

Impact of U.P.I on Indian Economy

Ayush N. Narkar

Research Scholar

The Byramjee Jeejeebhoy College of Commerce, Mumbai, Maharashtra, India

Abstract: *The emergence of digital payment systems has transformed how individuals conduct financial transactions, offering convenience, security, and efficiency. One groundbreaking innovation making waves in the Indian financial landscape is the Unified Payments Interface (UPI), developed by the National Payments Corporation of India (NPCI). Existing work has explored how digital payments benefit a country's economy and GDP. However, our study explores how the introduction of UPI has influenced spending behavior among Indian users on an "individual" level. We gathered 235 valid survey responses encompassing diverse demographics and conducted semi-structured interviews with 20 survey respondents. Approximately 75% of the survey respondents reported increased spending due to UPI, with only 7% indicating reduced spending. Significantly, 91.5% of the respondents reported satisfaction with their UPI usage. Also 95.2% of the survey respondents found making payments via UPI convenient. Our research also provides suggestions for UPI applications and various stakeholders to enhance digital payment systems, enabling users to make informed decisions and fostering responsible financial management.*

Keywords: Unified Payments Interface.

I. INTRODUCTION

The term "E-payment" is comprehensive, illustrating diverse proportions of E-payments through different channels. Despite attempts to define electronic payment, a clear, universally accepted definition is still lacking. An E-payment is generally understood as an economic situation where the buying and selling of goods are handled without physical cash, often facilitated through E-payment or checks (Pau, 2012). Digital payments have become integral to modern financial landscapes, offering swift, secure, and convenient electronic transactions that transcend traditional methods. This global shift towards digital transactions has been accelerated by the widespread adoption of internet and mobile technologies, reshaping financial practices across the world (Alkhowaiter, 2020). In 2022 alone, the volume of real-time digital transactions reached an unprecedented 195 million (89., 2023). Notably, 64 % of adults globally engaged in at least one digital payment transaction, with high-income economies leading at 95% (glo, 2021).

II. RESEARCH METHODOLOGY

2.1 RESEARCH DESIGN - MIXED DESIGN

In our research design, we employed a mixed methods (mul, [n. d.]) approach to comprehensively investigate the impact of India's Unified Payments Interface (UPI) on individual spending behaviors and financial practices. This approach allowed us to gain a holistic understanding of how UPI has influenced users' spending habits. We utilized two primary data collection techniques: surveys and interviews.

We employed a random sampling method for the survey component, targeting individuals aged 18 and above who may/may not have used UPI for payments. Our survey was conducted through Google Forms to ensure easy accessibility and respondent anonymity (by not asking for their personal information like name, phone number, etc as seen in Section 7). It garnered 276 responses from a diverse participant pool spanning various age groups and occupations, including working professionals, students, and business owners. It was floated across various social media platforms and groups and no questions were marked as mandatory, however, respondents were encouraged to provide honest and accurate responses as much as possible.

2.2. ETHICAL CONSIDERATION

In conducting this research, we implemented various ethical considerations to uphold transparency and safeguard the privacy and well-being of participants. Our study's research materials and protocols underwent thorough review and approval by our university's Institutional Review Board (IRB). Before participating in interviews, all candidates received information about the study's purpose, the voluntary nature of their involvement, and the assurance of anonymity and confidentiality. We also acknowledge the significance of capturing diverse perspectives and experiences of individuals using UPI and its influence on their spending behavior. To ensure inclusivity, we actively sought participants from various backgrounds and genders. Verbal consent was obtained from participants for recording the interviews.

2.3. LIMITATION

One notable constraint of this study is the geographic scope of our data collection efforts. The research exclusively focused on respondents from urban areas in India, where technology adoption and usage, including electronic payment methods like UPI, tend to be higher and well integrated into daily life. Urban living typically involves residing in densely populated areas with access to advanced infrastructure and services, while rural living often means residing in less densely populated areas with a focus on agriculture and simpler infrastructure. As a result, the findings may not encompass the diverse spending habits of rural areas. They may not accurately represent the impact of UPI on the spending habits of living in rural areas in India.

