

An Analytical Study to Assess the Influence of UPI and Plastic Money on the Online Digital Payment System in India

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Abstract - *The demonetization of the Rs. 500 and Rs. 1000 bills were announced by India's Prime Minister, Shree Narendra Modi, on November 8, 2016. The provision of currency notes over the whole of India was not feasible at that time. UPI and plastic money, such as credit cards and debit cards, are the sources of payment that consumers utilize. This study paper's objective is to assess the influence that the Unified Payments Interface (UPI) and plastic money have had on the various online payment systems in India. The influence of Unified Payments Interface (UPI) and plastic money on the digital payment system in India is the subject of this research study. A variety of sources, including websites, periodicals, and journals, are used by researchers in order to obtain secondary data. UPI and plastic money both have both beneficial and bad effects on digital payment, according to the findings of this article. In India, the use of UPI is greater.*

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

INTRODUCTION

Prime Minister Shree Narendra Modi announced the "Digital India" program on July 1st, 2015, with the goal of improving internet connection and online infrastructure to enable residents to access government services electronically. India's Prime Minister, Shree Narendra Modi, announced the demonetization of the Rs. 500 and Rs. 1000 notes on November 8, 2016. A clear vision for promoting cashless transactions is provided by demonetization. On March 11, 2020, the World Health Organization proclaimed the COVID-19 pandemic. After the Indian government imposed a statewide lockdown on March 24, 2020, people were forced to maintain social isolation, wear face masks, work from home, and accept contactless payments as the new norm. People now employ digital payment methods like UPI and plastic money.

UPI

Money may be transferred between bank accounts using the widely used Unified Payment Interface (UPI) mobile payment technique. via the use of UPI, several bank accounts may be accessed via a single mobile application from any participating bank, combining various banking functions, smooth money transfers, and merchant payments under one roof.

Plastic Money

The term "plastic money" describes a payment method that uses plastic cards, such as debit and credit cards, in lieu of actual monetary transactions. These pocket-sized cards, which are often composed of plastic or a combination of plastic and metal, are referred to as "plastic money."

LITERATURE REVIEW

A study titled "Impact of UPI Technology to Maintain Sustainability During COVID19 in Mumbai Region" was conducted by Riteeeka Kamble (2022). The objective of this research was to investigate the concept of UPI payment and to investigate the ways in which it may be used to meet both existing and future requirements within the framework of COVID-19. First-hand information obtained from 115 respondents by use of a standardized questionnaire. Data analysis was performed by her using frequency distribution. According to the findings of this study, the majority of respondents were in agreement that the frequency with which they used UPI payment in the course of COVID-19 increased.

Arshad Ali Siddique and Shiksha Tiwari (2022) conducted research on the "impact of UPI Payment on Plastic Money." This essay focuses on the distribution,

scope, and accessibility of the present understanding of cashless payments. In this study, secondary data were gathered from government reports, websites, and other sources, while primary data were gathered using a structured questionnaire by the researcher. For data analysis, they used frequency distribution and the t-test.

Vaishali Patil and Archana Chhatpar (2020) examined the varieties, benefits, and drawbacks of plastic money in their research paper, "An Analytical Study on the Use of Plastic Money with Respect to Pune City." Primary and secondary sources of data are gathered by the researchers for this study. Secondary data was gathered from books on research projects, magazines, journals, and other publications, while primary data was gathered from 50 respondents using structured questionnaires. The research results suggested that, in addition to recommending the use of plastic money whenever possible and paying attention to its security, the infrastructure supporting it still needed some development.

OBJECTIVES OF THE STUDY

To understand how UPI has affected India's online digital payment system.

To ascertain the effect of plastic money on India's online digital payment system.

To determine the obstacles associated with UPI usage.

To determine the difficulties in using 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:** In India, UPI has greatly increased the volume of digital transactions. People are adopting digital payments for a variety of activities, such as bill payments, online shopping, and person-to-person transfers, due to its ease of use, seamless integration, and real-time nature.
- **Financial inclusivity:** In India, UPI has been instrumental in promoting financial inclusivity. Through their cellphones, it has given millions of underbanked and unbanked people access to

digital payment services. With UPI-enabled applications, those without conventional bank accounts may now transact online.

