

Rising use of UPI and mobile wallets as digital payment methods after demonetisation

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Abstract

Digital payments have already been able to create a lot of buzz in the country. Apart from various digital payment method available, mobile wallets and UPI have been able to grab the maximum attention from people. The present research paper aims at evaluating the enhanced use of UPI and mobile wallets as digital payment methods after demonetisation. Secondary data has been taken into consideration in order to understand and evaluate the rising use of UPI and mobile wallets. The results have been able to suggest that there is a constant increase in the number of banks offering UPI and the number of transactions initiated by people through mobile wallet. However, there is still a gap between the awareness level and adoption level. Hence, in the end, it has been recommended that the government must initiate awareness campaigns and knowledge building camps that can help in ensuring maximum adoption of digital payments in the country.

Keywords: Demonetisation, Digitalisation, Mobile wallets, UPI

Introduction and Background

Demonetisation was an unexpected announcement made by the Indian government on 8th November 2016, where all the banknotes of Rs. 500 and Rs. 1000 of Mahatma Gandhi Series were demonetised from immediate effect. Prime Minister Narendra Modi mentioned regarding various about this step, such as, curtailing terrorism, reduced counterfeit currency and cope up with the hoarding of cash currency. However, with the prolonged shortage of cash in the economy increased digital transactions in the economy. The government, as well as reserve Bank of India, was noticed promoting the use of digital payments. People started opting for other methods of payments, such as UPI, mobile wallets, credit and debit cards, mobile banking and internet banking. There is no denial that demonetization has helped in paving the path towards a digitalised economy. As per the research, the usage and awareness of digital payments have shot up sharply after demonetization. The main objective of the present study is to evaluate the enhanced use of UPI and mobile wallets as digital payment methods after demonetisation.

Literature Review

The study conducted by Gupta and Dua (2018), reveals that people from the rural areas are enjoying the benefits of digital transactions as it has reduced the presence of middlemen and money can directly be transferred to the middlemen. After, demonetization, the adoption has increased and they have become quite confident about the safety of money as well. However, the only issue that has been noticed in rural areas is their unfamiliarity to the English language and machine. Hence, it can be stated that the rural India is also gearing towards cashless economy.

As per the research conducted by Kumar, Kumar and Sinha (2018), it is suggested that there is an increase in the usage of the card in terms of the total number of transaction. However, a decline has been noticed on share of point of sale transactions and number of mobile transactions. A growth in ATM transactions has increased but with a marginal rise. The research found to have unfavourable impact on digital transactions on digitalization. An increase in overall awareness of the individuals has been noticed but there is a lack of promotional aspects from the side of government. Lack of infrastructure and developing policy environment is found to be the core reason for reduced digitalization in the country after demonetization.

As per the views of Sheetal, Purohit and Anup (2019), although demonetization was a step taken by the government towards digitalisation, the challenges that have been noticed in its adoption is poor availability of internet infrastructure. Financial illiteracy is another challenge noticed on adoption of digitalization. Upon the initiative of the Government of India, Jan Dhan Yojana, various bank accounts were opened by people but half of them are found to be non-operational. Without the active participation of people in using their bank accounts, implementation of cashless economy is difficult. The cardholders have the fear that they will be charged extra over the principle amount. On the other hand, non-card users are not even aware of the benefits attached to credit and debit cards. Hence, there is a lack of awareness towards usage among people with respect to digitalisation in the country.

