



DIGITAL BANKING (UPI PAYMENTS) EFFECT ON INDIAN ECONOMY

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ABSTRACT:-

India is the world's largest nation with a population of more than 142.86 crore population, has surpassed china. The implementation of a digital payment system is important in order to transform India in to digital India.

The government of India launched digital India Programme in July 1, 2015. by prime minister Shri Narendra Modi, the Programme Focuses on the three main vision areas; digital infrastructure as a core utility to every citizen, governance and services on demand, and digital empowerment of citizens. The government wants to provide. the internet, mobile phones and bank accounts to every citizen, through online and mobile platforms, make financial transactions electronic and cashless, and availability of digital resources across the country.

The demonetization policy in India. had a significant impact on the country's economy, and also reason for the growth of digital payments in India.in order to transform India in to digitally empowered society and knowledge economy.

KEYWORD:- Demonetization, cashless economy, digital India, digital transactions, digital resources.

INTRODUCTION:-

The adoption of digital payments has impact on the Indian economy. Like reduction in the use of cash, which has several benefits such as reducing the cost of printing and transporting currency notes, finding black money, increasing tax compliance and financial transactions and payments.

While digital payments have successful in India, there are still several challenges that need to identify. The digital infrastructure in rural areas of India over 93% are still depend on the cash transactions. The government has launched various initiatives to identify the issue, such as digital India program and Pradhan Mantri Jan dhan yojana which aim is to provide banking services to the overall country.

Digital banking, specifically through unified payments interface (UPI) in Indian, has revolutionized the country's economy in several ways UPI, launched in 2016, enables instant fund transfer between bank accounts using smartphones. Its effects on the Indian economy are significant:

1.FINANCIAL INCLUSION: UPI has played a crucial role in bringing millions of unbanked and under banked individuals in to the formal financial system. Its user-friendly interface and widespread availability have enabled even those in remote areas to access banking services.

2.REDUCTION IN CASH TRANSACTIONS: UPI has significantly reduced the reliance on cash transaction. With its convenience and ease of use, people are opting for digital payments over cash, leading to decreased cash circulation, which in turn helps in curbing issues related to black money and counterfeit currency.

3.BOOST TO SMALL BUSINESSES: UPI has empowered small businesses and merchants by providing them with a low-cost, efficient payment solution. Even small vendors can accept payments digitally, expanding their customer base and contributing to economic growth.

4.TRANSPARENCY AND EFFICIENCY: UPI transactions are transparent and traceable, reducing the efficiency of financial transactions. This transparency also aids in building a credit history for individuals and businesses, enabling easier access to credit facilities.

5.ENCOURAGING INNOVATION: The success of UPI has spurred innovation in the Fin-tech sector. Numerous apps and services have emerged, offering various financial products, leading to increased competition and improved financial services for consumers.

6.IMPACT ON GDP: The widespread adoption of digital banking and UPI has a positive impact on India's GDP. It promotes economic growth by increasing the efficiency of transactions, reducing costs, and fostering a more robust financial ecosystem.

7.GOVERNMENT INITIATIVES AND BENEFITS: The Indian government has actively promoted UPI for various payments, including subsidies, benefits, and tax collections. This move has streamlined the distribution of welfare schemes, reducing leakages and ensuring more targeted disbursements.

VARIOUS TYPES OF DIGITAL PAYMENT METHODS IN INDIA.

In India, several digital payment methods have gained popularity, transforming the country financial landscape. Some of the prominent digital payment methods include:

1.UNIFIED PAYMENTS INTERFACE (UPI): UPI allows instant money transfer between bank accounts using a mobile platform. It has gained massive traction due to its ease of use and interoperability across various banks and apps.

2.MOBILE WALLETS: Services like PAYTM, PHONEPE, GOOGLE PAY, and others offer mobile wallet solutions. Users can store money digitally and make payments for various services and goods.

3.DEBIT/CREDIT CARDS: Traditional card payments using debit or credit cards are prevalent, both online and at physical POS terminals.

4.BHARAT INTERFACE FOR MONEY(BHIM): This is a government-backed UPI app that facilitates simple, quick, and secure transactions using UPI.

5.AADHAAR ENABLED PAYMENT SYSTEM(AEPS): AEPS enables transactions using Aadhaar authentication, allowing individuals to make payments or withdrawals using their biometric information.

6.BANK PREPAID CARDS: Banks issue prepaid cards that users can load with funds and use for online transactions or at POS terminals.

7.NATIONAL ELECTRONIC FUNDS TRANSFER (NEFT) AND REAL TIME GROSS SETTLEMENT (RTGS): These are electronic fund transfer system used for larger transactions between banks, operated by the reserve bank of India.

