



A Study on The Future of Digital Payments in India

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Abstract

The goal of this essay is to determine India's current trend toward the use of digital payments. The phrase "digital payment" refers to sending money to someone else electronically or via the internet rather than using cash. The Government of India launched the Digital Payments project following the announcement of devaluation on November 8, 2024. The introduction of digital payments was intended to increase transaction transparency and getting rid of black money. In reality, it was a step toward a cashless society. Additionally, digital payments were promoted to provide the banks enough cash on hand so they can give people credit. Currently, a sizable portion of society has begun to use digital payment methods, but individuals are still afraid to use e-cash, debit cards, Internet banking, etc. The government first offered significant incentives for digital payments, however there has since been a decrease in this push. This study attempts to determine the factors that led Indians to embrace digital payments. It also attempts to learn about the issues consumers have when using digital payments.

Keywords: digital payments, cashback, incentives etc.

Introduction

This study examines people's attitudes toward the use of digital payment systems to increase operational transparency. Following the declaration of demonetization on November 8, 2024, the Indian government promoted digital payments. The longterm goal of the Digital Payments program was to establish a cashless economy. It was getting harder to obtain the statements of transactions and transfers made by individuals to other parties because of the rise in corruption and black money in India. The government started the "Digital India" effort to improve governance and operational transparency.

Review of Literature

Roy Sanghita; Dr. Indrajit Sinha (2022). Although India's e-payment system has grown significantly, there is still room for improvement in terms of adoption. Even so, cash accounts for 90% of all transactions. The Technology Acceptance Model was employed for the aim of investigation. The study identified four key variables that boost the e-payment system: innovation, incentives, customer convenience, and regulatory framework. Rakesh H M and Ramya T J (2021) conducted a study paper named "A Study on Factors Influencing Consumer Adoption of Internet Banking in India" to identify the elements that impact internet banking adoption



Objectives of the Study

- To determine people's attitudes toward the implementation of digital payments in India.
- To find out the challenges people confront when making digital transfers.
- To gain an understanding of the predicted future of digital payments in India.

Research Methodology

We employed both primary and secondary data in our investigation. A questionnaire was distributed to 110 participants to obtain primary data. Secondary data was acquired from numerous internet sources, including websites, publications, journals, and news. The many digital payment mechanisms accessible in India are as follows:

1. NFC or MST Transmission Wave Platform

Businesses employ MST and NFC technology to make transactions easier. You can simply pay retailers using POS (Point of Sale) devices that transfer magnetic waves wirelessly without having to swipe your card. Make sure your phone supports NFC and download the MST app to take advantage of this function. Once your card details have been registered, you can use your phone to make contactless purchases at any merchant's point-of-sale terminal.

2. A Digital Wallet Payment Scheme

This platform allows users to load money into their wallet. With the introduction of e-wallets, users can contribute funds through digital wallet apps. However, you can only transfer funds to the same wallet. If you have the Paytm or SBI's Buddy app on your phone, you can only send money to someone who also has these apps loaded. Money cannot be moved between the Paytm wallet and the SBI Buddy Wallet app. There are some other e-wallets available in the digital marketplace such as Mobikwik, Free charge, Oxigen, Jio Money, Paypal, Buddy, Pockets etc.

3. Payment Method using USSD Codes

If you don't have a smartphone or internet, you can still make payments by dialing the USSD

(Unstructured Supplementary Service Data) code from your basic phone and following specific instructions. You can easily complete your payments using these instructions. GSM-based technology enables transactions using messaging. It is a platform that serves as a conduit between banking and financial services in general and telecommunication in particular. To transfer payments, verify with your service provider for the unique dialing code for each banking app.

4. Mobile Money Identifier

MMID is a seven-digit unique identifier supplied by the bank after registering your mobile number. However, MMID only allows for daily transfers of up to Rs 10,000. Almost all banks offer the option of making minor payments.

5. UPI

UPI, an app-based payments network, has a unique feature that allows you to transfer money without sharing your account information or IFS code with the recipient. UPI enables instantaneous money transfers. UPI also allows various methods of transferring cash. UPI facility is available with all the banking apps like HDFC UPI, SBI UPI, ICICI UPI, AXIS UPI, and almost all the other private and public banks. Now, most of the bank are embedding their UPI feature within their mobile banking app only.

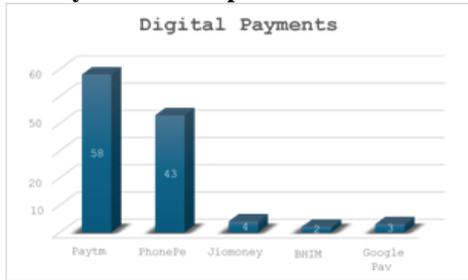
6. QR Code-Based Payment System

QR codes enable simple payment transfers by scanning the merchant's QR code. It is widely used in digital payment apps such as BHIM and banking apps to facilitate payment transfers. The black square stores item information, and scanning the code automatically transmits it to the smartphone for payment. It is not possible to transfer funds between the SBI

Buddy Wallet app and the Paytm wallet. The government launched the Bharat QR code to promote digital payments across all channels.



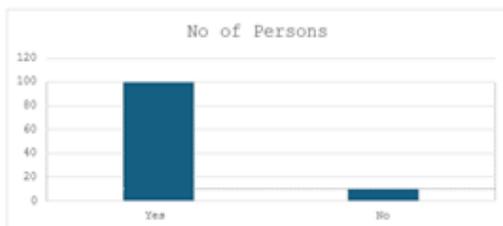
Data Analysis and Interpretation



Interpretation The above data has shown that Paytm has been the most favourite app for digital payments.

