



Economic Growth & Digital Payment Transactions in India

Dr Ramesh

Professor, Shikshaa Institute of Technology

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ABSTRACT

One of the fastest-growing industries in India is digital payments, such as UPI Payments, which banks are concentrating on for financial inclusion. Digital payments have the potential to guarantee rapid economic growth. By ensuring that bank account transactions are thoroughly examined, becoming cashless will reduce the bribery system. By following the proper processes, this replacement will gradually eliminate paper money. The study also looks at how digital payment transactions affect e-commerce, retail, banking, and other areas of the Indian economy.

Introduction

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless, Paperless, Cashless” is one of the professed role of Digital India. digital transactions can take place both online and in person. For example, purchasing an item from Flipkart and using UPI for payment qualifies as a digital transaction. Likewise, opting to pay via UPI rather than cash at your nearby Kirana store also falls under the category of digital payments.

Review of Literature

Paramasivan.C., & Ravichandiran.G. (2024). The purpose of the banking sector in the country is to provide banking services to all the people with a simple and easy manner with this view, PMJDY was introduced in 2014 to provide bank account to unbanked people free of cost and with simplification of KYC norms. All the incentives and monetary benefits to the targeted people will reach only through



direct benefit transfer scheme which is linked with bank account and Aadhar. Banks also concentrate on urban and unbanked areas through single window banking and post office savings bank scheme. With this view, payment banks play a key role in banking penetration in the country.

Paramasivan.C.,&Surya. (2025). This composition discusses how UPI and IMPS have been revolutionizing how individuals in India are making yearly payments. UPI and IMPS are electronic payment platforms through which individuals can send and receive money instantly via mobile phones, ensuring that payments are quick and accessible. In the last 12 months, both networks have demonstrated sharp growth in value and number of deals, emphasizing their rise in fissionability as a payment tool among businesses as well as guests. According to the statistics, UPI payments have grown continuously, registering a month-to-month Growth Rate of 26.10, and IMPS deals have recorded 12.75 growth.

KrishnkantBhujangWalasange., &PushpalataTrimukhe. (2023). Digital Payment System is the core of Indian Economy in present scenario. In the present study, a comprehensive analysis of the growth of digital payment transactions in India over the last five years is conducted. The study analyses the trends and patterns in the adoption of digital payment systems and identifies the key drivers and challenges associated with their growth. The paper also examines the impact of digital payment transactions on various sectors of the Indian economy, including banking, retail, and e-commerce. Additionally, the research explores the role of government policies and initiatives in promoting digital payments in India.

Rashi Singhal. (2021). Digital Banking is the new worldview that offers significant advantages to banks as far as expanding benefit and efficiency just as to its clients regarding simplicity of payments and admittance to the banking administrations 24*7. It is cultivated by utilizing condition of - the-workmanship innovation foundation to achieve changes in interior cycles and outside interfaces.

Ajay Dutta. (2023). Digital payment transactions can ensure that an economy grows quickly. Going cashless makes guarantee that bank account transactions are properly checked, which will lower the bribery system. Such are replacement ails progressively eliminating paper money by adhering to the right procedures, rather than removing currency notes instantaneously. Due to a lack of digital literacy, many consumers are still unaware of cashless transactions.

Gaurav Tyagi., HrishikeshJagadale., & Nilesh Anute. (2022). The dynamics are changing in the UPI sector and which companies are leading the table. The study was conducted in Pune Region and the survey was done with the help of questionnaire. A response of 82 respondents has been collected and then accordingly a conclusion is made. The Data for



the study was also conducted from secondary sources which eventually helped us to get a fair understanding of the industry. In today's world one word is common that is "Digitalisation" and it is also gaining popularity due to increase in use of Smartphone by the people, the same has applied to the financial sector.

Paramasivan. C., & Ravichandiran. G. (2023). Finance is considered as a powerful instrument that transforms socio-economic status of the people and country. Financial become highly technology based with the help of modern devices and application. Fintech is the merging of finance and technology which has developed as a transformative way to development in various aspects of the universal economy. By leveraging technology, fintech has the possible to drive financial inclusion, promote economic growth, enhance efficiency, and improve access to financial services.

