

# **A Study on Evaluating the Impact of Digital Payment for the Growth of the Indian Economy**

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**Abstract:** *In the 21<sup>st</sup> era, it is observed that the digital payment mode has a pop-up in the Indian market as a boon to many as it helps to make payments online without the involvement of any physical exchange or currency. It means both parties are now using electronic mediums to carry out their transaction. Prime Minister Mr. Narendra Modi under his flagship on 1<sup>st</sup> July 2015 called for a campaign “Digital India” to transform India into a digitally empowered society and knowledge economy that is Faceless, Paperless, and Cashless. However, the researcher here tries to evaluate the impact of Digital Payment on the growth of Indian economy also the challenges faced by people while availing these services.*

**Keywords:** Digital Payment, India, Flagship, Electronic Medium, Knowledge economy

## **I. INTRODUCTION**

Under the Flagship of ‘Digital India’, PM Mr. Narendra Modi has set three visions for boosting digital payment in India and making our economy stronger, making it cashless, not only at the national but also at the international level. The three visions set were digital infrastructure will be a core utility for every citizen of India which includes high-speed internet services, Mobile banking facilities, common service centers, safe cyber security services, and many more. Similarly, the second vision was Governance and Services on Demand, where seamless integrated services need to be provided, Services to be made in real-time on both the platforms online as well mobile banking, entitlement to have portable space on the cloud, ease in doing business, leveraging (GIS) Geospatial Information system for (DSS) decision support system and development and the third vision set was Digitally empowering every citizen by providing digital literacy or awareness campaigns, digital services available in all regional languages, a collaborative platform for governance also no need to submit any physical government document anywhere while carrying any online transaction.

## **II. REVIEW OF LITERATURE**

Rooj, D., & Sengupta, R. (2020) stated that the electronic payment mode was cost-effective, faster, and convenient, and the increased use of online payments has a potential economic effect accelerating economic growth. As incomes are rising people are indulging themselves to go for more online purchases, thus enhancing economic growth.

Singh, N. K., et.al., (2019) found that various online facilitators whether banking or non-banking should focus on providing multiple financial services with attractive discounts, offers, literacy awareness campaigns, and many more. Factors such as trust, internet connectivity, confidence, and safety measures against online fraud need to be taken care of to protect and cover the larger size of the market in comparison to physical cash. Further, they also evaluated the perceived functional benefits, availability of resources, and perceived ease of use have a high impact on digital payment systems.

Shailesh Rastogi., et.al (2021) initiated UPI as an innovative variable in the field of digital finance and financial inclusion. Further, it states that financial stability and trust act as important factors for financial backup and economic development.

Sivathanu, B. (2019) stated that Behaviour Intention (BI) and Innovation Resistance (IR) majorly affect the usage of the digital payment system.

### **OBJECTIVES:**

1. To evaluate the impact of digital payment on the Indian economy.
2. To find out the challenges faced by the citizens while availing of these digital payment services.

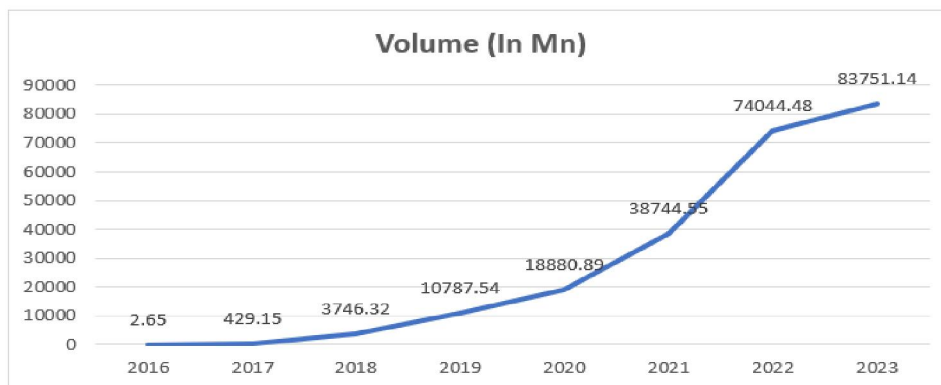
**To evaluate the impact of Digital Payment on the Indian economy**

On 8<sup>th</sup> November 2016 when demonetization was announced, the Digital Ecosystem was aggressively launched and promoted empowering India with Digital Payments. In 2017-18 our Government targeted nearly 2500 crore digital transactions with the help of online platforms such as UPI, USSD, AdharPay, IMPs, and Debit cards, a step towards reaching our goal of making India a ‘Digital India’ by reducing the dependence on cash transactions. In recent times, digital payment has seen a rapid increase due to the adoption of smartphones and affordable internet access leading to increased use of digital payment methods like Gpay, UPI, card payment, etc. However, there is still a major chunk of the population who is not confident about using digital platforms for making any payments or purchases, for which more awareness needs to be done by the government. According to a report presented by the Internet and Mobile Association of India, Internet users are expected to increase by 800 million by 2023 and this increased number of Internet users has also increased the number of mobile wallet users in India by 900 million by 2025 which will help India to become more efficient with secure financial system.

The government is taking various initiatives by providing incentives to the merchants for adopting digital payment methods which include subsidies at POS (Point-of-sale), tax benefits, helping to build infrastructure to support digital payment, making the environment more conducive for digital payment, etc. This overall financial Inclusion will enable people under one roof of formal banking and financial services. In recent years digital payment ecosystem in India has grown significantly by the campaign-driven by the government, increased use of the internet, and smartphones have risen e-commerce. Various applications like (UPI) Unified Payment Interface (BHIM) Bharat Interface for Money, GPAY, and many others have simplified the process of making digital transactions.

