

# A STUDY OF DIGITALIZATION OF ECONOMY WITH SPECIAL REFERENCE TO DIGITAL PAYMENT SERVICES IN MUMBAI

**Prasad Naik, Nada Patel**

Visiting Faculty for Undergraduate & Postgraduate Colleges in Mumbai.

Visiting Faculty for Undergraduate & Postgraduate Colleges in Mumbai.

## **Abstract**

*The Government of India (GOI), started with the flagship program of Digital India in the year 2015. The Indian Economy, one of the fastest-growing economies in the world is strengthening its roots in digitalization. The major findings tell that the Digital India Movement and demonetization that occurred in November 2016 and the initiative of Going Cashless also increased the Digital Business as it was the major event in the Digital Economy of the Country. The digital economy involves both the digital access of goods and services and the use of digital technology to help businesses. The digital business, as a part of the digital economy, is acting as a main force for the Indian economy by using technology to create new value in business models. It describes the range of economic and social activities that are enabled by information and communications technologies. There have been a lot of innovations and technological advancements in activities like banking, buying and selling, and accessing education or entertainment using the internet and connected devices. It impacts all industries and business types and influences the way we interact with each other every day. The digital mode of payment is becoming convenient and a popular mode of payment contributing a major part to the economy. In this research, we have studied the impact of digitalization on the Business in the Indian Economy regarding the day-to-day activity carried out by individuals and businesses, to understand its future scope and challenges.*

**Keywords:** Indian Economy, Digital Economy, Digital Business, Cashless, Innovation

## **INTRODUCTION**

The consensus around the origin and the forms of ancient money has kept changing throughout recorded history. But what has not changed over the years is what money does; broadly, it facilitates trade in goods and services as a medium of exchange and acts as a credible store of value. Modern-day trade demands massive payments to be settled fast over long distances with minimum transaction costs. To meet these needs payment systems are being digitized globally.

Digitalization can play a key role in macro-economic factors such as GDP growth, employment generation, labour productivity, growth in several businesses, and revenue leakages for the Government. It is quoted in the World Bank report, that a 10% increase in mobile and broadband penetration increases the per capita GDP by 0.81% and 1.38% respectively which is a very positive sign in developing countries. India is the 2nd largest telecom market in the world with 915 million wireless subscribers and the world's 3rd largest Internet market with almost 259 million broadband users.

Digital India is an innovative programme that was started in the year 2015 and was initiated with the idea of transforming India into a digitally enabled knowledge-based economy. The few parameters that were the focus of this program were to establish a secure and stable digital infrastructure, deliver digital services, and ensure that every citizen has access to the Internet. As per a report by McKinsey, the 'Digital India' initiative is expected to boost the country's digital economy to US\$ 1 trillion by 2025, up from US\$ 200 billion in 2018. According to the State of India's Digital Economy Report, 2024, by the Indian Council for Research on International Economic Relations (ICRIER), India's aggregate level of digitalization is far better than other developed countries in the world such as the United Kingdom, Germany and Japan.

Digitalization has been happening in India at a rapid pace driven by a combination of factors, including growing broadband penetration, technological advancements, low costs of data usage, and the government's thrust on building digital infrastructure.

BHIM UPI App was launched by our Honorable Prime Minister, Shri Narendra Modi, and urged people to make digital payments a habit to transform the country into a cashless economy. The main idea in promoting digital payments which is the highest priority of the Government of India to bring every segment of our country under the formal fold of digital payment services. The main focus is to provide the facility of smooth digital payment to all citizens of India in a convenient, easy, affordable, quick, and secure manner.

The digitalization of the payment mechanism is an important step in the era of the faceless, paperless, and cashless economy of Digital India. Digital India, favorable regulatory environment, new payment service, and

improved customer experience are considered the major drivers for the growth of Indian digital payment systems. Digitalization is a boon and needs to be utilized properly. During demonetization from Nov. 8 2016 to Dec. 31, 2016, the country faced a cash crunch, when Rs. 500 and Rs. 1000 notes were stopped and new currency was circulated in replacement of old notes digitalization helped people. Demonetization has also increased the transactions from mobile wallets and digital payment channels.

Unified Payment Interface (UPI) which was started in 2016 by National Payments Corporation of India (NPCI) has since become the most widely used digital payment system in India. It has not only simplified the process of making payments but has also brought millions of unbanked Indians into the formal banking system. A lot of foreign countries are ready to adopt UPI for transactions to be carried out in their country by Indians.

In the financial year 2023, there were almost 114 billion digital transactions recorded across the country. These transactions include various forms of digital payments, such as mobile wallets, Unified Payment Interface (UPI), and card-based payments.