- **Convenience and Accessibility:** UPI provides customers with unmatched accessibility and convenience. People are no longer limited by geographical locations or banking hours to begin transactions around the clock, provided they have access to the internet and a smartphone. Payments are now easier for those living in both urban and rural areas.
- **Decreased Cash Dependency:** The government's initiatives to lessen the economy's reliance on cash have been aided by UPI. UPI has contributed to a reduction in the need for cash transactions by offering a safe and effective digital payment option. This may assist tackle problems such as corruption, tax evasion, and black money.
- **Cost-Effective Transactions:** When compared to more established payment methods like credit cards and NEFT transfers, UPI transactions are often less expensive. For both individuals and companies, digital payments are now more affordable because to UPI's minimal transaction costs.

Impact of Plastic Money

- **Convenience:** Because plastic money is so very convenient, it has completely changed how people deal. People may carry a little card that enables them to make transactions practically anywhere, at any time, in place of carrying significant quantities of cash.
- **Globalization:** Debit and credit cards have made it easier to do cross-border transactions, which has aided in the process. People may go overseas without having to worry about currency conversion, simply make purchases from foreign stores, and conduct cross-border commerce using plastic money.
- **Financial Inclusion:** By providing access to banking services to those who would not have had access to conventional banking, plastic money has contributed to the promotion of financial inclusion.
- **Security:** Although there are dangers connected to using plastic money, such fraud and identity theft, payment card firms have put in place a number of

security measures to safeguard their customers. These include fraud monitoring systems, biometric verification, tokenization, and encryption, which all work to reduce risks and boost customer trust in electronic payments.

- **Rewards & Incentives:** Cardholders of many credit cards may take advantage of rewards programs, cashback incentives, and other benefits. In addition to giving customers more value, these perks promote card use and loyalty.
- **Digital revolution:** Plastic money has sparked the banking sector's digital revolution. Innovations in online banking, mobile wallets, payment processing, and other digital financial services have resulted from the transition from paper-based transactions to electronic payments.

Advantages of UPI

- **Convenience:** Real-time money transfers between bank accounts are easy and simple using UPI. With UPI-enabled applications, users can start transactions straight from their phones without having to exchange or remember bank account information like the IFSC code and account number.
- **Instant money transactions:** Including on weekends and holidays, UPI offers instant money transactions around-the-clock. UPI transactions are instantly completed, enabling users to send and receive money faster than conventional payment systems like RTGS and NEFT, which have specified working hours and settlement timeframes.
- **Interoperability:** Users may send and receive money across multiple bank accounts and payment applications with ease because to UPI's interoperability among banks and payment service providers. In the ecosystem around digital payments, interoperability fosters competition and innovation, giving customers more options and better services.
- **Cost-effective:** Transaction costs for UPI transactions are usually cheaper than those for more conventional payment systems like RTGS, IMPS, and NEFT. Because of this, UPI is an affordable payment option for both people and companies, particularly for low-value transactions.

- **Simplified Merchant Payments:** Both online and offline payments to merchants are now easier to complete using UPI. Users may pay using their bank accounts instead of using cash or actual credit cards by scanning a QR code or inputting a merchant's UPI ID, which improves the entire purchasing experience.
- **Encouragement of Cashless Economy:** By lowering reliance on cash transactions, UPI has helped the government in its endeavors to encourage a cashless economy. The use of UPI by more people and companies for daily transactions contributes to the decrease in the use of actual cash, which may be advantageous in a number of ways, including the fight against corruption, tax evasion, and black money.

Advantages of Plastic Money

- **Convenience:** Making transactions using plastic money eliminates the need for cash. Especially for significant purchases or while traveling, users may make transactions faster and more effective by merely carrying a little card instead of heavy cash.
- **Worldwide Acceptance:** Debit and credit cards are accepted practically anywhere in the globe, enabling users to make transactions and withdraw cash from ATMs. For companies doing cross-border transactions as well as foreign passengers, this offers flexibility and convenience.
- **Safety and Security:** To guard against fraudulent transactions and identity theft, payment cards are equipped with built-in security measures including EMV chip technology, PIN verification, and fraud monitoring systems. Furthermore, a lot of card issuers provide zero-liability agreements, giving customers piece of mind in the event of fraudulent activity.
- **Credit Facilities:** By giving customers access to a line of credit, credit cards enable them to borrow money for purchases that they can then pay back later. Building a credit history, making big purchases, and managing financial flow may all benefit from this. Contrarily, debit cards allow users to access money straight from their bank accounts, doing away with the need for cash or cheques.

