



# DIGITAL BANKING USAGE IN INDIA BEFORE AND AFTER COVID-19

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**Abstract:** The COVID-19 pandemic has had a tremendous impact on how individuals utilize financial services, with digital banking quickly becoming the preferred means of banking for many customers. The purpose of this research is to look into the changes in digital banking usage before and after COVID-19, as well as the reasons that influenced these changes. To acquire data on digital banking usage patterns and preferences, a survey was performed among a sample of banking clients from various areas. According to the findings, digital banking usage has expanded dramatically since COVID-19, with consumers choosing to complete their banking activities online. The report also finds that the availability of digital banking services, the convenience of use, security features, and trust in technology are the most important variables driving digital banking adoption. Digital banking has grown in popularity in India, especially since the outbreak of COVID-19. As a result of the pandemic, consumers are compelled to stay at home, and banks have shuttered their physical branches in order to stop the virus from spreading. In our paper, we will look at the trends in the popularity of digital banking in India before and after COVID-19.

**Index Terms – Impact of Covid-19, financial services, banking, UPI, before and after changes.**

## 1. INTRODUCTION

The COVID-19 pandemic has had a significant impact on the Indian financial system, accelerating the migration to digital banking. Many consumers are resorting to digital banking to carry out their financial activities as a result of lockdowns and social distancing measures. In this piece of work, we will look at the changes in digital banking usage in India before and after COVID-19, as well as what this means for the banking landscape in the nation.

## 2. NEED OF THE STUDY

This research is about knowing digital banking usage before and after the pandemic. To know what types of digital payment modes the public uses and which mode of payment they prefer most before and after the pandemic, the knowledge people have about the various digital banking options before and after the COVID pandemic. Also, to know how digital banking has evolved after the pandemic with the help of UPI and public opinion on UPI and other traditional digital banking methods, etc.

### 3.1 Pre-COVID-19 Digital Banking Usage in India

Prior to the COVID-19 pandemic, digital banking in India was on the increase for a multitude of reasons. The Indian government's push towards a cashless economy was a major motivator. The Indian government demonetized Rs. 500 and Rs. 1,000 notes in November 2016, encompassing more than 86% of the country's cash in circulation. This decision was made to combat black money, corruption, and counterfeiting while fostering digital commerce.

Also, the government started the Digital India program, with the objective of converting India into a digitally enabled society and knowledge economy. The government launched many digital payment options as part of this strategy and convinced citizens to use them for transactions.

Another factor that contributed to the growth of digital banking in India was the rise of fintech startups. Fintech companies in India were leveraging technology to provide innovative financial solutions to consumers, making banking more accessible and affordable. These startups were also driving competition in the banking sector, leading to better services and lower costs for consumers. The launch of the Unified Payments Interface (UPI) system in 2016 was a game-changer for digital banking in India. UPI allowed users to send and receive money using a virtual address, eliminating the need for bank account details and making transactions faster and more convenient. UPI also enabled users to pay bills, recharge mobile phones, and make online purchases, among other things.

According to a report by the Reserve Bank of India (RBI), digital payments in India grew at a compound annual growth rate of 55% between 2015 and 2019. The report also noted that the value of digital transactions in India had increased from INR 1.1 trillion in 2014-15 to INR 5.5 trillion in 2018-19.

Mobile banking was also gaining popularity in India. According to a survey by PwC, 42% of Indian consumers had used mobile banking in the past six months. Mobile banking enabled customers to carry out banking transactions using their smartphones, including checking account balances, transferring money, and paying bills.

Digital wallets were also widely used in India. Companies like Paytm, PhonePe, and Google Pay offered mobile wallet solutions that allowed users to store money, make payments, and send money to other users. Digital wallets were particularly popular among small merchants and street vendors, who used them to accept digital payments from customers.

Internet banking was another popular digital banking solution in India. Internet banking enabled customers to carry out banking transactions online, including transferring money, paying bills, and checking account balances. Internet banking was particularly popular among urban consumers who had access to reliable internet connectivity.

Hence, before the COVID-19 pandemic, digital banking was already gaining traction in India due to the government's push towards a cashless economy, the rise of fintech startups, and the launch of the UPI system. Digital payment solutions like mobile banking, digital wallets, and Internet banking were becoming increasingly popular among Indian consumers, making banking more accessible and convenient.

