

Digital Services by Indian Commercial Banks: An Evaluation

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Abstract- Recent banking Revolution has become a game-changer for the Indian economy. The Unified Payments Interface (UPI) has transformed India's digital payment ecosystem since its launch in 2016 by the National Payments Corporation of India (NPCI). It enables instant bank-to-bank transfers through mobile applications, promoting fast, secure, and convenient transactions. UPI has experienced exponential growth, recording billions of transactions monthly and becoming the backbone of India's digital economy. It has strengthened financial inclusion, reduced cash dependency, and encouraged digital banking and fintech innovation. The Government's initiatives and RBI policies have encouraged the UPI to continue to expand across sectors. Despite challenges such as cybersecurity risks and technical issues, UPI is expected to drive India's future digital financial transformation. Nowadays, the Government is working hard for its global acceptance, and as a result, the Indian UPI system is being used in more than 7 countries.

I. INTRODUCTION

The Unified Payments Interface (UPI) has revolutionized the way India conducts financial transactions. Since its launch in 2016 by the Public Payments Corporation of India (NPCI), UPI has become the backbone of digital payments in the country. It converted Indian banking from traditional branch-based operations to moment, mobile-first digital payments, allowing users to transfer wealth in real time using a smartphone. moment, UPI isn't only a payment platform but a major motorist of India's digital frugality. Its reach spans across metros and pastoral India, making it one of the most extensively used payment systems.

Objective

1. To study and analyse the trend and pattern of UPI payments

2. To analyse the impact of UPI Payments on the Banking Sectors in India

What Is UPI

UPI — stands for Unified Payments Interface is a mobile payment system that enables instant bank-to-bank money transfer. Druggies can shoot or admit a plutocrat using a Virtual Payment Address (VPA) rather than their participating bank account details, making deals hastily and more secure. UPI integrates multiple bank accounts into a single mobile operation and supports features like

- Peer- to- peer merchant payments
- Instant fund transfer
- QR code payments
- Bill payments and subscription collections

Apps like PhonePe, Google Pay, Paytm, and BHIM are the most popular UPI platforms.

UPI Transaction Growth in India (2016 – 2026)

Year / Period	Transaction Volume (approx.)	Transaction Value (approx.)	Key Trend
2016	2.65 million	₹893 crore	UPI was launched by NPCI in April 2016
2020	15.12 billion	₹26.5 lakh crore	Digital payments increased during COVID-19
2025	228.3 billion	₹299.7 lakh crore	Strong expansion in digital payments
Jan 2026	21.7 billion	₹28.33 lakh crore	Avg. 700 million transactions

			daily
Feb 2026	20.39 billion	₹26.84 lakh crore	Continued strong monthly performance

Impact of UPI on the Indian Banking System

UPI has significantly transformed the traditional banking system in India. Earlier, customers had to visit bank branches for many financial transactions, but with the introduction of UPI, most banking services are now accessible through mobile applications. This digital transformation has improved operational efficiency and reduced transaction costs for banks. UPI has also played an important role in promoting financial inclusion. Even small merchants, rural users, and low-income group people can now participate in the formal financial system with just a smartphone and a bank account.

Furthermore, UPI has strengthened digital banking services such as mobile banking, internet banking, and digital wallets. Banks are increasingly focusing on technology-driven services and innovative financial products rather than relying solely on traditional banking methods. Another important impact of UPI is the reduction in cash transactions. Digital payments are safer and more transparent.

Role of the Government and RBI

The Government of India and the Reserve Bank of India have actively supported the growth of the UPI ecosystem. Several initiatives have been taken to strengthen public trust in digital payments. These include maintaining zero or minimal transaction charges, conducting digital payment awareness campaigns, implementing cybersecurity guidelines, and integrating UPI with various government schemes. UPI has also been linked with major initiatives such as Aadhaar, Jan Dhan accounts, and the Direct Benefit Transfer (DBT).

UPI and the FinTech Revolution

UPI has also accelerated the growth of FinTech companies in India. FinTech firms are leveraging the UPI infrastructure to provide innovative financial services such as Buy Now Pay Later (BNPL) options, digital lending, subscription-based payments, and QR-code-based merchant solutions. This

collaboration between banks and FinTech companies has created a highly competitive and innovative financial ecosystem, encouraging the development of new technologies and services.

Challenges to the UPI System

Despite its success, the UPI system faces certain challenges that need to be addressed for sustainable growth. One of the major concerns is cybersecurity risks, including fraud, phishing attacks, and fake mobile applications that can mislead users. Technical issues such as server time-outs and transaction failures can also affect user confidence in digital payment systems. In addition, digital literacy remains a challenge, especially among rural populations and elderly users who may not be fully aware of the safe use of digital payment platforms. Data privacy and protection of sensitive financial information are also important concerns that require strong regulatory measures and technological safeguards.

Future Prospects of UPI

The future of UPI appears extremely promising as the platform continues to evolve and expand. Several emerging developments are expected to shape its future growth. These include the international expansion of UPI to other countries, the introduction of credit facilities through UPI, deeper integration with global payment systems, and increasing adoption by e-commerce platforms and MSMEs. The UPI is expected to become a global model for digital payment systems with its simplicity, efficiency, and scalability.

II. CONCLUSION

The UPI revolution has fundamentally converted the traditional Indian banking system into a digital banking system. It has made banking services brisk, more accessible, and inclusive. UPI has strengthened transparency in the economy and boosted fiscal innovation. However, challenges remain in the domain of UPI, such as nonstop technological advancement and possible spelling mistakes, etc.

Consistent Support to UPI by the Government of India and the RBI will ensure sustainable and inclusive growth of the nation. UPI is not just a payment platform but an important driver of digital

India. UPI Payments has reduced frequent visits of customers to banks, resulting into improved efficiency of banks.

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