



## ROLE OF CASHLESS TRANSACTION AND ONLINE TRADE DURING THE COVID-19 LOCKDOWN PERIOD

Ashish Suryaprakash Gade  
(Research Scholar)

Brihan Maharashtra College of Commerce, Pune.

\*Corresponding Author: [ashishsgade@gmail.com](mailto:ashishsgade@gmail.com)

### ABSTRACT:

The ongoing spread of COVID-19 has become one of the biggest threats to the global economy and financial markets. To contain the impact of the corona virus outbreak, India, like many countries across the globe, is taking several measures, including a nationwide lockdown; limiting movement of the entire population; shutting down public places and transport; and urging the public to stay indoors, maintain social distance, and work from home. The resulting economic disruption is huge and the short-term decline in activity for businesses, large and small, considerable. This Paper understands the online trading methods and opportunity in online trading. Researcher will have a quick overview on online trading and its transactions. Money is one the most important means to fulfill our needs and wants. The means to satisfy our needs and wants are currencies of different types that are issued by the governments of a country and then they are exchanged in lieu of products and services. The debate on Cashless transactions and the merits of a "cashless" economy engaged public attention in India in the past year. This paper steers the debate towards articulating an appropriate strategy that can maintain social distancing through "cashless transaction". The paper begins with an exposition of the theoretical model of the corona virus, identifying a set of core structural parameters that determine a nation's readiness to make the paradigmatic shift from being offline trading to online trading in India. It reviews India's performance on these parameters and demarcates sources of deficiency at the time of covid-19.

**Key words:** - Covid-19, Cashless transaction, RBI, E-Banking, Locked Down Online transaction.

### INTRODUCTION:

As shown by the experience of leading countries, online trading can be help to social distancing in society. And also help to transformational for development generating economic and social benefits for people, businesses and governments. Online trading now provides opportunities for inclusive and sustainable economic growth, in all sectors of the economy. It is important for countries to undertake structured efforts to create and harness the benefits of online trading in order to realize greater job creation, increase country competitiveness, allow for greater diversification and catalyse innovations in service delivery to improve the lives of their citizen.

To ensure safety of Indian citizens amid the covid-19 outbreak, the Reserve Bank of India (RBI) governor, Shaktikanta Das, suggest to the customers to use digital banking facilities as far

as possible. In this Lockdown Period Das also added, "In the context of COVID 19, RBI and the government of India are giving emphasis on encouraging digital payments. Government given suggestions to the people for using electronic tools and various measures has already been taken to establish safe, secure, stable and affordable retail payment system such as the National Electronic Fund Transfer (NEFT) and the Immediate Payment Service (IMPS)." RBI's governor speaking at a press briefing where he announced various measures to tackle the impact of the pandemic on Indian businesses and the economy. The central bank of our country issued a press release, as well, in this regard in which it stated: *RBI wishes to bring to the notice of the general public that non-cash digital payment options like credit card debit card NEFT, IMPS, UPI and BBPS are available round the clock to facilitate fund transfers, purchase of goods / services, payment*

*of bills, etc. In the time of covid-19 context of the efforts to limit the fallout of the corona virus pandemic by avoiding social contact and visit to public places, public can use these modes of digital payment from the convenience of their homes through online channels like mobile banking, internet banking, cards, etc.*

The adverse effects of the COVID-19 pandemic are trickling down to major sectors of the Indian economy, with manufacturing, auto, retail, aviation and hospitality bearing the brunt of the lockdown. This in turn has affected fast-growing digital payments which are closely linked to the aforementioned sectors. Shut shops, travel bans and reduced discretionary spends by consumers (on dining out, movies and entertainment and so on) are further negatively impacting digital payments. Digital payment volume declines are seen in airlines, tourism, hospitality, hotels, entertainment, e-commerce (non-essentials) and restaurants, among other sectors. Further, cross-border payments, be they B2B or C2B, have significantly declined owing to the temporary shutting down of borders further, resulting in restricted movement of goods. International remittances too have been affected and have reduced. However, there are also a few areas that are seeing an uptick in digital payments by way of increased adoption during the lockdown. These include online grocery stores, online pharmacies, OTT players (telecom and media), online gaming, recharges and utility/bill payments. Digital payment volumes are also receiving a boost through the Government, which has pledged monetary assistance to the poor via direct transfers to bank accounts. The finance minister and the CEO of the National Payments Corporation of India have also urged people to increase the use of digital payments in order to make payments contactless. Digital payments, once a convenience, have become a necessity in these

