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Business Impact of the Covid 19 Epidemic on Digital Payments

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Abstract

Today Covid 19 virus made the people to buy essentials and other items via online. People shop their things from their homes due to lock down. They protect themselves by social distancing for safety. Hence, the banks will need to expand access to digital payments in a safe way for 24 hrs x 7 days availability. All business sectors were widely affected and some small sectors were closed due to covid virus. Hence the banks offered fee waiver on select digital payments like IMPS, NEFT, RTGS, cash withdrawals from third-party ATMs, moratorium on loans and credit card dues by RBI etc., for the benefit of the customers during the crisis. This paper deals with the impact of different business sectors during Covid times.

Keywords: Covid, Business Sector, Positive and Negative Impact, Digital Payments

Introduction

The current spread of COVID-19 has become one of the biggest coercions to the global economy and financial markets. Across India, Government has taken several measures nationwide & state wise lockdown, restrictive movement of the population, shutting down public places like theatres, theme parks, transport, advising the public to stay at home and work from home because of corona virus. The subsequent economic interruption is enormous and hence the short-term decline in large- & small-scale businesses. The expected economic growth to be severely hit on the digital payments sector will trail a similar path. But the business sectors must play an irreplaceable part in restarting the economy to normal as before covid by providing more of innovation in products and services.

Business Impact

The contrary effects of the COVID-19 pandemic are dripping down the major business sectors of the Indian economy like manufacturing, automobile, retail, aviation, hospitality bearing the impact of the lockdown due to covid pandemic will affect the digital payments. There was a shut on shops, bans on travel, reduced spent by consumers on dining out, movies, entertainment were negatively impact on digital payments. There was a decline in cross border payments in B to B and B to C resulted in controlled movement of goods and services. Worldwide remittances will also be affected

and reduced. Some of the business sectors like online grocery stores, online pharmacies, OTT players (telecom and media), EdTech's, online gaming, recharges and utility/bill payments are affected in digital payments due to lockdown. Increase in receiving digital payment enhancement through the Government, which has promised monetary assistance to the poor people by direct transfers to bank accounts. The finance minister and the CEO of the National Payments Corporation of India advised the people to use digital payments in order to make payments contactless and for convenience. By a majority of the business sectors that contribute to digital payments but still too early to determine the long-term impact of COVID-19 on digital payments.

Impact of Different Types of Business

The digital payments on every business will be impacted differently. It depends on their contact to various business sectors. This interpretation has taken by keeping time in mind at least six months for these business sectors. It depends on how and when the pandemic is cut.

Impact of 100 Percent Full Risk Business Sector Wise

More of threats to the aviation business sector due to repayments and chargebacks as flights were cancelled across the world. Hospitality sectors like recreation clubs, theatres faced severe headaches as complete lockdown restricts business to a very greater extent. There was an interruption in supply chains delivery and demand in sizes of digital payment companies having customers in the electronics and consumer durables segment. The lockdown has triggered loss of business for restaurants and hotels industry. The restrictions on travel have hindered the ultimate season for the customers. Non-essential physical retail incurred loss of business and digital payment companies will see a noticeable decline in these transactions.

Impact of 75 Percent Full Risk Business Sector Wise

Non-essential e-commerce businesses will be unpleasantly affected due to limited delivery. Cross-border payment was affected as supply-side worries, factory closures and trade barriers.

Impact of 50 Percent Full Risk Business Sector Wise

Small and medium businesses will be negatively impacted as working capital deteriorates for many companies owed to closing of businesses affecting payments. There was an increase in the possibility of non-performing assets (NPAs). Payment fees – card schemes have overdue the roll-out of their new transaction fee structure. Business Sectors like real estate and automobile would see rate cuts. The growth sectors like e-commerce and mobile ordering will increase in fees. General network fees would decrease for card schemes.

Impact of 50 Percent profit Business Sector Wise

The lockdown has caused loss of business for restaurants and hotels. The restrictions on travel have an adverse impact on payment volumes. Local grocery stores have increased with worries of transmission of the virus through the exchange of physical currency. Policy holders were paid premium online.

Payment Category Under the Issuance,

- ATM /Credit Cards had 50 percent of positive impact on digital payments due to increase in online card transactions.
- Wallets had 25 percent of positive impact on digital payments due to increase in traction for

P2P transfers, bill payments and P2M payments for essential services owed to the lockdown and dislike to exchanging cash. Though, some wallet players have increased their fees for merchants and consumers, leading to merchants not accepting their mobile wallets for transactions.

- Bank accounts had 50 percent of positive impact on fund transfers to/from bank accounts with digital payment transfers.

Under Acquiring,

- ATM/Credit card (75 percent negative impact on payments) transactions declined due the lockdown.
- POS(50 percent negative impact on payments)terminals at stores selling essential items has increased in transactions due to covid.
- Payment gateways(100 percent positive impacts on payments) will see a hikein transactions online. Small stores had a tie up with banks to sell products online.

Under Payment Infrastructure,

- UPI (75 percent positive impact on payments) transactions for essential services including QR based paymentshas increased.
- IMPS (50 percent positive impact on payments) facility will see comparatively increased as fund transfers move to digital.
- BBPS (75 percent positive impact on payments). People are accepting BBPSleading to higher number of transactions
- NETC (75 percent negative impact on payments) facilitates FASTag toll payments, will be badly affected due to restrictions on travel.

Impact of 75 Percent Profit Business Sector Wise

Telecom companies will see an increase in payments and recharges by digital networks. The shutdown of educational institutions hasshowed a benefit for EdTech companies with an increase in demand for their services.

Impact of 100 Percent Profit Business Sector wise

Payment players relatedto healthcare/pharma sector will see an increase in digital payments due to the COVID-19 pandemic. Online selling of essential items have increased a flow in transactions due to the lockdown. Payment workstations having exposure to such retailers stand to gain in relative terms considering the current situation. Payments involving the Government(s) have increased. Firstly, the financial aid provided by the Government via Direct Benefit Transfer (DBT) (G2P); and secondly, donations made to Government funds like PM CARES and PMNRF have done digitally.

Conclusion

As the COVID scenario continues, its impact on those of businesseswill become more apparent. However, it is clear that the business sectors will settle into a new normal once the pandemic dies down. Every business sector must recover and lead the emergence into this new normal with a greater number of innovations. It is imperative for the digital payments ecosystem to evolve rapidly and help the post-COVID era.

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