- **Rewards & Incentives:** A lot of credit cards provide their users with rewards plans, cashback incentives, and other benefits. Travel miles, cashback on purchases, store discounts, and special offers are a few examples of these perks. Users may get more value out of their expenditure and optimize their credit card rewards by utilizing credit cards wisely.
- **Emergency Funds Access:** In the event of unforeseen costs or financial crises, payment cards provide their customers access to emergency funds. Plastic money provides a handy safety net for unanticipated events, whether via the limit of credit on a credit card or the access to savings or bank accounts on a debit card.
- **Payment card transactions are electronically recorded,** which facilitates convenient tracking of expenditures and financial management for consumers. In order to enable customers to check transaction history, track account balances, establish spending restrictions, and get warnings for suspicious activity, many card issuers provide mobile applications and online banking systems.
- **Transaction restrictions:** The National Payments Corporation of India (NPCI) and banks have set restrictions on UPI transactions. Depending on the user's bank, the kind of transaction, and the state of their KYC, these restrictions could change. When doing several quick transactions or high-value transactions, users could run into limitations.
- **Account Linkage Risk:** Since UPI necessitates connecting bank accounts to mobile phones, there may be privacy and security concerns in the event that the mobile number is hacked or account verification problems arise. Users must use care and make sure that the cell numbers they associate with their UPI accounts are reliable and safe.
- **Transaction Errors and Disputes:** Although UPI transactions are executed in real-time, they may sometimes fail because of technological issues, inaccurate information, or other factors. Users may find it difficult and time-consuming to resolve disputes and transaction failures, particularly when interacting with many banks and service providers.

Disadvantage of UPI

- **Dependency on Technology and connection:** Internet connection and technology play a major role in UPI transactions. Transactions may be hampered by network outages or technical problems with UPI-enabled applications, which can be inconvenient for consumers, particularly in places with inadequate internet access.
- **Security Concerns:** There are still hazards related to fraud, phishing attacks, and unauthorized access to user accounts even if UPI transactions are safeguarded by multi-factor authentication, which includes UPI PINs and biometric authentication. To reduce these dangers, users must maintain their vigilance and use recommended practices for online security.
- **Restricted Merchant Acceptance:** Although UPI has become quite popular in India, particularly for peer-to-peer transactions, its uptake by merchants—especially small, offline businesses—may still be restricted when it comes to comparisons with card or cash payments. For users who primarily depend on UPI for all of their transactions, this may provide difficulties.

- **Dependency on Bank Infrastructure:** The capabilities and infrastructure of participating banks and payment service providers are essential to the success of UPI transactions. The dependability and accessibility of UPI services may be impacted by problems with the bank's servers, systems, or procedures, which might have an effect on user satisfaction and system confidence.

Disadvantage of Plastic Money

- **Overspending and Debt Accumulation:** The propensity to overspend while using credit cards is one of their main drawbacks. The opportunity to buy purchases with credit may encourage people to spend more than they can afford, which might result in debt accumulation if they are unable to make their monthly credit card payments in full. Excessive interest rates on outstanding amounts may make the issue worse.
- **Fees and Interest Charges:** Credit cards sometimes include a number of costs, including annual, late, and cash advance fees, in addition to high interest rates on outstanding amounts. These

costs may mount up rapidly, especially for those who carry balances or routinely pay extra charges.

- Risk of Identity Theft and Fraud: Credit cards in particular are susceptible to identity theft and fraud. Via phishing schemes, data breaches, and skimming devices, thieves may get credit card information. Unauthorized transactions may cause losses in money as well as harm to the credit rating of the cardholder.
- Reliance on Credit: Using credit cards excessively for daily costs may lead to a reliance on credit and make it more difficult to become financially independent. It may become difficult for users to control spending and preserve money for the future without going into debt if they are used to borrowing money to support their lifestyle.
- Restricted Acceptance: Although debit and credit cards are commonly accepted, certain retailers, especially small companies and suppliers in rural regions, may not take credit or debit cards. For those who only utilize plastic money for transactions, this may be troublesome.
- Dependency on Infrastructure and Technology: Card networks, payment terminals, and banking systems are just a few examples of the infrastructure and technology that payment cards depend on. Any technological or technical problems, such as power outages, system malfunctions, or network problems, might interfere with card transactions and make it more difficult to access money.

CONCLUSION

The use of UPI makes the process of transferring money between two bank accounts very simple and effective. There is no need to recall someone else's or your bank's information. The Unified Payments Interface (UPI) is a safe and secure method that may be used for transactions between the sender and the recipient. Plastic money may also be used for the purpose of payment. UPI, on the other hand, is beneficial for making payments and receiving money instantaneously. UPI thus gained a lot of popularity in India.

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