

# Digital Payments In India: UPI And The Cashless Economy

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## Abstract

In recent years, India has noticed a rapid shift towards digital payment. As with the UPI emerging as the game changer in the financial sector. UPI has made transactions easier, allowing users to transfer money instantly using mobile phones and totally eliminating the need for cash or even visiting banks for the purpose of transactions. This innovation has not only promoted inclusion in rural areas but also increased transparency and reduced the dependency on cash. UPI has fundamentally reimaged and streamlined the process of monetary transactions, offering unparalleled ease and efficiency. This indigenous, technological innovation offers profound benefits beyond mere convenience.

This broader reach ensures that a larger segment of the population can participate in the formal economy. Furthermore, the digital trail created by these transactions inherently fosters greater transparency across the entire economic system, which simultaneously aids in reducing the scope for informal or illicit activities. The growth of UPI has reflected India's progress towards a cashless economy.

## LITERATURE REVIEW

When we look at all reports, what they tell us all the information about the people and how much convivence they are?

The report agrees: UPI isn't just a payment app; it's the new tool for Indian commerce. It's so simple, fast and convenient, often free to use. It's very convenient that it handles 20 billion transaction a month, it's like someone tap their phone and pay.

The data shows that UPI has open the doors of banking to our forgotten citizens. Even foreigner's companies are eager to use this kind of technology in their country to make payment easier and to help their citizens. The report admits that we're not totally cashless yet. Even in some part of the country cash are often use as a mean of transaction. As India is a developing country, it would take some time to create a cashless economy. India is a hybrid economy. A blend of old and new. But there is a massive jump in the UPI users. Every year there is an increase with 35% of new users every day. To truly finish this journey, the experts say we just need to keep getting better and making sure everyone has affordable phone and know how to use it safely.

## Introduction

India's digital payment has been dominated by UPI, which takes the country's remarkable progress toward a cashless economy. UPI accounts for about 85% of all digital payment transactions, processing more than 20 billion payments each month with a total value surpassing 24 lakh crore. The innovation has touched the lives of millions of people the rapid increase in technology. Beyond the personal, UPI has convenience, UPI makes our entire economic system more honest and open.

## UPI Adoption and Accessibility

UPI is easy to use, and it makes instant transactions and fee-free transactions. Everyone from urban to rural now uses UPI in their daily life. As of August 2025, over 500 million Indians actively used UPI, supported by 688 banks and a competitive ecosystem featuring Paytm, GPay, and PhonePe. UPI usage will have increased by 35% in 2025, and both merchant and peer-to-peer payments are expanding rapidly.

### **The Cashless Economy in Action**

Digital payment modes especially UPI are replacing cash for a wide range of transactions. In-store purchases and online transactions have crossed from 48% to 56% in 2025. While in smaller cities and towns, the adoption rate is 50% or even higher. UPI's QR code has made it possible even for small roadside stalls to accept payment digitally and in an instant.

### **Impact on Financial Inclusion and Economic Growth**

UPI enabled millions of new users, especially women, micro-entrepreneurs, and rural citizens, to participate in the formal financial system. It helps them build credit histories and enjoy greater access to loans. Digital payments impose transparency and efficiency, reduce transaction costs, and support economic formalization, which can add up to 6% to India's GDP growth over time. The cross-border payment partnership further shows India's global leadership in digital payment.

### **Challenges and the Hybrid Reality**

Despite rapid growth, India still is a hybrid economy. Both cash and digital payment coexist. Cash remains popular and is often used in many kinds of transactions, and the absolute value of cash is still rising, but the trust in UPI means digital payments are taking the large share of the transactions every year.

Overcoming gaps in Internet access, device affordability, and digital literacy will be key for a fully cashless future.

### **The Road Ahead**

With continuous innovation in online payment, enhanced security, and government support, India's digital payment ecosystem is expected to keep expanding. UPI will help to empower more and more people of India and make payment seamless. And it will also drive India's goal of becoming a \$7 trillion digital economy by 2030.

India stands as the global benchmark for inclusive, secure, and efficient digital payments led by UPI as it accelerates towards a vibrant and cashless economy.

## Conclusion

India's UPI system has rapidly reshaped the country's payment system, with over 500 million active users by 2025 and support from 688 banks. It offers simple, free and the easiest method of transaction. UPI is used by a wide demographic (from urban to rural) reflecting its deep reach across society. In 2025, UPI payment surged by 35% by increased use in both merchant and peer to peer transaction. This growth marks a significant shift towards a cashless economy, improving financial inclusion, transparency and economic efficiency. Innovation in security and accessibility to continue to drive UPI 's expansion, positioning India as a global leader in digital payments.

## Reference

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