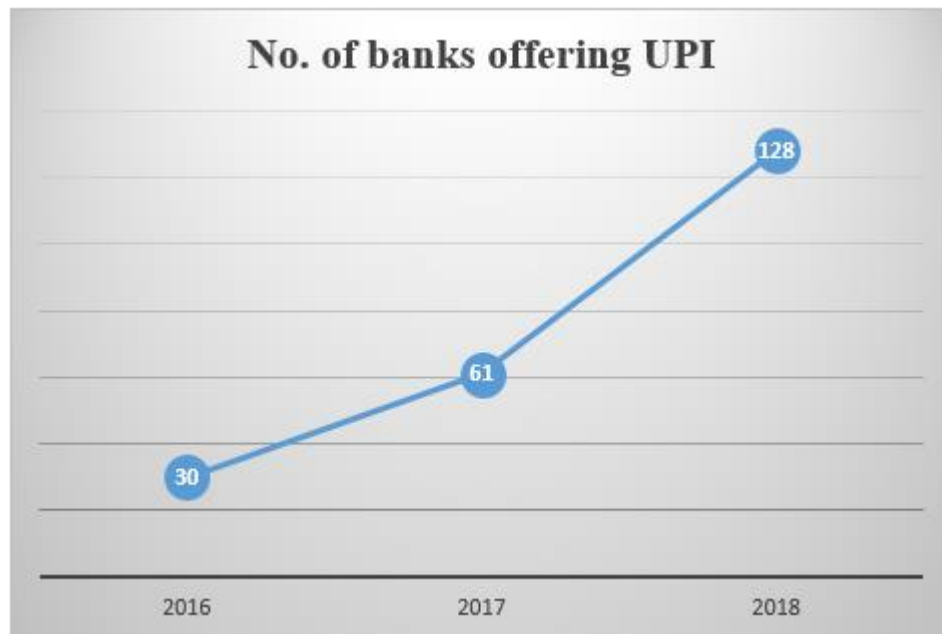
The research generated by Raghunandan, Harshita and Jyothi (2018), revealed that the people who belong to the middle aged group such as 18 – 25 years of age and 26-45 years of age make more payments to digital payment modes. However, people who belong to the age group of 45-70 years are a bit more hesitant in the adoption of digital payment modes. Though, a significant amount of change in the adoption of the payment modes has been found in this age group as well after demonetization. However, there is still a significant gap in awareness and adoption level of digital payment modes which requires appropriate measures from the side of the government.

Research Methodology

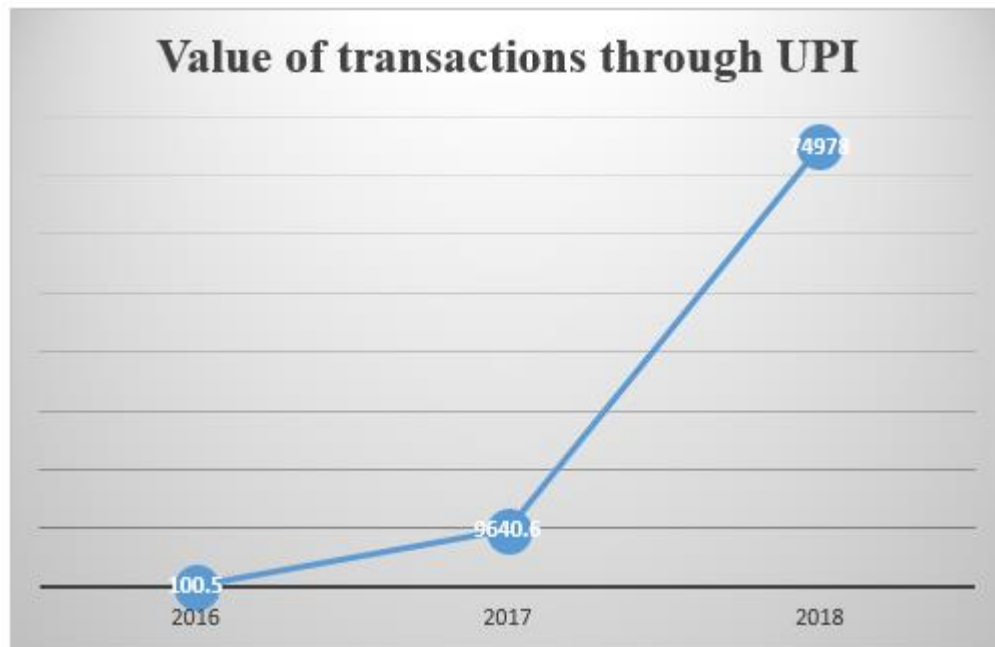
The present study is based on secondary data that has been collected with the help of journals, websites, as well as reports. This paper is mainly divided into two sections. The first section is related to papers selected for conducting the research, and the other section combines all the researches and reaching the common findings for the present study. It is ensured that all the research papers that have been taken into consideration for the present research are published after the incidence of demonetisation, that is, 8th November 2016.

