Various incentives offered by the government to digitalization in India to make India “Digital India” by focusing on cashless modes.

- ❖ On digital transactions up to Rs 2000, Service Tax of 15% waived off.

- ❖ Digital purchases of fuel through credit cards, mobile wallets, discounts of 0.75% is available.
- ❖ Free insurance worth rupees 10 lakh on account of Pandemic Treatment.
- ❖ On purchase of new LIC policies online via its site, 8% discount is offered.
- ❖ RBI Governor Shaktikanta Das on Monday urged Indians to use the Digital Payment infrastructure of the country in order to reduce the fallout of the Coronavirus Pandemic. “The RBI and the Government are giving a lot of emphasis in encouraging Digital Payments,” said Das, taking examples of using NEFT, IMPS and UPI as a way to minimise social contact to carry out transactions. He further added that Banks were advised accordingly to promote Digital Payments.
- ❖ The RBI in a separate notice further said that the fallout of COVID-19 can be limited by avoiding social contact and visit to public places. “Public can use these modes of digital payment from the convenience of their homes through online channels like mobile banking, internet banking, cards, etc. and avoid using cash which may require going to crowded places for sending money or paying bills,” the regulator urged. Physical “Physical cash handling as a daily routine, is being considered as a major cause of concern for risk of contamination,” said Mandar Agashe, the Founder of Banking Technology provider Sarvatar Technology. “Contactless payments could be the way ahead and payment modes like UPI, IMPS, RTGS, Mobile wallets and Net banking could contribute effectively in reducing human interactions,” he added whilst suggesting sterilizing of Physical Notes and Providing Incentives for Digital Payments as other counter-measures for the outbreak.
- ❖ Government has also launched **UPI (PDF) (Unified Payment Interface)**, payment system that can be used for immediate mobile transfers between account holders of two different banks.
- ❖ In addition to government or RBI, Companies are also participating in combating of cyber-crimes because of increasing trend of cashless or digital transactions.

- ❖ Microsoft has opened full scale **Cyber Security Center** called **Cyber Security Engagement Center (CSEC)** in India. The center is located in Delhi, functions as a satellite to company's Redmond Digital Crime Unit.

MEASURES TO BE TAKEN FOR SAFETY CASHLESS TRANSACTIONS IN INDIA

1. Basic cyber hygiene must be taken care, such as non-sharing of passwords with others, non-saving of passwords on public networks and better access to control techniques with strong authentication measures should be implemented by mobile e-wallet companies.
2. Open Bank Accounts and ensure that they are operationalized.
3. Abolishment of Government fees on credit card transactions; reduction of interchange fees on card transactions; increase in taxes on ATM withdrawals.
4. Tax rebates for consumers and for merchants who adopt electronic payments.
5. Making Electronic Payment Infrastructure completely safe and secure so that incidents of Cyber Crimes could be minimized and people develop trust in electronic payment system.
6. Amid rising fears of Covid-19 spread, when the physical transactions have almost crashed, the digital payments in India have witnessed an exponential spike in the last 21-day lockdown period. In the past three weeks over 42% Indians have used digital payment mode multiple times as compared to the pre lockdown period. Digital payment platforms have also not just seen a surge in the number of transactions but the number of downloads of digital payment platforms have also almost doubled.
7. According to a survey of 42,000 respondents by consultancy firm Local Circles, buying essentials and mobile recharges are top use cases for digital payments and Paytm and Google Pay are among the top digital payment apps being used by consumers. According to the report, after the lockdown kicked in more people have switched to digital payment mode. With accessibility to the ATMs in the last three weeks being limited the digital payments companies are making most of it. The lockdown has also brought many first-time users who were earlier not very

keen on using digital payments' mode for payments as now due to social distancing measures they need to pay online for buying essentials. Among the top gainers, according to the report include Paytm and Google Pay. "When consumers were asked what digital payment app have, they been using the most in the last three weeks, since the coronavirus outbreak, 33% said Paytm, 14% Google Pay, 4% PhonePe, 10% Amazon Pay, 6% BHIM while 33% used other apps," the survey report said.

8. The Reserve Bank of India will also come in terms of few issues, in figuring out what digital payments across borders means for its capital controls and how new modes of payment affect key monetary variables such as the velocity of money. RBI will also have to shed some of its conservatism, part of which is often seen itself as the protector of banking interest rather than overall financial development.

CONCLUSION

The future of the Cashless India looks pretty promising as the response of the country's people towards this move of the government and the support towards it is a clear indication that the government's move is likely to succeed. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways which will increase the GDP of the economy. This will increase the creditability of the country and make a rise in investments. This step of cashless is truly going to create ripples of big success and it will help to achieve the vision of our Prime Minister "Digital India".

Many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering. But one of the biggest problems in the working of Cashless economy in India is cybercrime and illegal access to primary data. Therefore, it's important to strengthen Internet Security from protection against online fraud. Large number of populations is still below literacy rate living in rural areas. For smooth implementation of cashless

system in India, the following measures are recommended to Government to bring transparency and efficiency in e-payment system, strategies to be used by the Government and RBI to encourage cashless transactions by licensing payments banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time in order to make population aware of benefits of electronic payments.

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