In the current scenario around the world, nearly two-thirds of the adult population makes or receives a digital payment, with the share in developing economies growing from 35% in 2014 to 57% in 2021. In developing economies, nearly 71% of the people have an account at a bank, other financial institution, or with a mobile money provider, which has been seen growing from 63% in 2017 and 42% in 2011.

This study aims to understand the frequency of Digital payments and factors affecting such payments since Information and Communications Technology (ICT) is playing a significant role in the digitalization of the economy.

## REVIEW OF LITERATURE

**Dr. V. Josephine De Rose, February, 2017** in her study on consumer preference for e-payments studies about the variety of facilities available to opt for e-payment rather than handling physical cash. She analyzed that e-payments offer more convenience and privacy. She discussed about on-time payment of bills without delay. And concluded by stating that e-payments would make us smarter citizens.

**Dr. M. Somasundaram, in June 2020** in his study on the perception of consumers toward digital payment concluded that consumers are likely to use digital payments for their transactions. He stated that consumers find it easy and convenient to use digital payments to buy things online without physically moving to different places. He lastly concluded by stating that the risks related to digital payment of transactions should be minimized.

**Shamsher Singh, in March 2019** in his study of Consumer's perception of Digital Payment Mode found that demographic factors except education do not have much impact on the adoption of digital payment. He stated that the adoption of digital payment was more in metropolitan areas. He also stated that the growth of users of Smartphones and internet penetration in such areas also facilitated the adoption of digital payment.

Few studies have also shown that people simply use digital modes of payment because they have exhausted their stock of cash in hand or do not want to carry cash due to the convenience of carrying a mobile phone with them giving them the urge to go for digital payments.

## OBJECTIVE OF STUDY

The objectives of this research paper are as follows

1. To study the frequency of digital payment for transactions done.
2. To study the impact of the influential Government initiatives on people for digital payments.
3. To study the consumer's perception towards online payment.

## RESEARCH METHODOLOGY

This study attempts to explain the impact of digital payments in the city of Mumbai and how it has been useful for digitalization of economy. This is done through secondary research in the form of research articles and journals mentioned in the review of literature and also primary research in the form of questionnaire which was filled by respondents.

## FINDINGS

The sample consist of respondents across various age groups within the city of Mumbai. Most of the respondents belonged in the age bracket of 21 to 50 years which involved students, salaried person and people involved in different business activities.

Few of the findings of the study are as under

1. About 75% of the respondents are aware of the Pradhan Mantri Jan-Dhan Yojana (PMJDY) but have not opened bank account under the same scheme. **(Exhibit 1)**

2. Most of the respondents (88%) are aware of the government initiatives to promote digital payment in the country and also believe that government policies have been effective in promoting digital payments. **(Exhibit 2)**
3. The frequency of the digital payment used by a user is on daily basis which can be seen on the answers of the respondents. (64%) **(Exhibit 3)**
4. The different digital payment platforms used by respondents are mobile wallets such as Paytm, Google Pay etc. and UPI (Unified Payment Interface) with also the use of debit card and credit card. **(Exhibit 4)**
5. Mobile Wallet is the method of payment which is frequently used by the respondents in making an online purchase with Google Pay, the mobile based app generally used by most of the respondents (84%) with nearly (32%) of the respondents having more than one mobile wallet app. **(Exhibit 5 and 6)**
6. Unified Payment Interface (UPI) is the most preferred digital method to use since it is convenient to use but sometimes there are also issues faced by them in the form of connectivity issues. **(Exhibit 7)**

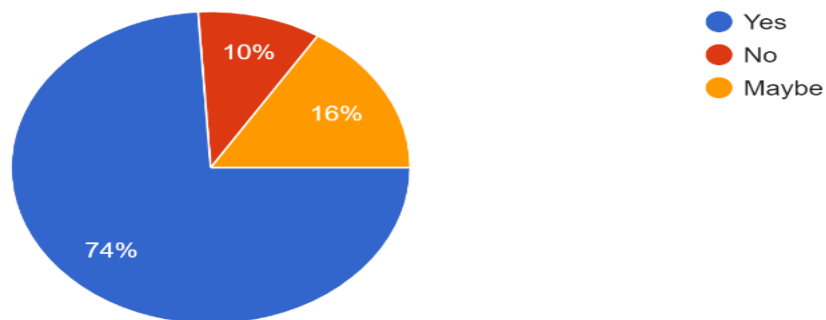
## CONCLUSION

India is one of the growing economies and with the acceptance of digitalization in terms of economic transaction, it is in steps to be one of the major economies of the world in the time to come. The various initiatives done by the Indian Government are been crucial for this success the digital payments in the country. Mumbai, a major financial hub in India, has witnessed a significant rise in the adoption of digital payment services in recent years. This is due to increasing smartphone penetration, improving internet infrastructure, and government initiatives like Digital India made this growth possible. There is a change in the mindset of the people of the country in using digital mode of payments which is easier, faster, safe and have been a kind of replacement for regular mode of payment i.e. cash. Technological advancements, evolving consumer preferences, and regulatory measures are going to benefit the future scope of digital payment services in Mumbai and beyond. The study shows the positive impact of digitalization on the economy of Mumbai and India as a whole. This is majorly due to factors mentioned above contributing to overall economic growth and development.

