

AN ANALYTICAL STUDY ON EVALUATING THE IMPACT OF UPI AND PLASTIC MONEY IN ONLINE DIGITAL PAYMENT SYSTEM IN INDIA

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ABSTRACT

India's Prime Minister Shree Narendra Modi announce demonetization of Rs. 500 and Rs. 1000 on 8th November, 2016. At that time, that is not possible to provide currency notes in all over India. So, people use UPI and Plastic money such as credit card, debit card for payment. The purpose of this research paper is evaluating the impact of UPI and Plastic money in online digital payment system in India. In this research paper, researcher research about the impact of UPI and Plastic money in digital payment system in India. Researchers use secondary data for collect information such as journals, magazines, websites etc. Finding of this paper is UPI and plastic money both have positive and negative impact on digital payment. UPI is more popular in India.

Keywords: Digital Payment, UPI, Plastic Money, Impact.

Introduction

The campaign "Digital India" launched on 1st July, 2015 by Prime Minister Shree Narendra Modi to make government services available to citizens electronically by online infrastructure improvement and also by enhancing internet connectivity. On 8th November, 2016 India's Prime Minister Shree Narendra Modi announce demonetization of Rs. 500 and Rs.1000. Demonetization provide clear vision to promote cashless transaction. The world health organization declared pandemic covid-19 on 11th March, 2020. On 24th March, 2020, the Government of India ordered a nationwide lockdown, with a compulsion to maintain social distancing, usage of face mask, work from home, contactless payments are being the new normal. After all the situation people use digital payment like UPI and Plastic money.

UPI

Unified Payment Interface (UPI) is a popular mobile payment method that allows to transfer funds from one bank account to the other. 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 and merchant payment into one hood.

Plastic Money

Plastic money refers to a payment mechanism that replaces physical currency transactions with plastic cards such as debit card, credit card etc. Plastic money is a term used to describe these pocket-sized cards that are usually made of plastic or a mix of plastic and metal.

Literature Review

Riteeka Kamble(2022), studied on "Impact of UPI Technology to Maintain Sustainability During COVID19 in Mumbai Region". The purpose of this study was to examine the idea of UPI payment and how it may be used to address current and future needs in the context of COVID-19. Primary data collected from 115 respondents through structured questionnaire. She used frequency distribution for data analysis. Finding of this paper was that majority of respondents were agreed that their frequency of using UPI payment was increase during covid-19.

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Vaishali Patil and Archana Chhatpar(2020), in their research paper, “ An Analytical Study on the Use of Plastic Money with respect to Pune City” discussed types, advantages, disadvantages of plastic money. In this research paper researchers collect data from primary and secondary. Primary data collect from 50 respondents with structured questionnaires and secondary data collect from the published journals, magazines and other periodicals, books on research work. The infrastructure supporting plastic money could still use some improvement, according to the findings, which also recommended using plastic money whenever feasible and paying attention to its security.

Shiksha Tiwari and Arshad Ali Siddique (2022), studied on “impact of UPI Payment on Plastic Money”. This paper focus on current state of cashless payment knowledge, its range, accessibility and distribution. In this paper researcher collected primary data with structured questionnaire and secondary data were collected through official reports, websites and other sources. They used t- test and frequency distribution for data analysis.

Objectives of the Study

- To know the impact of UPI on Online Digital Payment System in India.
- To find out the impact of plastic money on Online Digital Payment System in India.
- To identify the challenges in use of UPI.
- To identify the challenges in use of plastic money.

Research Methodology

In this research paper data collection method is secondary data collection from various journals, websites and other sources.

Impact of UPI

- **Increased Digital Transactions:** UPI has significantly boosted digital transactions in India. It's simple, seamless, and real-time nature has encouraged people to adopt digital payments for various transactions, including person-to-person transfers, bill payments, online shopping, and more.
- **Financial Inclusion:** UPI has played a crucial role in advancing financial inclusion in India. It has provided millions of unbanked and underbanked individuals with access to digital payment services through their smartphones. Even those without traditional bank accounts can now transact digitally using UPI-enabled apps.
- **Convenience and Accessibility:** UPI offers unparalleled convenience and accessibility to users. With just a smartphone and internet connectivity, individuals can initiate transactions round the clock, without being restricted by banking hours or geographical locations. This has made payments more convenient for both urban and rural populations.
- **Reduced Cash Dependency:** UPI has contributed to the government's efforts to reduce cash dependency in the economy. By providing a secure and efficient digital payment alternative, UPI has helped decrease the reliance on cash transactions, which in turn can combat issues like black money, tax evasion, and corruption.
- **Cost-Effective Transactions:** UPI transactions are generally cheaper compared to traditional payment methods like credit cards and NEFT transfers. The low transaction fees associated with UPI have made digital payments more cost-effective for businesses and consumers alike.