times. With a majority of the sectors that contribute to digital payments still in a state of flux, it is still too early to ascertain the long-term impact of COVID-19 on digital payments. An e-payment or Cashless transaction system is a situation where there is short or very low cash flow in a given society, meaning thereby, transactions will be made by electronic channels like debit cards, electronic funds transfer, mobile payments, multifunctional ATMs, internet banking etc. It is the economy that run mostly on plastic or digital money and thus with minimal cash or money in currency form. In other words, it refers to the widespread application of information technology in the financial system. A cashless transaction is one in which all the transactions are done through without cash means use of electronic channels such as debit/credit cards, Immediate Payment Service (IMPS), The circulation of physical currency is minimum. It is a mechanical failure the traditional barriers and difficulties financial inclusion of millions of Indians and bring low cost, secure and safe as we as convenient financial services to urban, semi-urban and rural areas across the country. In spite of that, cashless transaction is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money Currency transaction, and that accordingly provide a reason for holding such transaction even when they earn rate of return. It is not the complete being away of cash but it is a payment system that is secure, convenient, and affordable. It is an economic system in which goods and services are buy and paid for through electronic media.

Sales and purchases in the Global Market still predominantly take place offline – in bricks and mortar shops – and purchases are still predominantly made with cash. However, thanks to the level of convenience they offer,

both online shopping and cashless electronic payments are booming and are among the key drivers of the digital transformation taking place in our economy and society. The real-time accessibility of online products and services and their availability 24 hours a day, together with the ease of making electronic payments, are disrupting many aspects of traditional consumer shopping behaviour, which is also increasingly driven by widespread use of mobile devices and apps. Online sales hit a record high in 2019. At the international level, China is leading in both Cashless transactions and mobile cashless payments. In the global Market, a large majority of internet users, particularly those under the age of 45, shop online. Clothes, sports goods, travel and online content such as games, videos and music are among the most popular items. This trend is also driven by the increase in cashless payments, which have become very popular in some countries. The many of different cashless payment methods in existence are often highly localised. One of the example, the e-wallet, is gaining particular importance, driven by the over 2 billion users it enjoyed in 2019. On the other hand, digital transaction and the cashless society are facing a host of challenges related to cybercrime, fraud, privacy, the digital divide and pollution, among others. The corona virus genesis is also posing various challenges to e-commerce supply chains, many of which are based in the hardest-hit countries. However, the opportunities at the time of covid-19 cashless transactions affordable in terms of convenience, efficiency and affordability will help them gain further ground in the years to come; their popularity among younger generations and strong global-level policy support for digital transformation are also helping boost their prospects.

B2B and B2C online sales of physical goods have recently experienced a surge of demand in

certain products due to the COVID-19 pandemic. Initially, many businesses and consumers responded by stocking up. Medical supplies, including hand sanitizers, disinfectants and surgical facemasks, as well as household essentials such as toilet paper and non-perishable foodstuffs were stockpiled. Businesses were faced with teleworking, and homebound consumers had to communicate and entertain themselves remotely. Many governments have enforced social distancing measures, instituted lockdowns and/or temporarily closed "non-essential" businesses. The result has been a spike in online purchases of some products, as well as an increased demand for a wide range of digital services, as many consumers resorted to online shopping – either internet-enabled or by telephone. Several brick-and-mortar businesses have therefore shifted resources to e-commerce. The increase in the number of consumers flocking to digital services has spurred both suppliers of these services and telecommunications operators to enhance their network capacity and to offer advantageously priced or free data and service packages. Given the way in which commercial activities are intertwined and supply chains operate, the relative shift to online B2B and B2C sales by means of retail and wholesale distribution services is dependent on manufacturing activity and on the availability of services. However, these were also disrupted by the measures instituted by governments to contain the spread of the virus. First, manufacturing in many economies came to a halt as a result of the lockdowns, thereby resulting in a decrease in production and labour shortages in many countries. Second, online purchasing of goods has been subject to the same supply chain bottlenecks as physical purchases. International transport and logistics services have been affected by the introduction

of new health regulations, as these have severely disrupted most international means of transport – land, sea and air cargo.

