ATMANIRBHAR INDIA: MOVING TOWARDS STRONG PAYMENT SYSTEM OF INDIA

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ABSTRACT

The purpose of this study is to evaluate the influence of Atmanirbhar India on the growth of payment system of India by comparing growth of RBI payment system and NPCI payment system. Value and volume of transactions of RBI payment system (RTGS and NEFT) and NPCI payment system (UPI and IMPS) are compared for the period of before (January, 2017 to May, 2020) and after (June, 2020 to October, 2023) the launch of Atmanirbhar campaign. The use of RBI's payment system is increasing at slower rate. NPCI boosted the growth of payment system of India. This study gives an understanding to the customers how NPCI payment system is growing as compared to RBI payment system and brings confident in the mind of customers towards payment system of India and encourage them to use Indian payment system for financial transactions.

Keywords

Atmanirbhar India, IMPS, NEFT, RTGS, UPI.

1 INTRODUCTION

When world was struggling to fight Covid 19 pandemic, India has started self-reliant campaign named as Atmanirbhar Bharat Abhiyan with the aim to make the country and its citizens self-sufficient in all senses. This campaign also aims to have a strong financial system (investindia, 2023). The purpose of this study is to evaluate the impact of Self-reliant campaign on payment system of India. For this purpose, value and volume of transactions of RBI operated payment systems i.e., RTGS and NEFT are compared with NPCI operated payment systems i.e., UPI and IMPS and analysed to understand the growth of both category of payment systems before and after declaration of self-reliant campaign in India.

Reserve Bank of India (RBI) is the central bank of bank established on April 1, 1935 under the provision of the Reserve Bank of India Act, 1934. It maintains price stability, public confidence in the banking system by providing cost effective banking services to the public, foreign exchange market in India, adequate supply of currency notes and coins, banking accounts of all scheduled banks and act as banker to the government. There are two payment system operated by RBI, i.e., NEFT and RTGS. National Electronic Fund Transfer (NEFT) is payment system operated by the RBI started in November, 2005. It provides real time fund transfer and remitter can initiate remittances from bank branch, via Internet banking and mobile banking. There are no charges to savings bank account customers for NEFT transactions. No limit is set for funds transferred through NEFT. It operates in batches on half-hourly intervals throughout the day. Beneficiary name, bank account name, bank account number and IFSC code of bank branch are essential details required for NEFT transactions. Real Time Gross Settlement (RTGS) is a payment system operated by the RBI started in March, 2004 in which transactions are processed continuously on a transaction-by-transaction basis throughout the day. This system is used for high volume of transactions with minimum amount of two lakhs and no upper limit (RBI, 2023).

RBI had launched separate entity, NPCI to manage payment system of India on December, 2008. NPCI was started with a vision to reach every Indians with payment services and to have a strong finance system in India.

UPI and IMPS are two popular payment system of NPCI. Unified Payment Interface, UPI is mobile application payment system that links multiple bank accounts of a customer into a single mobile application. Funds can be transferred using mobile number registered with UPI in a single click with two factor authentication. It provides services like utility-based payments, over the counter payments and QR based payments to the customer. UPI Autopay facility is available in UPI application for recuring payments such as mobile bills, electricity bills, EMI payments, entertainment/OTT subscriptions, insurance, mutual funds, etc. It helps in timely payments and avoid late fees/ penalty. UPI lite is also facility provided in UPI application for low value transactions i.e., below Rs. 200. It does not require remitter bank's banking system to be active in real time. UPI123 PAY payment facility is available to provide banking services to featured phone users who can use UPI payment service over a phone call (*UPI: Unified Payments Interface - Instant Mobile Payments | NPCI*, 2023.)

