

Digital Payment System In India And Its Effect On Economic Condition Of Retail Industry

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ABSTRACT

*The speed of digital payments in India has had a massive impact on the retail sector, especially small and medium businesses (SMEs) and mom-and-pop shops. The entry of Unified Payments Interface (UPI) and mobile wallets has promoted cashless payments, enhancing business efficiency, formalization, and customer base. This research investigates the effect of digital payment systems on the economic situation of Indian retail companies through the lens of adoption rates, revenue growth, challenges, and policy implications. The research combines academic literature, government reports (RBI, NITI Aayog, World Bank), and industry reports (BCG, PwC, KPMG) to give a holistic view. Our results indicate that *digital payments improve financial inclusion, lower transaction costs, increase consumer trust, and boost revenue growth. But adoption difficulties like technological know-how, cybersecurity threats, and merchant fees are still key hurdles. The paper ends with policy suggestions to encourage the inclusive adoption of digital payments in urban and rural retail environments.*

Keywords: Digital Payments, Retail Industry, UPI, MSME, Financial Inclusion, Economic Growth, India

1-INTRODUCTION

With the nation inching towards a cashless economy following demonetization, initial panic and confusion have been replaced by a wave of apprehensions. The digital India initiative is a flagship program of the Government of India. Which has a vision to make India a digitally empowered society and knowledge economy. Will it emphasizing online transactions lead to maximum value and convenience, or will it just be more stress and expenses? What are the advantages and disadvantages of financial digitalization? Government of India on 8th November 2016, declared demonetization of previous currency notes of Rs 500 and Rs1000. The government conceived the idea long ago and the process was completed on phases from Jhan Dhan Yojana to Income Declaration Scheme. Demonetization enables the eradication of the black money, corruption, terror finance, and spurious currency as well as deceleration in cross border terror. In this period government has also generated awareness towards public available e-payment channels and has provided impetus to electronic payment private platforms such as PayTM, MobiKwik, PhonePe, GooglePay etc.[4]This payment method is more convenient and safe than cash transactions. This payment method encourages greater transparency and accountability, lowers transaction costs and reduces the size of grey or informal economy. 'Each coin has two sides', the same is true for the digital payments. While there are many benefits, the digital payment also have some negatives. The major modes of digital payments are mobile phones, Internet, and card based and all these modes are hard to handle for non-technical individuals like labours and illiterate etc. Hackers can hack bank servers and get personal details of the end user easily. They can use this information to steal money from the users account. There are still certain

individuals who are not able to embrace this way of digital payment due to certain culture, thoughts and other technical challenges. Hence, making digital payments popular among Indians.

The effect of online transactions on Indian economic growth:

- Growth in the number of tax payers in the nation because there is less opportunity to conceal income and avoid taxation.
- It becomes much simpler to monitor the money flow with each transaction documented with the buyer, seller as well as the regulatory authorities, thus making the system more transparent and compliant.

The medium term can be liquidity injection in the banking system, reducing lending rates and stimulating economic activity, " the World Bank added.

2-LITERATURE REVIEW

The Indian payment system has picked up pace sharply because of innovation in technology, policy efforts, and rising mobile penetration. A report by RBI Digital Payments Index (DPI,2023) shows huge growth in volume of digital payments, especially semi-urban and rural regions. Digital push from the government introduced a new decade of digital transformation in India. There are multiple research papers which elaborate on the advantages of digital payment. Digital wallet provided numerous advantages while making payment for money such as convenience, security and cost-effectiveness. Key driver in purchasing products online without having to travel from one place to another place in the adoption of digital wallet, is very convenient. Mobile payments add additional convenience to consumers, especially, by providing versatile payment additions and speeding up exchanges. Shin and Zideman, piloted an extended model of consumer acceptance in the case of mobile payments. They applied the unified theory of acceptance and the use of technology (UTAUT) model with, social influence, security, trust and self efficacy constructs. The model verified the traditional role of technology acceptance variables (i.e. - perceived to users' attitude), intentions are affected by perceived security and trust, and the results also indicated that users' attitudes. In the extended model, significant moderating effects of demographics on the relationships between the variables were observed. Financial inclusion is one of the biggest challenge that India is encountering, according to ministry of Finance Report (December 2016) on digital payment. Also 53 percent of the Indian population is covered by formal financial services. [1] In this scenario, digital payment can serve as a catalyst to financial inclusion. Growing availability of data network infrastructure, availability of mobile phone, implementation of 4G and 5G network, and large merchanteco system are the key digital payment enablers in India. It is also supplemented by the combined force of regulator, industry, and government. As per RBI's report 'Vision 2018' four-pronged strategy focusing on robust infrastructure, effective supervisory mechanism, regulation, and customer centricity, has been adopted to push adoption of digital payment in India. The proportion of cash for transactions has seen a rapid decline in the past few years in India. The percentage of cash in total payments stood at 89% in 2010 as against 78% in 2015. [2] This steep drop is due to a higher adoption of non-cash instruments like cards and digital payments like electronic transfers, mobile wallets, etc.

