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A Study on Acceptance of UPI as a Digital Payment System

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Abstract

Digital Payment in India has got tremendous growth after the Demonetization in the year 2016. The Government of India has taken an initiative of “Digital India” for the quick and transparent services in India. The Banking sector has also strived hard to popularize digital payments and gained momentum response of public. For digital payment “National Payment Corporation of India (NPCI)” has launched the “Unified Payment Interface (UPI)”, which is a cost-effective, revamped and amazing payment system for all. UPI is potentially innovative way for transferring fund using a virtual payment address established by NPCI. Moreover, being a mobile based payment system it was expected to have a significant growth, but not as per the expectations has received yet. A large part of the population can be brought under the scope of digital economy with the help of UPI. The present study used a structured questionnaire to know the wellness and popularity of UPI and other digital payments among the common people in India. The study concludes that people in India are becoming aware of digital payment system and use UPI Apps as they opined these Apps user-friendly and secured one. The study shows that the Google Pay and Phone Pe are mostly used by people in India for fund transfer. Looking towards the future, UPI is expected to continue its growth trajectory, with increased adoption, innovation, and international expansion.

Keywords

UPI, Digital payments, NPCI, Digital transactions.

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1. Introduction

Traditional banking system has been transformed in Digital Banking System. Digitalization has converted banking system in paperless and less-cash one. Demonetization in 2016 encouraged digital banking. A common man requires currency for various transactions in his/her day to day life. Digital banking has replaced the traditional banking by providing various banking activities like cash withdrawal, fund transfer, account management, loan management etc. without going to bank premises. The customer can operate these services from his/her home or workplace which requires mobile/computer with internet connection. National Payments Corporation of India (NPCI) is an umbrella organization for operating retail payments and settlement systems in India which was created to provide infrastructure to entire banking system in India. The NPCI is committed to improve the efficiency in banking operations with increased use of information technology. This helps in making the reach of payment systems wider.

Various innovative products are being provided by financial institutions to the customers. The increased use of IT in banking has provided competitive advantages to the users by providing them innovative services like mobile and online banking. In the 21st century, mobile banking was the newest, with cost-effectiveness and efficiency (Moser, 2015). India is one of those countries booming high in mobile users and internet subscribers (Singh, 2013). The campaign 'Digital India' has played an essential role in the advancement and competition in the banking industry in India (Khan, 2014). Banking sector, in India, is providing various innovative services and advanced platforms to their customers by offering them internet and mobile banking. A customer is not required to visit the branch office to avail the banking services. He/She can use these services by his/her home or work place. It is observed that the banks' most valuable and loyal customers are using both traditional and digital banking services like electronic banking. (Hosseini *et. al.* 2022)

2. Literature Review

K. Suma Vally and K. Hema Divya. (2018) conducted a study entitled, “A study on digital payments in India with perspective of consumers Adoption”. The study analyses that the performance of banking sector has improved a lot with the use of technology in digital payment system and it is helpful in achieving the motive of less-cash economy.

Dr. Virshree Tungare (2018) in his research paper “A Study on Customer Insight towards UPI (Unified Payment Interface) - An Advancement of Mobile Payment System” concluded on the basis of his study that UPI is the most advanced payment system in the world in comparison to all other payment systems. It aims to simplify and provide a single interface to money transfers easy, quick and hassle free.

Venkata Siva Kumar. S and Ch. Kavya (2020) in their paper, ‘Role of Unified Payment Interface in Digital Banking Services - An Empirical Study on User Perceptions’, analyzed the awareness and perceptions of varied age groups of individuals and occupations towards usage of UPI services. They concluded that users of UPI were having diverse perceptions in using UPI banking services and were opined that the UPI services are far better than traditional banking services.

Poorna Pushkal C and Pappeswari C (2021) conducted a study entitled, “A Study on Awareness and Customer Satisfaction of Unified Payment Interface (UPI) For Digital Payments with Reference to Ambasamudram Area”. An attempt was made to identify the level of awareness and satisfaction among people about UPI in their paper and the basis on which they select mode of digital payment. The study also stated that the work was done to identify the adoption of UPI in money transfer system.