S.No.	Payment Modes
1.	AEPS
2.	BHIM Aadhaar
3.	BHIM UPI
4.	Closed Loop Wallet
5.	Credit Card
6.	Debit Card
7.	IMPS
8.	Internet Banking
9.	Mobile Banking
10.	NACH
11.	NEFT
12.	NETC
13.	Others
14.	PPI
15.	RTGS
16.	USSD

Source: <https://www.nic.in/blogs/digital-payments-driving-the-growth-of-digital-economy/#:~:text=In%202021%2C%20the%20YoY%20growth,%2C%20as%20per%20the%20NPCI>

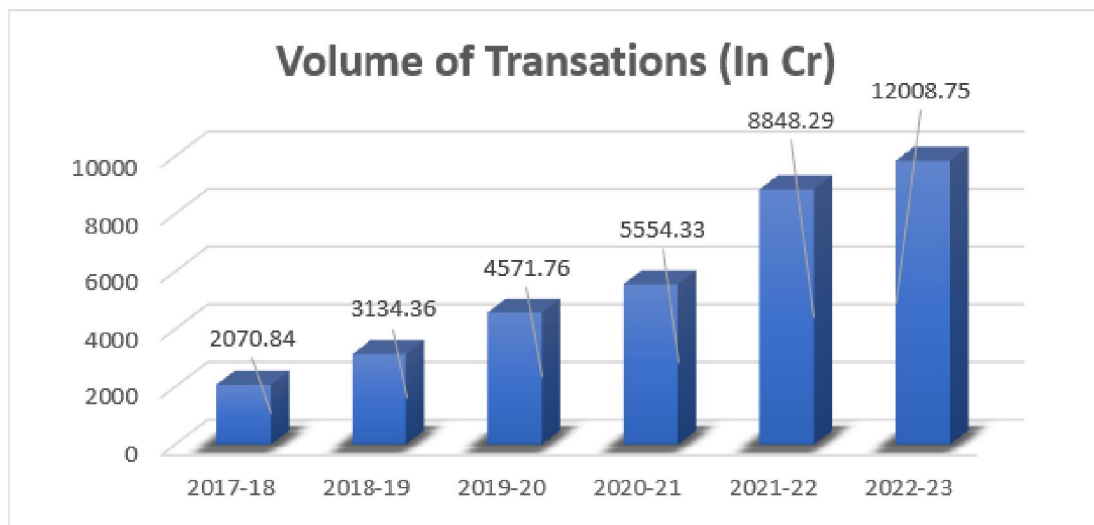


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In 2017, UPI recorded a YoY growth of 900%, processing over 100 million transactions worth INR 67 billion. In 2018, the YoY (Year-on-Year) growth was 246% with transactions worth over INR 1.5 trillion processed. In 2019, the YoY growth was 67% with transactions worth over INR 2.9 trillion processed. In 2020, UPI recorded an YoY growth of 63% with transactions worth over INR 4.3 trillion processed in December 2020.

In 2021, the YoY growth was 72% with over 1.49 billion transactions worth INR 5.6 trillion processed in June 2021[5]. At the end of the calendar year 2022, UPI's total transaction value stood at INR 125.95 trillion, up 1.75 X year-on-year (YoY), as per the NPCI. Interestingly, the total UPI transaction value accounted for nearly 86% of India's GDP in FY22[8].

At the end of the calendar year 2023, UPI's total transaction volume stands on 83.75 Billion. (Source: <https://www.npci.org.in/what-we-do/upi/product-statistics>)



Source: <https://www.nic.in/blogs/digital-payments-driving-the-growth-of-digital-economy>

**II. To find out the challenges faced by the citizens while availing of these digital payment services.**

Weaning away from Cash: There are several factors like trust, confidence (default risk, Online scam), low cost of access, and convenience predominantly have a long way to move from a cashless economy to a digital economy.

Digital Financial Awareness and Financial Literacy: Though Digital Payment in India has played a pivotal role in boosting the Indian economy, due to a lack of digital financial awareness and literacy programs there is a need for many regulators and government to create awareness campaigns especially for migrant workers and senior citizens to cater the potential areas and user segments to use the anticipated level of acceptance of digital payment option.

Designing Product for Non-Smartphone Users: it is observed that those who use smartphones are able to access the service provided on online platforms, but there is a limited scope for non-smartphone users to avail of this facility due to safety measures. However, according to ASSOCHAM- PwC Study in December 2018 states that there is greater scope for innovation for non-smartphone users who decline to opt for digital payment service as the number would go around 50 crores by 2022.

Digital Secure Payment: Frequent Online digital frauds are becoming vulnerable and sometimes account of system breaches. Though government and private PSOs are trying to maintain zero customer liability, switch on/off digital transactions, reinstate public confidence, and limit the liability of the customer, this leads to apprehension in new users to move from cashless to digital payment and bring back the confidence of customers.

### III. CONCLUSION

E-commerce has been a major driver for the growth of digital payment in India. The E-commerce market is expected to grow at a CAGR of 31% and reach \$200 billion by 2026. (Source: <https://economictimes.indiatimes.com/tech/technology/indias-e-commerce-market-size-to-reach-120-billion-by-2026-report/articleshow/92740817.cms?from=mdr>) . Further it has also lead to increase in online shoppers in India, which is expected to reach 220 million by 2025. The digital Payment campaign is also supported by other private players as well providing a wide payment of services such as mobile wallet, UPI and QR code-based payment, Card payment without pin for small payments, etc. The digital platform has been seeing robust growth, due to continuous efforts driven by the government, an increase in usage of internet services, smartphone penetration, and the rise of e-commerce. This digital payment ecosystem is also supported by the private PSOs offering a wide range of other online services. This shows the increasing popularity and adoption of UPI as a convenient and secure platform for digital transactions in India creating a positive impact on our Indian economy.

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