- 58 persons out of 110 persons use Paytm for their Payments.
- 43 persons use PhonePe
- 4 persons use JioMoney.
- 2 persons use BHIM.
- 3 persons use Google Pay (TEZ). 16 persons use Cards for making payments.

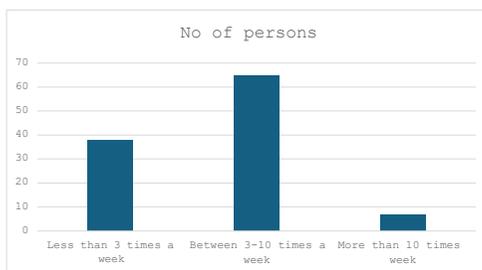
Analysis of think that Digital Payments are Safe Enough



Interpretation

- 100 persons said they found digital payments safe enough.
- 10 persons said they found digital payments unsafe to some extent.

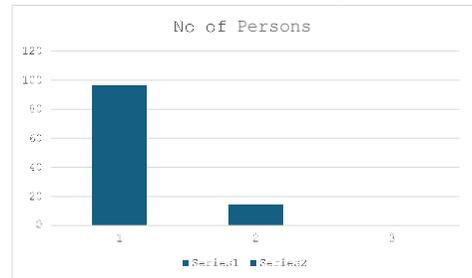
Analysis of How Frequently do you make Digital Payments in a Week



Interpretation

- 38 persons said they make Digital Payments for less than 3 times a week.
- 65 persons said they make Digital Payments between 3 to 10 times a week
- 7 persons said they make Digital Payments for more than 10 times a week.

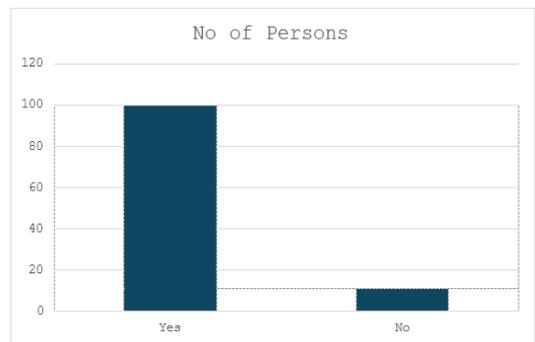
Analysis of Do you think Digital Payments can Reduce or Eliminate Black Money from India



Interpretation

- 96 persons said digital payments can reduce or eliminate black money from India.
- 14 persons said they don't think it can help in reducing corruption or black money.

Analysis of Do you find Digital Payments as Cheap Mode than Cash Payments



Interpretation

- 99 persons found digital payments to be cheaper than cash payments.
- 11 persons said they didn't found digital payments cheaper than cash payments.

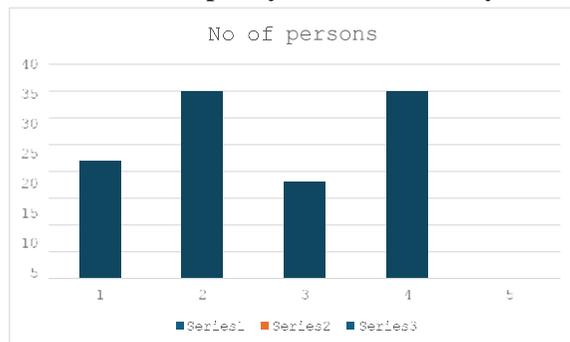


Analysis of Why are you Shifting to Digital Payments

People expressed a variety of viewpoints and explanations for their shift. They are as follows:

- There is no need to carry large amounts of cash. Cashback offers.
- A simple and quick way to make payments. Easy to track the record of Payments.

Analysis of in how much time do you think India can Achieve Completely Cashless Economy



- 22 persons said India can become completely cashless economy within 5 years.
- 35 persons said India can become completely cashless economy within 5-10 years.
- 18 persons said it will take 10-20 years to become completely cashless economy for India.
- 35 persons said it is impossible

Significant Difficulties or Issues with Digital Payments

1. People do not trust digital payments.
2. A lack of knowledge and consciousness among those who are less educated or knowledgeable
3. Reduced depend ability as are fraud and hacking incidents
4. Occasionally, internet connection is lost.
5. Delayed cash back processing by ecommerce and e wallet companies
6. Occasionally, payments are blocked and the consumer is not notified of the payment status.

India's Future Digital Payments

It appears that India will have ample time to transition to a cashless economy. It will require

complete support from people and more awareness and knowledge among people. To increase the quantity of digital transactions, the issue of low digital literacy and education must be resolved first. Additionally, cashback programs are currently effective; however, in order to increase digital transactions in India, eradicate black money, and promote long-term economic growth through a cashless economy, a dedicated, secure, and extremely dependable payments network is needed. We can undoubtedly have a bright future for digital payments in India if we accomplish this.

Conclusion

The shift to a cashless economy is undoubtedly a positive one, but reaching a fully cashless economy will take time. Both the government and private sector businesses are making good progress with their e-wallet apps, such Paytm, PhonePe, and others. The biggest challenge in front of government is the lack of knowledge and awareness among people and fear of loss of money by use of digital payment methods risk of hacking. The government needs to tackle the challenges to have cash less economy and to give a boost to digital payments to provide sustainable economic development to the country in the long run.

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