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Impact of Digital Payment System on Social Life in India: An Analytical Study

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Abstract

In today's scenario due to busy schedule of every person there is requirement by people that they are able to ensure payment for alternative purposes for anytime and from anywhere across the world without any prerequisite to carry money. The system should also efficient with respect to cost, time, security, transparency and combined with high speed over the traditional payment modes which are purely based on cash and on exchange of goods in olden days. The Digital Payment System was introduced to encounter these requests and various other digital payment possibilities introduced at diverse time period as per the variations in desire of customers with each passing day. Out of various modes Unified Payment Interface (UPI) preferred at maximum extent presently that comes in existence on April, 2016 have the highest impact on the growth of economy that is not limited to particular sector or area but cover India at wide level. The consumers also having positive perception about UPI but more favorable towards its Convenience, Accessibility, Affordability and Speed. The UPI system also accompanied with challenges like Security and Privacy is the key issue that affects the adoption of UPI by users. But for identified analysis is to provide a true picture of working of UPI that will be helpful for different participants included in execution of payment through UPI so that proper strategies can be Formulate to make this system more successful in future. India has witnessed a remarkable transformation in its payment ecosystem due to rapid digitalization. The introduction of smart phones, affordable internet services, and government initiatives such as Digital India and the expansion of the National Payments Corporation of India's Unified problem factors assumption(Hypothesis Testing) on demographic basis (Gender, Residential Area) no significant difference in consumer opinion exist but on age and education qualification basis difference in user's opinion about frequency of facing problems is arise. There is numerous suggestions also provided by respondents and in last it is observed that UPI is highly recommended for use in future. Overall, this review objects to offer an understanding about the factors that affect consumer perception and the major reasons of challenges arise in using UPI. The key reason of this Payments Interface have significantly increased the adoption of digital payment systems. This research paper examines the impact of digital payments on India's social life by analyzing their influence on financial inclusion, consumer behavior, employment, education, security, and social interactions.

Keywords: Analysis, Social Impact, India Digital Payment, Unified Payment Interface, Study Trend, Perception, Cashless Economy,Problem.

1. Introduction

"I dream of a Digital India where the world looks to India for the next Big Idea"

Sh. Narendra Modi Ji

In ancient times before the invention of physical currency the activity of merchandising are settled with the exchange of goods known as ―Barter System‖. Afterwards when the sale and purchase activity done at wide level then the concept of money came into existence therefore, now transaction related to exchange of goods and services are settled through the money. The term money includes silver and copper coins having punch marking which are preferred for payment. Subsequently, Govt. issues paper money like currency notes for the ease of transaction followed by origin of banking system in India. This system focused on opening of bank account of individuals and different type of institutions to deal in large value transactions. This perspective gain thrust when banks initiates for issuing cheques which was preferred for effecting transactions through bank account. There are various banking instruments such as ―Credit card, Debit Card, Internet Banking, Real time Gross Settlement (RTGS) system, Mobile Banking, National electronic fund transfer(NEFT), Immediate payment service system(IMPS),Unified Payment Interface(UPI) system exists in India (Murthy,2021). Digital payment refers to financial transactions conducted electronically without the exchange of physical cash. In India, digital payment systems have expanded rapidly due to government initiatives, technological advancement, and widespread smart phone usage. The payment system in which transfer of funds and execution of financial transactions is done by using electronic means or through digitally with the help of electronic device such as android mobile phones, computers. According to the Ministry of Electronics and Information Technology. A digital payment, also known as an electronic payment, is the transfer of funds from one payment account to another using a digital device or channel . In this payment way there is no need of personal interaction for doing payment. This system is combined of various features such as security, take less time, high speed and reduce wastage of resources. Major digital payment methods include:

UPI Mobile ,Wallets Debit/Credit, Cards Internet Banking ,QR Code Payments , AEPS (Aadhaar Enabled Payment System)The demonetization policy of 2016 accelerated digital payment adoption, while the COVID-19 pandemic further encouraged contactless transactions. The reserve bank formed various committees such as Rangarajan, Patil and Saraf committees for leading the payment system (Gandhi, 2017). The RBI also prepares a vision document named as ―Payments Vision 2025‖ and its principal theme is ―E-Payments for Everyone, Everywhere, Every time (4 Es)‖ (Reserve Bank of India, 2022). The main focus of it is to provide ―Safe, Fast, Convenient, Accessible, Secure and value for money‖ E-Payment Option. There are five goalpost of this vision which is ―Integrity, Inclusion, Innovation, Institutionalisation and Internationalisation‖ in payments (Reserve Bank of India, 2022). The introduction of information technology and timely innovation in banking system make easy to use online (electronic or digital) .

