

Crisis and Mobile Money

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Mobile payment usage across the globe witnessed a drastic spike after the onset of the Covid-19 pandemic. In India, the United Payments Interface ([UPI](#)) transactions, along with Aadhar enabled Payments System ([AePS](#)), Immediate Payment Service([IMPS](#)), Fastag, and [Bharat Bill](#) reported surges in terms of both value and volume. UPI, which is the flagship platform for [digital payments](#), clocked a record of three billion transactions in July, which was about rupees six lakh crore of value.

This growth in [mobile money](#) transactions is primarily understood in connection with two major patterns emerging from the pandemic. One, citizens feared surface contamination of cash and subsequent transmission of coronavirus through the exchange of “dirty money”. The contactless mobile wallets and payment systems offered a safe corridor for contamination-free transactions. The second reason was the barrier to obtaining physical banknotes amid the lockdowns, stay-at-home and quarantine orders, and social distancing norms. Not only did citizens face constraints in visiting the nearest bank or ATM during the lockdowns, but also the stay-at-home and work-from-home norms for [banking](#) sector employees curtailed services at the banks, and even created a shortage of cash at ATMs. As a result, people migrated to the most convenient alternative to physical money – mobile money.

This phenomenon is a repeat of history in India, as the nation witnessed a similar surge post the banknote crisis in 2016, triggered by demonetization. In the absence of the availability of cash in circulation, and shortage of cash in banks and ATMs, users migrated to the easiest alternative of using mobile money, visible in the sudden spike digital payments and its subsequent growth post-November 2016. This growth was further supported by the steady increase in digital penetration, both in terms of smartphone ownership and Internet access, with over forty percent of the Indian population having Internet access today. As cash returned to circulation in late 2017, users continued transactions with the newly adopted mode of payment.

We conducted a detailed market study in this period, 2017-18, and investigated the intentions of users to continue using [mobile payments](#), even as cash returned to the economy. The respondents of the study were from across the country, and noted salient advantages of mobile payment technology that distinctly pointed towards their interest in continuing using it. Besides the convenience of not having to carry cash, there were many

advantages: many services, such as paying bills, shopping, ordering food, etc, were bundled with the payment apps; the apps provided an opportunity to see and reflect on past purchases; and the systems offered additional security measures.

As users started gaining familiarity with the payment apps, the second cash crisis dawned upon the nation as Covid-19 introduced a new set of threats and constraints to cash usage. This time, the market was prepared to transition to mobile payments, as merchants and consumers were now in the network of various technology providers, which also enabled cross-platform transactions.

After the effects of demonetization were reduced, and cash became freely available, usage of mobile money stopped growing as steeply as before, but payments firms and vendors continued to add features and facilities. New players, such as Amazon Pay, Yono, Dhani, entered the market with varied offerings. Some of the apps were made available in Indian languages – Bhim-UPI is available now in 20 different languages – and this further eased the challenges with using it.

Although the current surge in mobile payments is an immediate after-effect of the threat of coronavirus transmission through cash surfaces and the difficulty in physical banking amidst the lockdowns, the technology's core underlying benefits served as a reliable and trustworthy alternative. As people and merchants began to use these technologies – network effects kicked in.

The more people that joined the digital payments network, the better it was for others to join. In a city like Bangalore, even small street vendors - ice-cream sellers, roasted peanut vendors, footpath trinket sellers - all prominently displayed their Bhim-UPI or Paytm QR codes. Larger stores and service vendors adopted these platforms. One of us had to request a somewhat stubborn newspaper vendor to also get a UPI account, and he eventually did, after almost a year's resistance.

As we move into the final quarter of 2021, it is likely that the digital payments surge is likely to continue. People and businesses have tasted the convenience of this technology, and also understood the ways in which problems can occur, and how they can be overcome. They have learned a new way of doing ordinary things, like make payments, and have seen its convenience and value. They are likely to stick with it and encourage others to adopt it also.

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