### 3.2 Post-COVID-19 Digital Banking Usage in India

The COVID-19 pandemic had a profound impact on digital banking usage in India, as consumers increasingly turned to digital payment solutions in order to minimize contact and reduce the risk of transmission. The pandemic also accelerated the adoption of digital banking solutions among those who were previously hesitant to use them. One of the most significant changes in post-COVID-19 digital banking usage was the surge in UPI transactions. In April 2021, UPI recorded 2.7 billion transactions worth INR 4.93 trillion, up from 1.25 billion transactions worth INR 2.06 trillion in April 2020. The increase in UPI transactions was driven by a shift towards contactless payments, with consumers using UPI to pay for groceries, medicines, and other essentials.

Mobile banking also saw a significant increase in usage during the pandemic. According to a survey by KPMG, the percentage of Indian consumers using mobile banking increased from 26% in 2019 to 36% in 2020. This increase was driven by the convenience and safety of mobile banking, as well as the closure of bank branches and ATMs during lockdowns.

Digital wallets also saw a surge in usage during the pandemic. According to a report by Razorpay, digital wallet transactions in India grew by 73% in the first quarter of 2021 compared to the same period in 2020. Digital wallets were particularly popular among small businesses, as they enabled them to accept digital payments from customers without the need for a physical POS machine. Internet banking also saw an increase in usage during the pandemic, as consumers were forced to carry out banking transactions online due to the closure of bank branches and ATMs. According to a survey by McKinsey, 46% of Indian consumers used Internet banking during the pandemic, up from 29% before the pandemic. Internet banking was particularly popular among older consumers, who were more hesitant to use mobile banking or digital wallets.

In addition to the increased usage of digital banking solutions, the pandemic also led to the launch of several new digital payment solutions in India. In April 2020, the NPCI launched the UPI AutoPay feature, which enables users to set up recurring payments for bills and subscriptions. The feature was well-received by consumers, as it eliminated the need to manually pay bills each month. The pandemic also led to the launch of several digital lending platforms in India, which enabled consumers to access loans without the need for physical interaction. Platforms like Cred, Paytm, and PhonePe launched digital lending products that enabled consumers to access instant loans using their mobile phones.

The COVID-19 pandemic had a significant impact on digital banking usage in India, with consumers increasingly turning to digital payment solutions in order to minimize contact and reduce the risk of transmission. The surge in UPI transactions, mobile banking usage, and digital wallet transactions was among the most notable changes in post-COVID-19 digital banking usage in India. The pandemic also led to the launch of new digital payment solutions and lending platforms, which enabled consumers to access financial services without the need for physical interaction.

### 3.3 Comparative Analysis

The COVID-19 pandemic had a significant impact on digital banking usage in India, hastening the adoption of digital banking products among previously hesitant consumers. A comparison of digital banking usage in India before and after COVID-19 reveals some interesting developments.

Firstly, there was a large increase in the use of digital payment solutions following COVID-19, as customers opted for contactless payments to minimize contact and transmission risk. UPI transactions increased significantly following COVID-19, as customers used UPI to pay for necessities such as groceries and medicines. Previously, UPI transactions were mostly utilized for peer-to-peer (P2P) payments and bill payments. This reflects a shift in purchasing habits towards UPI as one of the primary methods of payment.

Second, following COVID-19, there was a huge growth in mobile banking usage, as consumers increasingly leaned on mobile banking to cater to their financial demands. The shutdown of bank branches and ATMs during lockdowns accelerated the uptake of mobile banking even more. Prior to COVID-19, however, mobile banking usage was mainly driven by convenience and ease of use.

Third, there was a large increase in the use of digital wallets following COVID-19, as customers used digital wallets to make contactless payments. Small businesses were especially enamored of digital wallets due to the fact that enabled them to collect digital payments from consumers without the requirement for a physical POS unit. Prior to COVID-19, digital wallets were predominantly utilized for payments made via peer-to-peer and monetary transactions.

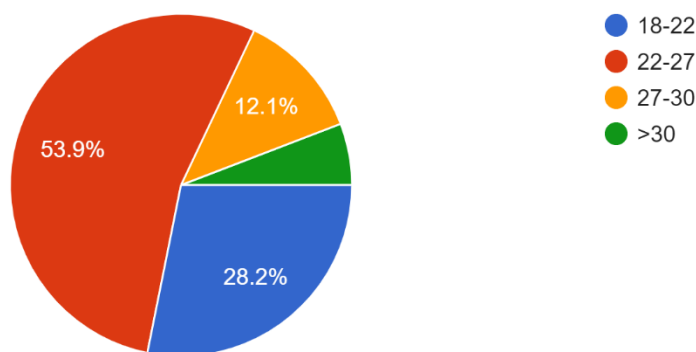
**RESEARCH METHODOLOGY**

The methodology section outlines the plan and method that how the study is conducted. We have done the research primarily through survey and questionnaire methods collected from 206 respondents from across the various states of India.

