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Original Research Paper

Banking

INDIA'S DIGITAL PAYMENT BOOM: TRENDS FROM 2020 TO 2025

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ABSTRACT The Indian payments industry has seen a sea change, with digital payments gaining a formidable share of the pie in the past few years. Close to 1 billion cards and more than 2 billion prepaid payment instruments (PPI) like internet wallets, mobile accounts, mobile wallets, and digital payment modes have catapulted India into one of the fastest-growing and largest markets in the world for digital payments. An exponential increase in online shopping and the pandemic gave virtual transactions a boost. The government of India has been taking several measures to promote and boost digital payments in the country. As part of the 'Digital India' campaign, the government aims to create a 'digitally empowered' economy that is "faceless, paperless, and cashless." Presently, individuals can approach banks without remaining in long queues, according to their convenience, and without worrying over the financial hours. Cash is king, but digital is divine. An inevitable movement towards digitalization makes understanding digital payments not only extremely interesting but also a dynamic study. The pandemic has unlocked the need to adopt digital modes more than ever, with social distancing gaining prime importance and the uncertainty of its end driving this need further. The essence of the issue is that to accomplish better execution, the Indian banks, both private and public, need to offer quality support. This research paper highlights the growth and importance of digital payments in India.

KEYWORDS : Digital Payments, Financial Technology, Financial Inclusion, Digital India, Fintech Innovation, Cashless Economy, Economic Transformation

INTRODUCTION

The payment systems landscape in India is undergoing a transformation due to rapid technological advancements and innovations, complemented by supportive regulatory policies. The Reserve Bank's Payment and Settlement Systems ensures that payment systems are not just safe and secure but also efficient, fast, and affordable. In addition, there has been greater thrust by the government for the rapid adoption of digital payment services by all segments of society. Digital modes of payment have grown by leaps and bounds over the last few years. As a result, conventional paper-based instruments, such as cheques and demand drafts, now constitute a negligible share. The growth in the volume of total payments decelerated to 26.7 percent during 2020-21 from 43.7 percent a year ago. In terms of value, total payments contracted for the second consecutive year, mainly due to a decline in the value of transactions via RTGS and paper-based instruments. In recent years, the Reserve Bank has been encouraging wider adoption of digital modes of payment and strengthening the required infrastructure. Digital payments today are the main reason for the thriving global digital economy, with a rising user base of smartphones, mobile/internet banking, e-commerce, and improved internet penetration. Fundamentally, digital payments must be faceless, cashless, and conducted via completely electronic means for end-to-end transactions without compromising availability, provenance, traceability, repudiation, and, of course, information security. Over the last decade, digital payments have garnered a lot of interest and adoption from users, positively influencing the digital agenda for enterprises and governments.

Review of literature:

1. V. Sornaganesh and M. Chelladurai (2016) in his article revealed about the situation at the time of demonetization. The researcher made an attempt to study about the demonetization impact and financial technology company. Digital payment is the largest bet in the mobile internet space from the technology point of view[1].
2. G. Sudha and V. Sornaganesh (2019) article is revealed that after demonetization changes in buying behaviour are clearly explained. After demonetization the main impact is reduce the paper money and increase the digital cash. Most of the customers used digital cash after the demonetization, used through the mobile applications, Internet Banking, etc., for paying their bills[2].
3. G. Sudha and M. Thangajesu Sathish (2020) article is revealed that after demonetization retailers will adopt the digital payment methods. The researcher analysed to find out the payment methods between the pre and post period of demonetization. Most of the retailers used their payments through using various applications[3].
4. G. Sudha and V. Sornaganesh, M Thangajesu Sathish, AV. Chellama (2020), article is revealed that the Reserve Bank of India last year said it aimed to increase digital transactions to about 15% of gross domestic product by 2021, from nearly 10% at the time. The government has asked banks to encourage their customers to use digital payment methods as a precautionary measure against the Corona virus outbreak[4].

Statement of the Problem

The digital payments system shows positive signs in the Indian retail sector during the second wave. The Indian retail industry is undergoing a technological revolution. Due to the pandemic, online shopping has become more popular, and digital payment methods will be a driving force for shifting consumer preferences. As a result of the pandemic, Indian retailers are primarily investing in digital technologies such as artificial intelligence, contactless payments, and machine learning to enhance their interactions with consumers at every touchpoint. During the second wave of the pandemic, digital payments for retail and e-commerce have increased by 260%, with both large and small traders adopting the new payment methods. This study addresses questions such as: Who is the pioneer in real-time payment transactions in global markets? How have mobile banking and internet banking surged? Which instruments will push or increase retail payments? What types of banks are used, and what type of banking is employed?

