
Digital payments in India: An evaluation of performance for the year 2020-21

V. Brar^{1*} and A. Trivedi²

¹S.N.G. Institute of Management and Research, Pune, India.

²Dr. D. Y. Patil B-School, Pune, India.

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***Corresponding author e-mail:** vinaydeep.brar@gmail.com

ABSTRACT

Digital payments have shown a tremendous rise post demonetization in 2016. However, they suffered some setback in the year 2020-21 that was hit by the Covid-19 pandemic. The first quarter of the financial year 2020-21 particularly showed a sizable dip in comparison with the same period for the financial year 2019-20. However, with economic activity returning back to some normalcy from second quarter onwards, both the volume and value of digital payments picked-up pace and recorded positive growth in the year 2020-21 in comparison with the same period for the financial year 2019-20. This article carries a review of the performance of the digital payments in India for the year 2020-21 with a comparison with financial years 2018-19 and 2019-20. The article also evaluates the actual achievements of the RBI for the year 2020-21 in the area of digital payments as against the goals set.

KEYWORDS: Digital payments, Goals, Performance, Review

1. INTRODUCTION

Digital payments have shown a tremendous rise post demonetization in 2016. However, they suffered some setback in the year 2020-21 that was hit by the Covid-19 pandemic. The first quarter of the financial year 2020-21 particularly showed a sizable dip in comparison with the same period for the financial year 2019-20. However, with economic activity returning back to some normalcy from second quarter onwards, both the volume and value of digital payments picked-up pace and recorded positive growth in the year 2020-21 in comparison with the same period for the financial year 2019-20. With quick headway of technology and coming of new turns of events and advancements in the payments ecosystem, the Reserve Bank upgraded its attention on wellbeing and security of payment systems. What's more, the Reserve Bank proceeded with its endeavors to support productivity, advancement, contest, client assurance and monetary incorporation. Execution of nonstop

RTGS inside a short timetable was a great achievement in this excursion. Going on, the Reserve Bank's undertaking is advance development in the monetary area by utilizing on technology for a reasonable Information and Communication Technology (ICT) framework intended for functional greatness with center around strength, dependability, security, respectability and cost effectiveness. This article carries a review of the performance of the digital payments in India for the year 2020-21 with a comparison with financial years 2018-19 and 2019-20. The analysis is expected to reveal some important trends in digital payments which now has emerged as the most preferred means of transaction in India.

2. REVIEW OF LITERATURE

Sumavally and Hemadivya (2018) state that the demonetization brought about colossal development in computerized payments. With the public authority drive, for example, Digital India and expanded utilization of portable and web are means to remarkable development being used of advanced payment. This change towards advanced payments benefits in more straightforwardness in transactions which enables the country's economy. Lately many changes occurred in the payment system like computerized wallets, UPI and BHIM applications for smooth shift to advanced payments. The target of this research paper is to concentrate on the positive effect that Digitization of payment system. The current paper centers round the examination of the reception level of these computerized payment systems by customers. Essential information was gathered from 183 respondents in Hyderabad. The gathered information through the poll were examined genuinely by utilizing chi-square procedure.

Shree et al. (2021) have written that impelled by recent arrangement drives and mechanical turns of events, India's advanced payment system is a promising example of overcoming adversity really taking shape. Simultaneously, the information additionally focuses towards an expanding use of cash. While total nation level information can demonstrate generally speaking inclinations of residents, we utilize an original web-based study based dataset to understand how factors, for example, 'discernment' and 'confidence' in advanced payments, and involvement in web-based frauds, influence the payment conduct of purchasers. While segment factors like age, orientation and pay are significant elements which decide this decision, we observe convincing proof that an individual's use of advanced payment techniques is affected by her impression of these instruments, just as her confidence in the general payments structure and banking system overall. We see that how much previous involvement in web-based fraud prevents use of computerized payments fluctuates with the motivation behind the transaction.

Patil et al. (2017) find that digital payments (fundamentally empowered by cell phones) can possibly change lives of millions of individuals in non-industrial nations by offering monetary administrations to the unbanked masses. Notwithstanding its potential digital payment strategies have not been broadly and effectively took on in the non-industrial nations. To find out the different drivers and inhibitors behind digital payment reception, this study did a survey of exploration on digital and portable payment reception and use. Consequences of this writing investigation uncovered execution hope/saw value as most huge determinant of customer's conduct expectation to utilize versatile payments followed by apparent convenience (PEOU). Perceived risk was found as significant inhibitor to the reception of versatile payments. Likewise larger part of studies utilized TAM and its expansion to understand buyer reception to versatile payment followed by UTAUT.