Rishabh Jha & Rohit Kumar (2021) analyzed in their study entitled “An innovative step for making Digital payment Effective and factors affecting Consumer perception on the use of UPI” about performance expectancy, effort expectancy, facilitating conditions (Mobile specs & Network strength), and cash backs & rewards. An impactful relationship, with the behavioural intention of the users who prefer to use UPI payments, was recorded on the basis of this study.

Atul Gupta (2018) exhibits in his study entitled “UPI Redefining Digital Payments a Critical Review” about the statistical data about the usage of UPI mobile interfaces. The secondary data was extracted from various websites. Various challenges and opportunities of UPI have been discussed in this article.

3. Research Methodology

3-1 Objectives of the Study

1. To study the level of public acceptance of UPI and Digital Payments.
2. To know about the most popular Apps which have a major market share?
3. To analyze the trend of consumer behaviour toward digital payments.

3-2 Research Design

The research has been conducted using exploratory and descriptive research designs, which aimed to describe the current situation and trends related to the UPI payment system and also provides new insights about UPI.

3-3 Data Collection

Both primary and secondary data has been used for the purpose of study. Primary data has been collected from 120 respondents (selected on the basis of random sampling technique) by the way of a structured questionnaire whereas secondary data has been collected from various sources such as research papers, journals, reports, and online databases such as Google Scholar, Science Direct, and RBI's official website. The data has been collected keeping in view the objectives of the present research.

3-4 Data Analysis

The data collected with the help of a structured questionnaire has been analyzed by using pie chart and bar diagrams. The collected data has been analyzed both graphically and theoretically to satisfy the objectives of the present study.

3-5 Limitations

The research is based on both primary and secondary data. The accuracy and reliability of the data depends on the sources and

methods used to collect them. So the research may be limited by the availability and accessibility of relevant data. Further the findings of the study may not be generalized to other countries or regions.

4. Unique Features of Unified Payments Interface (UPI)

There are many special features of UPI, which make it important and also proven a unique platform due to its characteristics. The UPI App facilitates the immediate transfer of money via mobile devices without any time limit and it has access to various bank accounts. This App provides a two-factor Authentication. A customer is not required to enter information like card number, IFSC code or account number which provides extra safety to him/her. The user can make merchant payments with a single App or in-App payments and no need of even going to an ATM. The UPI user can raise complaints (if any) directly from the mobile App.

4.1 Rules of New UPI Payment System

Here is the list of some important factors that should be followed strictly while using New UPI App:

- The interchange fee is not applicable for customers and applicable for the prepaid payment instruments (PPI) merchant transactions as per the National Payments Corporation of India (NPCI).
- Interchange fee is applicable from 1 April 2023.
- Interchange price will be reviewed by NPCI by 30 September 2023 .
- The interchange fee varies from 0.50 to 1.1% and is capped for specific categories.
- The initiative targets to increase the revenue of payment service provider and banks.
- No charge will be levied if a UPI transaction is being used for converting money from one bank account to another one.
- The fee for interchange from peer-to-peer and peer-to-peer-merchant (P2PM) transactions will not be charged.
- UPI payment is free, and no charges will be levied while making payment from bank account or PPI/ Paytm Wallet.
- Choice of using any RuPay Credit card, bank account, and prepaid wallets on UPI-enabled Apps will be provided to the customers.

- UPI payment system has provided various improved features in UPI 2.0. UPI 2.0 provides an amazing feature ‘pre-authorized transaction’ which resolves the problem of forgetting pending bill payments. (www.bankbazaar.com/ifsc/unified-payment-interface-upi.html).

5. Data Analysis and Interpretation

The research that was done with 120 respondents served as the foundation for the data analysis. The result of the data analysis on the basis of the present study is as under.

