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INDIA'S DIGITAL PAYMENTS SURGE: REVOLUTIONIZING ECONOMY AND EMPOWERING SMALL BUSINESSES

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ABSTRACT
India's digital payments have surged nearly fivefold in six years, with over 40% of transactions now cashless. UPI leads this shift, empowering small businesses by removing geographic barriers and enhancing convenience. Government initiatives have also helped in driving the growth story. This research paper overviewed UPI based and non-UPI digital payments in India. It further studied association between GDP and digital payments in India.
KEYWORDS: *Digital Payments, UPI, NEFT, RTGS, Mobile Banking, Internet Banking etc.*

INTRODUCTION

The evolution of the digital payment ecosystem has helped fuel India's digital transformation with digital transactions increasing nearly 5 times over the past six years. In fact, more than 40% of all payments in the country are now digital. According to the Reserve Bank of India UPI dominates the digital payments landscape which is being used by about 30 crore consumers and more than five crore merchants. This shift to digital payments is particularly empowering for small businesses by fostering inclusivity and helping them transcend physical boundaries. For instance, an artisan or wholesaler in Varanasi can now seamlessly sell brocade sarees to customers in Bangalore via WhatsApp, list products on Amazon, and supply to large brands simultaneously. Similarly, a street vendor who is migrating from a remote village to the vibrant city of Mumbai can sell chaat and send money back home with just a click. Thus, small businesses can benefit from the shift towards digital payments. It can simplify business operations, improve efficiency, and expand the customer base.[1]

OBJECTIVES OF THE STUDY

1) To overview UPI based digital payments in India.
2) To overview non UPI digital payments in India.
3) To study the association between GDP and digital payment.

RESEARCH METHODOLOGY

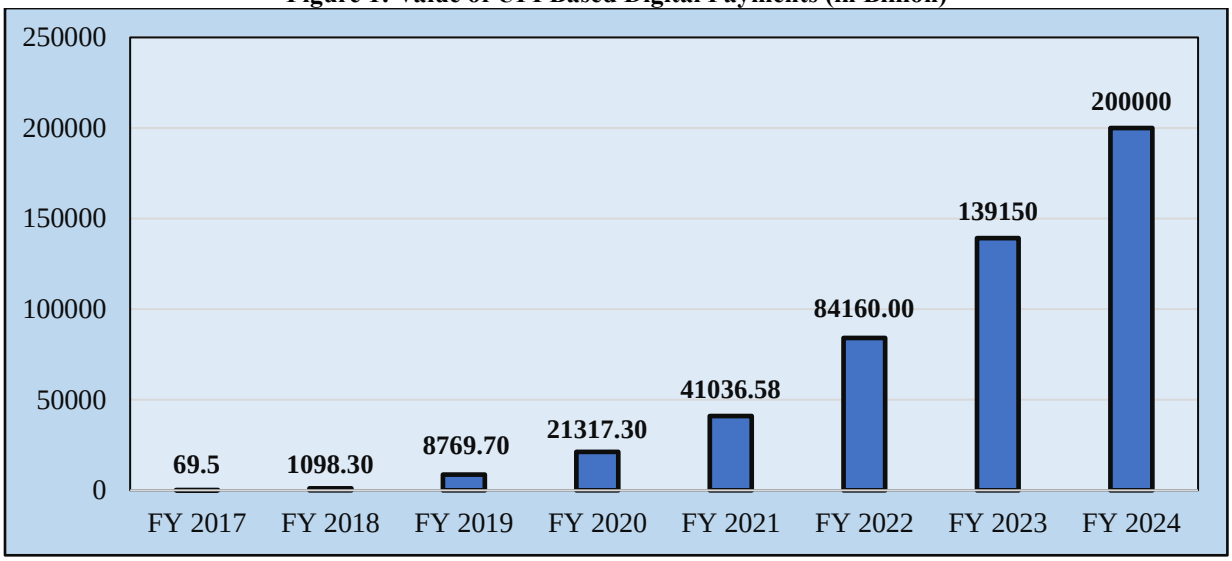
This study is based on secondary data which is collected from various reports, journals, websites and RBI bulletin.

UPI Based Digital Payments

UPI was launched in 2016 by the National Payments Corporation of India. It has revolutionized the nation's payment ecosystem by integrating multiple bank accounts into a single mobile application. This system enables seamless fund transfers, merchant payments, and peer-to-peer transactions, offering users flexibility through scheduled payment requests. UPI has not only made financial transactions fast, secure, and effortless, but it has also empowered individuals, small businesses, and merchants, driving the country's shift toward a cashless economy. Table 1 shows that the value of UPI-based digital payments in India was over Rs. 200 trillion in financial year 2024. This was a strong increase from the previous financial year's value of over Rs. 139 trillion. Increased penetration of smart service applications and digital technologies are the primary contributors to the enormous growth in digital payments in the country.