8.IMMEDIATE PAYMENT SERVICE (IMPS): IMPS allows real-time inter bank electronic fund transfer through mobile phones.

These methods collectively offer a wide range of choices for consumers and businesses to conduct digital transactions conveniently and securely in India.

GOVERNMENT BENEFITS FROM DIGITAL ECONOMY:

The government benefits from digital economy in several ways:

1.COST SAVINGS: digitalization reduces paperwork streamlines processes, and minimizes administrative costs for the government. This includes savings in printing,storage,and manpower expenses.

2.INCREASED TAX COMPLIANCE:digital transactions leave a digital trail,making it easier for government to track economic activities and improve tax compliance. This leads to increased tax revenues for the government.

3.EFFICIENT SERVICE DELIVERY:digital platforms enable the government to deliver services and benefits more efficiently. This includes welfare schemes,subsidies, and direct benefit transfers reducing leakages and ensuring that benefits reach the intended beneficiaries.

4.DATA-DRIVEN DECISION MAKING: The digital economy generates vast amounts of data. Governments can leverage this data to make informed policy decisions, optimize resource allocation, and enhance governance.

5.PROMOTION OF INNOVATION AND ENTREPRENEURSHIP: digital ecosystems foster innovation and entrepreneurship. The government benefits from the growth of new businesses, job creation, and technological advancements that drive economic growth.

6.ENHANCED ECONOMIC GROWTH: A thriving digital economy contributes to overall economic growth by attracting investments, improving productivity, and creating new opportunities across various sectors.

7.IMPROVED PUBLIC SERVICES: digital platforms enable the government to provide better public services, such as healthcare,education, and infrastructure, leading to improve quality of life for citizens.

8.STREAMLINED GOVERNMENT: digital tools provide governments with real-time data analytics, enabling better decision-making and policy formulation. These insights aid in optimizing resources allocation, infrastructure development, and targeted interventions in various sectors.

9.ENHANCED TRANSPARENCY AND ACCOUNTABILITY: digital system create transparent records and audit trails, reducing corruption and increasing accountability within government operations. This transparency fosters public trust and confidence in the administration.

By embracing the digital economy, governments can enhance efficiency, transparency, and inclusive in their operations, leading to overall socioeconomic development.

Overall, the government benefits from the digital economy through improved efficiency,transparency, governance, economic growth, and inclusive, leading to better services and a more empowered citizenry.

OBJECTIVES OF THE STUDY:

1. To evaluate the impact of digital payments in India.
2. To know the growth of digital economy how faster in India.
3. In order to understand more about the comprehensive expansion of digital payment system in Indian economy.

REVIEW OF LITERATURE:-

Digital banking and UPI payments have significantly transformed India's economic landscape. The burgeoning literature on this subject suggests that adoption and widespread use of UPI (unified payments interface) have catalyzed financial inclusion, enhanced convenience, and fostered a more transparent and efficient payment ecosystem.

Studies indicate that the proliferation of UPI payments has boosted small and medium-sized enterprises (SMEs) by facilitating smoother transactions, reducing operational costs, and improving cash flow management. Moreover, the increased usage of digital banking has led to a reduction in the circulation of physical currency, promoting a more formalized economy.

The extensive literature examining the impact of digital banking and UPI payments on the Indian economy consistently underscores their multifaceted positive effects. This shift towards digital transactions has significantly reduced the reliance on cash, fostering a more transparent economy while also enhancing efficiency in financial operations. Moreover, the integration of UPI payments has contributed significantly to the growth of various sectors, particularly in enabling small businesses and start-ups to participate more actively in the digital economy. Additionally, it has streamlined government disbursements and subsidy

programs, reducing leakages and ensuring more efficient fund allocation. Overall, the literature uniformly supports the notion that UPI payments have been instrumental in not only fostering financial inclusion but also driving economic growth, promoting transparency, and optimizing the efficiency of financial system with in the Indian economy.

RESEARCH METHODOLOGY:-

To investigate the impact of digital banking and UPI payments on the Indian economy, a multifaceted research methodology would be crucial. Initially, a comprehensive literature review spanning academic papers, industry reports, and government publications would establish the historical context, evolution, and key factors influencing digital banking in India. Subsequently, employing quantitative analysis using transactions data from official sources like the RBI and financial institutions would help gauge the growth trajectory, adoption rates, and transaction volumes of UPI payments over time.

Studying the effects of digital banking and UPI payments on the Indian economy requires a comprehensive research methodology. A mixed-method approach could be ideal, combining quantitative data analysis and qualitative insights. This mixed method approach allows for a nuanced understanding of the multifaceted impact of UPI payments on various sectors with in the Indian economy.