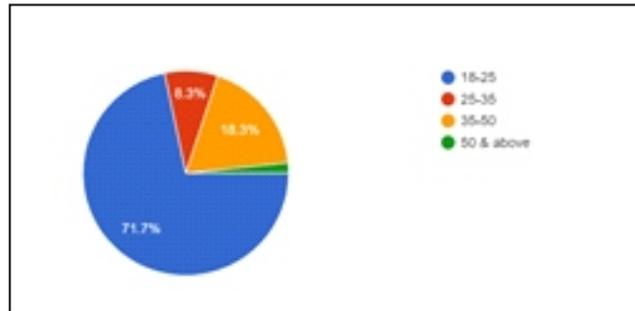


Chart-1: Gender and Age

Chart-1 indicates that 71.7% of the respondents are between the age group of 18-25 years, 8.3% are between the age group of 25-35 years, 18.3% belongs to the age group of 35-50 years and 1.7% belongs to the age group 50 & above. The above chart shows that majority of the respondents under study are from age group of 18-25 years. 30% of the respondents taken for study are male whereas 70% of the respondents are female.

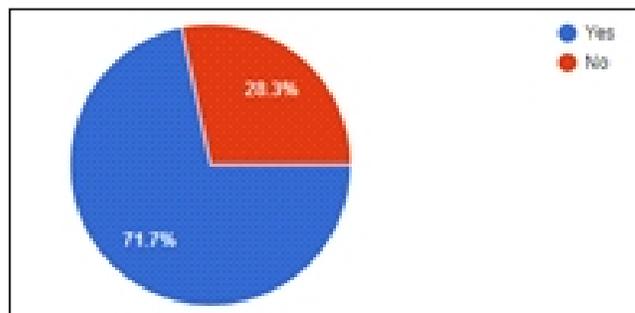


Chart-2: Use of Online Methods of Payment

According to chart-2, 71.7% of the respondents use online methods of payment whereas remaining 28.3% of the respondents are using offline method of payment. In this, 39.3% of respondents use UPI method, 14.3% respondents use digital payment methods

like debit cards, and credit card and 46.4% of respondents use cash on delivery for making payment.

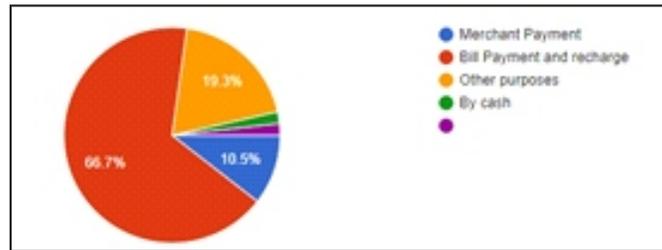


Chart-3: Purpose for which UPIs used

Chart-3 shows that 66.7% respondents use UPI for bill payments and recharge as it can be done conveniently from anywhere whereas 10.5% respondents are using UPI for merchant payments. The study shows that 19.3% respondents are using UPI for purposes other than mentioned in options whereas 1.8% uses it for cash. UPI is a timesaving and safe method if used keeping in view the precautions to be taken while doing the transactions.

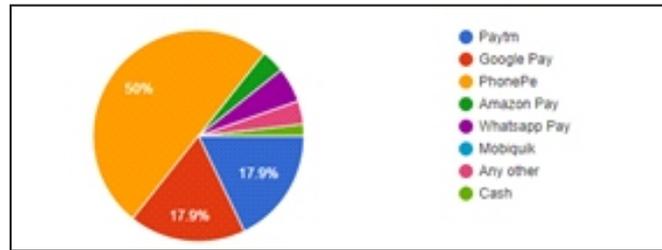


Chart-4: Digital Payment Apps Frequently being used by Respondents

Chart 4 shows that 50% of the respondents prefer to use Phone Pe followed by Paytm and Google Pay which is being used by 17.9% of the respondents each. 5.4% of the respondents prefer to use WhatsApp Pay whereas Amazon Pay and others methods are used by 3.6% each. Only 1.8% of the respondents use digital payment for cash. The study shows that half of the respondents find PhonePe App easy to use and is best in terms of discounts and offers.