Objectives

1. To analyse the UPI Payment system.
2. To analyse the dominance of credit card payment and quick response system in banking sector.

3. To identity the difference between UPI payment system and NEFT system (Mobile banking and Internet banking)

Research Methodology

The methodology is used for the paper is secondary data-based research paper and it is conceptual research paper of Digital Payment system. The secondary information has been collected from different published books, journals, periodicals, conference paper, blogs and websites.

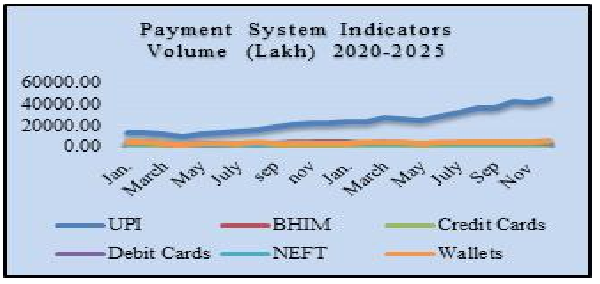

Chart: 1 Volume (Lakh)

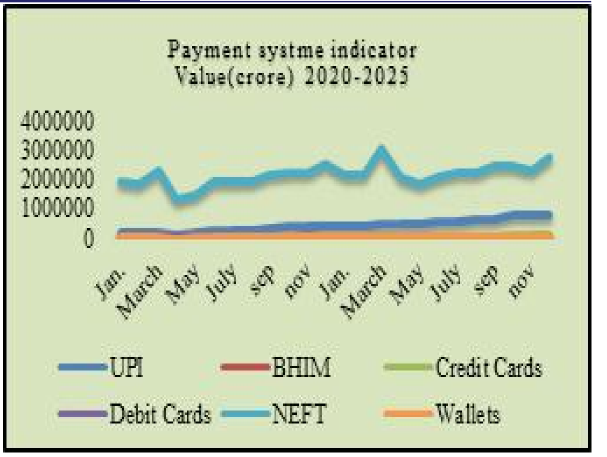

Chart: II Value (Crore)

Source: RBI Bulletin

Table No: I - Payment and settlement system – Volume (Lakhs)

System	Payment & Settlement System Statistics													
	Year	Jan.	Feb	March	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	CAGR
UPI	2020	13050.19	13256.93	12468.45	9995.74	12344.97	13369.31	14973.54	16188.28	18001.67	20716.19	22102.2	22341.58	0.075026
	2021	23027.28	22928.94	27316.85	26410.61	25291.82	28075.16	32455.02	35555.45	36558.17	42184.32	41864.8	45662.99	
	2022	46171.56	45274.89	54056.51	55843.88	59462.89	58629.08	62893.40	65819.06	67808.00	73054.21	73094.47	78288.95	
	2023	80385.88											120202.26	
	2024	122030.18											167300.09	
	2025	169960.01											216346.68	
BHIM	2020	9.36	9.67	8.88	20.66	13.40	14.67	15.96	19.50	15.28	10.55	9.39	8.90	0.01335
	2021	10.29	9.33	12.92	13.88	17.29	17.66	17.49	21.99	19.39	21.49	19.78	19.59	
	2022	24.47	15.23	19.47	16.76	17.81	39.82	21.26	17.57	16.35	19.99	14.52	12.71	
	2023	13.01											14.09	
	2024	18.82											17.18	
	2025	15.79											17.39	
Credit Cards	2020	2017.27	1882.94	1638.57	768.53	1028.86	1248.55	1319.66	1425.11	1486.71	1718.03	1662.58	1737.79	0.025602
	2021	1744.20	1613.77	1887.27	1575.32	1344.73	1547.01	1820.49	1904.71	1847.21	2155.81	2011.16	2112.59	
	2022	1958.05	1884.24	2237.51	2229.30	2378.03	2279.46	2348.34	2447.83	2460.17	2561.33	2347.73	2556.47	
	2023	2593.52											3215.00	
	2024	3289.52											5608.59	
	2025	4305.72											6447.58	
Debit Cards	2020	4500.85	4245.74	3608.13	2053.66	2658.82	3002.34	3161.93	3389.42	3507.81	3932.66	3970.43	3765.09	-0.02543
	2021	3737.66	3453.55	3793.97	3257.68	2635.94	3016.56	3405.37	3588.29	3490.29	3852.95	3407.02	3589.21	
	2022	3193.00	2956.19	3275.19	3311.87	3320.22	3099.33	3133.47	3033.47	2903.07	2972.52	2608.22	2667.08	
	2023	2510.09											1768.16	
	2024	1646.29											1280.10	
	2025	1216.69											1049.24	
NEFT	2020	2605.55	2483.57	2623.70	1759.79	1929.39	2274.01	2401.03	2346.09	2468.27	2761.65	2734.10	3076.15	0.027437
	2021	2874.93	2821.07	3481.39	2862.71	2565.39	2923.27	3170.00	3218.73	3359.54	3574.46	3394.00	3763.38	
	2022	3629.03	3632.58	4314.20	3737.59	3813.34	4022.33	4018.39	4166.76	4332.45	4570.48	4388.30	4854.81	
	2023	4798.31											6673.93	
	2024	6882.78											8307.02	
	2025	8567.93											8777.58	
Wallets	2020	3876.23	3782.82	3178.60	1841.26	2532.20	2905.67	3205.59	3967.82	3616.58	3639.88	3420.83	3521.48	0.015168
	2021	3499.66	3652.79	4182.92	3963.08	3180.18	3911.95	4079.19	4227.08	3884.65	4888.97	4870.19	5661.02	
	2022	4613.76	4386.09	5016.86	5036.15	5198.06	4979.19	4855.87	4877.42	4706.99	4877.04	4730.07	5012.71	
	2023	4873.96											5960.57	
	2024	5766.67											4830.75	
	2025	4875.14											8094.62	