### **GLOBAL COMPARISON OF CASHLESS TRANSACTIONS& E-COMMERCE**

The growth in e-commerce in Globally there are different types of e-commerce purchases, including business to consumer (B2C), business to business (B2B) and business to administrations (B2A). This briefing focuses on B2C e-commerce transactions only. Online B2C e-commerce purchases have witnessed a steady growth in popularity worldwide over time. In 2015, just about 7 % of all retail sales were made online; in 2019, this figure had doubled to over 14 %. At present, the online share of total retail sales is estimated at 16.4 %, with e-commerce accounting for more than 75 % of overall global retail growth. Some researchers predict that this trend will continue, and the online share of total retail sales will reach 22 % by 2022. Similarly, the number of online shoppers worldwide is also expected to continue growing: from 1.66 billion in 2016 to 2.1 billion in 2021. China has already exceeded this rate of increase, as its online retail sales accounted for over 35 % of total retail sales in 2019, by far the greatest in the world, up from 19 % in 2016. In fact, China alone represents over half of all online retail sales globally, surpassing the US, UK, Japanese, German and French e-commerce markets combined. Most consumers buy goods through online marketplaces. These have become extremely popular due to the large number of products available at affordable prices. According to market research, online marketplaces currently account for 56 % of online sales and will attain 67 % of global ecommerce sales by 2022. The main e-commerce marketplace players are Chinese (Taobao, Alibaba, JD.com) or American

(Amazon, eBay). Amazon is believed to be the driving force behind the 39 % share of all e-commerce sales in the US; furthermore, it has surpassed Walmart as the world's largest retailer. Some EU players, such as Allegro (Poland), bol.com (the Netherlands), Coolshop (Denmark), eMag (Romania, Hungary, and Bulgaria), and Otto Group with Zalando (Germany), are also gaining in importance at local or international level. Different factors contribute to the rise of B2C e-commerce. First of all, there is a growing number of active online users, particularly young ones, who are increasingly shopping from different devices and on the move. The interfaces and online shopping procedures involving online payment methods are increasingly easy and user friendly, as are retailers' dedicated online shopping apps. The delivery timeframes and the return policies add to the convenience. The desktop PC is still the most popular device for online purchasing; however, by 2021 mobile e-commerce sales are expected to account for 54 % of total e-commerce sales. As the internet is increasingly accessed from a mobile device, such as a tablet or smartphone, users increasingly purchase on the move, from either websites or apps. According to industry estimates, mobile payments will have passed the 50 % milestone by 2026, becoming mainstream in most markets. According to market research, a third of all online purchases in the US during the 2019 Christmas shopping period were made by smartphone users, and nearly 40 % of sales during the Black Friday promotions in November 2019 were made via a mobile device. In the EU, 84 % of the populations are regular internet users, and about 73 % access the internet on the move from their mobile devices, for a variety of purposes including online shopping.

## BASIC MECHANISM of ONLINE TRADING

**Credit card:** A credit card is a piece of plastic offered from visa maser card or any other network which allows paying for a purchase by borrowing credit from the credit card company. To purchase goods from merchant who accepts credit card needs to have a credit card reader for the settlement.

**Debit card:** A debit card is a prepaid card and also known as an ATM card. An Personal has to open an account with the issuing bank which gives debit card with a Individual ID Number, when he makes a purchase he enter his pin number on shop pinpad. When the card is slurped through the electronic terminal it dials the acquire a banking system either master card or visa card that validate the pin and finds out from the issuing bank whether to accept or reduced the transaction the customer can never spend more than the expected because the system rejects any transaction which exceeds the balance in his account.

