

Impact of UPI growth towards Sustainable development of India

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Abstract: Sustainable development is the development of the nation without the depletion of natural resources. UPI is the breakthrough payment system empowering sustainable development and inclusive growth of various sectors. Unified Payments Interface (UPI) is a spectacular system that provides seamless processing of transferring funds through digital platforms. This paper focuses on digitalization of India and impact of UPI growth in Sustainable development of India.

Keywords: UPI, Digitalization, Sustainable development, inclusive growth

Introduction:

Digitalization paved a dramatic change in making financial transactions like fund transfer, payment of bills and purchases. UPI was initiated by the National Payments Corporation of India (NPCI) in the year 2016. UPI payment system is not only easy and successful, but also gained the momentum of bringing the unorganized sector into the organized sector of the banking system.

UPI has been unanimously accepted by the people of India whether it is residents or small business merchants or corporate giants.

Sustainable development and inclusive growth with UPI

Sustainable development is the development of the nation without the depletion of natural resources. UPI is the breakthrough payment system empowering sustainable development and inclusive growth of various sectors. Unified Payments Interface (UPI) is a spectacular system that provides seamless processing of transferring funds through digital platforms. UPI has penetrated deeply in India. Its ease of use has benefitted small and medium scale industries to transact easily. India is marching towards a Digital economy enabling paperless, faceless and cashless transactions. India with the support of UPI shall play prominence in world countries soon. Recent alliances with France, the United Arab Emirates and Srilanka, paved the way for acceptance of transactions through UPI. UPI has escalated the level of association with these three countries. Cross border transactions of medium and small-scale businesses shall grow in the increasing trend with the advent of UPI.

LPGD - Liberalization, Privatization, Globalization and Digitalization

UPI is mapped to smoothen transactions across the countries. The Indian economy has undergone Liberalization, Privatization, and Globalization. Now Digitalization of financial transactions and loads of innovations in Fintech industries leads to impeccable growth and global prominence of India among world countries. UPI growth in a globalized business environment hopes to grab business opportunities. UPI, launched by the National Payments Corporation of India in 2016, has been the pioneer of India's fintech step-up.

Cash transactions have declined phenomenally and UPI has set the trend in enabling a cashless economy. With the dominance of Smartphone use, the government was able to digitalize the transactions especially with the support of UPI. Demonetization has brought a dramatic change in the Indian economy, which has shifted the cash economy into the digital economy.

History of UPI

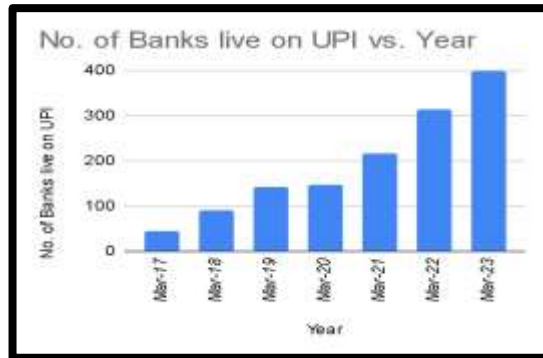
RBI in 2012 aimed for an authorized payment system that ensures safety, efficiency, accessibility for the public, interoperable and inclusive. RBI with this aim strived for four years with undue commitment for this fabulous digital innovation. UPI was officially launched in 2016 for public use. In December 2019, witnessing the growth and adaptation of UPI, Google suggested the Federal Reserve Board to follow UPI as an example in developing Fed Now, a payment system for the United States.

With exponential growth of UPI, India became the world's largest real-time payment market with 25.50 billion annual transactions in 2020 as per reports from ACI Worldwide and Global Data, bypassing China and the United States. As per the Economist Intelligence Unit Report 2021, UPI made India a leader in the global real-time payment market followed by China and South Korea.

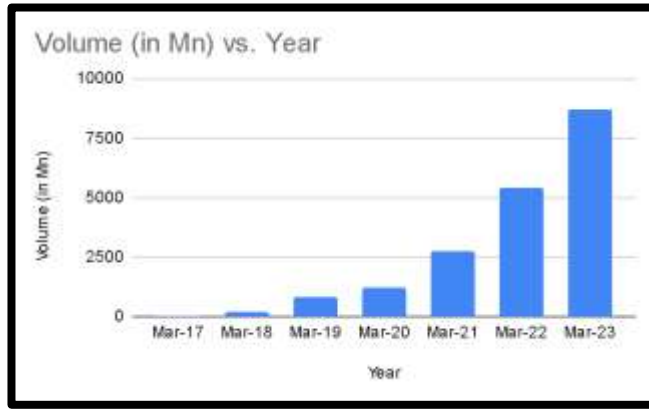
Nations such as Brazil, Bahrain, Saudi Arabia, Singapore, United States and European Union are now trying to adapt UPI in their own market. UPI has also enabled millions of unbanked Indians to access digital payments,

NPCI has witnessed promising and adaptive progress in the increase of number of banks live on UPI, which has increased from 44 banks in the year 2017 to 399 banks in the year 2023. The volume of transactions also increased from 6 million in the year 2017 to 8685 million in the year 2023. The value of transactions through UPI has increased from Rs.2425 Crores in the year 2017 to Rs.14,10,443 Crores in the year 2023.

