



UPI Payment Influence on Retail Sector in Mumbai

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ABSTRACT: As Covid-19 catches a breath and economy opens up, the retail sector is standing up back on its feet. Its greatest enabler in this restoration has been digital payments. When everything closed during the lockdown in 2020, it was the digital mode of payments that kept both merchants and consumers going. According to RBI's data, digital transactions in the total volume of non-cash retail payments in 2020-21 jumped to 98.5 per cent. In a pilot survey conducted by RBI in 2018-19 to understand retail payment habits of people in six cities- Delhi, Kolkata, Bengaluru, Mumbai, Chennai and Guwahati, it found out that convenience was an overwhelming reason for people to adopt digital payments. Indeed, it's the convenience to pay from anywhere and anytime, without queueing up outside an ATM, that has been the driving force behind adoption of digital payments. A large part of this payments revolution has been led by UPI. While it still accounts for a small 10% share of the total retail sector payments, this number is expected to grow multifold in the years to come. Understanding this shift, government too has moved forward to push digital payments. The budget this year continued allocation towards digital payments, something that was done last year as well. Last year's budget had allocated Rs 1500 crore to promote digital transactions and boost digital modes of payments in rural and underserved areas. More recently, the central bank increased the cap on e-Rupi vouchers issued by the government to ₹1 lakh per voucher from ₹10,000 and allowed one voucher to be used multiple times until fully redeemed. This is expected to boost digital payments in the offline mode and allow direct benefit transfers without having to have a bank account.

KEYWORDS: UPI, digital, covid-19, ATM, Mumbai, retail, transactions, bank account, lockdown

I. INTRODUCTION

While digital payments have been pretty common at organized retailers and e-commerce, in unorganized retail, particularly the brick and mortar neighborhood stores, it has been a recent phenomenon. Interestingly, close to 60% of transactions in under Rs 200 category are happening on UPI.¹ This points to adoption of UPI even at small stores such as paan and cigarette shops. In every other ticket size, UPI has seen an upsurge but the adoption at small stores is nothing short of remarkable. Within UPI, it's the QR code revolution that has made it all possible. Pandemic obviously played a huge role but it's also the ease of getting on to UPI.²⁸ In our work with brick and mortar retailers, we have seen that those who accept payments digitally have much better cash flows and revenue cycles than those who insist on accepting cash.² Small, unorganized retailers form 90% of the retail sector in India and with them accepting digital payments, it is the first step to digitizing their business. In the world of e-commerce and endless choices, retailers need to put their customers at the center of their business.²⁷ The idea of becoming "contactless" has changed the attitude of consumers looking for new payment methods. The abundance of applications and payment options have made retailers' lives easier. To some extent, bonuses, discounts and cashbacks have also lured users towards this option.³

A bigger thrust to digital payments will come from RBI's plan to allow UPI payments through feature phones. Known as "UPI Lite", the payment option is already in pilot phase. Opening up payments for non-smartphone users is a great move²⁶. There are approximately 44 crore feature phone users in India and with UPI, this population can realize the benefits of digital payments. With UPI for feature phones, there could be a game changing shift in payments and thus consumption patterns which will drive faster digitization of individuals as well as SMBs in rural pockets around Mumbai. The new payment innovations coupled with UPI Interoperability will also enable merchants to offer a range of bundled payment capabilities, including loyalty programs, low-cost EMIs, and much more. Even as the growth story in digital payments continues, the government should not lose sight of malicious actors who are waiting for an opportunity to damage the massive transformation we have been through.⁴

Amid the COVID-19 pandemic that started last year, Maharashtra remains one of the top states in India where people preferred to use UPI mode of payment instead of cash, according to India Digital Payments Report 2020 released by Worldline. Digital transactions processed at grocery stores, fuel stations, clothing and apparel, pharmacies, restaurants and specialty retail together accounted for 80 per cent in volume and 60 per cent in value.²⁵ The top 10 states with the



highest transactions at physical touch points in 2020 for Worldline India were Maharashtra, Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, Delhi, Uttar Pradesh, Gujarat, West Bengal and Telangana While the top 10 cities were Bengaluru, Chennai, Mumbai, Hyderabad, Pune, Delhi, Coimbatore, Kolkata, Ernakulam and Ahmedabad. In the online space, financial services, government institutions and education sector accounted for about 20 per cent in volume and 75 per cent in value. On the other side, gaming, e-commerce (shopping for goods and services) and utility services contributed to about 80 per cent in volume and over 20 per cent in value.⁵

UPI remained the most preferred payment mode among consumers with a P2M market share volume of 41 per cent market share while its share of the value of transactions was 23 per cent. As far as PPIs are concerned, the combined volume of prepaid cards and wallets covered 26 per cent share in volume and 9 per cent in value²⁴. The total number of cards in circulation stood at 946.81 million as of December 2020. Outstanding credit cards increased by 9 per cent from 55.33 million in December 2019 to 60.39 million in December 2020 while outstanding debit cards increased by 10 per cent from 805.32 million to 886.41 million during the same period. Out of the total cards in circulation, debit cards accounted for 94 per cent while credit cards represented a 6 per cent market share. Interestingly, 15 banks account for 95 per cent of credit cards issued while 40 banks account for 99 per cent of debit cards issued.⁶

II. DISCUSSION

Mumbai placed in the top five cities for highest digital payment transactions cities.