IMPS abbreviated as Immediate Payment Service is an interbank electronic fund transfer service that can be accessed on multiple channels such as Mobile, Internet, ATM and SMS. It enables bank customers to use mobile phone as a channel to access their bank accounts and remit funds. (NPCI, 2023a)

Atmanirbhar Bharat Abhiyaan or Self-reliant India campaign was started by Hon'ble Prime Minister Shri Narendra Modi on 12 May, 2020 to make the country and its citizens self-sufficient in all senses and announced special economic and comprehensive package of Rs 20 lakh crores equivalent to 10% of India's GDP to fight Covid-19 pandemic in India. The government had taken several bold reforms such as Supply chain reforms for agriculture, rational tax systems, simple and clear laws, capable human resource and strong finance system.

NEED OF THE STUDY

When the world is struggling to fight the Covid-19 pandemic, Hon'ble Prime Minister Shri Narendra Modi announced the Atmanirbhar Bharat Abhiyan or self-reliant campaign on 12 May 2020 to make the country and its citizens self-reliant in all senses. This campaign is outlined by five pillars- economy, infrastructure, systems, vibrant demography and demand. He took several reforms such as supply chain reforms for agriculture, rational tax systems, simple & clear laws, capable human resource and strong financial system (investindia, 2023). It is important to understand the impact of steps taken by the government regarding to have strong finance system under Atmanirbhar Bharat Abhiyan. Impact on financial system can be understood by analysing volume and value of financial transactions. It is also important to understand performance of financial system by analysing RBI operated methods and NPCI operated methods. This gives a direction to understand that the government is focusing towards older methods of payment system or updated methods of payment systems.

2. REVIEW OF LITERATURE: -

Present economy is based on mutual dependence, becoming self- reliant in every aspect is a challenge for the country. Self-reliant does not illustrates deglobalisation but it will reduce dependence, increasing self-sufficiency and extending service to the world (Ghosh, 2021). To become self-reliant socially, Atmanirbhar Bharat contributed in MGNREGA for job creation, E-education for skill development and digital health mission (Massand et al., 2020). Atmanirbhar Bharat abhiyan is a long-term concept and India have huge potential to achieve self-reliant. It requires proper implementation of laws and allocation of funds allotted by the government in urban as well as rural sector. It is consumers' responsibility to consume domestic products because demand determines development of any sector (Kumar et al., 2020).

Demonetization exercise had given a boost to UPI payment system. This supports the vision of digital India and helps in banking accessible to a large number of people, both in urban and rural areas (Bhardwaj & Kaushik, 2018)

Cook & Raman, (2019), in their article "National Payments Corporation of India and the remaking of Payments in India" addressed the reason behind NPCI creation and how it reforms retail payment systems of India. They elaborated NPCI model which includes scheme governance, economic rules & technology decisions that helps in achieving its goals. They explained development of payment system of India in stages illustrated through table 1: -

Table 1: Development of payment system of India

Payments in India before NPCI (1986-2007)
A new payments law user in NPCI (2007-2009)
Early conventional products bring immediate revenue streams (2010)
A debit card for all (2011-12)
Challenges in creating a single used channel (2014)
UPI and India's simplified payments (2015-2016)
accelerating growth (2017-2019)

Source: (Cook & Raman, 2019)

A. & S., (2022) in their article, "India's digital payment landscape – an analysis identified various innovations in digital payment system of India in phased manner" applied PESTEL model to identify political, economic, technological, environmental and legal factors. They have used secondary data collected from RBI and related organisations for the study. They concluded that India's digital payment system has seen great success since the implementation of UPI by the NPCI in 2016.

Adhikari et al., (2022) in their paper "Impact of Covid-19 on digital payment system of India" used data on digitalization transaction from RBI database to measure the impact of Covid-19 on digital payment system and concluded that Covid 19 has been playing very crucial role in boosting digital payment system of India. Covid-19 has accelerated the adoption of digital payments as consumers preferred to stay away from cash

Rastogi & Damle, (2020) in their research paper, "Trends in the growth pattern of digital payment modes in India after demonetization" analysed the growth pattern of different modes of digital payments in India to estimate the very factors responsible for trends in digital payments. Quantitative data was used and analysed through bar graphs and trend line. UPI is most preferred digital payment method and makes banking services more accessible. RTGS and NEFT are key drivers of digital payments in terms of value. Easy to use UPI, government initiatives and emergence of fintech are the reasons for growth of UPI.

