

How UPI has changed the digital payments landscape across India?

– By Harshit Soni



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If a decade ago, I could tell you, there will be a time in the future when you don't have to leave your meeting; your favorite match!; and travel some miles to realize "It's a national holiday and your bank is closed today....!" or even if it's open the next day- you don't have to stand in the long, lethargic queue to get your money transactions done.

Indeed, you will have your very own personal assistant, who will do this for you. Day or midnight, no matter if you are in the midst of something, 24×7 and 365 days. It will do your transaction within a few seconds with the home seating luxury in the most authentic way, but it will charge you somewhere near... 'nothing' means absolutely for FREE.

I know you'd turn up to me and say "C'mon Pal, Come back to your senses

and Stop dreaming with your eyes wide open!"

Well! Well! Well! Thanks to the National Payment Corporation Of India who launched our so-called personal assistant back in 2016 'The UPI'. Which turns out to be the 'best financial innovation post-Independence in India' says who? A.T Fortune Magazine.

Seems like dreams do come true. Pal!

Without Further ado, let's get started

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So let's dig in more to understand **what exactly is this UPI and what it accomplishes.**

UPI stands for Unified Payments Interface. UPI is a digital interface with multi-layered protection, which collects or transfers money from the bank on your behalf through any UPI app installed on your phone. In short, it made payment simple. You don't have to follow mundane long steps like entering your Bank account number, ifsc code, and etc.

You only need the recipient VPA to conduct the UPI-based payment.

Now, what is this VPA? It stands for **Virtual Payment address**. VPA is your unique address which may look like this:-abc@upi

Which is linked to your phone number and bank account. Guess what! It is possible because 1.2 billion Indians have aadhar cards.

UPI works on an already existing IMPS network which has a wide range of networks and for secure transaction- dual-factor authentication. While walking through the woods of Meghalaya, you can easily transfer money to your friend rafting in Kerala.

Cherry on top! Now UPI transactions are possible without the internet too. But you may be wondering! cards were always the option, just one swipe, and Ta-Da.

In research of 2011, RBI (Reserve Bank Of India) found that on average, every individual had done about 6 digital transactions in a year. Though 10 million+ merchants accept card-based payments.

But **why did the card never make it into the mainstream?** What stops

it? Broadly The 3 reasons:

- Complexity: Not everybody owns a credit card and with a debit card, a machine is necessary. If digitally you have to transfer the money you still need to do the mundane step process.
- Charges: Retailers have to pay 2% to MasterCard and visa on transactions. For small merchants, it's too much.
- Frauds: Data breaching, phishing, and other cyber theft practices.

UPI comes in handy to rescue us from these problems. And the **Best feature of the UPI** is that it is 'Open and Interoperable'. This means it doesn't matter if you are using Google pay and making a payment to a merchant who is using Paytm, you can still do it by scanning the QR code. UPI frees you to do any transaction and doesn't bind you with any single application. Due to this feature, UPI is called "Policy Innovative".

Indeed this revolutionary innovation brings a lot of changes in India. At the time of lockdown, when the situation was so vulnerable that it was risky for us to give or take cash. UPI was our savior.

During that time PhonePay (UPI-based app) has taken a very good initiative by reaching out to the small merchants and vendors, and introducing them to the UPI.

If you look into the **Statistics**- back from April 2020, transactions via UPI were in total of INR 2 lakh crores to INR 4.93 lakh crores in April 2021, which now rises to INR 9.8 lakh crores in April 2022. This states UPI as Safe, efficient, and convenient, and more people are trusting it day by day. And why not? Cashless transactions are the best. Money in the bank gets saved but the cash in your wallet gets easily spent. Chances are higher that money will be invested and if not money in the bank earns interest.

By observing this growth Google recommended the US Federal Reserve to follow India's UPI example and build 'FedNow'. Imagine if one day you step into the world when you travel internationally, you don't have to carry any forex card and don't have to pay conversion charges to convert your currency from INR to dollars.

How UPI is competing head on with International payments gateway

In a world, where the Dollar holds the superpower for its global standards. International transactions are subtle.

International payments happen via swift. On a daily basis more than 30 million transactions occur with swift code, and banks charge \$25- \$65 on each transaction. If the entire world starts to accept UPI these charges can be reduced to some extent. Also, the swift was technology made in 1977 which is not secure or efficient in this world of cyber theft.

UPI has a whole lot of virtues! doesn't it?

It is Top rated by the Fidelity Nation. Fidelity Nation runs 40 government payment system tracking on International level. In comparison to UPI it only gives 2 star rating to China's internet banking on the basis of efficiency, tracking and various other parameters.

UPI is a part of green initiatives. It is better for the environment.

More Digital Transaction> Lesser number of printed notes.

Currency notes get torn, soiled & dirty and sometimes even autographed by smart people (definitely not you!). Thus, RBI has to replace them periodically which impacts the environment.

Conclusion

Hitherto, many countries have adopted UPI. Nepal was the first, and countries like Singapore, Bhutan, Malaysia, United Arab Emirates and France are in the queue.

As per the ACI worldwide & Global Data- India has conducted 25.5 Billion UPI based transactions, which in counting is more than the US & China. Adding to this, Economist Intelligence Unit Report 2021, says "India has emerged as global leader in UPI based Transaction".

Throughout the decade from cash to cashless we have come a long way and this journey is mind- blowing. UPI have your transactions covered in the most secure way. So if you are yet to delight yourself with its services, consider contributing your part in Digital India.