DATA ANALYSIS:-

TABLE 1: The total number of digital payment transactions are taken from the year 2017 to 2023 are taken.

FINANCIAL YEAR (FY)	TOTAL NUMBER OF NUMBER OF DIGITAL TRANSACTIONS (IN CRORE)
2017- 2018	2,071
2018-2019	3,134
2019-2020	4,572
2020-2021	5,554
2021-2022	8,840
2022-2023	9,192 (till 31 st December)

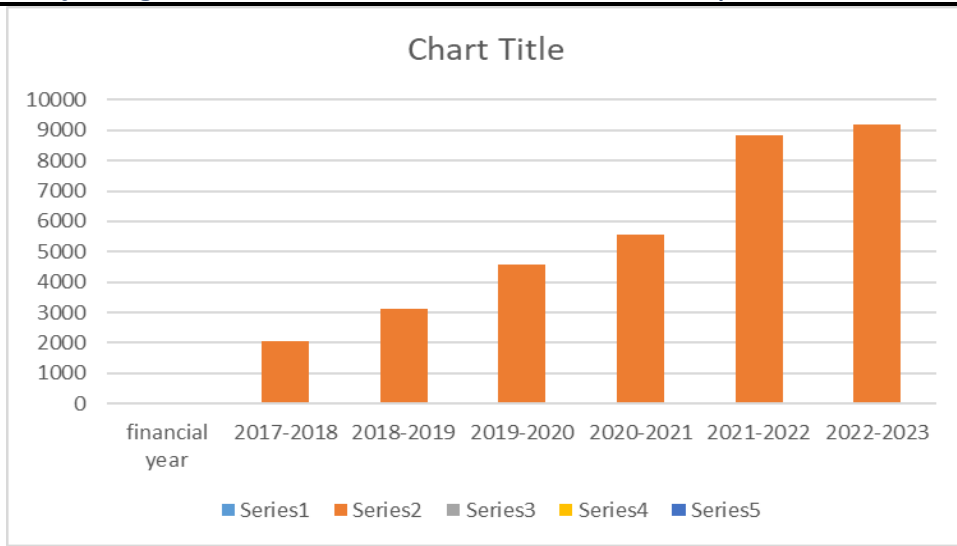


TABLE 2: Lets analyse the total number of digital transactions in lakh crore

FINANCIAL YEAR	TOTAL VALUE OF DIGITAL TRANSACTIONS (IN LAKH CRORE)
2017-2018	1,962
2018-2019	2,482
2019-2020	2,953
2020-2021	3,000
2021-2022	3,021
2022-2023	2,050

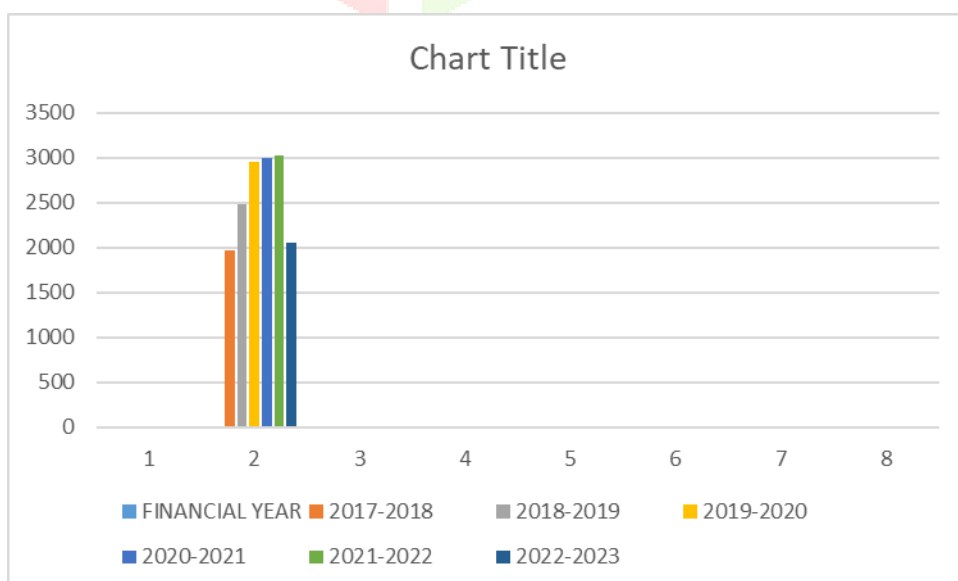
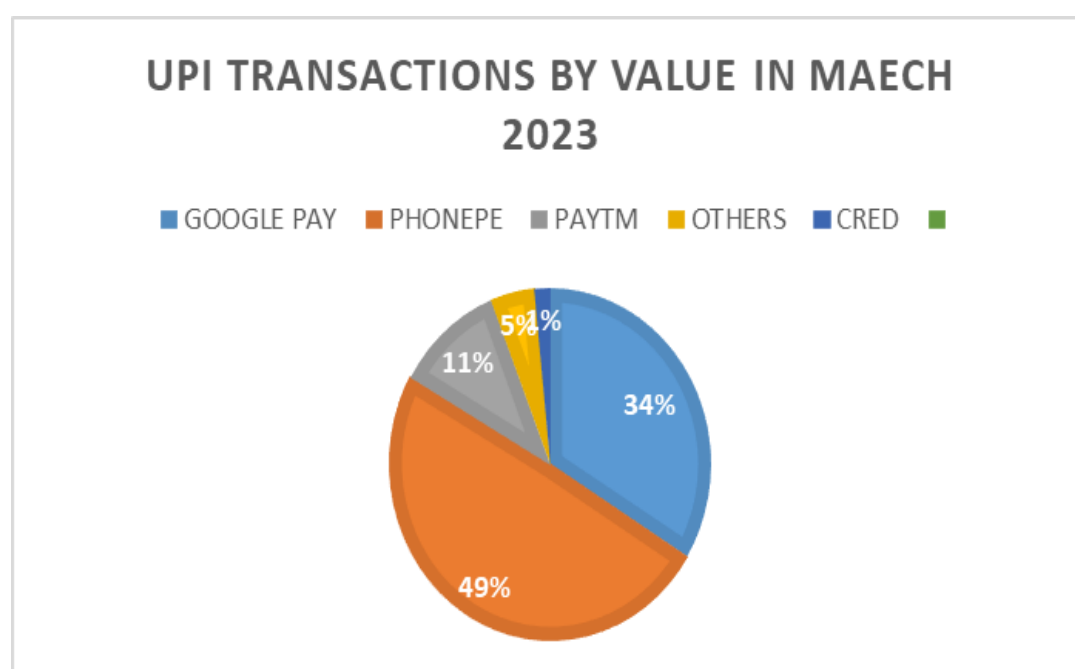