Findings

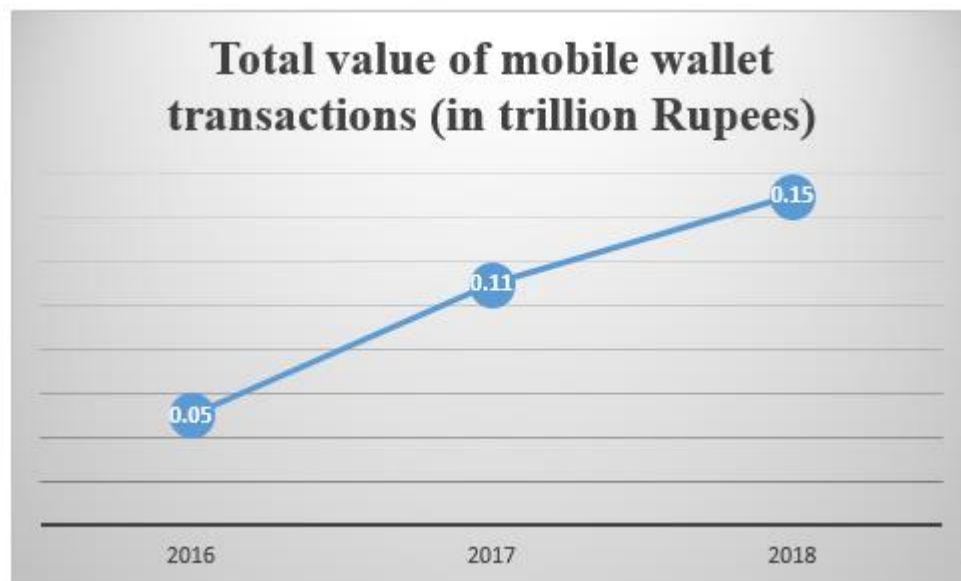
The results suggest that there is an increase in the overall number of banks offering UPI to the customer. The number was found to be 30 in 2016, which is further increased to 128 in 2018.



The value of transaction through UPI has also increased from 100.5 Cr in 2016 to 74,978 Cr in 2018.



A significant increase in the mobile wallet transactions has also been noticed from 2016 to 2018, especially through Paytm, Freecharge and Mobikwik. The total value of mobile wallet transaction in 2016 is 0.05 trillion rupees. The transaction amount got increased to 0.11 trillion rupees in 2017 and then finally to 0.15 trillion rupees in the year 2018.



The findings reflect a significant increase in the number of transactions after demonetisation. However, a gap is still being noticed in the awareness and adoption aspects of the individuals. Also, it has been noticed that the majority of adoption of digital payments has been initiated in the age group of people who are below 40. Maximum adoption has been noticed in the people belonging to the age group of 18 – 35 years.

Conclusion and Recommendation

It can be concluded from the research paper that there is a constant rise in the number of transactions initiated with the help of UPI and mobile wallet. Demonetisation has proved to be a revolutionary step to increase the awareness aspect of UPI and mobile wallet. An infrastructural change has also been noticed where an increase in the number of banks offering UPI has been noticed through the reports. Based on this, it can be inferred that there is a constant rise in use of UPI and mobile wallets as digital payment methods after demonetization. Based on the research, it can be recommended that there is a requirement to ensure the availability of infrastructure so that its usage can be enhanced in the rural areas. Moreover, there is still a substantial gap in awareness and usage aspect of digital technology, which can be improved by organising awareness campaigns and knowledge building camps in the affected areas.

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