1.1. Digital Economy **:**

Digital Economy is not limited to digital transactions but it also covers and combined the different areas such as sale and purchase of goods with the help of internet, digital payments, digital services, digital communication, digital infrastructure and online platform to interact 7 businessman, individuals, buyer and sellers. Therefore we can say that digital economy is wider and extended term. In the year 1990 there is an advent of electronic banking (internet banking) in which money is transferred in electronic way this includes EFT (Electronic fund transfer) and online banking.

1.2. Concept of Digital Payment :

It refers to the systems in which transactions are done digitally means no physical appearance is necessary for doing payment. The portion of ―Digital Transactions‖ in total number of 6 ―Non-cash Retail Payments‖ was near to 100 per cent (99.9%) in 2024-25(National Payment Corporation of India and Boston Consulting Group, 2025). According to the report by NPCI and BCG (2025) UPI secures the maximum share that is 84% in aggregate of retail payments. This system comes in existence with the introduction of cards means debit and credit cards in 19th century and then many new modes of this payment introduced in India with different features like mobile banking, RTGS, internet banking, IMPS ,crypto currency and UPI etc (Bangera, 2025).

1.3. Mobile Banking:

In 1999 the mobile banking is launched in India by ―Industrial Credit and Investment Corporation of India (ICICI)‖ (Deshwal, 2015). The mobile banking provides the facility of accessing banking services through SMS and mobile apps.

1.4. Digital Payment Modes :

The various ―digital payment model‖ are discussed as follows-

- Credit Card

In India first time it was launched by ―Central Bank of India‖ in 1980 followed by ―Andhra Bank Visa Card‖ and ―First Master Card in 1988 issued by ―Vijaya Bank. This type of card uses for borrowing the amount from the card issuer company for purchase of anything and for payment purpose but only up to that limit which is fixed by bank(Card Issuer Company) (Shanker, 2020). In this amount used by consumer is not immediately deduct from his bank account directly instead of that credit card bill is prepared at end of month to repay it with in time otherwise amount is paid with interest. It has also different features such as credit limit, discount coupon and rewards, interest free period of 50 days etc. Example- SBI credit card, HDFC credit card.

- Debit Card :

Debit card is directly linked to the customer bank account in which amount is debited from account when any electronic transactions takes place for different types of purpose such as payment of bills at point of sale machine and withdrawals of cash from ATM machine. It is embedded with many features such as direct linkage of accounts and security. The example of debit card in India is ―Rupay Debit Card (NPCI, n.d.-l) which is developed by NPCI.

- Unified Payment Interface (UPI):

UPI comes in existence in April 2016. This digital payment mode launched by National Payment Corporation of India. It has combined with different features and it is real time payment system. It is based on two – factor authentication process.

- Electronic Banking :

It refers to electronic ways for executing any financial transactions like EFT. This type of banking provides various digital platforms to banking consumer to provide more convenience to them and easily availability of banking information at home. It includes internet banking or online banking, mobile banking.

- National Electronic Fund Transfer (NEFT) :

This system is also established by RBI in 2005 and it allow to transfer of funds between ―individuals and businesses‖ in batches on specific hours in a day and it is specifically used for low value transactions.

- Immediate Payment Service System (IMPS) :

This service of digital payment launched by NPCI in 2010 for instant transfer of funds. It is based on 24*7 hour payment concept. It is used for doing smaller transactions in a very short time and with efficiency. The IMPS way of payment is used with the help of mobile phones and internet (Central Bank of India, n.d.).

- Digital Wallets :

Digital Wallets are also termed as e-wallets or m-wallet. They stored the all type of banking or payment information of users such as cards detail, their number etc. Digital wallets have not any physical existence like debit and credit card. They are used for fulfilling both online and offline purchases of goods and services etc. Different type of digital wallets are available in India such as Pay tm, apple pay and Google pay which serves different purpose.