Inference: The table on payment and settlement systems (Volume in Lakhs) clearly reflects the rapid transformation of India's payment ecosystem towards digitalization. Among all the systems, UPI (Unified Payments Interface) exhibits an exceptionally high growth trend, as indicated by its strong CAGR. The continuous increase in monthly transaction volumes from 2020 to 2025 highlights its widespread acceptance among users. This growth can be attributed to its ease of use, instant transaction capability, interoperability across banks, and increasing smartphone penetration. UPI has emerged as the most preferred mode for small and large-value retail transactions, dominating the digital payment landscape.

BHIM, although part of the UPI ecosystem, shows comparatively lower growth and transaction volume. While it experienced some increase during 2021 and 2022, its usage remains limited when compared to other UPI-based applications. This indicates that customers prefer third-party apps offering better user interfaces, additional features, and incentives.

Credit cards demonstrate a steady and positive growth trend over the years. The increasing usage reflects growing consumer confidence in digital payments for higher-value transactions, online shopping, and credit-based purchases. The rise in e-commerce activities and attractive reward systems provided by banks have further contributed to the growth in credit card usage.

In contrast, debit cards show a consistent decline in transaction volume, as indicated by the negative CAGR. This suggests a shift in customer preference away from traditional card-based payments. Earlier widely used for ATM withdrawals and POS transactions, debit cards are now being replaced by faster and more convenient digital payment options such as UPI and mobile wallets.

NEFT (National Electronic Funds Transfer) shows a stable and gradual increase in transaction volume. It continues to play a significant role in facilitating bank-to-bank fund transfers, especially for relatively larger amounts. However, its growth is moderate compared to UPI, mainly due to the time taken for processing transactions and the availability of instant alternatives.

Digital wallets exhibit moderate growth over the period. While wallets were initially popular for small-value transactions, recharges, and bill payments, their growth has slowed down with the rise of UPI, which offers similar services with greater convenience and without the need to maintain a separate wallet balance.

Overall, the table indicates a clear shift in consumer behavior towards fast, convenient, and technology-driven payment systems. The dominance of UPI, combined with the decline of debit cards and moderate growth of other systems, highlights the growing influence of FinTech innovations. This transformation reflects increasing digital awareness, improved financial inclusion, and a strong move towards a cashless economy in the smart banking era.

