



## Digital Payments, the growth of Digital Economy: An Overview

Dr. Vijay Shivaji Mistary

*Head, department of commerce*

*Maharaja Sayajirao Gaikwad College Malegaon Camp,  
Dist. Nashik. Maharashtra 423105*

Date of Submission: 06-10-2024

Date of Acceptance: 18-10-2024

### I. Introduction:

The demonetization policy in India had a significant impact on the country's economy, but it also accelerated the growth of digital payments in India. Prior to demonetization, digital payments accounted for only about 10% of all transactions in India, but that number has grown to over 20% in the years since. On November 8th, 2016, the Prime Minister of India, Sh. Narendra Modi, announced that all 500- and 1,000-rupee notes, which accounted for 86% of the cash in circulation, would be demonetized. This strategic movement actually led to aggressive promotion and adoption of digital ecosystem in India.

The growth of digital ecosystem in India has been driven by a number of factors, including the government's push towards digitalization, an increase in internet and smartphone penetration, and the rise of e-commerce. The Indian government has been actively promoting the use of digital technologies through various initiatives such as Digital India, Make in India, and Startup India. These initiatives aim to increase the use of digital technologies in various sectors such as healthcare, education, and agriculture, and also to create a conducive environment for start-ups to flourish. The increase in internet and smartphone penetration in India has also played a major role in the growth of the digital ecosystem. According to a report by the Internet and Mobile Association of India, the number of internet users in India is expected to reach 800 million by 2023. This increase in internet users has also led to an increase in the number of mobile wallet users in India, which is expected to reach 900 million by 2025.

With government's mission to target **2,500** crore digital transactions in 2017-18 Union Budget through **UPI, USSD, Aadhar Pay, IMPS and debit cards** for promoting digital payment transactions in the country, this has been a significant step towards the government's goal of increasing the use of digital payments and reducing the dependence on cash transactions. Digital payments have become increasingly important in

India in recent years, as the country has seen a rapid increase in the adoption of smartphones and internet access. This has led to a significant increase in the use of digital payment methods, such as mobile wallets, UPI, and card payments. However, there is still a large proportion of the population that relies on cash transactions, and the government is looking to change this by promoting the use of digital payments. This will be used for a variety of initiatives to promote digital payments. One of the key initiatives will be to provide incentives for merchants to adopt digital payment methods. This may include subsidies for merchants to purchase point-of-sale terminals, as well as tax incentives for businesses that adopt digital payment methods.

The government's contribution for digital payment transactions is a significant step towards achieving the goal of a cashless society. This allocation will help to increase the number of people who use digital payment methods, which will in turn help to reduce the dependence on cash transactions. Additionally, the government's initiatives to provide incentives for merchants and to build infrastructure to support digital payments will help to create a more conducive environment for digital payments to thrive. This move will also help to increase the overall financial inclusion in the country and will bring more people under the ambit of formal banking and financial services. With the increasing adoption of smartphones and internet access, digital payments are becoming more accessible to more people. This allocation will help to further increase the use of digital payments and reduce the dependence on cash transactions, which will help to create a more efficient and secure financial system for all Indians.

The digital payments ecosystem in India has also grown significantly in recent years, driven by a combination of government initiatives, an increase in internet and smartphone usage, and the rise of e-commerce. One of the key initiatives is the launch of the **Unified Payments Interface (UPI)**, which allows for real-time inter-bank transactions, and the **Bharat Interface for Money (BHIM) app**,



which simplifies the process of making digital transactions.

**UPI (Unified Payments Interface)** has seen significant growth in India since its launch in 2016 by National Payments Corporation of India (NPCI). Here are some highlights of the UPI journey in India with YoY (Year-on-Year) growth statistics till Jan 2023:

The increase in internet and smartphone penetration in India has also played a major role in the growth of the digital payments ecosystem. E-commerce has also been a major driver of the growth of the digital payments ecosystem in India. The e-commerce market in India is expected to grow at a CAGR of 31% and reach \$200 billion by 2026[ The growth of the e-commerce market has led to an increase in the number of online shoppers in India, which is expected to reach 220 million by 2025. The digital payments ecosystem in India is also supported by a number of other private players as well. These players offer a range of digital payment services such as mobile wallets, UPI payments, and QR code-based payments.

With the aggressive stakeholder consultation with Ministry of Finance and Reserve Bank of India, it was envisaged that there are 16 different digital payment modes which are as follows:

1.AEPS2.BHIM AADHAR 3.BHIM UPI 4.Closed loop Wallet 5.Credit Card  
6.IMPS 7.Internet banking 8.NACH 9.NEFT  
10.NETC 11.PPI 12.RTGS 13.USSD

Another major achievement of the **DigiDhan Mission** has been the creation of a digital infrastructure for financial transactions. The government has implemented a number of measures to promote the use of digital payments, including the launch of the **Aadhaar-enabled**

The DigiDhan Mission has also aimed to increase the number of digital transactions in India. The government has set a target of 25 billion digital transactions by March 2018, which was exceeded with 40 billion digital transactions. The government has also launched several initiatives to promote the use of digital payments in rural areas, including the launch of the Common Service Centers (CSCs), which provide digital services to citizens in rural areas.

**DigiDhan Dashboard** Application is a platform created by the National Informatics Centre, Ministry of Electronics & Information Technology, Govt. of India to track and monitor the usage of digital payments in the country. The dashboard provides real-time data on the number and value of

digital transactions, as well as information on the types of transactions and the platforms being used. Some of its features include:

- **Real-time data on digital transactions:** The dashboard shows the number and value of digital transactions taking place in the country, broken down by different types of transactions (such as UPI, debit card, credit card, etc.).
- **Information on the platforms being used:** The dashboard provides data on the various platforms being used for digital transactions, such as BHIM, UPI, and various e-wallets.
- **State-wise data:** The dashboard shows the number and value of digital transactions taking place in different states of India, allowing users to see the level of digital penetration in different regions.
- **Transaction History:** The dashboard also provides transaction history of individual users, allowing them to view their past transactions.
- **Reports:** The Dashboard also provides different types of reports such as transaction, merchants, and user reports.

In conclusion, the digital payments ecosystem in India has grown significantly in recent years, driven by government initiatives, an increase in internet and smartphone penetration, and the rise of e-commerce. The digital payment ecosystem is supported by private players who offer a range of digital payment services. The future of digital payments in India looks bright with the expected growth in the number of internet users and e-commerce market size.

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