Angamuthu. B. (2022). India is world's second largest nation with a population of 1.3 billion, which is approximately 18% of the global population. To meet the financial service needs of a growing population requires a sustainable approach in the form of digital payment system. Digital payment services offer convenience, ease of transactions and security while transacting. This analytical study focuses on growth of digital payments with respect to its volume and value of transactions during the period 2012-2013 to 2018-2019. Meghana. M. S. (2024). Digital payments refer to financial transactions that are conducted electronically through various digital platforms. These payments are made using digital devices like smartphones, computers, or cards, and they involve transferring funds from one account to another without the need for physical cash. Digital payments have become increasingly popular due to their convenience, speed, and efficiency. This systematic review examines the implementation & impact of digital payment systems in India. India's digital payment ecosystem has rapidly transformed, driven by government initiatives such as demonetization, digital India, & the unified payments interface (UPI)

Hemant Trivedi. (2024). India's payment ecosystem has undergone a tremendous change

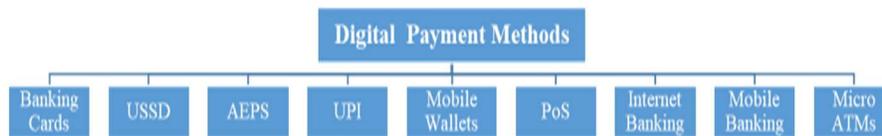
over the past two decades, with digital payments becoming the preferred payment option for both consumers and businesses. The advent of technology, the wide spread of smartphones, and the internet played a significant role in this evolution. The transition from conventional paper-based transactions to electronic fund transfers and, finally, to digital payments has been remarkable.

Ravichandiran. G., & Paramasivan. C. (2024). Fintech combines financial services with technology to modernize financial interactions for individuals and businesses. Fintech firms provide improved quickness, cost-effectiveness, and user intensive solutions for transaction processing, investment



management, and alternatives to traditional banking by leveraging technological breakthroughs like blockchain and artificial intelligence. The fintech ecosystem in India provides a collaborative atmosphere for a range of financial technology services. Typically, government efforts, financial services businesses, and startups collaborate to develop these services

Digital Payment Methods



Banking Cards

Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available – including credit, debit and prepaid – offers enormous flexibility, as well. These cards provide 2 factor authentication for secure payments e.g secure PIN and OTP. RuPay, Visa, MasterCard are some of the examples of card payment systems. Payment cards give people the power to purchase items in stores, on the Internet, through mail-order catalogues and over the telephone.

Unstructured Supplementary Service Data (USSD)

The innovative payment service, Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of underbanked society in the mainstream banking services.

Aadhaar Enabled Payment System (AEPS)

AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.

Unified Payments Interface (UPI)

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing &



merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).

Mobile Wallets

A mobile wallet is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your smartphone, tablet, or smart watch. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies.

Point of Sale

A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

Internet Banking

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

Mobile Banking

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platform(s).

Micro ATMs

Micro ATM meant to be a device that is used by a million Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents to conduct instant transactions. This money will come from the cash drawer of the BC. Essentially, BCs will act as bank



for the customers and all they need to do is verify the authenticity of customer using customers' UID. The basic transaction types, to be supported by micro-ATM, are Deposit, Withdrawal, Fund transfer and Balance enquiry.

Table No – 1

Growth in Digital Payment Transactions - Volume Rs. In Crore

Sl. No	Financial Year	Digital Payment Transactions	CAGR
1	2017 - 18	2,071	44%
2	2018 – 19	3,134	
3	2019 – 20	4,572	
4	2020 – 21	5,554	
5	2021 – 22	8,839	
6	2022 – 23	13,462	
7	2023 - 24	18,737	
8	2024 – 25 (till 31 st Aug 2024)	8,659	

Source: *RBI, NPCI & Banks*

Table No – 1, shows that the Digital payments in India have witnessed significant growth, with the total number of digital payment transactions volume increased from Rs. 2,071 crores in FY 2017-18 to Rs. 18,737 crores in FY 2023-24 at Compounded Annual Growth Rate (CAGR) of 44%. Furthermore, during the last 5 months (April-August) of the current financial year 2024-25, the transaction volume has reached to Rs. 8,659 crores.

