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EVOLUTION OF DIGITAL PAYMENTS IN INDIA: A PARADIGM SHIFT FROM CURRENCY TO DIGITAL

Dr. M. RAJALAKSHMI
ASSOCIATE PROFESSOR & HEAD
DEPARTMENT OF COMMERCE & CORPORATE SECRETARYSHIP
QUAID E MILLATH GOVERNMENT COLLEGE FOR WOMEN (AUTONOMOUS)
CHENNAI – 600 002, TAMIL NADU

ABSTRACT: Cash or currency, the driven force for any economic development has seen a paradigm shift. The Indian economy which was a traditional cash intensive nation has done all its transactions through the currency notes or coins inscribed with various denominations. As the two sides of the coin constitute its real value, the digital currency facilitates the people, like a double edged sword with dual outcomes; however its positive outcomes significantly outweigh the negative aspects.

KEYWORDS: Digital Payments, Demonetization, Unified Payment Interface (UPI), Digital Infrastructure, Mobile Banking.

INTRODUCTION: The previous decade has witnessed a paradigm shift in the payment perspective due to various dynamic factors like technological advancement, political changes, policy reforms and purchase patterns of the consumer. The most unexpected factor yet mighty in its influential role in global coverage is covid-19, consequently which made the urban and rural population to use the common platform of digital literacy. Subsequently, the nature and the policy makers have paved the way for the people to dwell in the digital landscape created.

SCOPE OF THE STUDY: It is important to study the underlying factors for the paradigm shift and the effectiveness of the digital payments in satisfying the policy makers and the users . The present study aims to bring out the significant features and identify the factors behind the digitalization of payments in India. The focus is to highlight these attributes and to explain both the importance of digital payments and the well built plan of policy makers. To maintain the analytical balance and the prime research focus, limitations are briefly addressed.

START OF THE DIGITAL JOURNEY: Heavy cash or high cash leads to black money, tax evasion and dull spirit in the commercial realm. The policy makers were deeply convicted to bring out the drastic changes for identifying and addressing these social evils. This conviction of the present situation and the vision of the future had brought forth the necessity of digital payment landscape.

THE INFLECTION POINTS IN THE DIGITAL PHASE

DEMONITISATION: Dearth of cash during demonetisation has given birth to UPI; subsequently this might one day result in death of cash. The strategy implemented with right motive to eradicate the social evils made the people to use the digital transactions instead of physical currency. Aarnav Chudasama (2020) points out the importance of it by stating that demonetisation failed to achieve the objectives it had

due to the lack of digital banking infrastructure in the Indian economy. 86% of currency suddenly declared invalid and forced the people to adopt digital transaction was the revolution digital change. It is the event that forced India to embrace the digital world by push and pull strategy. One of the welcome turnarounds in the demonetization programme was the inseparable link between demonetization and digitalization of transactions, which will yield rich dividends in future in terms of increased tax revenue to the government. Inarguably, demonetization encouraged people to embrace digital methods stated by Pratap singh (2019).

JAM TRINITY: Jan Dhan, Aadhar and Mobile phone, the three pronged impact are the underlying factors for the digital phase. Dipak Kundu (2016) found that JAM Trinity is a necessary condition for financial development; it must be accompanied by complementary regulatory frameworks and consumer protection mechanisms to achieve sustainable economic transformation.

FINANCIAL REVOLUTION: Social and economic inclusion of all citizens contributes for the welfare of a nation in social and economic perspectives. Aashima Jain (2025) her analysis of digital payment trends in India from FY 2017-18 to FY 2024-25 reveals a powerful story of financial revolution. The findings demonstrate that digital payments, led by the Unified Payments Interface (UPI), have evolved from a niche service to the backbone of the country's economic activity.

Shivam Gupta et al (2024) analysis showed that the prosperity of the nation depends on the social and economic inclusion, 53.20 crores of beneficiaries have been accounted for with PMJDY since the inception of the Scheme. Prime Minister Jan Dhan Yojana enabled the people who were unable carry out banking activities such as opening bank accounts and transfer of funds without irksome procedures. Further Rural farmers, labourers, street vendors and all the citizens were given another facet of their lifestyle through Har Ghar Bank account.

DEMOGRAPHIC DIVIDEND FOR FINANCIAL INCLUSION: Young generation full of enthusiasm, thirst for knowledge and longing to travel, spends to attain their needs and desires are using UPI meager amount of transactions and this little drops makes mighty ocean. Huda Analysis of Noor et al. (2025) shows that perceived ease of use, usefulness, and security for UPI adoption among millennials in India; moreover the trust found by. UPI helps them track expenses better, as every transaction is recorded digitally and made payments smoother and promoted digital awareness, which has also created new challenges related to self-control and online safety demonstrated by Sailli Chougule et al (2025).

The Government's vision "for the people, by the people and of the people" is being fulfilled and thereby crediting subsidies directly to their respective bank accounts without any leakage in the system; Aadhar has become the basic identity of an Indian citizen. Shivam Gupta et al (2024) stated that the Pradhan Mantri Jan Dham Yojana is an extremely enlightening programme for all the eligible people. This includes women, rural households, farmers, laborers, street vendors and many more.

Importantly, implementation of AADHAR as a compulsory document to all citizens, this was the commencing stage for the digital revolution and enabling the people to be equipped for the era of digital banking 2.0.