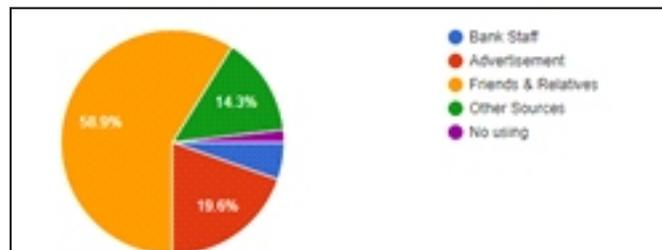


Chart-5: How Respondents came to know about the Online Payment Apps

Chart-5 in the study exhibits that 59.8% of the respondents came to know about online payment Apps from their friends & relatives followed by 19.6% respondents who came to know from advertisements whereas 14.3% from other sources. The chart further shows that only 5.4% of the respondents were made aware regarding online payment Apps by bank staff. The study shows that 1.8% of respondents under observation are not using any online payment App.

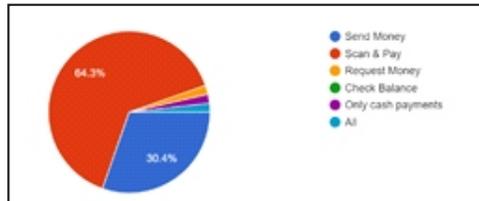


Chart-6: Which Features of UPI are being used by Respondents

Chart-6 explains which features of UPI are being used by respondents. The study shows that 64.3% of respondents are using these Apps for scan & pay, whereas 30.4% are using UPI for sending money to others, being an easy way to send money without physical meetings due to busy schedules. 1.8% of the respondents are using these Apps for 'request money from others' and 'all purposes' each. The study shows that 1.8% of respondents are not using these UPI Apps for any purpose; they are still paying cash for their purchases and other transactions they are carrying.

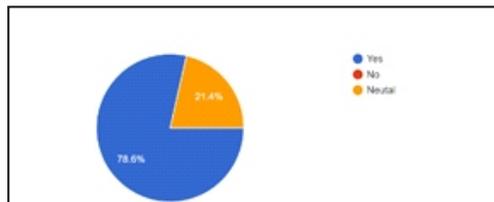


Chart-7: Is UPI safe to use?

Chart-7 in this study shows that 78.8% of the respondents think that UPI is safe, whereas 21.4% of respondents are neutral about it. The study states that the majority of respondents are satisfied with UPI in terms of safety as no one has the view that it's not safe.

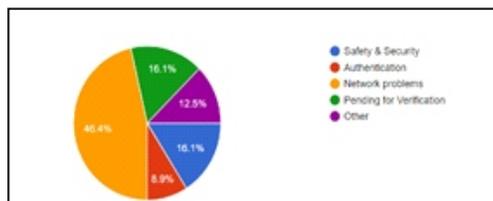
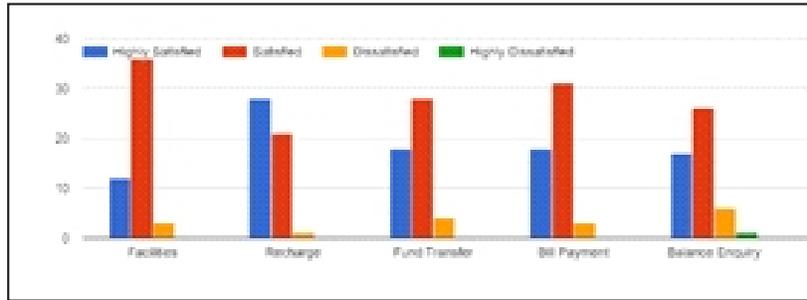


Chart-8: Problems being faced while using UPI

Chart-8 shows that 46.4% of the respondents are of the view that network problem is the biggest one while using UPI followed by 16.1% respondents stating the problems namely ‘pending for verification’ and ‘safety & security measures’, each as respondents were also asked about the problems they are facing while using UPI. Further the study reveals that 8.9% of the respondents opined that problems are not due to use of UPI, rather they are due to internet/network issues whereas 12.5% told that they have to face other problems while using these Apps.



Chart/Diagram-9: State of Level of Satisfaction for various Services provided by UPI

Chart/Diagram-9 shows the level of satisfaction of respondents for various services being provided by UPI. It shows that most of the respondents are satisfied with the services being provided by UPI. Only a few of the respondents are dissatisfied with the services provided but they are very less in the number i.e. 1% to 6% only. Negligible numbers of respondents are ‘Highly Dissatisfied’ while using balance enquiry services.