Mukhopadhyay (2016) presents a hypothetical model that assesses choices by shoppers and dealers to take on cashless payments. We then, at that point, use information from overviews directed in 2011 and 2014 (from World Bank's Global Findex), just as family and undertaking reviews led in 2009-2010 to gauge how much cashless transactions predominant in India and distinguish the roads that are effective and those that are not. We break down instruments (cards versus retail location versus versatile), miniature units (people versus families versus retailers), and areas to recognize and appraise the empowering influences and bottlenecks.

Klapper (2017) finds that digital payment systems can advantageously and reasonably interface business visionaries with banks, workers, providers, and new business sectors for their labor and products. These systems can speed up business enrollment and payments for permits to operate and allows by lessening travel time and costs. Digital monetary administrations can likewise further develop admittance to bank accounts and advances. Electronic compensation payments to laborers can build security and lessen the time and cost of paying representatives. However, there are difficulties as numerous business people and representatives need bank accounts, digital gadgets, and dependable technology framework.

Koul et al. (2021) opine that the developing acknowledgment of digital payment instruments among provincial retailers in India has fundamentally improved individuals' jobs, and addresses a positive advance in the nation's excursion to being a cashless economy. This paper utilizes the technology acknowledgment model as a hypothetical stage to understand better the drivers of these turns of events. The review infers that retailers consider it dangerous not to acknowledge digital payment modes at the place to checkout as they dread losing customers on the off chance that they don't.

Performance evaluation for the year 2020-21

Table 1: Settlement and payments for the years 2018-19 to 2020-21

Item	Volume (Lakh)			Value (₹ Crore)		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
1	2	3	4	5	6	7
A. Settlement Systems						
CCIL Operated Systems	36	36	28	11,65,51,038	13,41,50,192	16,19,43,141
B. Payment Systems						
1. Large Value Credit Transfers – RTGS	1,366	1,507	1,592	13,56,88,187	13,11,56,475	10,55,99,849
Retail Segment						
2. Credit Transfers	1,18,481	2,06,506	3,17,852	2,60,90,471	2,85,62,857	3,35,22,150
2.1 AePS (Fund Transfers)	11	10	11	501	469	623
2.2 APBS	14,949	16,766	14,373	86,226	99,179	1,12,747
2.3 ECS Cr	54	18	0	13,235	5,145	0
2.4 IMPS	17,529	25,792	32,783	15,90,257	23,37,541	29,41,500
2.5 NACH Cr	8,834	11,290	16,450	7,29,673	10,43,212	12,32,714
2.6 NEFT	23,189	27,445	30,928	2,27,93,608	2,29,45,580	2,51,30,910
2.7 UPI	53,915	1,25,186	2,23,307	8,76,971	21,31,730	41,03,658
3. Debit Transfers and Direct Debits	4,914	7,525	10,456	5,24,556	7,19,708	8,72,552
3.1 BHIM Aadhaar Pay	68	91	161	815	1,303	2,580
3.2 ECS Dr	9	1	0	1,260	39	0
3.3 NACH Dr	4,830	7,340	9,630	5,22,461	7,18,166	8,68,906
3.4 NETC (Linked to Bank Account)	6	93	650	20	200	913
4. Card Payments	61,769	72,384	57,841	11,96,888	14,34,814	12,93,822
4.1 Credit Cards	17,626	21,773	17,641	6,03,413	7,30,895	6,30,414
4.2 Debit Cards	44,143	50,611	40,200	5,93,475	7,03,920	6,62,667
5. Prepaid Payment Instruments	46,072	53,318	49,392	2,13,323	2,15,558	1,97,695
6. Paper-based Instruments	11,238	10,414	6,704	82,46,065	78,24,822	56,27,189
Total – Retail Payments (2+3+4+5+6)	2,42,473	3,50,147	4,42,229	3,62,71,303	3,87,57,759	4,15,12,514
Total Payments (1+2+3+4+5+6)	2,43,839	3,51,654	4,43,821	17,19,59,490	16,99,14,234	14,71,12,363
Total Digital Payments (1+2+3+4+5)	2,32,602	3,41,240	4,37,118	16,37,13,425	16,20,89,413	14,14,85,173