BANKING 1.0 To 2.0: The scenario of the literal Banks comprising the Teller cabinets, heaped files, hidden faces behind the computers is now landscaped in a digital system. Banking (1.0)-Digitalization of banks the ultimate motive, whereas banking (2.0) has hidden the banker in every mobile phone, QR and UPI has occupied their role instead. RBI's money- Central Bank Digital Currency in our digital wallet called as e-Rupee could be used without any bank account and on off line mode. This well programmable money sent by the Government for subsidies, meet its goal without any leakage. Government cash cost for printing and storing the documents in thousands of crores is now made nil, obviously the money spent is saved for meeting the other requirements. Thus, Banking (2.0) does the wonders in banking services as the unseen banker.

A significant proportion of UPI app users have completed their graduate studies and it emphasizes that the most prevalent source of awareness was social media, followed by friends and relatives, with television, newspaper. People prefer online payment over cash because it's easy to carry a smart phone than cash, as we can lose the cash. Google pay was the application with most server issues compared to other applications. Respondents spend most of their money through UPI on grocery, petrol and bill payments are the findings of Maria Fatima De Souza et al (2023).

UPI LAUNCH AND ITS HUGE BENEFITS: The official launch of unified payment interface (UPI) by National Payment Corporation of India (NPCI) such as Public digital rail, Free, Instant, 24x7 etc. made the people to become users and utilize the benefits. It is not the Visa/MasterCard, it is India-owned infra, the analogy, control and the business model is changed. No more the private infra rules and its India's own payment rail. Instead of sharing the account number and IFSC code every time you transact, this unique identifier serves with key features of interoperable, scan and pay with security. Derryl D'Silva et al (2019) suggests that the infrastructure should be open and interoperable, and the public sector should play the key role in creating a level playing field through platforms that are open to all (commercial banks and big techs) and settle in fiat money, inside the formal financial system.

UPI THE CORE RAIL, THE BASE FOR EVERYTHING: India accounts for -46% of global real time payments, 65% users(18-35 years) from metro Tier 1, 350 million above QR codes used, 95% above small merchants accepted UPI for their mercantile transactions. Unified way of payment and blanket coverage benefits offered by the UPI was the added and core advantageous feature attracted many as techcombo. UPI rail the underneath digital infrastructure, like the rail road the public safety-oriented infrastructure, aims for the digital journey with secured standardized procedures that makes transactions being done between the bank accounts. The Indian authorities have built an architecture that allows individuals to access and share their personal data to overcome information leakage with secured privacy.

DELEGATING THE FINANCIAL RESPONSIBILITIES IN SAFE HANDS: Day by day smarter applications - people need not be smart when their phone is activated smartly because UPI Autopay makes the recurring payment like EMI, insurance premiums, SIPS, subscriptions; mutual fund payments etc are deducted automatically without requiring manual authentication. As per the study of shubhashansha Bakshi et al (2025), rapidly expanding digital economy, fueled by innovations in cloud computing, artificial intelligence (AI), machine learning (ML), and digital governance, continues to drive progress.
People would like to delegate the responsibility if they find someone who is trustworthy and well disciplined in their actions; UPI put on these qualities of rare jewels and meets their timely commitments. So the fear of losing the liquidity position, losing the credential for untimely payment is taken care by this financial analyst.
BHIM - UPI Government supported app has spread its huge net and covered 274.5M Android + 9.35M iOS downloads, 70.96M transactions worth Rs.11,621 crore (May 2025) and 500+ banks were integrated the aforesaid data is the manifestation of widespread digital coverage stated by Anita et al (2025).

WHY? INDIA, THE DIGITAL GLOBAL LEADER.

- Digital public infrastructure is infra-owned, no more corporate owned, because like roads and rails the architecture is designed and build by NPCI.
- As of 46% of global real time payments have taken place in India and 15+ billion UPI txn per month. No other country has the speed of scale like this for mass adoption and massive volume.
- JAM Trinity was well planned and pre built, UPI rail was ready on day 1 of its implementation.
- Interoperability in its design- any app scans, any QR; this feature beats cards, cash and private networks.
- It attracted merchants at zero cost for MDR (Merchant discount rate). Merchants are contributing to the viral effect; as per the merchant survey. Control of its payment stack through NPCI by exercising the Tech power, policy power and Governance power.

- Infra ownership-making UPI as public good, India has done it. ozili Peterson (2025) states that advocacy for creating a digital public infrastructure increase, countries will have to decide whether they want to build a digital public infrastructure from scratch and how to build it.

LIMITATIONS AN OVERVIEW: 86% of UPI-accepting merchants (Economic survey 2023-2024) do business transactions through QR. Undeniably, urban/semi-urban merchants are more in number compared to rural participation and this digital divide is not to be blamed as sector or network bias. The shortcomings such as fraud and the digital divide are the implementation challenges, not the system failure and attains penetrated geographies.

CONCLUSION: Undoubtedly India's UPI model, a global benchmark, BIS, IMF, World Bank quote this model to other nations. UPI is not just a payment app and it is a basic foundation layer for the paradigm shift in the digital world. The infra owned UPI model has achieved its goal in eight years which could not be done by global system in 50 years. As the digital economy continues to expand, the ability to scale efficiently will be a crucial factor for the success and resilience of payment systems worldwide requires a combination of technological innovation, strategic planning, and collaboration across the financial ecosystem is stated by RBI (2024). Striking the balance between the boundary less innovation and the administrative control, need the attention by the policymakers to continue their sovereign control as they practice now.

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