



“Cashless Economy Before and After Covid”

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ABSTRACT :

The COVID-19 pandemic has heightened public apprehension regarding the use of physical currency, primarily due to concerns about potential contamination. Globally, there has been a significant reduction in cash transactions. However, this shift towards a cashless economy was already in progress, with the increasing adoption of contactless payment cards and digital payment applications making a cashless society increasingly attractive.

Keywords – Covid-19, Cashless transactions, RBI, E-Banking, Online transactions during lockdown

Introduction :

The adoption of digital payment systems in India predates the COVID-19 pandemic. According to Razorpay’s report titled ‘The Era of Rising Fintech,’ digital payments in India experienced a remarkable growth of 383 percent between 2018 and 2019. The onset of the pandemic in 2020 compelled institutions globally to reconsider interactions with potentially contaminated surfaces, including cash. Consequently, digital transactions surged in May, driven by the apprehension surrounding the handling of physical currency. Digital payments not only offered convenience but also enhanced transparency and reduced reliance on intermediaries and banking monopolies. The prevalence of electronic payments has become integral to daily commerce, suggesting that physical currency may soon become obsolete. In the financial year 2019, the valuation of India’s digital payments market stood at INR 1,638.49 trillion, with projections indicating an increase to INR 4,323.63 trillion by 2024.

Literature Review :

During the ongoing COVID-19 crisis, the digital payments sector experienced a 30 percent decline in transaction value. Recent data from the National Payments Corporation of India (NPCI) corroborate a significant drop in transaction volumes during the initial months of lockdown, primarily attributed to the adverse effects on the travel, hospitality, and retail industries.

The government and regulatory bodies have actively promoted digital payment methods during this period through initiatives such as the National Electronic Funds Transfer (NEFT), Immediate Payment Service (IMPS), Unified Payments Interface (UPI), and Bharat Interface for Money (BHIM). These measures aim to minimize the reliance on physical cash, which poses a greater risk of COVID-19 transmission.

Jain, Sarupria, and Kothari (2020) conducted a study titled “The Impact of COVID-19 on E-wallet Payments in the Indian Economy,” which revealed that the pandemic has significantly stimulated the Indian economy, particularly in sectors such as food and beverages and entertainment. The adoption of digital payment services surged from 5 percent to 30 percent following the demonetization initiative, bolstered by ongoing governmental efforts to enhance economic stability. The entertainment and hospitality sectors contribute approximately 40 percent to the economy, playing a crucial role in this growth.

Thirupathi, Vinayagamoorthi, and Mathiraj (2019) explored the “Effect of Cashless Payment Methods: A Case Study Perspective Analysis” and noted that numerous financial institutions and banks are increasingly integrating into digital payment systems. This integration supports the Indian government in achieving economic growth, a trend that has been influenced by the demonetization policy. Their analysis indicated that electronic payments accounted for less than 5 percent of total transactions, while around 26 percent of the population had internet access. To encourage the adoption of digital payments, banks are now offering discounts to customers who use debit or credit cards, as well as attractive incentives for transactions made through digital wallets. The shift towards electronic transactions has facilitated a more comfortable experience for citizens, promoting paperless processes. Furthermore, the authors highlighted that banks are making substantial investments in mobile payment systems and are focusing on various IT initiatives, including online services.

Sudha. G, Sornaganesh. V, Thangajesu Satish. M, Chellama. A.V, August 2020. This study examines various digital payment methods employed during a pandemic, utilizing primary data collected from 220 participants. The Digital India initiative, a flagship program of the Indian government, aims to transform India into a digital society and an information-driven economy. In this advanced landscape, transactions can be conducted through contactless cards, smartphone applications, and other electronic platforms. The Reserve Bank of India announced its intention to elevate digital transactions to approximately 15% of the gross domestic product by 2021. The government aspires to achieve one billion digital transactions daily, positioning India as the fastest-growing mobile market globally.

Objectives :

- To evaluate the impact of COVID-19 on payment behaviors before and after the pandemic.
- To identify the motivations behind the transition to cashless transactions.

Hypothesis :

- To determine if there is a significant difference in the use of digital payments before and after the onset of COVID-19.
- To assess whether the adoption of digital transactions has increased following the pandemic.

Research Methodology :

In this study, data was gathered from 100 samples utilizing primary data through questionnaires, alongside supplementary information sourced from secondary data, including articles and research papers.

Analysis & Interpretation

Prior to the onset of the Covid-19 pandemic, the decline of cash usage was already evident; however, the pandemic has significantly expedited the global shift towards a cashless economy. Electronic payment methods have increasingly become standard for daily transactions, suggesting that physical currency may soon be obsolete. The pandemic has catalyzed the adoption of digital payment systems in several notable ways:

- **Peer-to-Peer Payments:** The sudden implementation of lockdowns left individuals confined to their homes for extended periods. In this context, peer-to-peer payment applications emerged as vital tools for transferring funds to family and friends in need, as well as for settling rent obligations. These transactions can be executed via smartphones, eliminating the necessity for physical cash.
- **Enhanced Practices in Movie Theatres:** Movie theatres are increasingly adopting contactless payment solutions to minimize interactions between cash and food service areas. For instance, Cinemark, one of the largest movie theatre chains globally, has reopened its venues in phases and announced a policy of not accepting cash payments at concession stands.
- **Contactless Transactions in Grocery and Retail Outlets:** In response to the Covid-19 crisis, the food retail sector rapidly implemented stringent cleaning and sanitization protocols. Grocery stores have introduced cashless payment alternatives for customers, such as contactless wave payments.