Thirupathi et al., (2019) in their paper, "Effects of cashless payment methods: A case study perspective analysis" examined various methods of cashless payments in the Indian economic development to know the importance of cashless transaction system using digital payment transaction data for one year. They concluded that the usage of digital payment apps increasing day to day with 40% increased after demonetization in 2016.

RESEARCH OBJECTIVES

1) To compare growth of NPCI payment system and RBI payment system before and after declaration of Atmanirbhar campaign.
2) To evaluate growth of NPCI payment systems as compared to RBI existing payment systems before declaration of Atmanirbhar campaign.
3) To evaluate growth of NPCI payment systems as compared to RBI existing payment systems after declaration of Atmanirbhar campaign.

3. RESEARCH METHOD

The study adopted a comparative analysis to understand the impact of Atmanirbhar bharat (self-reliant) campaign on payment system of India. The impact is measured by observation method. RBI and NPCI data are analysed by feeding data in excel plotting the same in line graphs and then trend of line graphs are observed to draw conclusions. For this purpose, financial transactions data on RBI operated payment systems' RTGS and NEFT are compared with NPCI operated UPI and IMPS to evaluate the growth of both bodies as a payment system.

4. ANALYSIS AND INTERPRETATION

Secondary data has been collected from RBI and NPCI database and entered into excel sheet and plotted the data in line graphs and observed the trends of line in the graphs. Volume and value of transactions via RTGS, NEFT, UPI an IMPS are compared separately during pre self-reliant period (January,2017 to May,2020) and post self-reliant period (June,2020 to October,2023). The Post self-reliant period refers to the time period after declaration of self-reliant campaign in India i.e., after May,2020 to preceding month of ongoing month, October, 2023. In pre self-reliant period, the time period is taken as the same number of months before declaration of self-reliant campaign i.e., before May,2020 from January,2017.

LINE GRAPH 1: Comparative data of volume of transactions (in lakhs) of RTGS, NEFT, UPI and IMPS during period of pre Atmanirbhar campaign (January, 2017 to May, 2020) and post Atmanirbhar campaign (June, 2020 to October, 2023). (*Reserve Bank of India - Database*, 2023.)
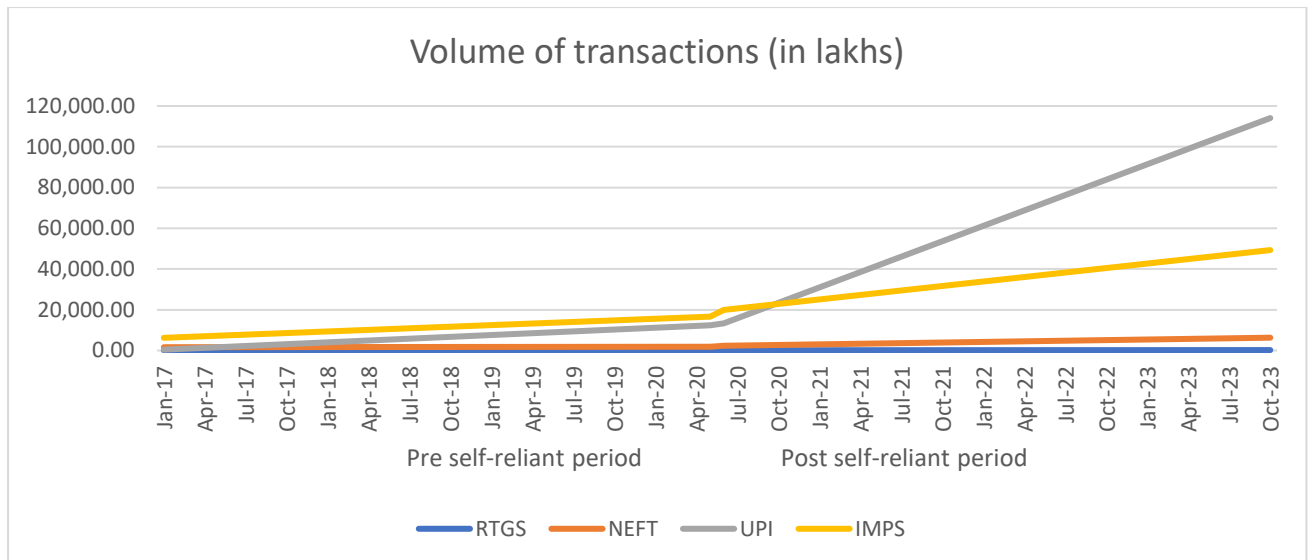
Source: compiled by author