**E-Wallet (Mobile Wallet):** An electronic wallet is a method which is very useful for frequent online shoppers. It is commercially available for pocket as palm-sized, handheld, and desktop PCs. It offers a secure, convenient, and portable tool for online shopping. It stores personal and financial information such as credit cards, passwords and, Pins to facilitate the credit-card order process.

**Internet banking transfer:** Online banking transfer is also known as internet banking, E-banking or Virtual banking transfer. E-Banking transfer that provide to customers of a bank or any other financial institution to conduct/arrange of financial transactions

through the financial institution's website. The online banking system typically connects to the core banking system operated by a bank to its branch banking with the help of internet and bank's own intranet.

**NEFT (National Electronic Funds Transfer):** National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. In NEFT (**NATINAL ELECTRONIC FUNDS TRANSFER**) methods, personal, firms and corporates, small entrepreneur can online transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country. Even such personal who do not have a bank account can also deposit cash at the NEFT-enabled branches.

## Challenges in online trading

### Digital Literacy:

India is a country of illiteracy rate of more than 25-30%. Digital literacy is just 10% in India. In the absence of digital literacy we can't expect the transformation of Indian economy form traditional branch based model to virtually exist cashless economy.

### Cyber Security Issues:

Another mounting challenge in retail sector in digital payments is cyber security issues, with the magnitude with which digital transaction taking place after demonetization the risk of online fraud, leakage of confidential Data and information, cyber-crimes, malware and virus attacks has been raising.

**Unwillingness to used cashless transaction;** Are the retailers in the unorganized retail space

willing to take the risk of cashless advancement and expansion? Most of them often tend to play safe. But then this decision is also affected by other factors like security, awareness, knowledge so on.

## RESULT & DISCUSSION

The COVID-19 corona virus crisis As the COVID-19 corona virus outbreak evolves into a pandemic, many people have been voluntarily staying at home to telework or have been asked to do so because of quarantine. Subsequently governments have adopted ever stricter restrictions to limit social contact to slow the spread of the virus. Such restrictions are resulting in e-commerce spreading even further to product categories such as groceries. For instance, in China, one of the countries most affected by the virus, fresh food related sales on JD.com jumped 215 % during a 10-day period in February 2020. Generally, online and offline grocery stores are witnessing 'panic buying' and bulk shopping for categories like fresh food, household chemicals, personal hygiene and health. Some of these categories have seen 90 % growth rates since the health crisis started. Efforts to eliminate human to human contact and the touching of cash have also triggered a rise in contactless payments; in South Korea, for instance, card and mobile payments grew 30 % between January and February 2020, as did innovation in contactless pickup and delivery services. As people stay at home more, they also download more online content and games for entertainment. On the other hand, the growing crisis has meant people are not reserving travel, hotels or tickets for events online, hitherto one of the biggest areas for online purchasing.

The cashless transaction activities implemented in unorganised sector has significant impact on the behaviour of the unorganised retailers. In India most of them are heavily dependent only

on the cash economy, now the Retailers have to switch from cash to cashless electronic transactions. Most of the retailers have been using more on cash for selling of products and service except few. Currently the government announced that all restrictions for the traditional cash transaction and offers for electronic transfer push the retailers to adopt and implement cashless transaction for their needs.

## CONCLUSION:

This paper makes the case that any form of progress and development in a given system that aspires to reach its pinnacle cannot bypass core structural deficiencies of that system. This holds true in the context of digitalisation of transactions. There are no shortcuts to becoming cashless. When the World Health Organization released a statement on March 9 recommending that people turn to cashless transactions to fight the spread of Covid-19, The rate at which cash is becoming irrelevant in this economy, banks and other financial institutions will have to consider reconfiguring their business processes and functioning with the smartphone being the point of reference. This will allow digitalisation of transactions involved in financial intermediation. Even the recommendations made by this paper presume a strong presence and broad coverage of basic and digital infrastructure in unorganised retail sector. The strategy directed towards “Cashless India”, to be successful and helpful at the time of covid-19 must prioritise investing in correcting structural anomalies over other measures.

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