



## DIGITAL PAYMENTS FOR ECONOMIC DEVELOPMENT OF INDIA

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### **Abstract**

*This paper tries to analyze Growth and developmental aspects related to Digital wallets and UPI payments. Financial technology has widened the scope for up gradation in point of usage if things relating to so many aspects, here we have financial technology software which made financial payments easier and so simplest also in a quick manner. It focuses on Digital wallets and UPI payments, which are ruling the financial industry from a transaction point of view where every segment tapped by the digitalization so as digital payments. Consumers usually change their perception very often. According to their tastes preferences and perception towards looking up to things. The constant development of financial technology has stepped into a stage, where all the activities related to payments and financial transactions have become so consumer friendly and digitalized. It has come a long way from 2010-2020 where drastic developments occurred and it also having government assistance to boost up the economy in terms of increasing the transactions and mobilizing the Digital wallets, UPI payments. Various studies have proved that efficient payment system will speed up the liquidity flow of an economy.*

**Keywords:** *Financial technology, Digital payments, UPI, Perception, Adaptability, Banks, Economic, Development, GDP.*

### **1. Introduction**

What percentages of the total population in the country are majorly using Technology based payments. Rest why not using the same reasons to use that technology high and how it became very popular among the people. When it all started to bloom up their importance in practical. How does it get twisted when it cannot reach a large number of people and Further with issues relating to economic growth and independent enhancement of study conducted by experts who have prepared new report by the world-bank research development group and with the results obtained a conclusion on what basis these Digital wallets and UPI payments avail instantaneous benefit of advantage for receivers as well as senders through Digital wallets in emerging countries, and therefore find ability to escalate the transactions from minimal usage to maximum utilization of the Fintech, thereby every person in the country can get access to different Digital wallets. In our article we also spotlight on how digital payments help increase the financial freedom of women by moving them from the limitations of a cash-only economy and connecting them with the financial mainstream.

### **2. Literature reviews**

Digital payments and UPI payment methods are became the daily routine expenditure platforms of now-a-days. This could also help address concerns about the transparency and traceability of remittances. "The benefits of digital payments go well beyond the convenience many people in developed economies associate with the technology," said **Dr.Leora Klapper**, Lead Economist at the World Bank Development Research Group. "Digital financial services lower the cost and increase the security of sending, paying, and receiving money. The resulting increase in financial inclusion is also vital to women's empowerment." Economists and financial advisors say the evidence shows that private sector firms will innovate and citizens will quickly learn to use and appreciate digital payments. But we need



governments to establish the vision, the digital platforms, and the regulatory assurance to pull the hundreds of millions of currently excluded people into full participation in the modern economy."

As per **KaramjeetKaur1 , Dr. Ashutosh Pathak** In an e-commerce environment, payments take the form of money exchange in an electronic and are therefore called Electronic Payment. E-Payment system is secure there should be no threat to the user's credit card number, smart card, or other personal detail, payment can be carried out without the involvement of a third party, It makes E payment at any time through the internet directly to the transfer settlement and forms E-business environment. Studies have been carried out on the E-Payment system. The e-Payment system is an integral part of electronic commerce. An efficient payments system reduces the cost of exchanging goods and services and is indispensable to the functioning of the interbank, money, and capital markets.

### 3. Objectives

- To analyze the Contribution of Digital wallets and UPI payments in the growth and development of India.
- To examine the Growth of Digital payment over a period of time 2010-2020.

