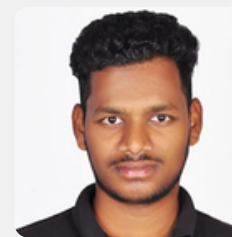


# How ICT Transformed Payment Banking in India After COVID-19



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The COVID-19 pandemic has tremendously enhanced the adoption of Information and Communication Technology (ICT) in almost all sectors of the economy, including payment banking in India. The pandemic-motivated lockdowns and other social distancing measures initiated a transition towards an age of digital transactions, transforming the structure of payment banking in India.

Prior the Covid pandemic, India was already on a path towards digitalization, with initiatives like Digital India and Demonetization forcing for a cashless economy. However, the pandemic act as a catalyst, provoking the adoption and development of digital payment methods at a significant rate. In that path ICT acted as crucial role by initiating secure, efficient, and comfortable digital transactions.

The pandemic saw a significant rise in the use of digital payment system such as Unified Payments Interface (UPI), mobile wallets, and internet banking. UPI, in particular, witnessed tremendous growth, with transactions reaching record highs in the country. The total annual value of UPI transactions in 2023 reached ₹182 lakh crore, reflecting a 59% increase in transaction volume and a 45% rise in transaction value from the previous year.

The convenience of UPI, endowed with its interoperability across different banks and payment platforms, made it a preferred choice for masses. By November 2022, UPI had amassed over 300 million monthly active users, underscoring its widespread adoption.

Mobile wallets like Paytm, PhonePe, and GooglePay also saw increased adoption, providing users with a seamless and contactless payment experience. In January 2024, UPI processed over 12.2 billion transactions valued at ₹18.41 lakh crore, marking a 41.72% increase in transaction value compared to January 2023.

ICT has also played a significant role in promoting financial inclusion in India. Digital payment platforms have made banking services accessible to a major chunk of population, including those in remote areas. The Pradhan Mantri Jan Dhan Yojana initiative, which aimed to provide every household with a bank account, saw a boost with the integration of digital payment methods.

This integration allowed beneficiaries to receive government subsidies and financial benefits directly into their bank accounts, reducing the dependency on cash transactions.

While the adoption of ICT in payment banking has brought numerous benefits, it also presents several challenges. Cybersecurity threats, digital literacy, and infrastructure bottleneck are some of the obstacles that need to be addressed. However, these challenges also present opportunities for further innovation and development.

For example, the implementation of blockchain technology can enhance the security and transparency of digital transactions. Additionally, initiatives to improve digital literacy and expand internet connectivity can help bridge the digital divide among the different regions of the country.

The post-pandemic era is likely to see significant rise in the adoption of ICT in payment banking. The RBI has been proactive in initiating digital payments, introducing measures such as the Payment Infrastructure Development Fund to support the development of digital payment infrastructure in underserved areas.

Furthermore, the government initiatives towards a cashless economy and the increasing use of smartphones and internet connectivity are expected to drive the growth of digital payments in the coming years. In conclusion, the COVID-19 pandemic has signified the importance of ICT in payment banking in India.

The rapid adoption of digital payment methods has not only facilitated seamless transactions but also promoted financial inclusion and economic resilience. As the country continues to navigate the post-pandemic landscape, the role of ICT in payment banking will remain vital in structuring the future of India's financial ecosystem.

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