Line graph 1 illustrates comparative data of two periods i.e., Pre Atmanirbhar campaign and Post Atmanirbhar campaign period. The trend line of UPI is showing slower increase during pre Atmanirbhar period as compared to post Atmanirbhar period. This can be explained that after declaration of Atmanirbhar campaign, volume of transactions of UPI increases at a faster rate. There is no significance change seen in the volume of transactions of RTGS, NEFT and IMPS.

LINE GRAPH 1 (A): Comparative data of volume of transactions (in Lakhs) of RTGS, NEFT, UPI and IMPS during period of pre Atmanirbhar campaign (January-2017 to May-2020) (*Reserve Bank of India – Database*, 2023.)
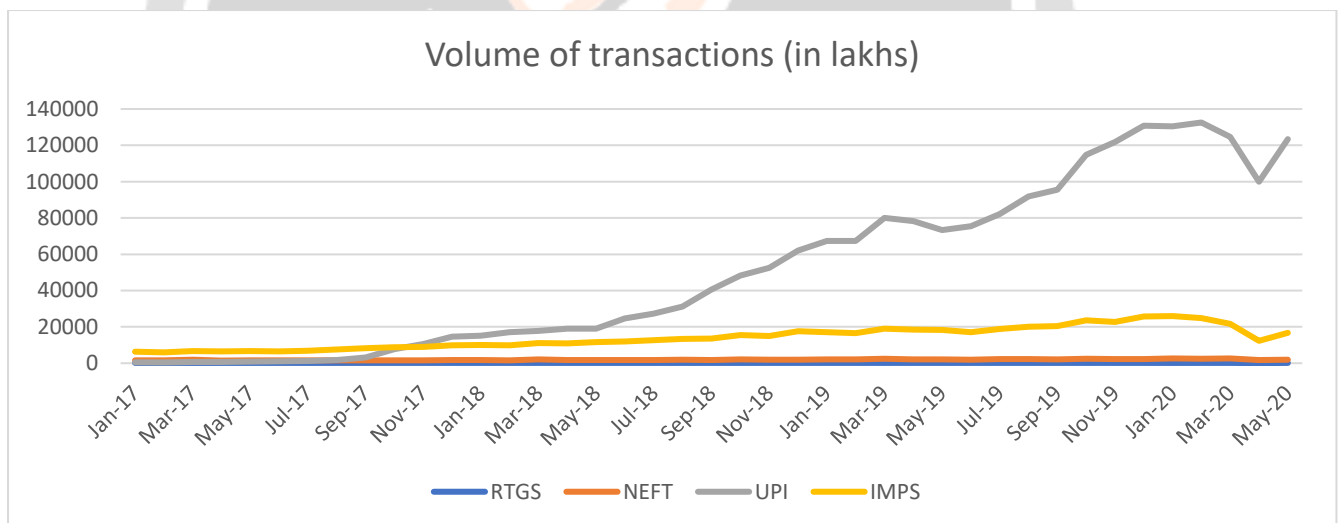
Source: Compiled by author