Table No: 2 Payment and settlement system – Value (Crore)														
System	Payment & Settlement System Statistics													
	Year	Jan.	Feb	March	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	CAGR
UPI	2020	216243	222517	206462	151141	218392	261835	290538	298308	329032	386107	390999	416176	0.06568
	2021	431182	425063	504886	493664	489106	547373	605883	639117	654648	771407	768436	826848	
	2022	826843	960582	983573	1040221	1014413	1063117	1073162	1116438	1211588	1190593	1281971	1281953	
	2023	1299059											1822949	
	2024	1841084											2324700	
	2025	2348037											2796713	
BHIM	2020	141	149	141	217	159	186	216	253	205	192	181	187	0.034505
	2021	214	223	346	377	422	417	414	462	440	560	536	611	
	2022	728	506	640	580	571	1049	621	516	516	604	475	446	
	2023	468											478	
	2024	619											547	
	2025	486											600	
Credit Cards	2020	66573	62147	50574	20765	32225	42773	45558	50311	51134	64652	62350	63487	0.024997
	2021	64737	60105	72319	59049	52014	62746	74885	77733	80228	100943	89217	93907	
	2022	87769	86041	107107	105459	113694	108752	115856	112358	122554	129334	114794	126524	
	2023	127682											63487	
	2024	166444											93907	
	2025	184126											126524	
Debit Cards	2020	62871	58561	48209	23250	37984	47711	50325	54770	55366	69141	101591	65178	-0.00894
	2021	64502	59478	67396	56523	44088	51594	61087	64867	62589	76471	67109	67591	
	2022	60025	57065	64052	65062	65827	61002	64515	62159	61427	67283	55592	58625	
	2023	55778											47935	
	2024	45486											40599	
	2025	38963											37274	
NEFT	2020	1929464	1870494	2283665	1306406	1481750	1906586	1963113	1930552	2165515	2235389	2218252	2558304	0.017164
	2021	2165869	2152844	3046329	2046235	1819459	2097771	2204303	2209818	2419688	2476397	2314490	2724980	
	2022	2442686	2477059	3492578	2498587	2546928	2716013	2627354	2631639	2922913	2726827	2730878	2981681	
	2023	2810180											3368836	
	2024	3367322											3814966	
	2025	3848033											4376909	
Wallets	2020	15408	14461	13111	8693	11080	12132	12892	13000	13258	13718	12717	13392	0.005942
	2021	13577	12742	14856	14421	14626	16088	17053	17745	25645	21702	21041	21220	
	2022	19789	17259	20054	19360	19616	18488	18775	18495	17915	18450	17342	18400	
	2023	17899											21732	
	2024	21259											14437	
	2025	14700											20834	

Source: RBI Bulletin

Inference: The table on payment and settlement systems (Value in Crores) highlights a significant transformation in the digital payment landscape, with a clear shift towards high-value electronic transactions driven by FinTech innovations.

Among all the systems, **UPI** shows remarkable growth in transaction value, as reflected by its increasing figures and strong CAGR. The steady rise from 2020 to 2025 indicates its growing acceptance not only for small-value payments but also for larger transactions, making it a dominant force in the digital payment ecosystem.

NEFT continues to account for the highest transaction value among all systems, demonstrating its importance in facilitating large-value fund transfers between bank accounts. Although its growth rate is moderate compared to UPI, its consistently high transaction values indicate strong trust and reliability among users, especially for business and institutional transactions.

Credit cards show a consistent upward trend in transaction value, reflecting increased consumer spending and the growing popularity of credit-based purchases. The rise in e-commerce, digital shopping, and reward-based incentives has contributed significantly to this growth. It indicates that customers are increasingly comfortable using credit cards for higher-value transactions.

On the other hand, **debit cards** exhibit a declining trend in transaction value, as indicated by the negative CAGR. This suggests that customers are gradually moving away from debit card usage, particularly for point-of-sale and ATM-based transactions, in favor of more convenient and faster digital payment methods like UPI and mobile-based payments.

BHIM shows moderate growth but remains relatively low in transaction value compared to other systems. Despite being a government-backed platform, its usage is limited, possibly due to competition from other user-friendly and feature-rich UPI applications.

Digital wallets display slow and fluctuating growth, indicating that while they still play a role in digital payments, their importance has reduced over time. The introduction and rapid adoption of UPI, which eliminates the need to maintain wallet balances, has significantly impacted wallet usage.

Overall, the table clearly demonstrates a strong shift towards digital and cashless transactions, with UPI emerging as the fastest-growing system and NEFT maintaining its dominance in high-value transfers. The declining trend in debit card usage and the moderate performance of wallets highlight changing customer preferences towards more efficient, real-time, and technology-driven payment solutions in the smart banking era.

CONCLUSION:

In today's society, one word is common: "Digitalisation." The country has seen a significant change from traditional cash-based transactions to digital payment options over the last decade. This study article investigates various factors influencing this rise and provides useful insights into the current state and future possibilities of digital payments in India. Government activities and policies have been critical in advancing digital payments. The 2016 demonetization effort functioned as a catalyst, resulting in an increase in digital payment adoption. The government's emphasis on developing a strong digital infrastructure, as well as legislative frameworks, has created an enabling environment for the growth of digital transactions. This study concluded that the volume of NEFT is lower than the volume of UPI; at the same time, the value of NEFT is higher than the value of UPI. This is because NEFT transactions occur in fewer instances, such as business transactions, loan payments, and credit card bill payments. On the other hand, UPI transactions are most commonly used by ordinary people for retail purposes. This study piece has shed light on the factors that contribute to the challenges and opportunities in this domain. India is well-positioned to capitalize on the potential of digital payments and pave the way for a more inclusive and digitally empowered economy with the right strategies and partnerships.

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