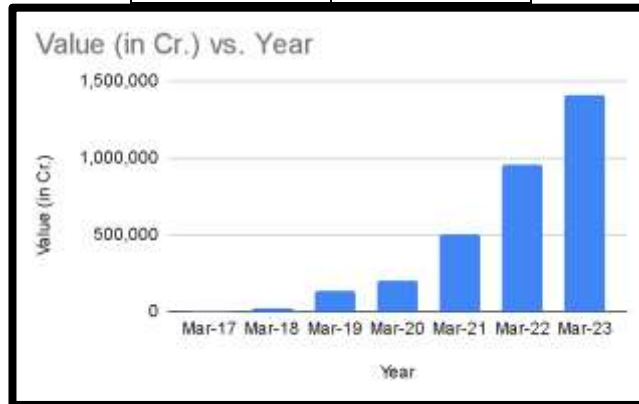
Following tables and charts depict the growth of UPI in terms of Live banks in UPI, Volume of Transactions in Millions and Value of transactions in Crores.



Year	No. of Banks live on UPI
Mar-17	44
Mar-18	91
Mar-19	142
Mar-20	148
Mar-21	216
Mar-22	314
Mar-23	399



Year	Volume . (in Mn)
Mar-17	6
Mar-18	178
Mar-19	800
Mar-20	1247
Mar-21	2732
Mar-22	5406
Mar-23	8685



Year	Value (in Cr.)
Mar-17	2,425
Mar-18	24,173
Mar-19	133,461
Mar-20	206,462
Mar-21	504,886
Mar-22	960,582
Mar-23	1,410,443

Source NPCI

Salient features of UPI

UPI offers several key features and benefits that have carved irreplaceable place in the Indian economic development.

UPI allows customers to make payments through their mobile phones instantly and with security. Customers need not share their bank account details with others.

UPI is interoperable, which means that customers can use any bank's UPI app to make payments.

UPI supports a wide range of financial transactions like transfers, bill payments, and merchant payments.

UPI promotes E-commerce. Internet facility on Mobile phones helped many people to have start-ups through E-commerce platform. UPI is prominent in E-commerce transactions.

UPI significantly contributed towards the growth of Micro, Small and Medium enterprises. MSME uses UPI to pay as well as receive money from various stakeholders.

It is cost-effective, as it charges lower transaction fees compared to other payment systems. Cost of single payment transaction processing is low.

UPI Lite. It can scan QR code without the need of an internet connection(ie) offline. The Reserve Bank of India (RBI) recently launched UPI Lite X, an offline payment system that will allow user to do payment transactions. This feature was launched earlier during the Global Fintech Fest 2023, which was organized from 5th September 2023 to 7th September 2023 with the theme of Global collaboration for a responsible Financial Ecosystem which highlights inclusive, resilient and sustainable growth.

Decreases paper usage - Green initiative and sustainable development

Digital innovation and the Fintech revolution greatly decrease paper consumption as part of the Green Initiative. It not only reduces the cost of transaction but also reduces the usage of paper and other materials involved in the process of transactions.

Internationalization of UPI

RBI's Vision 2025 aims at internationalization of UPI with nations using United States dollar, Pound sterling and Euro under bilateral treaties. The Ministry of External Affairs (MEA) is also actively working on it.

India offered UPI and related technologies to the Commonwealth of Nations as well. During February 2023, PhonePe announced extending support of UPI for international payments in UAE, Singapore, Mauritius, Nepal and Bhutan. Payments for international transactions can be made directly from their own bank accounts.

The Countries that initiated collaboration towards UPI for processing financial Transactions:

1. Singapore
2. UAE
3. Oman
4. Saudi Arabia
5. Malaysia
6. France
7. Netherlands
8. Nepal and many more countries.

Challenges and concerns with UPI:

Though UPI is widely accepted due to its ease and convenience, many are skeptical about the security of UPI transactions and digital literacy. With UPI going global, the payment system is facing cut-throat competition from Payment giants like Visa and Master cards.

UPI will have to modify or upgrade technology to be at par with global payment system companies so that UPI can spread the customer base to be in tune with the expectations of the Western world. Initially, the cost of transfer will be high due to UPI's slow pace of penetration.

Major challenges for UPI are compliances with various international regulations and flexibility in interoperability among various payment systems. NPCI can overcome these challenges by integrating global payment systems and local payments systems.

Conclusion:

The Unified Payments Interface has transformed the Indian payments landscape, by providing a seamless, easy-to-use, and secure platform for inter-bank transactions. Since its launch in 2016, UPI has become the fastest-growing payment system in India, with over 3 billion transactions per month. UPI has revolutionized the way people in India transfer money, pay bills, and make purchases. UPI also faces several challenges, including data privacy concerns and competition from other payment systems. As UPI continues to grow and evolve, it will be important to address these challenges and ensure that the system remains secure and user-friendly. UPI has made it easier and more.

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