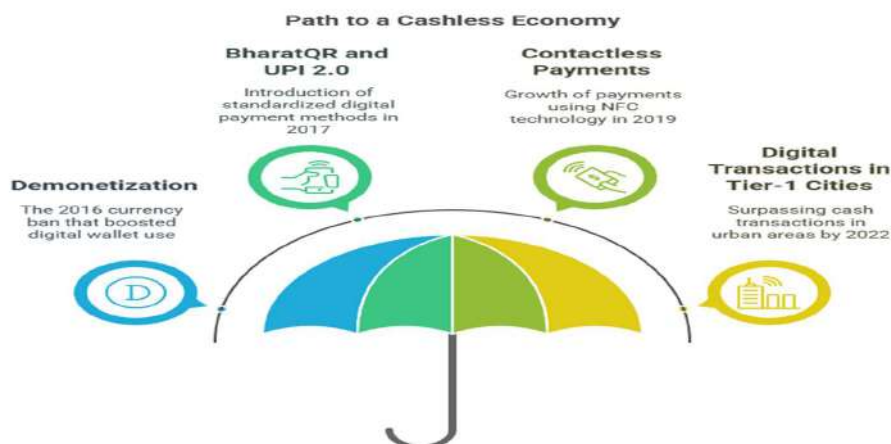


Figure 1 shows the growth of digital payments

Reserve Bank of India (RBI) Trend and Progress of Banking in India (2022–23) elaborates on the effect of UPI and digital wallets on financial inclusion. RBI Digital Payments Index (2023) indicates a rise in adoption, especially rural areas. NITI Aayog (2022) points out how digital payments enhance the formalization of small enterprises and credit access. World Bank (2021) "India's Digital Infrastructure: A Case Study" discusses how UPI supports SME development and financial inclusion. [5]BCG & PhonePe (2023): Digital payments in India to touch \$10 trillion by 2026, with major contributions from retail transactions. PwC India (2022): Digital payments *cut transaction costs by 30%, enhancing retail margins. KPMG & ASSOCHAM (2021): Digital transformation results in increased customer retention and enhanced operational efficiency.

3-METHODOLOGY

This study employs quantitative data and interviews with retailers, payment providers, and policymakers. Surveys conducted among small retailers in cities of Rajasthan, Delhi, and Haryana.

1.1.1 DATA COLLECTION

A survey is conducted among retailers about the benefits of online payments.

4-RESULTS

The table 1 given below displays the results

S.No.	Business Type	Preferred Payment Method	Main Benefit	Main Challenge
1.	Clothing	Credit/Debit Card	Convenience	Transaction Fees

2.	Electronics	Digital Wallet	Faster Transactions	Security Concerns
3.	Grocery	Bank Transfer	Lower Cost	Slow Processing
4.	Clothing	UPI (Google Pay)	Increased Sales	Technical Issues
5.	Restaurant	Credit/Debit Card	Customer Demand	Internet Dependency
6.	Electronics	Digital Wallet	Cashless Transactions	Chargebacks
7.	Grocery	UPI (PhonePe)	Convenience	Transaction Limits
8.	Restaurant	Bank Transfer	Security	Manual Processing
9.	Clothing	Digital Wallet	Flexibility	Customer Awareness
10.	Grocery	Credit/Debit Card	Ease of Use	Transaction Fees
11.	Tea Stall	UPI (PhonePe)	Customer Demand	Internet Dependency
12.	Cafeteria	UPI (Google Pay)	Faster Transactions	Security Concerns

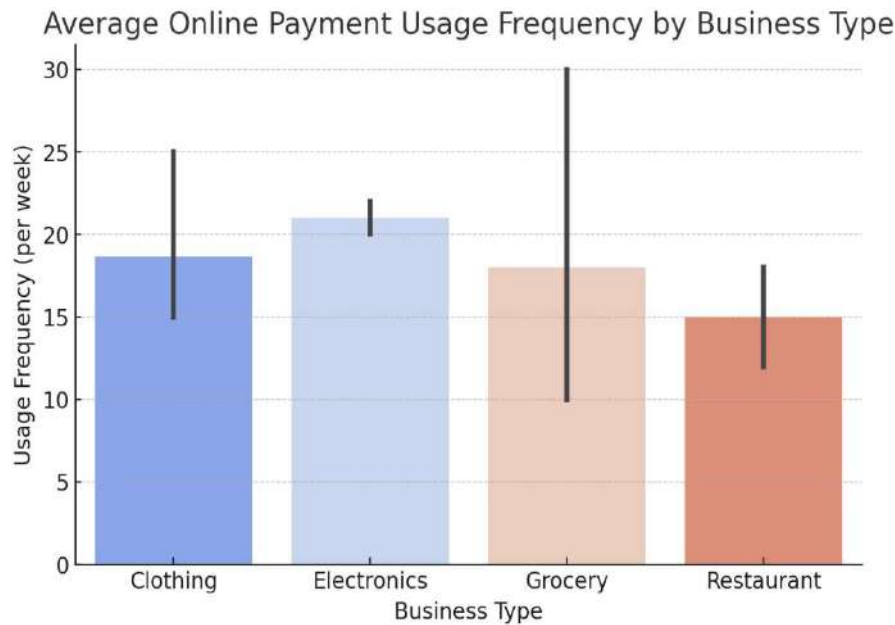


Figure. Shows average online payment usage frequency by different retail industries.

5-CONCLUSION

Electronic payments have broken into the retail industry of India in a beneficial way, enhancing revenue, efficiency, and inclusion. Challenges, including transaction fees, digital illiteracy, and fraud threats, must be overcome through policy action and cooperation with the industry.

6-REFERENCE

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