### Exhibits Exhibit 1

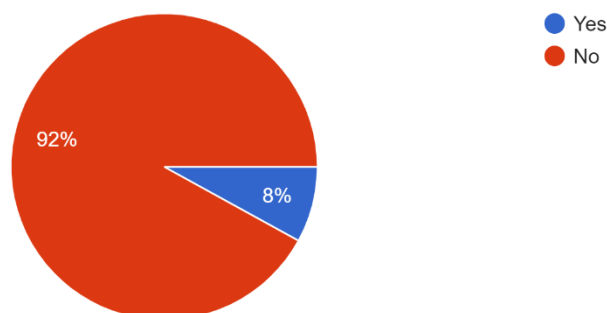
Are you aware of the Pradhan Mantri Jan-Dhan Yojana (PMJDY)?

50 responses



Have you opened Bank Account under the Pradhan Mantri Jan-Dhan Yojana (PMJDY)?

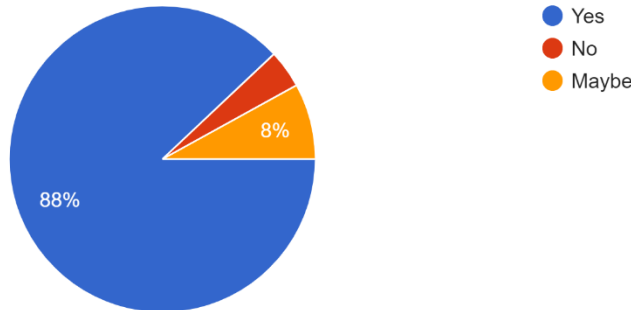
50 responses



**Exhibit 2**

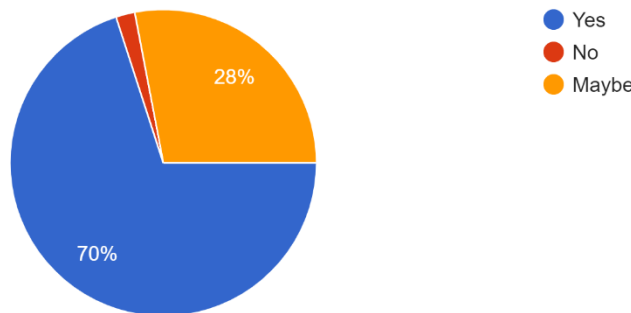
Are you aware of any government initiatives promoting digital payments in India? (e.g., Digital India, BHIM app, etc.)

50 responses



Do you believe that government policies have been effective in promoting digital payments?

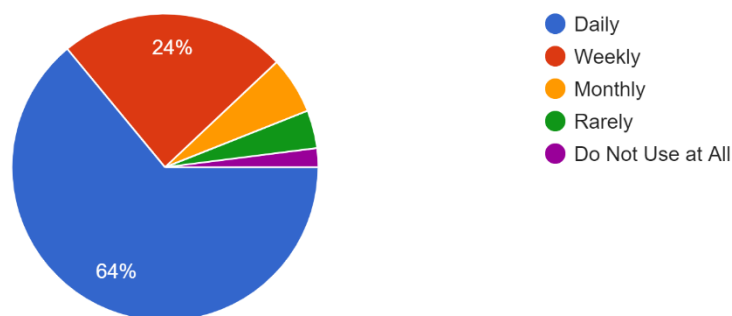
50 responses



**Exhibit 3**

How often do you use digital payment methods in a typical month?

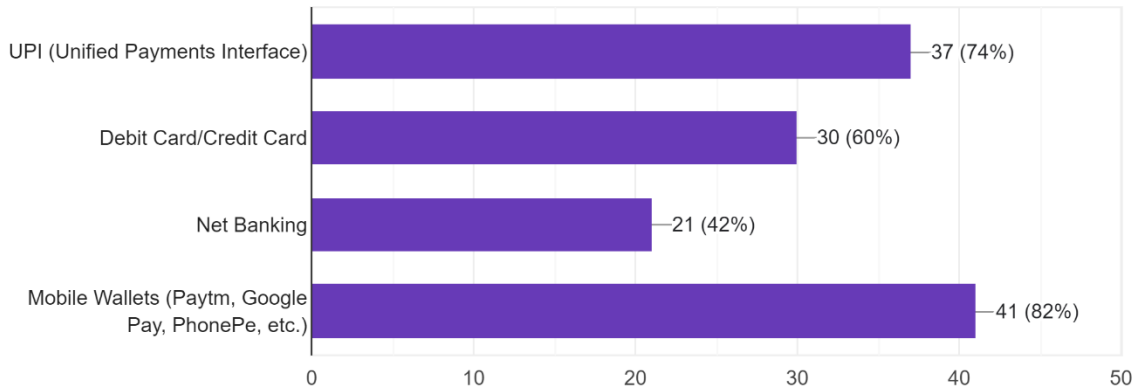
50 responses



**Exhibit 4**

Which Digital Payment platforms are used by you ?