### 4. Need and significance of the study

This study presents an action plan for governments to adopt to realize the benefits of digital payments. Specific calls to action include:

One needs to understand how this Digital wallets are paving their legs in development of a country , it almost absorb each and every segment in market with its easy and quick payment options , where we should not forget that Internet, it is the major supportive source, helped the growth of Digital Payments. The study shows importance and precedence and adaptability of Digital wallets in our daily life is enhancing the life of Consumers. Digitize government payments and receipts, including social transfers. This creates a foundation upon which the private sector can build, including for person-to-person payments, such as national and international remittances. Engage actively on the regulatory agenda. Governments need to encourage regulators to enable digital financial services by fostering competition, ensuring consumer education, and fostering business model innovation. Congregate public and private sectors to create a basic technical payment platform infrastructure, across which providers can compete in product development. Public and private sectors can converge around a payments platform, and enable innovation and competition in additional financial services. Recognize the role of remittance providers in offering a digital entry point to formal financial services for senders and receivers. Instead of remittances being cashed out, remittances sent to a bank account, e-wallet, or smart card, for example, can go into accounts that support safe savings and also increase transparency and traceability.

The Government of India launched the Digital India program in 2015. The program focuses on three main vision areas: digital infrastructure as a core utility to every citizen, governance and services on demand, and digital empowerment of citizens. Through this government is ensuring the availability of speedy and sustainable internet , they also concentrate on providing the mobile phones and bank accounts each and every citizen in India. By doing this all the transactions will go digital electronic, cashless in country it ensure the digital literacy all over the country.

### 5. Data Specification

In India, digital transactions started back in 1980s with the launch of credit cards. The country saw a huge growth in awareness, the number of mobile phones and Internet users, and the number of digital



payment mode users. With growing demand, newer businesses and applications came into existence. India has witnessed significant growth in the number of digital transactions since 2010. During FY 2010–11, the number of digital transactions in the country was 4.98 billion, valued at Rs. 96 lakh crores (approximately US\$ 1.3 trillion). In FY 2020, the number of transactions surged to 16.23 billion, with the value increasing to Rs. 3,435 lakh crore (approximately US\$ 45.9 trillion). This represented a compound annual growth rate (CAGR) of 43% in value and 12.54% in the volume of transactions over FY 2010–2020 (the last 10 years). Earlier, the payment systems were facilitated only by the RBI and Payment Systems Operators (PSO) with around five payment methods. Now, several more payment methods, managed by the NPCI, are available to the users. During FY 2010–11, the majority of payments were conducted through the paper mode. Due to growth in awareness, economy, literacy, and adoption of the Internet, the share of payments through cash transactions decreased and the number of payments through electronic methods increased significantly. A comparison of shares held by retail transaction methods during FY 2010–11 and FY 2019–20.

**Retail Transactions in Terms of Volume during FY 2010–11 and FY 2019–20**

FY 2010-11	FY 2019-20
0%	3% Paper
18% Retail electronic	15% PPI
22% Card Payments	21% Card Payments
60% Paper Payments	61% Retail electronic

A comparison of shares held by various payment methods in terms of the value of transactions during FY 2010–11 and FY 2019–20 is illustrated above. During FY 2010–11, paper transactions accounted for 89% of the total value, and the other electronic methods such as retail electronic, card payments, and PPI accounted for the rest (11%). During FY 2019–20, paper transactions accounted for 20% and electronic payment methods accounted for the rest 80% of the value of transactions. As per the RBI data, the payment systems recorded a robust growth of 26.2% in terms of volume during 2020–21, following an expansion of 44.2% in the previous year.

**Growth of Retail Transactions in Terms of Volume during FY 2020–22**

The volume of digital payments in India has increased by 33% year-on-year (YoY) during the financial year (FY) 2021-2022. A total of 7,422 crore digital payment transactions were recorded during this period, up from 5,554 crore transactions seen in FY 2020-21, the Ministry of Electronics and IT (MeitY). NPCI's unified payment interface (UPI) was the most used platform for digital transactions during the period, accounting for 452.75 crore transactions with a value of ₹8.27 lakh crore, until the end of February.