A study involving a sample of 100 individuals was conducted to evaluate the hypothesis. The findings revealed that approximately 85.1% of participants favored cashless transactions, while 14.9% continued to prefer cash. In the context of India, there exists a prevailing belief that the tracking of every transaction may lead to increased scrutiny or elevated tax obligations. The absence of a digital trace associated with cash transactions is appealing to certain consumers. However, it is important to clarify that cash is not inherently linked to illicit activities or tax evasion.

Findings :

Regarding the utilization of digital payment applications, over 50% of respondents reported daily usage for their transactions, while 7.3% indicated a lack of familiarity with these applications, likely due to insufficient awareness of their advantages.

When examining the pre-COVID usage of digital payment applications, it was noted that approximately 55.4% of respondents utilized these services for 25-50% of their transactions. In contrast, post-COVID data indicated a significant increase, with around 57.4% of respondents using digital payment applications for more than 75% of their transactions. This notable shift can be attributed to several factors, including apprehension regarding cash handling, enhanced convenience, reduced costs and risks associated with cash transactions, greater ease in conducting online transactions, and improved transparency in monetary exchanges.

A significant portion of respondents attributed the rise in digital payment usage to concerns regarding the handling of contaminated cash. The onset of the Covid-19 pandemic instigated widespread panic, primarily due to the limited information available about the virus and its rapid transmission.

Additionally, government-imposed lockdowns further diminished physical interactions among individuals. Consequently, this environment fostered a preference for online cash transactions over traditional cash dealings.

Approximately 33.7% of participants indicated that convenience is a primary factor driving their shift to digital payments. The ability to conduct financial transactions without the need to carry large amounts of cash, plastic cards, or wait in line for ATM withdrawals is a significant advantage. Furthermore, digital payments offer a safer and more manageable option for expenditures while traveling.

Around 4% of respondents noted that they utilize digital payment methods due to the increased transparency they provide. The remaining individuals indicated that digital payment applications are not applicable to their usage patterns.

When inquired about the prospects of a cashless economy in India, over 80% of respondents expressed optimism regarding its future. The growing accessibility of digital payment solutions—such as peer-to-peer payments, mobile wallets, mobile point-of-sale systems, and digital currencies—promises enhanced transparency, efficiency, and convenience.

Cashless payment systems have the potential to drive economic growth by simplifying transactions and facilitating consumption. They can also yield time and cost efficiencies for businesses by minimizing manual reconciliation, cash counting, and handling, as well as reducing governmental expenses associated with the issuance of physical currency.

According to ReportLinker, the digital payments market is projected to expand at a compound annual growth rate of 13.7% from 2021 to 2026, driven by increased convenience, supportive government policies, evolving consumer behaviors, and disruptions caused by COVID-19. Furthermore, payments made through mobile devices are anticipated to surpass \$2 trillion globally by 2025.

Technological advancements have enabled financial transactions to be conducted effortlessly via computers and mobile devices, a convenience that has become commonplace. However, it is essential to remain vigilant as we move forward. Ms. Boden asserts, “In a post-pandemic world, digital payments are expected to gain greater traction and widespread adoption.” She cautions that in our pursuit of speed and efficiency in financial dealings, we must not overlook the needs of the most vulnerable members of society.

Suggestions :

India should actively promote the Digital India Programme and e-payment systems while educating the public about their benefits, as this initiative can alleviate both time constraints and hardships. The implementation of e-payment methods can also contribute to minimizing the transmission of COVID-19. Furthermore, it is crucial to inform citizens about the pros and cons of a cashless economy. Both government and private entities should advocate for the adoption of e-payment solutions, including UPI, QR codes, and e-Wallets.

However, there are limitations to consider. A significant portion of the population may lack awareness of digital payment systems, particularly those who do not own smartphones or computers. Due to time constraints, only a limited number of respondents could be surveyed, and the research was confined to the Mumbai Suburban District. Additionally, some respondents may have provided less thoughtful answers due to time pressures.

Conclusion :

In conclusion, the COVID-19 pandemic has impacted individuals globally, yet the e-payment system offers a means to mitigate virus transmission through its contactless nature. While e-payment systems present both advantages and disadvantages, they can enhance the government's ability to collect taxes accurately and facilitate more transparent and efficient financial transactions for users. Nonetheless, it is imperative for users to possess technological skills, access to smartphones, and the necessary technological infrastructure.

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