Chart No – 1
Growth in Digital Payment Transactions - Volume

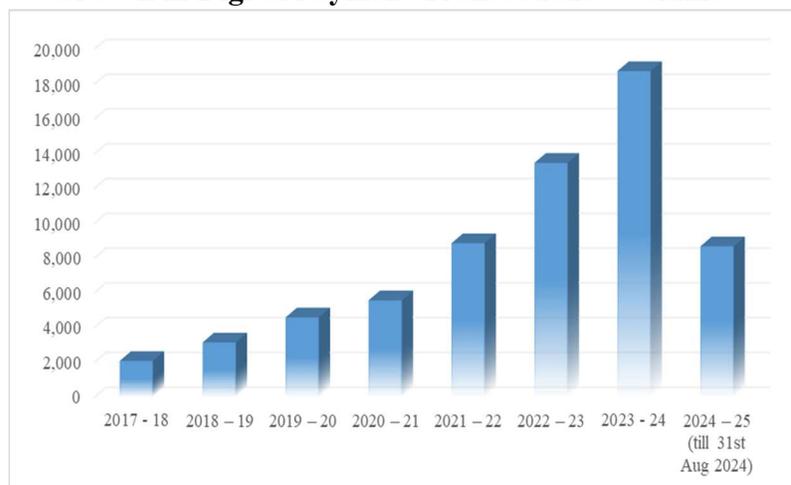




Table No – 2

Value of Digital Payment Transactions Rs. In Crore

Sl. No	Financial Year	Digital Payment Transactions	CAGR
1	2017 - 18	1,962	11%
2	2018 – 19	2,482	
3	2019 – 20	2,953	
4	2020 – 21	3,000	
5	2021 – 22	3,021	
6	2022 – 23	3,355	
7	2023 - 24	3,659	
	2024 – 25 (till 31 st Aug 2024)	1,669	

Source: RBI, NPCI & Banks

Table No – 2, shows that the value of transactions has grown from Rs. 1,962 lakh crores to Rs. 3,659 lakh crores at CAGR of 11%. Additionally, in the last 5 months (April- August) of the current financial year 2024-25, the total transaction value has surged to an impressive Rs. 1,669 lakh crores.

Chart No – 2

Value of Digital Payment Transactions

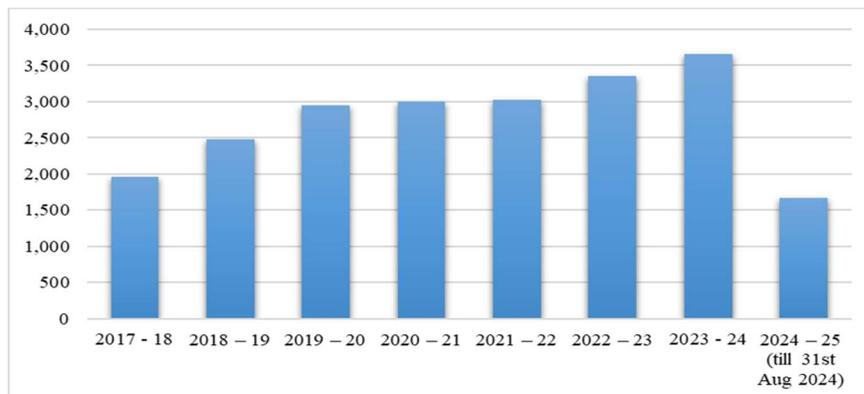


Table No – 3

UPI Digital Payment Transactions - Volume Rs. In Crore

Sl. No	Financial Year	UPI Payment Transactions	CAGR
1	2017 - 18	92	
2	2018 – 19	535	

3	2019 – 20	1,252	129%
4	2020 – 21	2,233	
5	2021 – 22	4,597	
6	2022 – 23	8,375	
7	2023 - 24	13,116	
8	2024 – 25 (till 31 st Aug 2024)	7,062	

Source: *NPCI*

Table No – 3, shows that UPI remains the cornerstone of India's digital payment ecosystem. UPI has revolutionised digital payments in the country, UPI transactions have grown from Rs. 92 crores in FY 2017-18 to Rs. 13,116 crores in FY 2023-24 at CAGR of 129%. Furthermore, during the last 5 months (April-August) of the current Financial Year 2024-25, the transaction volume has reached Rs. 7,062 crores.