**Percentage of digital transactions**

Although penetration of digital payments reached 78 percent in 2020, recent growth has been incremental, implying that some systemic barriers must be overcome to reach the remaining group. The volume of total digital payments increased from 23.3 billion during FY 2018–19 to 43.7 billion during FY 2020–21, representing an increase of 88% over the two years. The volume of non-cash payments increased to 98.5% during FY 2020–21 from 97% during FY 2019–20. This indicates the success and future potential of digitalization in India. Mobile Banking and Digital Transactions With the rise in the accessibility of mobile phones, the use of online financial transactions is increasing. This has created a huge demand for companies dealing in financial technologies. Ex: Insurance Sector (InsureTech), Wealth Management Industry (WealthTech), Regulation Technology (RegTech) and India had over 17



Financial technology unicorns as of December 2021. So all these Tech's are going to contribute in better competitive advantage for a country to be the independent economy in this cosmos.

In Broader Impact, Digital payments in India have risen sharply in the past few years. Approximately 48 million digital transactions were registered during 2020 despite the COVID-19-induced restrictions. This had a significant impact on the country's economy. Digital payments have been widely accepted by the people of India. Furthermore, India has paved its way to occupy the central position in digital payment innovation. After the announcement of budget for 2022 it has the significant insights towards boosting up of digital economy. Our Finance minister also had eyesight of adoption of digital payments and a fintech development has increased which also contribute growth of nation. The main motive behind this is to nullify the cash transactions upgrade with the digital payments and replace with UPI mode of transactions. Digitalization of payments should reach the corners of each town and educate the people to use the Digital wallets.

The open architecture will go to help Fintech companies to move forward in the aspects of innovation and Growth oriented services. By these digital transactions, many will get offers, discounts, and rewards by the service provider. This tactic makes all marketing companies and services can do their business Hassel-free. This also increase the hoop of consumers spending habits ; the transactions relation to buying selling activities will gradually improve and drive towards the growth in the country's economy. Also digital payments records helps to track the economical and developmental activities of the country, on top of this Digital wallets and digital payments , as UPI involves zero service charges, hence spending would increase. It is expected that according to studies made by Statistic companies Transactions may hike up to 20% more in financial year 2019-2023.

## 6. Future Scope

India's digital payments landscape has transformed dramatically over the past five years and is set to become a digital payment economy. This report, published in collaboration with Phone Pe, provides a detailed outlook on the factors accelerating the growth of digital payments in India, shifting consumer behavior towards contactless payments, perspective on game-changing initiatives, and the progression from embedded payments to embedded finance, thus unlocking a significant change in access to credit for small merchants due to the creation of a digital transaction trail. As part of aggressively working towards achieving a digital economy, the government of India has launched various initiatives to promote the use of digital payments. There are so many Fintech initiatives taken by the government of India and In anticipation of growth in the adoption of crypto currencies, the Indian government, in its recent budget, announced the acceptance of crypto currency, with a solid tax regime in place. India's digital payments market is expected to expand to US\$ 1 trillion by 2023. By 2025, India's digital payment industry is projected to grow to more than 300% of its current size. India made 7,422 crore digital payments in FY 2021-22 at 33% growth rate.

## 7. Conclusion

The paper reveals how the digital payments and upliftment of financial technologies helping the countries development and moving towards growth of nation standing as a biggest user of digital payments during the pandemic era and still its continuing to be the same. The objective of this paper on Digital payments was to understand more about its relationship with economic growth by analyzing relevant data across the globe. It can be concluded that as an economy grows from a developing stage to a developed economy, non-cash transactions and usage of electronic payments will also grow. Thus, it can be concluded that electronic payments along with other forms of online transactions have good



prospects in times to come, particularly in emerging economies like India. Also, it was found that electronic payments were a global phenomenon, and considering its advantages, it becomes a necessity for every government, corporate and individual. The advantages of electronic payments were discussed and its mutually helpful interaction with the economy was found along with value addition to individual customers in terms of numerous benefits (access, speed, convenience, etc.). Also, the downside of Digital payments such as fraud, misuse, and high dependence on technology was discussed which should be considered by policymakers and corporate. These findings will serve as a useful literature resource for academic and policy discussions on Digital transactions and UPI payments.

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