Payments and transactions in digital mode are transparent and reliable. This gives a sense of trust to the people or the consumer. India being the second most populated country in the world, it is important to look at the existing setup of digital payment systems and user response in terms of transaction volumes that have been settled. This Paper analyses the growth of UPI and its impact on Digital Transactions with respect to India. This paper gives an analysis of how transactions through the Unified Payment Interface (UPI) increased significantly between demonetization and lockdown, but it was during COVID-19 that UPI payments actually accelerated and overwhelmed past growth.

**Keywords**: UPI, Digital Payments, Cashless, Security And Transactions.

I. INTRODUCTION

India is quickly moving in the direction of digitization. The announcement of demonetization by Prime Minister Mr. Narendra Modi on November 8, 2016, triggered significant digital payment expansion opportunities in India. As a result, digital payment providers grab the opportunity with both hands in order to expand their market share in the Indian market. Demonetization created a separate platform for digital payment acceptance as an alternative to cash for Indian customers. The adoption of cashless transactions has been heavily promoted by Prime Minister Mr. Narendra Modi as part of the government's post-demonetization policies. The implications of demonetization have resulted in remarkable development in digital payment. NPCI has reported 657 crores of UPI transactions in the month of August which is higher than July's 628 crore transactions.

NPCI is delivering technological advancements to retail payment systems and to transforming India into a digital economy. It is offering secure payment solutions with broad accessibility at low cost in support of India’s goal of becoming a completely digital society. NPCI was chosen by the RBI to serve as the main organisation in charge of developing a new, simple, secure, and interoperable payment system. A remitter or beneficiary front-end payment service provider and a remitter or beneficiary back-end bank that settles financial transactions for customers make up UPI's four-pillar interoperable push-pull architecture.

II. REVIEW OF LITERATURE

Radhika Basavaraj Kakade- Prof. Nipur A.Veshe et al (2017). From the research, it is found that UPI will surely transform the current way of transaction, transforming every payment into a digital payment where each person’s smartphone becomes the primary device. Recently, we know that there has been a significant increase of smartphone users and Internet penetration in rural services. This leads to great potential for Indian customers to adopt his UPI. This research found that UPI will phase out cash transactions and reduce paper money circulation. This will enable a highly transparent system and a cashless economy.

Dr. Kratika Neema-Dr. Arpit Neema et al (2018). The paper concludes that UPI is a tool with suitable features that can make money transactions easier and more affordable for customers. With UPI, there are no intermediaries like card networks, so transaction costs are low, instant settlement is possible, and as UPI pays out in seconds, making it easier to complete the transaction and settlement process. However, every new technology has some drawbacks. In order to improve the uptake and use of UPI technology, banks and governments are taking initiatives to increase awareness of his UPI among his citizens so the theme of Digital India can be achieved.

Bijn Philip et al (2019). In this study, the research was focused on identifying customer preferences for integrated payment interfaces and determining the impact of integrated payment interfaces on customer satisfaction. This analysed and interpreted data using means, F-tests, ANOVA, and regression analysis. The study says there is a positive impact on customer perception for unified payment interface. Also, there is
relationship between education of the people and usage of UPI services. The findings says there is no relationship between occupation of the people and using UPI service.

Prof. Sunny Gupta-Dr. Dinesh Kumar et al (2020)-The study was based on customer perception on adopting digital payment method. It also aims to find is there any impact of demographic factors on adoption of digital payments. It uses techniques like ANOVA, Frequency Analysis, Reliability Analysis (ALPHA). The findings were that education was found to be an important factor in adoption of UPI as a method of payment. And also, through ANOVA it was found that demographic factor doesn’t have much impact on adoption of UPI as payment method.

Radhika Arora et al (2020). Over the past decade, India has seen a significant increase in internet and mobile phone usage. By this paper we understand the difference in customer perception between Digital Wallets vs UPI and the adoption of UPI by customer. It also compares UPI with other digital payment modes. It gives us insights about the factors that are influencing the use of digital payments by customer over other payment methods. The most important finding of the study was that 45% of the people consider that UPI based digital payments are safe and more secure and reliable than any other digital payment methods.