**IV. RESULTS AND DISCUSSION**

**Age**

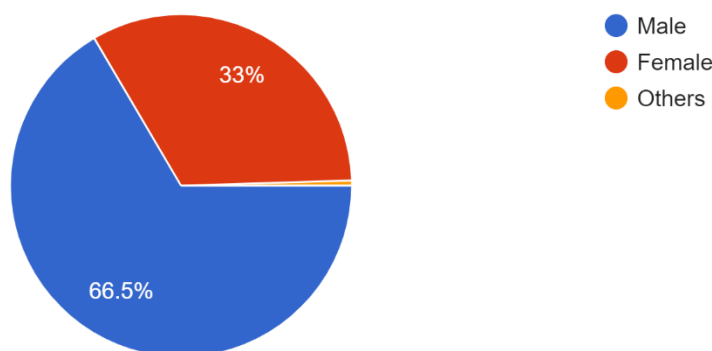
206 responses



1) As per the chart, it can be told that the majority of the respondents in this survey age ranges from 22-27, followed by age range of 18-22. This shows that young adults and teens are more open to these conducted surveys.

**Gender**

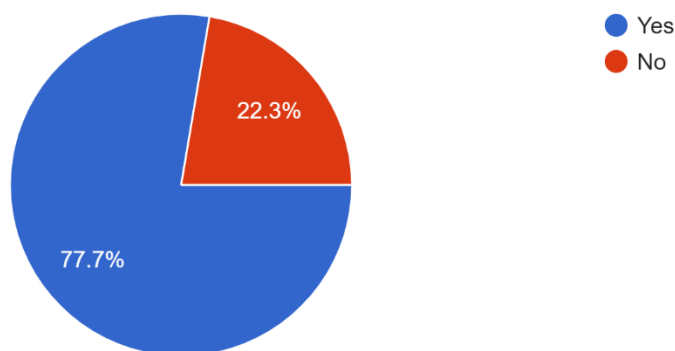
206 responses



2) The majority of the respondents of the survey tend to be males, making up to 66.5% of the entire survey.

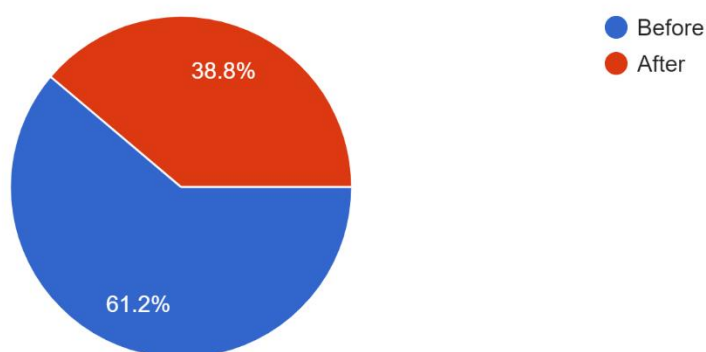
### Have you used online banking other than UPI?

206 responses



### If yes, Is it before covid 19 or after covid 19?

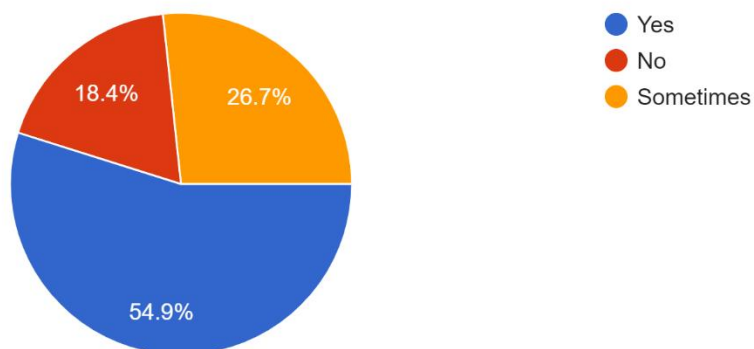
206 responses



3) From the above record, it can be clearly stated that there has been an awareness of online banking and its service prior to the pandemic itself. The reason for the awareness of these services was primarily due to the fact that the government wanted to make India a cashless economy, hence smoothening the process of financing and transactions via the Internet.