Impact of Plastic Money

- **Convenience:** Plastic money has revolutionized the way people transact by offering unparalleled convenience. Instead of carrying large amounts of cash, individuals can simply carry a small card that allows them to make purchases almost anywhere, anytime.
- **Globalization:** Credit and debit cards have facilitated international transactions, contributing to the process of globalization. With plastic money, individuals can easily make purchases from international retailers, travel abroad without worrying about currency exchange, and conduct business across borders.
- **Financial Inclusion:** Plastic money has played a role in promoting financial inclusion by providing access to banking services for those who may not have had access to traditional banking.

- **Security:** While there are risks associated with plastic money, such as fraud and identity theft, payment card companies have implemented various security measures to protect cardholders. These include encryption, tokenization, biometric authentication, and fraud monitoring systems, which help mitigate risks and enhance consumer confidence in electronic payments.
- **Rewards and Incentives:** Many credit cards offer rewards programs, cashback incentives, and other perks to cardholders. These rewards encourage card usage and loyalty while providing additional value to consumers.
- **Digital Transformation:** Plastic money has been a catalyst for the digital transformation of the financial industry. The shift from paper-based transactions to electronic payments has led to innovations in payment processing, online banking, mobile wallets, and other digital financial services.

Advantages of UPI

- **Convenience:** UPI provides a seamless and convenient way to transfer money between banks accounts in real-time. Users can initiate transactions directly from their mobile phones using UPI-enabled apps, without the need to remember or exchange bank account details such as the account number and IFSC code.
- **Instant Transfers:** UPI facilitates instant fund transfers 24/7, including weekends and holidays. Unlike traditional payment methods like NEFT and RTGS, which have specific operating hours and settlement times, UPI transactions are processed immediately, allowing users to send and receive money quickly.
- **Interoperability:** UPI is interoperable across different banks and payment service providers, enabling users to send and receive money seamlessly between different bank accounts and payment apps. This interoperability promotes competition and innovation in the digital payment's ecosystem, benefiting consumers with more choices and better services.
- **Cost-Effective:** UPI transactions typically incur lower transaction fees compared to traditional payment methods like NEFT, RTGS, and IMPS. As a result, UPI is a cost-effective payment solution for both individuals and businesses, especially for small-value transactions.
- **Simplified Merchant Payments:** UPI has simplified the process of making payments to merchants, both online and offline. By scanning a QR code or entering a merchant's UPI ID, users can make payments directly from their bank accounts without the need for cash or physical cards, enhancing the overall shopping experience.
- **Promotion of Cashless Economy:** UPI has contributed to the government's efforts to promote a cashless economy by reducing the dependency on cash transactions. As more individuals and businesses adopt UPI for their day-to-day transactions, it helps reduce the circulation of physical currency, which can have various benefits such as combating black money, tax evasion, and corruption.

Advantages of Plastic Money

- **Convenience:** Plastic money provides a convenient way to make purchases without the need for cash. Users can simply carry a small card instead of bulky cash, making transactions easier and more efficient, particularly for large purchases or when traveling.
- **Global Acceptance:** Credit and debit cards are widely accepted globally, allowing users to make purchases and access funds from ATMs almost anywhere in the world. This provides flexibility and convenience for international travelers and businesses engaged in cross-border transactions.
- **Safety and Security:** Payment cards offer built-in security features such as EMV chip technology, PIN verification, and fraud monitoring systems, which help protect against unauthorized transactions and identity theft. Additionally, many card issuers offer zero-liability policies, providing users with peace of mind in case of fraudulent activities.
- **Credit Facilities:** Credit cards provide users with access to a line of credit, allowing them to borrow money for purchases and repay it later. This can be beneficial for managing cash flow, making large purchases, and building a credit history. Debit cards, on the other hand, enable users to access funds directly from their bank accounts, eliminating the need to carry cash or write checks.

