

Role of Cashless Economy Policy and Cash Payment Crisis Created by Covid-19

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Abstract

The unfortunate situation created by COVID-19 has been a worldwide epidemic but technological disruption has controlled its impact, particularly on the economies. No doubt that technology was utilized by the authorities, society and so on, to mitigate the spread of the virus, to assist with everyday living needs and to ensure business continuity. But this is also a fact that the COVID-19 gave an unique opportunity to technological disruption, as during the crisis people understood the importance of the technology, particularly, information and Communication technology (ICT) as this helped the mass to stay safe and helping in the communication between the doctors and the public. In this scenario, this paper is an attempt to examine the impact of technology on the Indian economy during COVID-19 as well as to analyse the impact of COVID-19 on technological disruption in India.

Key Words: Cashless economy, covid-19, digital payment, cash crisis

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Introduction

The novel human corona virus disease COVID-19 has become the fifth documented Pandemic since the 1918 flu pandemic, COVID-19 was first reported in Wuhan China, and subsequently spread worldwide. The corona virus was officially named severe acute respiratory syndrome coronavirus-2 (SARS-CoV-2) by the International Committee on Taxonomy of Viruses based on phylogenetic analysis. The outbreak of covid19 has impacted nations in enormous way specially the nationwide lockdowns which have brought social and economic life to a standstill, because covid-19 a virus led disease that spreads from one person to another that's why lockdown is the one option for social distancing but some essential economic activities could not be stopped such as consumption is necessary for the purchase and sale of goods hence the transaction of currency also becomes necessary. The currency goes from one hand to another so it increases the chance of spreading covid -19. Scientists have researched how long covid-19 can stay in metal, Plastic, paper etc. (**van Doremalen et al 2020.**) that is way the problem of covid-19 has increase the relevance of cashless economy.

Cashless economy

A cashless economy is an environment in which money is spent without being physically carried from one place to another. Electronic devices as means of information that reveal how much a person has deposited and has spent are needed. The effort of cashless economy in India demonetized 500 and 1000 notes by the Government of India on 8 November 2016. After demonetization the government of India has taken several steps toward a cashless economy.

Government scheme for promote of digital transaction after demonetization

Schemas	Targets/ purpose
Vittiya Saksharta Abhiyan (2016) (HRD ministry's)	wherein college students explain people about digital transactions
Lucky Grahak yojana(2016) (NITI+NPCi launched lottery)	cash back schemes for customers
Digi Dhan Vyapar (2016) (NITI+NPCi launched lottery)	For Merchants, Government itself launched further referral bonus, cash back schemes for using UPI-BHIM.
Digidhan Mission (2017) Ministry of Electronics and Information Technology (MeitY)	To create awareness about digital payments. It'll expire on 31/3/2020, unless renewed further
Digital Payment Abhiyan (2019-Sept) MEITY + Google India + Data Security Council of India (DSCI, a not-for-profit organization by NASSCOM)	They launched this nationwide awareness campaign for digital payment- how to use UPI, wallets, cards, net-banking and mobile banking etc
DIGIDHAN DASHBOARD (2020) (MEITY)	Portal to monitor the digital transactions in India.

Sources: Authors' design based on various government schemes

Modes of Cashless payment

Net –banking- This is simply a method of online transfer of fund from one bank account to another bank account, credit card, or third party; you can do it through a computer or mobile phone. Log in to your bank account on the internet and transfer money. Via national electronic funds transfer (NEFT), RTGS etc

Mobile banking – Mobile banking is the ability to do banking transaction using a device to perform financial dealing through terminal which a mobile.

Unified Payment interface (UPI)-UPI is payment system facilitates the fund transfer between two bank account .this payment system work on the mobile platform sending money through UPI app is as easy as sending a message.

Mobile Wallets-A mobile wallet is a way to carry cash in digital format. You can transfer money online to mobile wallet. Most banks have their e-wallets and some private companies. E.g. Paytm Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, JioMoney, SBI Buddy etc.

Aadhaar-enable Payment system (AEPS) –AEPS is a bank led model which allows basic interoperable banking transactions at point of sale (PoS or MicroATM).Through the business correspondent of any bank by using Aadhaar authentication.

Aadhaar Payment Bridge System (APBS) –APBS enable the transfer of payment from government and government institution to Aadhar enabled account to beneficiaries at bank and post office.

Review of Literature.

Honourable PM Narendra Modi said that “Our dream is that there should be a cashless society. This is correct that 100% cashless society is never possible. But we can make a start with less-cash society, then cashless society will not be a far-off destination,” (**MAN KI BAT - 2016**)

“Cashless economy is actually a less cash economy as no economy can be fully cashless,” (**Arun Jaitley** statement issued by the finance ministry)
The PM tweeted an attempt to mitigate the impact of lockdown, to arrest the spread of deadly COVID-19 virus; the Prime Minister **Narendra Modi** took to twitter urging citizens to pick digital payment at such crisis times. “This is the time to ensure social distancing. Digital payments help you do that. Let’s listen to these stalwarts and adopt digital payments,” the PM tweeted.