TABLE 3: showing the data for the mode of digital payment contribution

PARTICULARS	UPI TRANSACTIONS BY VALUE IN MARCH 2023
Google pay	33.8
Phone pay	49.4
paytm	10.8
others	4.5
cred	1.5



ANALYSIS: when compare to all other apps which is high contributing more to the digital payment is google pay from this even consumer also where offering the gift vouchers and scratch cards which influences the retaining the consumer and reach the target.

FINDINGS:-

Several key findings suggest that UPI payments have significantly impacted the Indian economy. Increased digital transactions through UPI have led to a substantial surge in financial inclusion, enabling previously underserved populations to access banking services conveniently. This shift towards digital payments has also contributed to a reduction in cash usage, promoting transparency and formalization of the economy. Additionally, the widespread adoption of UPI has stimulated small and medium-sized enterprises (SMEs) by facilitating smoother, quicker, and more secure payment processes. Furthermore, the data generated by UPI transactions has aided in developing credit profiles for previously unbanked individuals and businesses,

potentially enhancing access to credit. Overall, the evolution of digital banking and UPI payments has shown promoting transparency and stimulating economic growth in India.

The findings on the effect of digital banking, particularly unified payments interface (UPI) transaction, on the Indian economy highlight a transformative shift in financial dynamics. UPI has emerged as a catalyst for financial inclusion, effectively integrating previously underserved populations into the formal banking system. Its widespread adoption has substantially reduced reliance on cash transactions, addressing issues related to black money and counterfeit currency. Moreover, the government's endorsement of UPI for various payments has streamlined the distribution of subsidies and benefits, significantly impacting the overall economy. UPI's role in fostering innovation and GDP growth underscore its positive contribution to GDP growth and its significance as a driver of economic evolution in India's digital landscape.

CONCLUSION:-

The influence of digital banking, specifically the unified payments interface (UPI), on the Indian economy culminates in a transformative narrative. UPI's advent has not only revolutionized the payments landscape but also fostered financial inclusion by extending banking services to previously unbanked or underbanked populations. This innovation has significantly curbed the reliance on cash transactions, mitigating issues related to black money and counterfeit currency while bolstering transparency and efficiency in financial dealing. Small businesses and merchants have thrived through UPI, accessing seamless, cost-effective payments solutions, thereby contributing vibrantly to the economy's growth. Moreover, its government-backed adoption for various transactions has streamlined welfare schemes, reducing leakages and optimizing fund disbursements. UPI's catalytic role in fostering innovation, enhancing financial accessibility, and propelling economic growth positions it as a cornerstone in India's journey toward a robust digital economy, marking a paradigm shift in the country's financial landscape.

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