R. Iyer-M. Christian et al (2022). The aim of this paper is to examine the progress of digital payments in India. It takes consideration the time period which start with the demonetization in India that is November, 2016. The study looks at the expansion of the digital wallet business after demonetization, showing an increase in digital transactions. The paper also describes increase in the percentage of people using digital payments, especially his UPI mode, after the nationwide lockdown started as a result of Covid-19. It revolves around details of the digital payment infrastructure such as UPI, AEPS, USSD, internet banking and other payment wallets. It focuses on UPI’s digital transaction mechanism, showing its growth, advantages, and market ecology. This scope also includes a survey of the recognition, acceptance, and usage limits of each mode.

III. HISTORY OF UPI

As a holding company for India’s retail payment and settlement systems, the National Payments Corporation of India (NPCI) was created in 2008. By March 2011, the RBI discovered that a person in India only made six non-cash transactions per year, whereas 10 million merchants allowed card-based payment. A whopping 145 million families lack any kind of financial access. Combating corruption and black money, which generally involves cash, is yet another concern.

The RBI committed to creating a simple, safe, interoperable, accessible, and authorized payment and settlement system in India in a four-year vision statement released in 2012. It is part of the Green Initiative of RBI to reduce paper consumption in the domestic payments sector. Under the terms of the Payment and Settlement Systems Act of 2007, the RBI and IBA launched the NPCI project to build a strong payment and settlement infrastructure in the country. UPI was launched in August 2016, shortly before the end of the term of RBI Governor Mr. Raghuram Rajan. The impact of the demonization initiative continued towards the end of the year when high denomination notes were phased out.

In the two months following the announcement of demonetization, the value of UPI transactions increased from 90 crores to 700 crores. This was a six-fold increase in volume. In December 2019, Google recommended that the Federal Reserve Board follow the success of UPI in developing FedNow, a real-time payment system for the United States.

UPI 2.0

On August 16, 2018, UPI 2.0 was launched by NPCI. Users might also pre-authorize transactions by sending a mandate to a certain merchant. This version also added the ability to see and save transaction invoices. A recurring payment option, AutoPay, was also provided. State Bank of India, Bank of Baroda, and Paytm Payment Bank are all live on UPI AutoPay as of August 2021, with 660,000, 204,000, and 186,000 mandates, respectively. By September 2022, in addition to implementing a real-time payment dispute resolution method that will address 90% of complaints, NPCI plans to expand AutoPay to international markets.

UPI 123PAY

To help the country’s almost 40 crores users of feature phones, RBI Governor Mr. Shaktikanta Das launched the UPI 123PAY service on March 8, 2022. UPI payments were previously only accessible through feature phone
USSD-based services and payment apps on smartphones. As per deputy governor T Rabi Shankar, the latter has proven inconvenient due to a shortage of services on several cell networks.

Factors responsible for the expansion of the cashless economy by UPI:

Several factors are driving the rise of digital payment and the transition from a cash economy to a cashless economy which include:

- Mobile Internet accessibility.
- Expansion of the financial technology industry.
- New innovations like QR codes, NFC, etc.
- Government initiatives like incentives or tax cuts.
- Economical as digital payments enable form services to be offered at cheaper prices, with better scalability and accessibility.

The Growth and Impact on Digital transactions

UPI was a response to the country's patchwork of rules and payment paperwork. The goal was to make money transfers easier and safer by allowing multiple bank accounts for personal and business use on the same mobile platform.

India's digital payments volume has increased at an average annual rate of about 50 percent over the last five years. That alone makes India one of the fastest growth rates in the world in digital payment, but India’s own Unified Payment Interface, is growing even faster (around 160 percent annually). Transactions in June 2022 reached 5.86 billion, more than double previous years, as the number of participating banks increased by 44 percent to 330. The value nearly doubled over the same period. Additionally, RBI rolled out UPI for feature phones (older devices with buttons instead of touchscreens) in March.
Government initiatives have resulted in a paradigm shift in digital transactions in India. With over 6.5 billion transactions in June 2022, UPI has emerged as a favourite digital payment choice. As of July 2022, there are 338 banks available on UPI with a volume of 6288.40 transactions and a value of 10,62,747 cr.