III. LITERATURE REVIEW

One notable constraint of this study is the geographic scope of our data collection efforts. The research exclusively focused on respondents from urban areas in India, where technology adoption and usage, including electronic payment methods like UPI, tend to be higher and well integrated into daily life. Urban living typically involves residing in densely populated areas with access to advanced infrastructure and services, while rural living often means residing in less densely populated areas with a focus on agriculture and simpler infrastructure. As a result, the findings may not encompass the diverse spending habits of rural areas. They may not accurately represent the impact of UPI on the spending habits of living in rural areas in India.

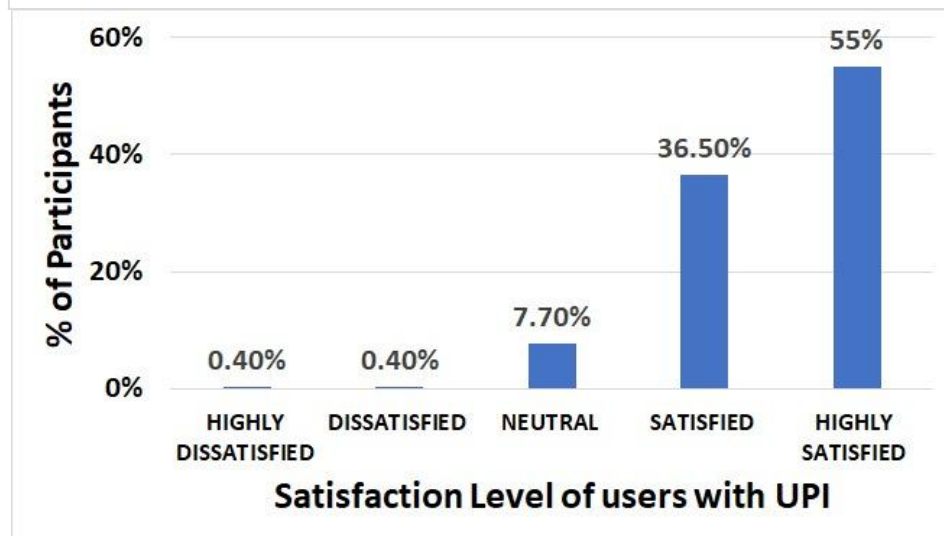
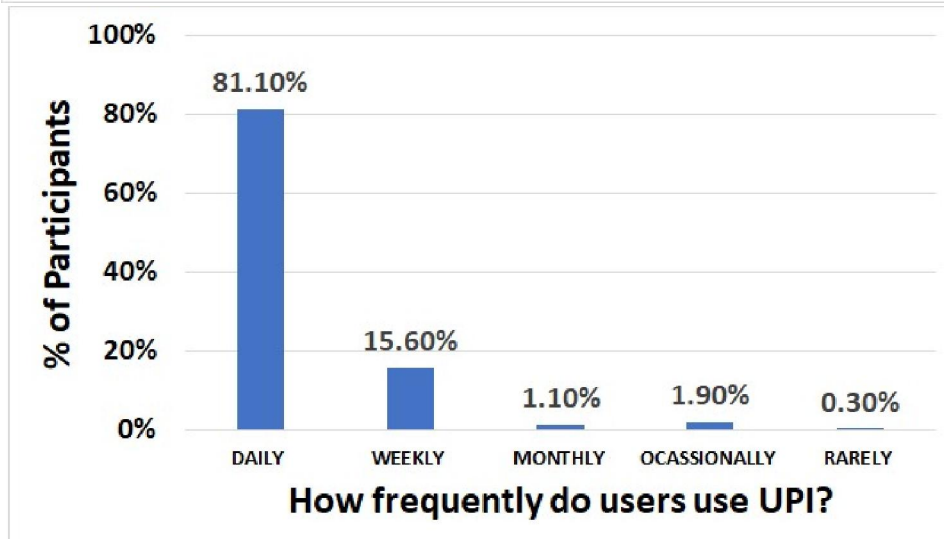
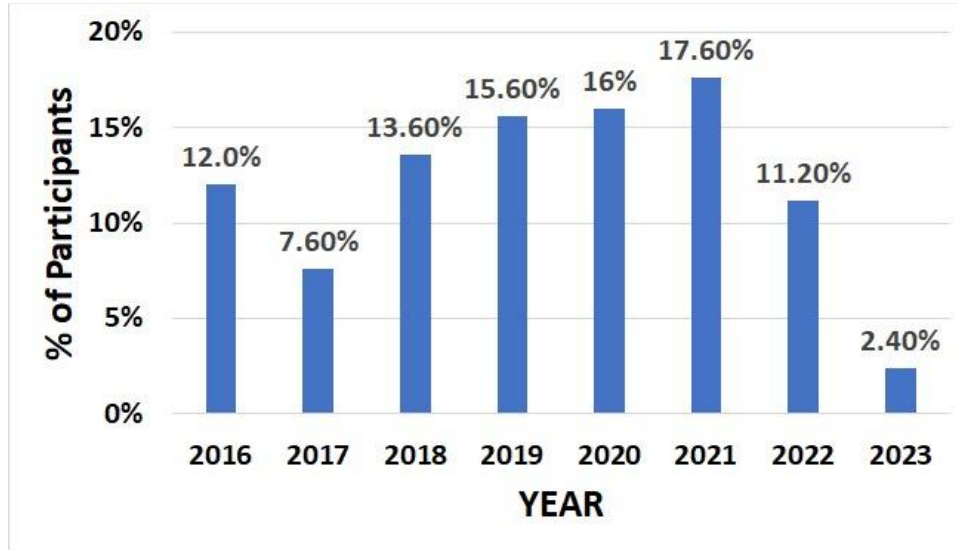
IV. DATA ANALYSIS, INTERPRETATION AND PRESENTATION