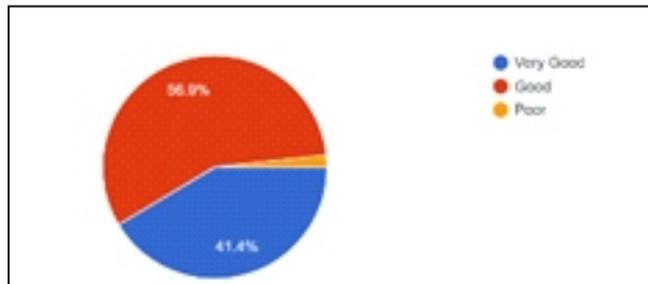


Chart-10: Opinion about Quality of Services Provided by UPI

Chart-10 reveals that 56.9% of the respondents are of the view that the quality of services being provided by UPI is good followed by 41.4% of the respondents who marked it as very good. Only 1.7% of the respondents considered it as poor. So the study opines that the most of the respondents are satisfied with the services of UPI as it

has resolved many problems pertaining to cash in hand. Moreover 98.2% of the respondents also said that they had shared UPI with their friends and relatives after going through the benefits derived from this App.

6. Findings of the Study

- 71.7% of the respondents' preferably use digital payment system. It shows their awareness about the digital payment system and its usefulness.
- UPI Apps are mainly being used by the people of age group between 18-50 years.
- Most of the respondents using these Apps are highly satisfied with the services they are being provided and of the different features available.
- PhonePe is the highest used App (50%) and followed by Google Pay and Paytm (17.9%).
- Many respondents use UPI Apps as these are easy to use and many times provide cash back offers to the users.
- 78.6% of the respondents opined that UPI Apps are fully secured and can be used for various purposes whereas the remaining respondents are also neutral about the safety.
- Most of the respondents use UPI Apps for paying off bills by scanning and pay.
- The limitations or problem associated with UPI Apps are not due to its uses or safety measures but due to the network problems that are being faced by respondents.
- 98.3% of the respondents are satisfied with the digital payment system.
- 98.2% of the respondents recommend the use digital payment system to their friends and family members.
- UPI services are contributing towards the aim of cashless economy at their best.

7. Suggestions

The following suggestions have been placed on the basis of the study.

1. It is suggested to organize awareness campaigns among the citizens of India to motivate them to use digital payment

system as digital payment system will lead our country to move towards a paperless and cashless economy.

2. The knowledge of the people regarding using digital payment system need to be upgraded through different promotional channels.
3. Women, in India, should be motivated to use digital payment system.
4. People living in rural areas must also be educated for using these Apps and campaigns should be started to accomplish the purpose.
5. Apart from using Phone pe, Google Pay and Paytm the other Apps are to be made known to public and encourage the people to use them.
6. Cash back and discount offers should be continued to motivate users to use digital payment system.
7. The digital payment system is used mainly for fund transfer and paying off for different types of bills. Steps must be taken and awareness be spread to use for other financial/banking transactions as well.
8. Colleges/Universities can initiate students to pay their college fees/examination fees and other related payments through the various digital payment Apps.

8. Conclusion

UPI is a significant advancement of payment system in terms of cost, ease of use for consumers, settlement times and security. It offers a seamless and secure payment experience making it a popular payment option for individuals and businesses alike. The users of UPI are able to send money from one bank account to another one using their smart phones. It is a real time payment system and user-friendly. The adoption and usage rates of UPI have been increasing rapidly, with UPI transactions growing at an unprecedented rate. A customer can directly pay from a bank account to a trader. The payment can be made both in online and offline mode. The study concludes that people in India are becoming aware of digital payment system and use UPI Apps as they opined these Apps user-friendly and secured one. The study shows that the Google Pay and PhonePe are mostly used by people in India for fund transfer. As the respondents are satisfied with the digital payment

system, they recommend it to use their family and friends. Looking towards the future, UPI is expected to continue its growth trajectory with increased adoption, innovation, and international expansion. With the government's push towards a digital economy and the increasing popularity of UPI, India is poised to become a leader in the digital payment space. Increase in the number of users lead to achieve the vision of various programmes initiated by government of India like 'Digital India' and 'make India a cashless economy' and make them successful.

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