(Source: RBI, 2021)

The RTGS volume in 2020-21 increased by 17% in comparison to the 2018-19 volume and by 5% in comparison to the 2019-20 volume. However, the RTGS value in 2020-21 decreased by 22% in comparison to the 2018-19 value and by 20% in comparison to the 2019-20 value. The total retail payment volume in 2020-21 increased by 82% in comparison to the 2018-19 volume and by 26% in comparison to the 2019-20 volume. The total retail payment value in 2020-21 increased by 15% in comparison to the 2018-19 value and by 7% in comparison to the 2019-20 value. The total digital payment volume in 2020-21 increased by 88% in comparison to the 2018-19 volume and by 28 in comparison to the 2019-20 volume. However, the total digital payments value in 2020-21 decreased by 14% in comparison to the 2018-19 value and by 13% in comparison to the 2019-20 value.

RBI had set the following goals for the year 2020-21:

- Encouraging Healthy Competition
- Improving Customer Convenience
- Ensuring Affordable Cost
- Increasing Confidence

Following are some of the actual achievements of the RBI in this direction during the year 2020-21:

The Reserve Bank permitted approved PSOs - banks and non-banks - to direct a pilot conspire for disconnected payment arrangements utilizing cards, wallets or cell phones for remote or vicinity payments to empower mechanical advancements that empower disconnected computerized transactions. The accessibility of such choices to make disconnected payments is relied upon to help the utilization of advanced payments, which are compelled by the shortfall of, or flighty, web availability, particularly in far off regions. Post consummation of the pilot plot, the Reserve Bank will settle on executing disconnected payment systems in light of the experience acquired.

The Reserve Bank exhorted approved PSOs to carry out an ODR system for disputes and complaints connected with bombed transactions in their separate payment systems by January 1, 2021. The ODR system was conceptualized when in doubt based technology-driven customer well-disposed mechanism for settling customer complaints and disputes with nothing or insignificant manual intercession. This will give a fast, reasonable and available dispute goal system for customers. With the chance of customer complaints expanding in accordance with the complex expansion in advanced transactions, the ODR system will wipe out the prerequisite of extra labor at PSOs to handle disputes / complaints.

Legal Entity Identifier (LEI) numbering system was introduced. LEI number works with extraordinary distinguishing proof of the gatherings associated with monetary transactions around the world, accordingly, working on quality and precision of monetary information systems and guaranteeing better danger the board post the worldwide monetary emergency. In India, LEI is being carried out in a staged way for members in the over the counter (OTC) subsidiary and non-subordinate business sectors as additionally for huge corporate borrowers. The Reserve Bank chose to present the LEI number for all payment transactions of significant worth Rs.50 crore and above, embraced by substances (non-people) utilizing incorporated payment systems, viz., RTGS and NEFT.

To expand customer wellbeing in actually take a look at payments and lessen occurrences of fraud happening because of altering of cheque leaves, the Reserve Bank declared an idea of Positive Pay Mechanism for all cheques of value Rs. 50,000 and above. Under this mechanism, cheques are handled for payment by the drawee bank in view of information passed on by its customer at the hour of issuance of cheque. Positive Pay System was implemented from January 1, 2021.

3. CONCLUSION

In aggregate, the Reserve Bank in the year 2020-21 proceeded in its attempts to develop cutting edge payment and settlement systems in the nation and boost the computerized payment experience of the buyers, while guaranteeing suitable safety efforts. These drives have worked with smooth change towards a less cash society with further developed transaction proficiency and a great advanced encounter Despite the difficulties caused by the COVID-19 pandemic, efforts were made to keep the payment system running smoothly. Further, the Reserve Bank zeroed in on upgrades in the IT framework for inside clients additionally adding to further developed proficiency. It likewise extended inclusion for government transactions utilizing advanced innovations. Going on, fortifying the payments ecosystem, upgrading mindfulness, and guaranteeing assistance of computerized payments across the length and broadness of the nation will be the critical areas of focal point of the Reserve Bank.

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