Line graph 1(A) illustrating volume of transactions (in Lakhs) pre Atmanirbhar period. Even before declaration of Atmanirbhar period, the number of transactions of UPI was increasing at increasing rate. There is no significance change in the number of transactions of RTGS, NEFT and IMPS during that period. The volume of transactions of RTGS were 93.30 lakhs and 90.03 lakhs in January,2017 and May,2020 respectively. There is significant decrease with the percentage of 3.5%. Over the period of 41 months, this change does not illustrate any relevance but the decreasing pattern shows that people are trying to avoid using RTGS system. The volume of transactions of NEFT were 1641.9 lakhs and 1929.4 lakhs on January,2017 and May,2020 respectively. There is negligible increase in the percentage i.e., 17.51%. This shows that even after 41 months, people are using NEFT payment system as per their requirements. The volume of transactions of UPI were 446 Lakhs and 123450 Lakhs in January,2017 and May,2020 respectively with a percentage change of 27579%. This illustrates a great percentage change in the volume of transactions. The volume of transactions of IMPS were 6243 Lakhs and 16668 Lakhs in January,2017 and May,2020 respectively with percentage increase of 170%. Over the period of 41 months, this percentage change is not significant which illustrates people are using IMPS system to a certain limit. This signifies that UPI was popular payment system of NPCI even before Atmanirbhar period.
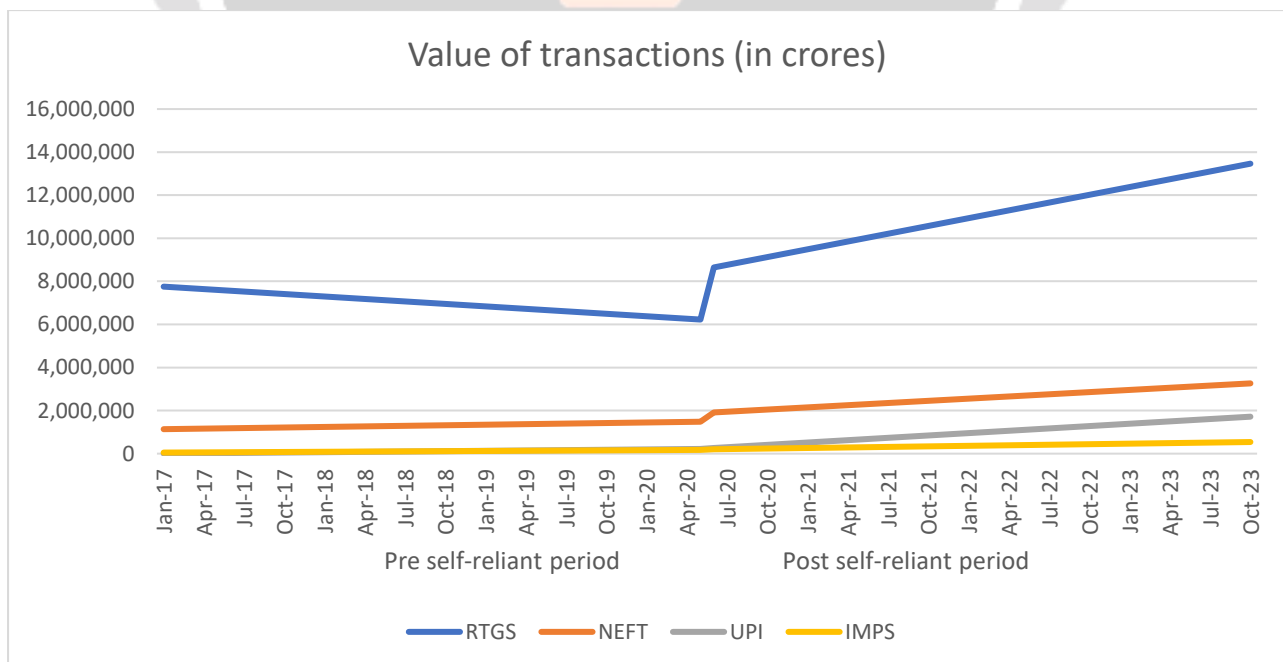
LINE GRAPH 1 (B): Comparative data of volume of transactions (in lakhs) of RTGS, NEFT, UPI and IMPS during period of post Atmanirbhar campaign (June-2020 to October-2023) (*Reserve Bank of India – Database*, 2023.)
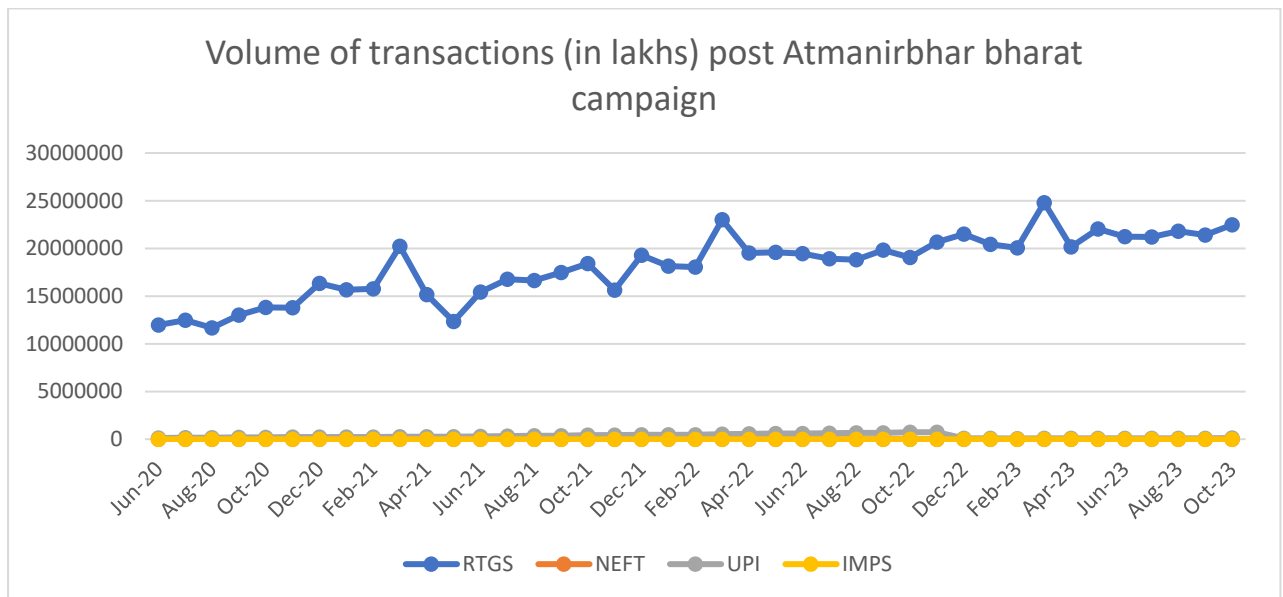
Source: Compiled by author