UPI Digital Payment Transactions - Volume

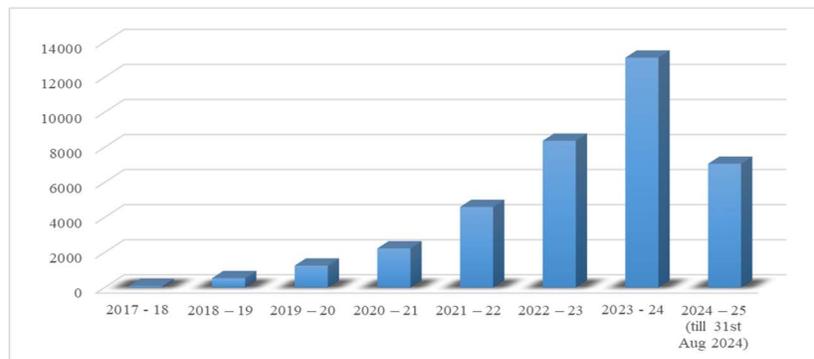


Table No – 4

UPI Digital Payment Transactions - Value Rs. In Crore

Sl. No	Financial Year	Digital Payment Transactions	CAGR
1	2017 - 18	1	138%
2	2018 – 19	9	
3	2019 – 20	21	
4	2020 – 21	41	
5	2021 – 22	84	
6	2022 – 23	139	
7	2023 - 24	200	

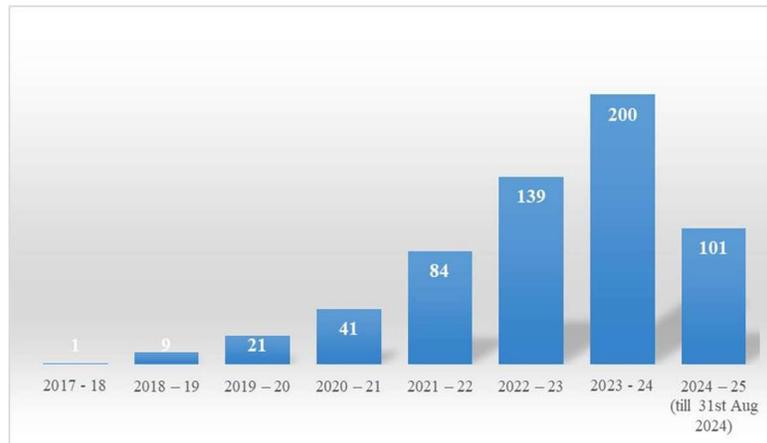


8	2024 – 25 (till 31 st Aug 2024)	101	
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Source: NPCI

Table No – 4, shows that the value of UPI transactions has grown from Rs. 1 lakh crore to ₹200 lakh crore at CAGR of 138%. Additionally, in the last 5 months (April-August FY2024-25), the total transaction value has surged to an impressive Rs. 101 lakh crores.

UPI Digital Payment Transactions - Value



Findings

Overall Digital Payment Growth, the volume of digital transactions increased significantly from 2,071 crores in FY 2017-18 to 18,737 crore in FY 2023-24, marking a CAGR of 44%. For FY 2024-25 (April–August), the volume has already reached 8,659 crores, indicating strong ongoing momentum.

Value of Digital Transactions, the total value rose from Rs. 1,962 lakh crore in FY 2017-18 to Rs. 3,659 lakh crore in FY 2023-24, achieving a CAGR of 11%, In the first 5 months of FY 2024-25 alone, the value touched Rs. 1,669 lakh crore, showing robust growth.

Dominance of UPI, UPI transaction volume increased from 92 crores in FY 2017-18 to 13,116 crore in FY 2023-24, an exceptional CAGR of 129%, In the current FY 2024-25 (April–August), UPI volumes reached 7,062 crores, showing continued user preference.

UPI Transaction Value Growth, UPI transaction value jumped from Rs. 1 lakh crore to Rs. 200 lakh crore in FY 2023-24, with an astounding CAGR of 138%, In just the first 5 months of FY 2024-25, UPI value surged to Rs. 101 lakh crore, over 50% of the previous full year.



Suggestions

Invest further in digital infrastructure, especially in rural and remote areas, to maintain momentum and bridge the digital divide. Strengthen security frameworks to handle the exponential increase in transaction volume and prevent fraud. Conduct awareness campaigns on safe digital payment practices to encourage more users, particularly among older demographics and low-income groups. Provide incentives and simplify onboarding for small businesses and street vendors to accept digital payments, especially UPI. Continue offering regulatory support and low-cost digital payment services to encourage greater adoption.

India's digital payment ecosystem has undergone transformative growth, driven primarily by UPI. With consistent double- and triple-digit CAGR figures across volume and value metrics, the country is on a strong trajectory toward a cashless economy. The rapid uptake during the initial five months of FY 2024-25 suggests that digital payments are becoming deeply ingrained in daily life. Continued innovation, investment in digital infrastructure, and a focus on security and accessibility will be essential to sustain this momentum and make digital payments universally inclusive and reliable.

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