SBI Research classified digital transactions in the overall payment system as those in IMPS, UPI, and PPI, and cash transactions as CIC. According to the research, CIC’s share of payments systems has decreased from 88% in FY16 to 20% in FY22! In FY27, it is expected to fall by only 11.55%. The percentage of digital transactions is rising, from 11.26% in FY16 to 80.4% in FY22, and is predicted to reach 88% in FY27.

Figure 3: UPI excluding BHIM & USSD Transaction v/s total UPI transaction (Source: NPCI portal)

Credit and debit card transaction value shares have stayed steady, whereas UPI has increased from 0% in FY16 to 16% in FY22. Paper-based instruments like cheques have fallen from 46% in FY16 to 12.7% in FY22. According to SBI research and NPCI, the sluggish rate of "m-wallets" may be owing to an increase in UPI payments beginning August 16 and reaching 12 lakh crores in October 2022, grabbing the market extremely rapidly.

Figure 4: Share % of Digital and CIC
Benefits associated with UPI:

Real-time payment adoption has helped Indian businesses and consumers save around US$ 12.6 billion in payment processing costs. Because digital payments are quick, they enhance a company's cash flow condition. It contributes to a rise in the number of transactions and, as a result, economic activity. It also released US$ 16.4 billion, or 0.56% of India's Gross Domestic Product (GDP).

The quantity of illicit money in the market can be reduced by digitization, resulting in increased compliance and tax income.

It increased customer trust in digital transactions and encouraged people to avoid using cash.

The UPI has had a significant influence on the banking and fintech industries. It gives banks a low-cost alternative to cash and helps them save money on merchant onboarding.

Data obtained through digital transactions also allows banks to promote other services, gain a better knowledge of consumer spending patterns, and better serve customers. The open architecture enables financial companies to accelerate innovation and create novel goods and services.

Hurdles in further expanding UPI:

Even though the usage of cash has dropped with the introduction of UPI, cash transactions remain considerable. People continue to prefer cash because of tax terrorism and its wider acceptability as a means of payment.

Some analysts believe that without an MDR tax to fund its infrastructure, UPI would struggle to survive in the long run. Currently, neither the buyer nor the merchant pays any additional fees.

Because of a lack of digital literacy among the general public, they are unable to use the UPI system. Furthermore, the usage of mostly English in UPI apps hinders their uptake.

There is still a lack of internet and smartphone penetration among the populace, making UPI transactions almost difficult.

Measures that can be taken next:

It is time to step up efforts to broaden UPI's effect beyond major urban regions and to repeat its success for the benefit of the entire country, particularly rural areas.

Cost savings from reduced hassles and overheads for banks (as a result of enabling UPI) can be used to cover the long-term costs of maintaining UPI.
Initiatives such as the Bharat Net project (for internet connectivity) and PMG Disha (for digital literacy) should be fully implemented and supported. India must share this technology with other countries to generate more foreign currency and strengthen its soft power throughout the world. UPI has already been implemented in the UAE, Singapore, and Nepal.

IV. CONCLUSION

We are aware that the use of smartphones and the internet in rural services has increased significantly in recent years. This creates a significant opportunity for Indian consumers to adopt UPI. We are aware that the usage of smartphones and the internet in rural services has increased significantly in recent years. This creates a significant opportunity for Indian consumers to embrace UPI. We are aware that the difficulty of moving hard currency throughout the country will be lessened or eliminated via cashless payment. We are aware that the difficulty of moving from hard currency throughout the country will be lessened or eliminated via cashless payment. When UPI becomes completely operational, which means when all banks sign up, it will be very advantageous for the banking industry and clients in terms of money transfers and payments. According to the report mentioned above, UPI will undoubtedly disrupt the way we transact now and shift everything to digital payments, where each person's smartphone would serve as the main payment instrument.

V. REFERENCES


Websites:

[9] State Bank of India: https://sbi.co.in/