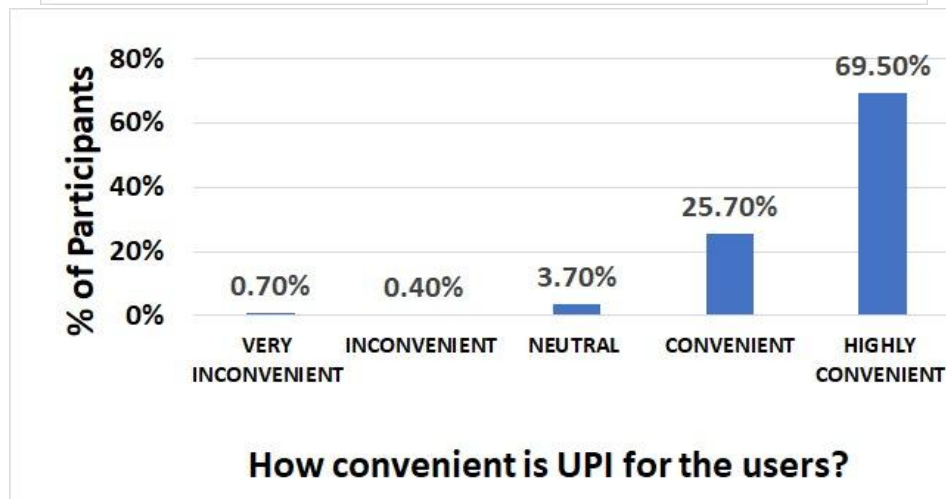
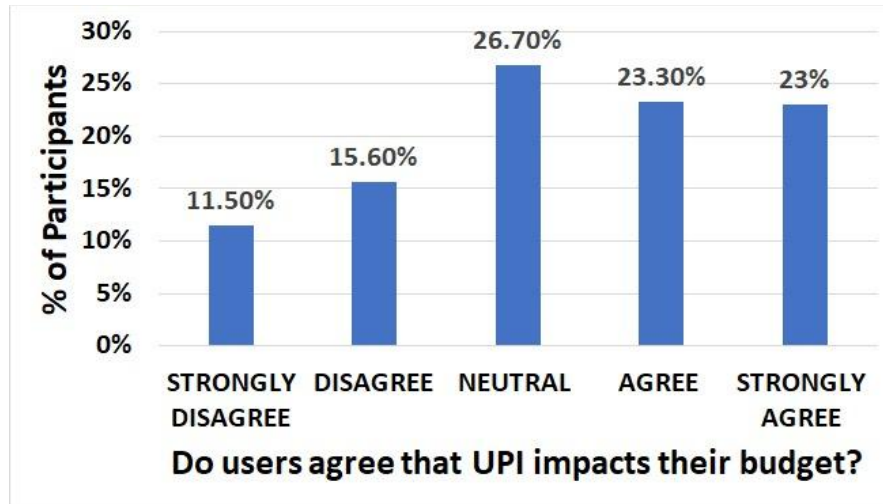
4.1 QUANTITATIVE ANALYSIS (ANALYSIS OF SURVEY RESULTS)