### Are you using any online banking currently?

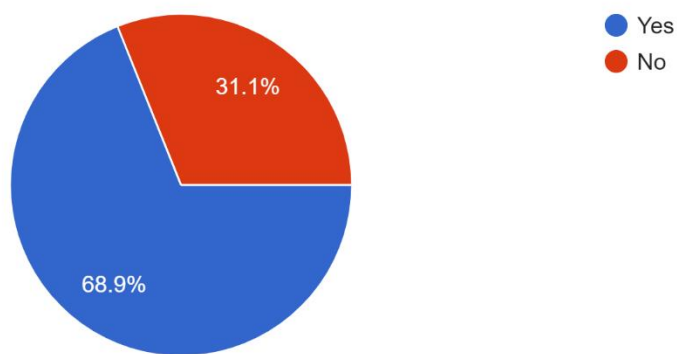
206 responses



4) This shows that online banking services are currently in use and are used frequently by people.

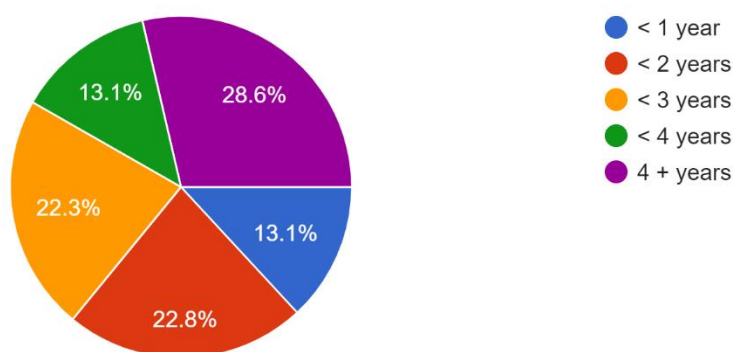
### Have you used UPI before covid 19?

206 responses



### For how many long have you been using UPI?

206 responses

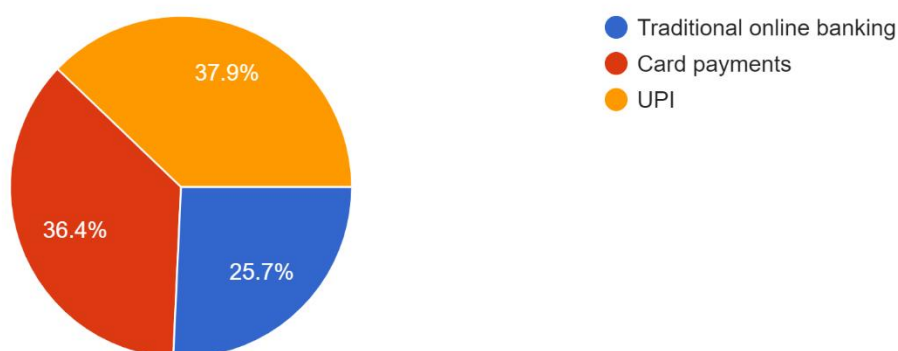


5) The above charts emphasize the awareness of the use of UPI and its development. The majority of people have been using UPI for more than 4+ years.

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### Before covid 19, Which mode of payment did you mostly use ?