- Aadhaar enabled payment system (AEPS):

It allows transfer of funds by using aadhar number and biometric authentication process. The main focus of method is to provide this type of payment opportunities in remote, backward and rural areas to achieve the objective of financial inclusion. It uses for different type of purposes such as deposit of cash, check account balance, withdrawal of cash etc. It also combined with the feature of interoperability

- Digital India Programme:

This programme is launched in July 2015, by ―Narender Modi Ji to achieve the objective of making India a ―Digitally Empowered Society by providing internet connectivity to rural area also to increase their knowledge. The areas covered under it are ―Financial Inclusion and Accessibility, Innovation, Digital Inclusion, Capacity Building, Skill Development, Good Governance, to support digital entrepreneurship.

2. Objectives of the Study :

The main objective of the study is to analyze the Unified Payment Interface (UPI) system in India. To achieve this main objective, the following sub-objectives are created which are mentioned below:

(a) To examine the growth of digital payment systems in India.

(b) To analyze the social impact of digital payments.

(c) To know the Perception of Consumers Regarding Unified Payment Interface system.

(d) To suggest measures for strengthening digital payment adoption.

(e) To identify the problems faced by consumer while using UPI system .

3. Research Methodology :

The study under consideration has been conducted to analyze the Digital Payment system with special reference to ―Unified Payment Interface (UPI)‖ in India. To achieve the desired objectives, there is a need to know the distribution of research methodology that includes or combines with the designing of research. Reserve Bank of India reports, National Payments Corporation of India statistics,Government publications, Research journals, Books ,Published articles, Websites .

4. Growth of Digital Payments in India

India has become one of the world's largest digital payment markets.

Affordable, smart phones Cheap internet services, Government, initiatives UPI innovation, QR code acceptance increasing digital literacy . Impact of Digital Payment System on Social Life :

A. Financial Inclusion

- Digital payments have enabled banking access to millions of rural and low-income citizens.

Benefits:

- Easy money transfer, Government benefit transfers, Reduced dependency on cash, Banking accessibility .

B. Change in Consumer Behaviors :

Consumers increasingly prefer cashless transactions effects:

- Faster shopping
- Online purchases
- Bill payments
- Subscription services

C. Women Empowerment :

- Digital payments have increased women's financial independence by enabling:
- Direct benefit transfers
- Online entrepreneurship
- Digital banking
- Savings management

D. Rural Development :

- Banking correspondents
- Aadhaar -enabled services
- Mobile banking
- UPI Lite

E. Education Sector

- Fee payment
- Library charges
- Online learning subscriptions
- Examination fees
- Students also gain exposure to digital financial literacy.

F. Employment Generation

- Banking
- Cyber security
- Software development
- Customer support

- Digital marketing .

H. Social Convenience :

- Waiting time
- Cash handling
- Travel to banks
- People can transfer money anytime and anywhere .

E. Challenges of Digital Payment Systems :

- Cyber security Risks
- Online fraud
- Phishing attacks
- Identity theft

5 . Findings :

The study finds that, Digital payments have transformed India's payment ecosystem.UPI has become the preferred payment method. Financial inclusion has significantly improved. Small businesses have benefited from cashless transactions. Social convenience has increased. Cyber security remains a major concern. Digital literacy is still inadequate in many rural areas.

6. **Policy And Suggestions :**

The Scope of digital payment is increasing day by day because every person have limitations of time due to their job and another reasons and it is less possibility for them to arrange or retain huge amount of cash for payment purpose therefore they require to adopt .Digital Payment Technology, Trend of UPI in India, Consumer Perception for UPI, and Problem Faced by Consumer in its use to make a comprehensive analysis of UPI system.

a) Strengthen cyber security infrastructure.
b) Promote digital literacy campaigns.
c) Improve internet connectivity in rural areas.
d) Increase awareness about safe digital transactions.
e) Strengthen consumer grievance mechanisms.
f) Encourage innovation in secure payment technologies.

7. Conclusion :

Digital payment systems have significantly transformed social life in India by improving financial inclusion, transparency, convenience, and economic participation. Government initiatives and technological advancements have accelerated the adoption of cashless transactions across urban and rural areas. However, challenges such as cyber security threats, digital inequality, and privacy concerns require continuous policy attention. With stronger digital infrastructure, awareness, and security measures, India can further strengthen its position as a global leader in digital payments while ensuring that the benefits reach all sections of society. The main target of this study is analysis of digital payment system specifically focused on UPI and for fulfilment of purpose of current study sub-objectives are intends to ascertain the performance of ―Unified Payment Interface (UPI) by examining its trend from ―FY 2016-17 to FY 2024-25, Consumer Perception for UPI . Problems Confronted during Use of UPI and suggestions are also taken from UPI users for proper improvement in the system.

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