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Figure 1: Value of UPI Based Digital Payments (in Billion)



Source: https://www.statista.com/statistics/1171872/india-value-of-digital-payments/

UPI transactions have grown from 92 crore in FY 2017-18 to 13,116 crore in FY 2023-24 at CAGR of 129%. As per ACI Worldwide Report 2023, around 46% of the global real-time payment transactions is happening in India. UPI has been the major driving force in the overall growth of digital payment transactions in the country accounting for 70% of digital payment transactions in FY 2023-24. In May 2024, UPI reached another milestone recording over 1,403 crore transactions in a single month for the first time.

Table 1: Number of UPI Transactions (in Crore)

Financial Year	No. of UPI Transactions (in Crore)	YoY Growth
2017-18	91.52	-
2018-19	535.34	485%
2019-20	1251.86	134%
2020-21	2233.07	78%
2021-22	4596.76	106%
2022-23	8375.10	82%
2023-24	13,116.47	57%

Source: NPCI

Non-UPI Digital Payments

Table 2 shows non-UPI digital payments in India in the month of November of 2022, 2023 and 2024. NEFT transactions increased from 4388.30 lakhs in November 2022 to 7769.51 lakhs in November 2024 and value of NEFT transactions also increased from Rs. 2730878.40 crores in November 2022 to Rs. 3380883.69 crores in November 2024. RTGS transactions increased from 20645798 in November 2022 to 24028516 in November 2024 and value of RTGS transactions also increased from Rs. 2730878.40 crores in November 2022 to Rs. 14826882.21 crores in November 2024. Mobile banking transactions increased from 7018836017 in November 2022 to 14493947990 in November 2024 and value of mobile banking transactions also increased from Rs. 18744364545 thousand in November 2022 to Rs. 32154686849 thousand in November 2024.

Internet banking transactions increased from 348607206 in November 2022 to 362400949 in November 2024 and value of internet banking transactions also increased from Rs. 77861267639 thousand in November 2022 to Rs. 90022295978.64 thousand in November 2024. Debit card transactions decreased from 260631195 in November 2022 to 123395182 in November 2024 and value of debit card transactions also decreased from Rs. 552790900 thousand in November 2022 to Rs. 389209143 thousand in November 2024. Credit card transactions increased from 234771952 in November 2022 to 393458572 in November 2024 and value of credit card transactions also increased from Rs. 1147937210 thousand in November 2022 to Rs. 1692951580 thousand in November 2024. All the non-UPI digital

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payments showed an increasing trend except debit cards over the study period. This may be due to the increasing use of UPI, NEFT, RTGS, mobile banking, internet banking, credit cards and other digital payment methods.

Table 2: Number and Value of Transactions of Non-UPI Digital Payments

Particulars	November 2022	November 2023	November 2024
NEFT			
No. of Transactions (in Lakhs)	4388.30	6394.01	7769.51
Transaction Value (in Crores)	2730878.40	3208491.45	3380883.69
RTGS			
No. of Transactions	20645798	21919829	24028516
Transaction Value (in Crores)	12291749.49	13591442.53	14826882.21
Mobile Banking			
No. of Transactions	7018836017	10864611770	14493947990
Transaction Value (in Thousand)	18744364545	26467833845	32154686849
Internet Banking			
No. of Transactions	348607206	362258139	362400949
Transaction Value (in Thousand)	77861267639	80334401677.16	90022295978.64
Debit Card			
No. of Transactions	260631195	177016231	123395182
Transaction Value (in Thousand)	552790900	491738457	389209143
Credit Card			
No. of Transactions	234771952	297088703	393458572
Transaction Value (in Thousand)	1147937210	1606436414	1692951580

Source: www.rbi.org.in

Association Between GDP and Digital Payment

Table 3 shows that GDP was Rs. 17090042 crores in 2017-18 which increased to Rs. 26949646 in 2022-23. On the other side, the value of digital payment was Rs. 1962 lakh crores in 2017-18, which increased to Rs. 3344 lakh crores in 2022-23. Both GDP and value of digital payment showed an increasing trend over a period of 2017-2023. The value of R is 0.8401. This is a strong positive correlation, which means that high GDP scores go with high Digital Payments scores (and vice versa). The P-Value is 0.036308 which is less than 0.5. There is a significant correlation/association between GDP and digital payments in India.

Table 3: GDP and Digital Payment Value

Year	GDP (in Crores)	Digital Payment Value (in Lakh Crores)	
2017-18	17090042	1962	**R = 0.84** **P-Value = 0.036**
2018-19	18899668	2482	
2019-20	20103593	2953	
2020-21	19854096	3000	
2021-22	23597399	3021	
2022-23	26949646	3344	

Source: RBI and NPCI

CONCLUSIONS

Digital Payments particularly UPI has had a profound impact on small businesses, offering them an easy and efficient way to transfer money and receive payments. Its adoption was particularly accelerated during the Covid-19 pandemic. Since 2017-18 both UPI based and non-UPI digital payments showed increasing trend in terms of both value and number of transactions. There is a significant association between GDP and digital payments in India.

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