Our survey received 235 valid responses from a diverse range of respondents from various demographics and backgrounds. Among the respondents, 51.6% identified as students, 42% as working professionals, and 4.7% as business owners. Regarding gender distribution, the data shows that 77% of respondents were male, 19.7% were female, and 3.3% preferred not to disclose their gender. Regarding the adoption timeline of UPI as shown in figure 1(a), a notable 12% of respondents started using it in 2016 after the 'Demonetization' of Rs 500 (6.03 USD) and Rs 1000 (12.07 USD) notes to combat black money and counterfeiting. Followed by 7.60% in 2017, 13.60% in 2018, 15.60% in 2019, 16% in 2020, 17.6% in 2021, 11.20% in 2022, and 2.40% in 2023. This diverse range of adoption dates reflects users' varying entry points into the UPI ecosystem, often aligning with significant events like demonetization and pandemic-related lockdowns.

4.2. QUALITATIVE ANALYSIS (ANALYSIS OF INTERVIEW RESULTS)

Respondents shared valuable insights regarding their experiences with UPI usage in our research findings, revealing common themes, patterns, and occasional divergent viewpoints. Many respondents lauded UPI for its convenience as a payment method, emphasizing its ability to eliminate the need to carry money physically. This convenience streamlined small payments, rendering them more efficient. Moreover, the consistent praise for UPI transactions centered on their remarkable speed and efficiency. Respondents frequently described these transactions as exceedingly fast and convenient.





V. CONCLUSION

In this paper, we conducted a user study to understand the influence of UPI on spending behavior among Indian users. We studied how UPI has enabled convenience and seamless financial transactions, overshadowing cash transactions. UPI has played a pivotal and remarkable role in India's push for a cashless economy and is also benefiting India's GDP. Our study culminates by aligning findings with research questions and user recommendations, providing actionable insights for enhancing UPI app features and facilitating effective expenditure management. This research has broader implications for policymakers, businesses, and financial institutions, highlighting the need to adapt and promote responsible UPI usage to maximize its transformative potential in the Indian economic landscape.

REFERENCES

- [1]. Multimethodology. <https://en.wikipedia.org/wiki/Multimethodology>
- [2]. Abr (2004)†2004.Electronic Payment Systems: A User-Centered Perspective and Interaction Design. <https://pure.tue.nl/ws/portalfiles/portal/2396269/200411085.pdf>
- [3]. nfc (2004)†2004.Near Field Communication. https://en.wikipedia.org/wiki/Near-field_communication
- [4]. bax (2005)†2005.Bank interchange of transactional paper; Legal and Economic Perspectives. https://neconomides.stern.nyu.edu/networks/phdcourse/Baxter_Bank_interchange_of_transactional_paper.pdf