It can be seen from the line graph 1(B) that trend line of RTGS, NEFT and IMPS are almost in the same way but trend line of UPI is increasing. This shows UPI is adopted at a greater extent during this period. The percentage change in the volume of transactions of RTGS, NEFT, UPI and IMPS from June,2020 to October,2023 are 87.68%, 177%, 753% and 148% respectively. This shows that payment systems operated by NPCI are adopted more than the RBI's payment systems. Customers are preferring to use NPCI's payment systems specially UPI for financial transactions.

LINE GRAPH 2: Comparative data of value of transactions (in crores) of RTGS, NEFT, UPI and IMPS during period of pre Atmanirbhar campaign (January, 2017 to May, 2020) and post Atmanirbhar campaign (June, 2020 to October, 2023). (*Reserve Bank of India - Database*, 2023)
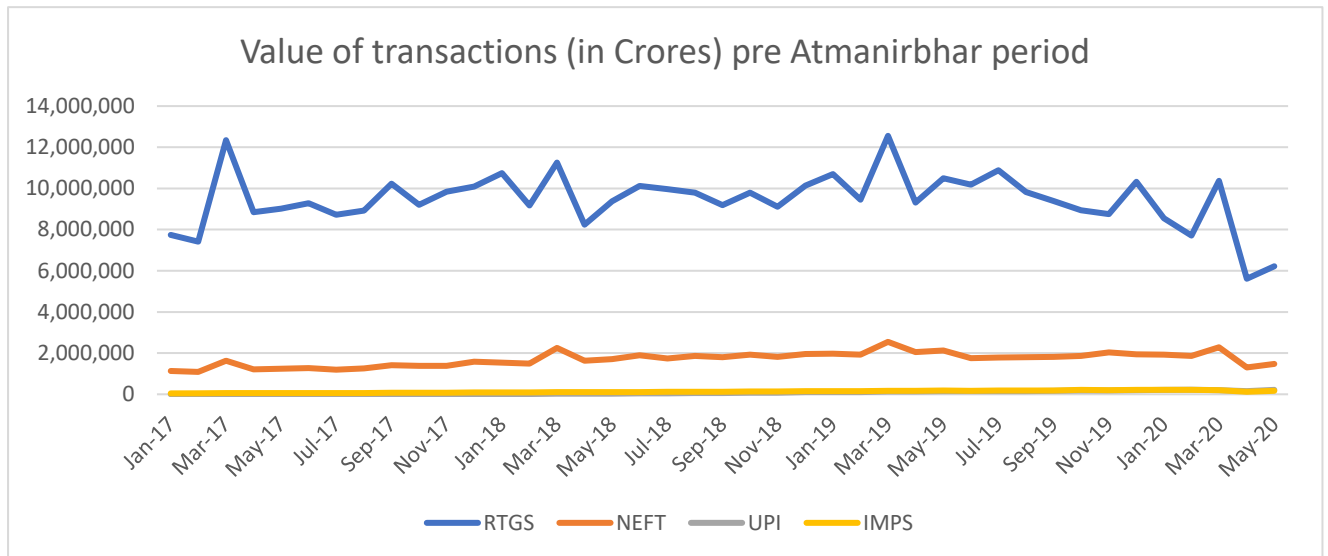

Source: Compiled by author

Line graph 2 illustrates that during pre Atmanirbhar campaign, the value of RTGS transactions are decreasing and increases during post self-reliant campaign. There is no significance change in the value of transactions of NEFT,

UPI and IMPS. The changes are seen in the trend line of RTGS because RTGS transactions are performed with minimum value of two lakhs.

LINE GRAPH 2 (A): Comparative data of value of transactions (in Crores) of RTGS, NEFT, UPI and IMPS during period of pre Atmanirbhar campaign (January-2017 to May-2020) (*Reserve Bank of India - Database*, 2023.)

Source: Compiled by author

Line graph 2(A) illustrating value of transactions (in Crores) pre Atmanirbhar period (January, 2017 to May,2020) The value of transactions of RTGS, NEFT, UPI and IMPS were Rs. 77,48,607 Crores, Rs. 11,35,508 Crores, Rs. 1696.22 Crores and Rs. 49,125.60 Crores in January,2017 and Rs. 62,25,396 Crores, Rs. 14,81,750 Crores, Rs. 2,18,391.6 Crores and Rs. 1,69,401.68 Crores in May,2020 respectively. The percentage change of RTGS, NEFT, UPI and IMPS are -19.65%, 30.49%, 12775% and 244% respectively. This illustrates that value of transactions of RTGS was decreasing during the period while value of transactions of IMPS, UPI and IMPS were increasing. The value of transaction of UPI have increased at higher extent during that period.