Niti Aayog chief executive **Amitabh Kant** tweeted a 5-second video encouraging Indians to use digital payments. “Safest way to make payments: Use Digital Payments only to ensure social distancing and defeat COVID-19 together. Pay safe, stay safe,”

NPCI managing director and CEO **Dilip Asbe** tweeted this with a short video: “A safe way to pay. A safer way to stay healthy, Use digital payment options and avoid social contact.”

“In the context of the efforts to limit the fallout of the COVID-19 pandemic by avoiding social contact and visit to public places, public can use digital banking payment from the convenience of their homes through online channels like mobile banking, internet banking, cards, and avoid using cash which may require going to crowded places for sending money or paying bills,” (RBI said in a statement)

Weimert Arnaud Saiag(2020) in their paper entitled “Covid-19, cash, and the future of payments” The study have concluded that corona virus (COVID-19) health crisis has had a drastic impact on the nature of the Transactions. Online transactions have sharply increased, while point of sale transactions has shifted towards contactless. In Western European countries overall spending has decreased by up to 50 percent year-on-year.

G.shudh et.al (2020) in their paper entitled, “Impact of covid-19 outbreak in digital payment”, The study has largely based on primary data which used with a sample size of 220 respondents selected by applying simple random sampling method. T-test, Chi square test and ANOVA test have been applying for testing the hypothesis. Along with this, the study pointed out that covid-19 is already reinforcing existing trends towards increased digitization of payments.

Research Objectives

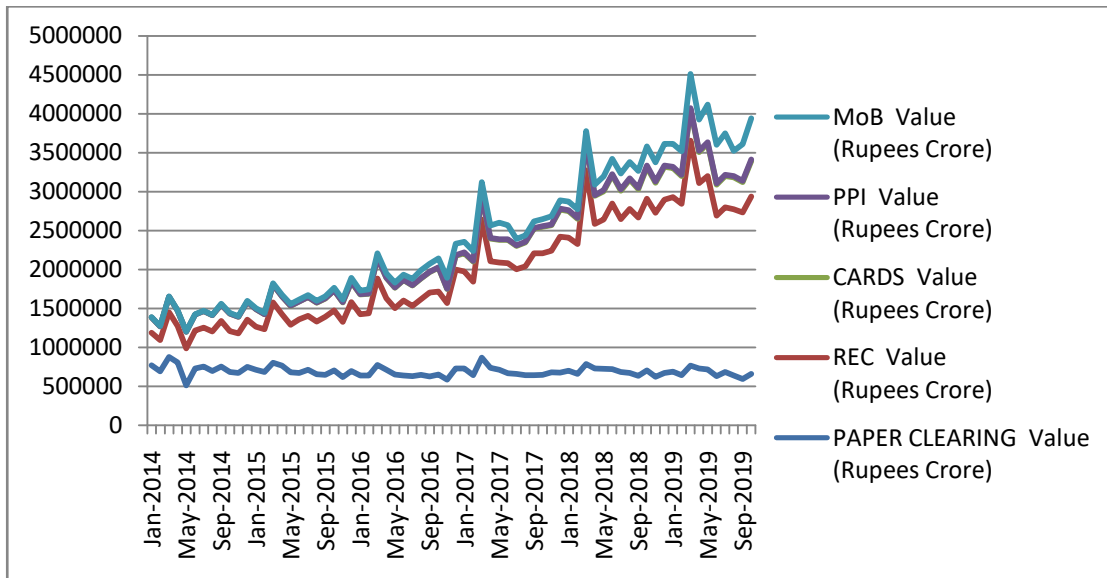
The basic objectives of the study is to examine the effect of covid-19 on cashless payment system

Methodology and Data Collection

The present research paper in quantitative nature .the paper based on secondary source of data which have been collected from official websites of RBI and NPCI, collected data have been analyzed with the help of simple statistical tools.