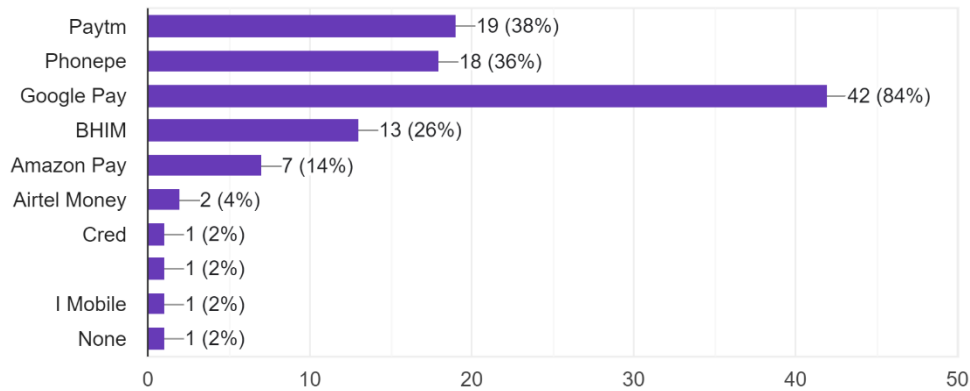
50 responses



**Exhibit 5**

Which of the following apps do you use?

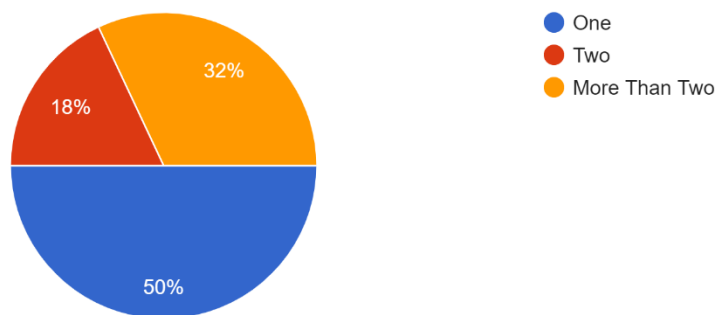
50 responses



**Exhibit 6**

How many mobile wallet apps do you use?

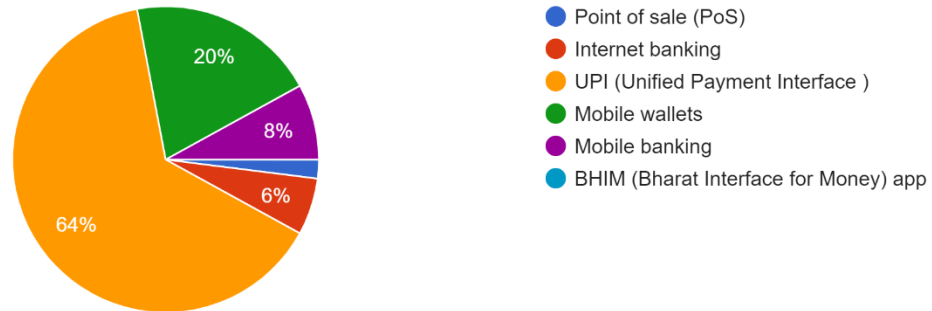
50 responses



**Exhibit 7**

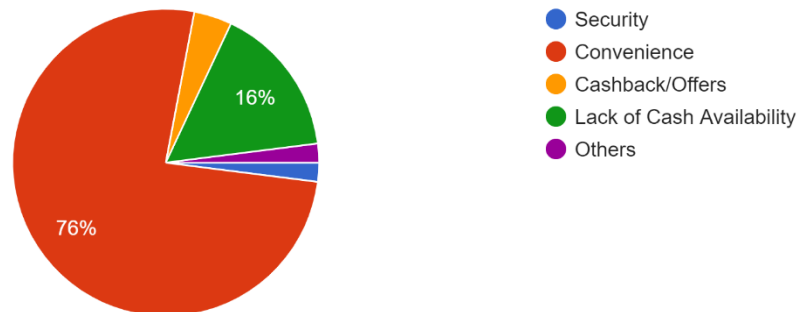
Which digital method did you find easy to use?

50 responses



What is the primary reason for using digital payment methods?

50 responses



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