LINE GRAPH 2 (B): Comparative data of value of transactions (in Crores) of RTGS, NEFT, UPI and IMPS during period of post Atmanirbhar campaign (June-2020 to October-2023) (*Reserve Bank of India - Database*, 2023.)
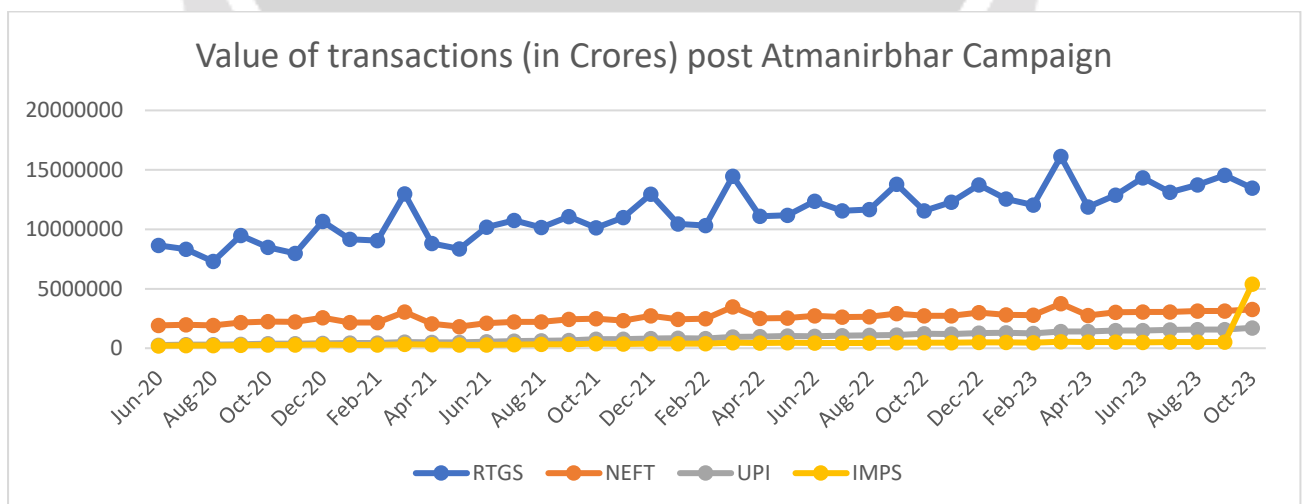
Source: Compiled by author

It is seen from the above line graph that trend line of RTGS is at highest level than other three payment systems. This is because the minimum of RTGS transaction is Rs Two Lakhs which increases the value of transactions of RTGS. The percentage change in the value of transactions of RTGS, NEFT, UPI and IMPS from June,2020 to October,2023 are 55.62%, 71.09%, 555% and 160% respectively. This is clear that payment through UPI and IMPS are increasing at greater extend. It is also seen that RTGS and NEFT trend lines are at higher position than UPI and IMPS which illustrates that still RTGS and NEFT are used to transfer money of higher amount.

CONCLUSION

As Atmanirbhar campaign was started with one of the aims to have strong finance system, this study provides information regarding how payment system in India is growing. This campaign boosted the growth of payment system of India. Payment system in India is operated by National Payment Corporation of India (NPCI). One of NPCI payment system i.e., UPI can be considered as most adopted and used payment system of India declaration of Atmanirbhar campaign. It might be possible that increase in digital payment system using UPI is seen because of Covid-19 pandemic when people were avoiding using other methods of payment systems but the UPI payment is growing even after Covid 19 pandemic. The use RBI's existing payment systems i.e., RTGS and NEFT are increasing at slower rate but still customers prefer RTGS and NEFT for transactions of higher amount. This study gives an understanding to the customers how payment system of India is growing after declaration of Atmanirbhar campaign and brings confident in the mind of customers towards payment system of India and encourage them to use Indian payment system for financial transactions.

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