Trend in the growth of Payment System

Figure-1 trend of change in payment system of India based on different instruments

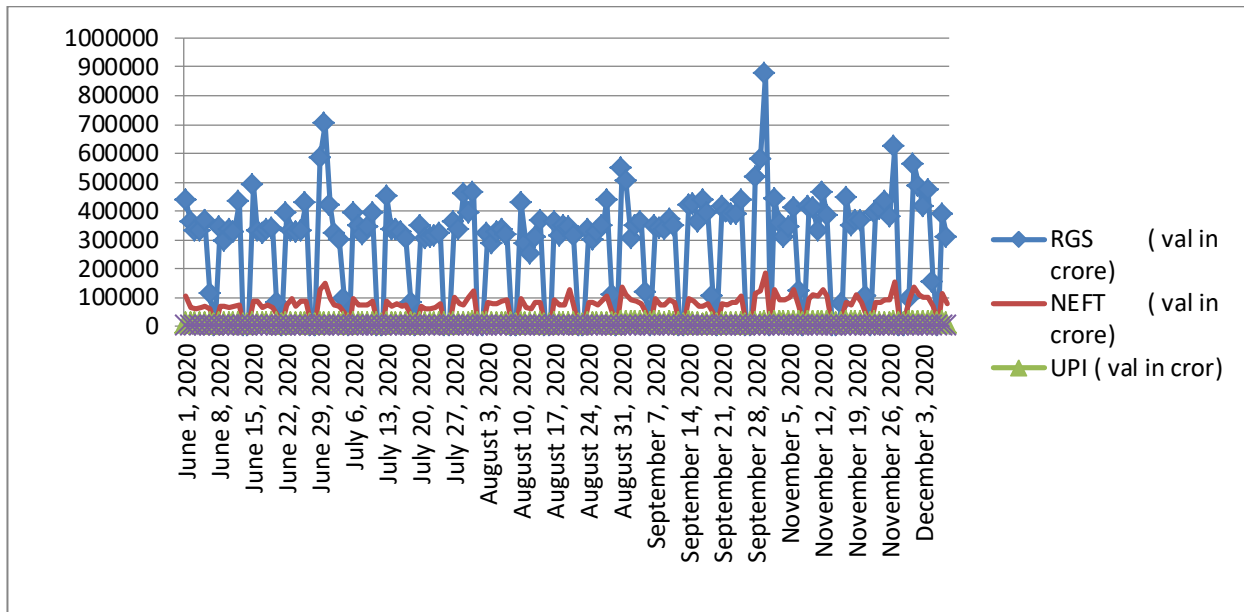


Source: Calculated by author

The trend analysis (figure-1) shows that the digital payment and settlement culture, particularly based on mobile an internet facility is increasing day by day in India. important Thing to be noted is that trend is paper based transaction has shown constant change and near decreasing trend after 2016. Other Interesting thing is that the electronic transactions have shown a drastic change from the last quarter of 2016, which is the period of emergence of cash payment crisis as demonetization as well as Reliance JIO mobile an internet which has provided easy access to the internet and mobile facilities, encouraging awareness about and use of financial services.

The figure shows the trend of moods of payment through electronic instruments such as, NEFT (National electronic funds transfer), IMPS (Immediate payment service), PPI (Prepaid payment, instrument) Cards, M-Wallet and Mobile Banking. The trend analysis shows that the payment and settlement culture through instruments based on mobile an internet facility is increasing day by day in India.

Figure-2 Trend of the cashless Payment day by day in period of covid-19



Source: Calculated by author (based on NPCI data)

Table-1 Growth Rate Volume of Deferent Payments Products between 2019 and 2020

MONTH	RTGS	NEFT	wallet	m-banking
march	3.66	28.97	-6.33	56.94
april	-56.49	-19.16	-45.88	33.96
may	-21.54	-11.37	-27.47	72.30
june	-6.09	3.64	-16.24	76.41
july	5.02	8.52	-4.16	71.56
agust	2.05	8.26	7.98	77.78
september	0.92	1.83	-4.98	68.45
october	NA	NA	NA	NA
november	-1.58	-6.09	-8.17	NA

*NA= data not available

Source: Calculated by author (based on RBI Bulletin)

The above table shows that the Growth Rate Deferent cashless Payments Products between March 2019 to November 2020. It is clear from the table that between March 2019 to November 2020. Cashless payment fluctuations are seen but the prominent feature is that mobile banking payment has seen a very rapid rise compared to the previous year. This expresses the importance of Mobile banking during the time of covid-19 pandemic.

Conclusion and Suggestions

The findings of this study that the covid-19 pandemic poses a new challenge to cash transactions, as cash transaction transfer letter currency from on hand to another, increasing the risk of spreading the disease .people have to deal with this cash crisis digital payment was the only one way .cashless payment system played an important role in solving this cash crisis problem .people preferred cashless payment over cash currency during the time of covid-19 pandemic. Although the Indian government has been continuously trying to transfer cash society into a cashless society, since demonetization for which the government of India has taken many positive steps but there are still many problems in making India a cashless society such as lack of digital literacy, low internet connectivity, fear of banking fraud etc. if these problems are resolved ,India can certainly turn in to cashless economy soon, as a pandemic like covid-19 has proved that cash crisis only cashless economy can solve the problem.

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