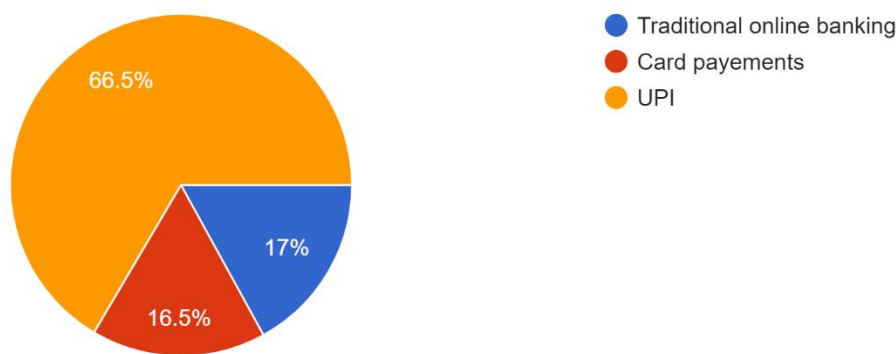
206 responses





### After covid 19, Which mode of payment do you mostly prefer ?

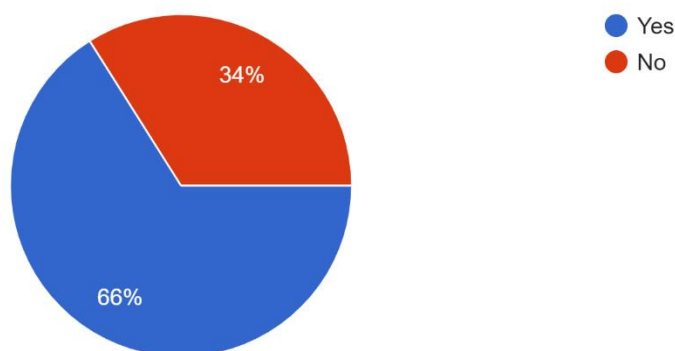
206 responses



6) The above statistics show that there is a significant rise in the use of UPI after the effect of Covid-19. The usage of card payments has significantly fallen with the rise in the use of UPI.

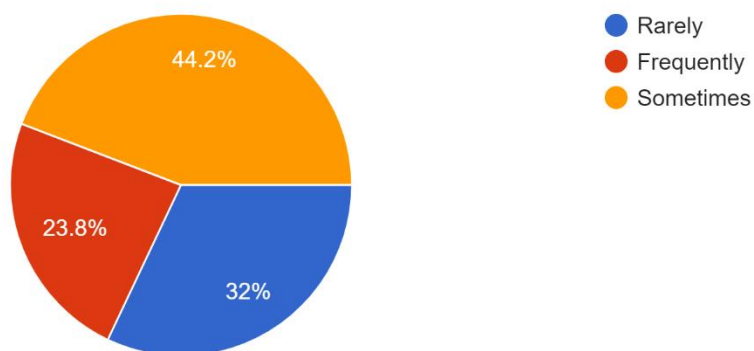
### Have you faced any problems while using UPI?

206 responses



### How often did you face problems while using UPI?

206 responses



7) From the above, it can be analyzed that despite the increased use of UPI, there are still major and minor technical issues faced by the people who tend to use this service. The problems faced mostly tend to be server issues, daily payment limit exceed, payment pending and delays, money transfer issues, and app open failure, amongst many others.

As per the above-collected information, it can be acknowledged that even before the onset of Covid-19, there has been a decent level of usage of online banking platforms. Yet, it can also be stated that the use of internet-based services has drastically increased post the pandemic. The use of UPI is on an ever-increase, but despite its frequent usage, people tend to face issues whilst transacting via e-payment platforms.

**Discussion:**

The results of the study highlight the significant impact of the COVID-19 pandemic on digital banking usage. The pandemic has accelerated the adoption of digital banking services, with consumers preferring to conduct their banking transactions online. The study also underscores the importance of availability, ease of use, security features, and trust in technology in influencing the adoption of digital banking. Banks and financial institutions need to ensure that they provide reliable and secure digital banking services to meet the changing needs of their customers.

**Conclusion:**

The COVID-19 pandemic has dramatically impacted all aspects of life, including the way people bank. Digital banking has been on the rise in India for years, but the pandemic has accelerated its adoption. Before COVID-19, digital banking was still relatively new and only a small percentage of the population was using it. However, since the pandemic, there has been a significant increase in the usage of digital banking in India.

The pandemic forced people to stay at home, and many people were unable to visit banks or ATMs to perform financial transactions. This situation has led to a massive surge in the use of digital banking channels like mobile banking, internet banking, and UPI payments. People who were hesitant to use digital banking services before the pandemic had to adopt them as a necessity. As a result, the adoption of digital banking in India has seen unprecedented growth in the past year.

The Indian government has also played a significant role in promoting digital banking by launching various schemes to encourage digital transactions. The government's push towards digital banking has helped to accelerate the adoption of digital banking in the country. The government's efforts, combined with the pandemic's impact, have made digital banking an essential part of the Indian financial ecosystem.

In conclusion, the COVID-19 pandemic has transformed the way people bank in India. Digital banking, which was once considered a luxury, has now become a necessity for many Indians. The pandemic has accelerated the adoption of digital banking in the country, and it is likely that this trend will continue in the post-pandemic world. As digital banking becomes more accessible, convenient, and secure, it will be interesting to see how it will continue to shape the Indian financial ecosystem in the coming years.

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