- Mumbai, Hyderabad, Bengaluru, Chennai, and Pune are among the top 5 cities witnessing the highest digital transactions
- Category-wise grocery, restaurants, clothing and apparel, E-Commerce and gaming witnessed the highest volumes²³

Mumbai has topped the list in terms of volume at 31.53 mn as well as the value at 93.70 bn of transactions. Festive season sales and a rise in consumption have helped Mumbai to reach this position in digital payment transactions. Bengaluru, Chennai, Hyderabad, and Pune are the other cities that are in the top 5 list of highest digital transactions.²² “Today, both customers and sellers are being more receptive towards digital payments. Digital payments are gradually becoming like a commodity and forming a subtle yet an integral part of our lives. The swift adoption of digital payments can be witnessed with each passing quarter. Popular payment instruments like UPI, cards, PPIs are already clocking over 23 billion transactions in a quarter. We are glad to share our analysis of our transactions processed for the top 5 cities in India with highest digital transactions.”⁷

Cities with highest transaction volume	Total Volume Mn	Total Value Bn
Bangalore	47.37	114.11
Hyderabad	33.99	95.05
Chennai	32.62	74.41
Mumbai	31.53	93.70
Pune	26.28	57.93

There was frequently visited physical merchant categories like grocery stores, restaurants, clothing and apparel, pharmacy and medical, hotels, jewelry retail, specialty retail, household appliances, and departmental stores while in the online space category wise, e-commerce (shopping for goods and services), gaming, utility and financial services together accounted for over 86% in terms of volume.⁸



Sector	Volume (Mn)	Volume (%)
E-Commerce	43.21	36
Gaming	33.33	28
Education	3.93	3
Government	10.55	9
Travel & Hospitality	2.86	2
Utility Service provider	12.45	10
Financial Services & Other	14.58	12

III. RESULTS

The little QR code is ubiquitous across India’s vastness. You find it pasted on a tree next to a roadside barber, propped on the pile of embroidery sold by female weavers, sticking out of a mound of freshly roasted peanuts on a snack cart²¹. A beachside performer in Mumbai places it on his donations can before beginning his robot act; a beggar flashes it through your car’s window when you plead that you have no cash. The codes connect hundreds of millions of people in an instant payment system that has revolutionized Indian commerce.⁹ Billions of mobile app transactions — a volume dwarfing anything in the West — course each month through a homegrown digital network that has made business easier and brought large numbers of Indians into the formal economy²⁰. The scan-and-pay system is one pillar of what the country’s prime minister, Narendra Modi, has championed as “digital public infrastructure,” with a foundation laid by the government. It has made daily life more convenient, expanded banking services like credit and savings to millions more Indians, and extended the reach of government programs and tax collection¹⁰. With this network, India has shown on a previously unseen scale how rapid technological innovation can have a leapfrog effect for developing nations, spurring economic growth even as physical infrastructure lags.¹⁹ It is a public-private model that India wants to export as it fashions itself as an incubator of ideas that can lift up the world’s poorer nations. The IDs ease the creation of bank accounts and are the foundation of the instant payment system, known as the Unified Payments Interface. The platform, an initiative of India’s central bank that is run by a nonprofit organization, offers services from hundreds of banks and dozens of mobile payment apps, with no transaction fees¹¹. In January, about eight billion transactions worth nearly \$200 billion were carried out on the U.P.I., according to Dilip Asbe, the managing director of the National Payments Corporation of India, which oversees the platform.¹⁸ The value of instant digital transactions in India last year was far more than in the United States, Britain, Germany and France. “Combine the four and multiply by four — it is more than that,” as one Indian cabinet minister, Ashwini Vaishnaw, told the World Economic Forum. The system has grown rapidly and is now used by close to 300 million individuals and 50 million merchants, Mr. Asbe said. Digital payments are being made for even the smallest of transactions, with nearly 50 percent classified as small or micro payments: 10 cents for a cup of milk chai or \$2 for a bag of fresh vegetables. That is a significant behavioral shift in what has long been a cash-driven economy.¹²

One impetus for the move away from cash and toward digital payments was Mr. Modi’s 2016 decision to remove all large-denomination currency from the market. Promoted as an effort to eradicate black money in politics, the shock devastated small businesses that ran on cash¹³.



IV. CONCLUSIONS

Reliance on the digital infrastructure deepened during the pandemic, as the government used the ID numbers to manage the world's largest vaccination drive and deliver financial aid. As the system has become embedded in Indian life, the concerns over data privacy have not fully receded, even after Supreme Court rulings governing its use. Some worry that the sharp erosion of checks on government power under the strongman rule of Mr. Modi could open the door to abuses of the central identity database. With India pushing its model abroad, including in countries lacking strong legal safeguards, these concerns will follow.¹⁴

Amitabh Kant, one of India's top coordinators for the Group of 20 events, said the government had struck the right balance between privacy and innovation. "We said that the data belongs to the individual and that he has the right to give consent for every transaction that he undertakes," he said. In Mumbai markets where digital payments have taken hold, the raw excitement of the newly converted is palpable.¹⁵ App companies are working to ensure ease of use across a wide spectrum of digital literacy. Merchants on the same sidewalk help one another. And because this is technology we are talking about, children come to the aid of parents. Small voice boxes provided by payment apps are a fixture at snack carts and tea stalls, where vendors are too busy to check phone messages after every small transaction.¹⁶ A Siri-like voice declares how much money was instantly received with each payment by QR code. This has helped bridge mistrust among merchants long used to cash transactions. Merchants like the cobbler and the ice cream seller at a central Delhi market who do not have their own QR code simply borrow their neighbor's. It's the digital version of: I don't have change, but will make it work with the help of my neighbor. "I used to prefer cash," said Rajesh Kumar Srivastva, an auto-rickshaw driver in Mumbai. "But I learned the benefits of this during the lockdown."¹⁷

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