- **Rewards and Incentives:** Many credit cards offer rewards programs, cashback incentives, and other perks to cardholders. These rewards can include travel miles, cashback on purchases, discounts at retailers, and exclusive offers. By using credit cards strategically, users can maximize their rewards and derive additional value from their spending.
- **Emergency Access to Funds:** Payment cards provide users with access to emergency funds in case of unexpected expenses or financial emergencies. Whether through a credit card's line of credit or a debit card's access to savings or checking accounts, plastic money offers a convenient safety net for unforeseen circumstances.
- **Record Keeping and Tracking:** Payment card transactions are recorded electronically, making it easy for users to track their spending and manage their finances. Many card issuers provide online banking platforms and mobile apps that allow users to view transaction history, monitor account balances, set spending limits and receive alerts for suspicious activities.

Disadvantage of UPI

- **Dependency on Technology and Connectivity:** UPI transactions rely heavily on technology and internet connectivity. Any disruptions in network connectivity or technical issues with UPI-enabled apps can hinder transactions, causing inconvenience to users, especially in areas with poor internet infrastructure.
- **Security Concerns:** Although UPI transactions are secured with multi-factor authentication, including UPI PINs and biometric authentication, there are still risks associated with fraud, phishing attacks, and unauthorized access to user accounts. Users need to remain vigilant and adopt best practices for online security to mitigate these risks.
- **Limited Merchant Acceptance:** While UPI has gained significant traction in India, especially among peer-to-peer transactions, its acceptance among merchants, particularly small and offline businesses, may still be limited compared to cash or card payments. This can pose challenges for users who rely heavily on UPI for all their transactions.
- **Transaction Limits:** UPI transactions are subject to certain limits imposed by banks and the National Payments Corporation of India (NPCI). These limits may vary based on factors such as the user's bank, transaction type, and KYC status. Users may encounter restrictions when making large-value transactions or multiple transactions within a short period.
- **Risk of Account Linkage:** UPI requires linking bank accounts to mobile numbers, which may pose privacy and security risks if the mobile number gets compromised or if there are issues with account verification. Users need to exercise caution and ensure that they link their UPI accounts to trusted and secure mobile numbers.
- **Transaction Failures and Disputes:** Despite its real-time nature, UPI transactions may sometimes fail due to technical glitches, incorrect details, or other reasons. Resolving transaction failures and disputes can be time-consuming and cumbersome for users, especially when dealing with multiple service providers and banks.
- **Dependency on Bank Infrastructure:** UPI transactions rely on the infrastructure and capabilities of participating banks and payment service providers. Any issues with the bank's systems, servers, or processes can affect the reliability and availability of UPI services, impacting user experience and trust in the system.

Disadvantage of Plastic Money

- **Overspending and Debt Accumulation:** One of the biggest disadvantages of credit cards is the temptation to overspend. With the ability to make purchases on credit, users may be inclined to spend beyond their means, leading to debt accumulation if they are unable to pay off their credit card balances in full each month. High-interest rates on unpaid balances can further exacerbate the problem.
- **Interest Charges and Fees:** Credit cards often come with high-interest rates on unpaid balances, as well as various fees such as annual fees, late payment fees, and cash advance fees. These charges can add up quickly, particularly for users who carry balances or frequently incur additional fees.
- **Risk of Fraud and Identity Theft:** Payment cards, especially credit cards, are vulnerable to fraud and identity theft. Criminals may steal card information through various means, including

skimming devices, phishing scams, and data breaches. Unauthorized transactions can result in financial losses and damage to the cardholder's credit score.

- **Dependency on Credit:** Relying heavily on credit cards for day-to-day expenses can create a dependency on credit and hinder financial independence. Users may become accustomed to borrowing money to finance their lifestyle, making it challenging to manage expenses and save for the future without accumulating debt.
- **Limited Acceptance:** While credit and debit cards are widely accepted, there are still some merchants, particularly small businesses and vendors in rural areas that may not accept card payments. This can be inconvenient for users who rely solely on plastic money for their transactions.
- **Dependency on Technology and Infrastructure:** Payment cards rely on technology and infrastructure, including card networks, payment terminals, and banking systems. Any disruptions in technology or connectivity, such as power outages, system failures, or network issues, can affect card transactions and hinder access to funds.

Conclusion

UPI extremely easy and efficient to transfer money between two bank accounts. No need to remember bank details and anyone else. UPI safely and securely approach to become use for transaction between receiver and sender. Plastic money is also useful for payment. But UPI useful for payment and received money instantly. So UPI become very popular in India.

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