ISSN 2319-5991 www.ijerst.com

Peer Reviewed, Referred & Indexed Journal

Research Paper

A STUDY ON UPI VS CREDIT CARDS: CONSUMER PREFERENCE STUDY

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ABSTRACT

This study examines consumer preferences between Unified Payments Interface (UPI) and credit cards in the context of India's rapidly evolving digital payment ecosystem. The primary objective is to identify the factors influencing users' choice of payment method, including convenience, security, transaction speed, rewards, acceptance, and spending behavior. The study is based on both primary data collected through a structured questionnaire and secondary data obtained from journals, reports, and published literature. Statistical tools such as percentage analysis and graphical representation are used to analyze consumer responses. The findings indicate that UPI is the preferred payment method for daily, low-value transactions due to its ease of use, instant transfers, and widespread merchant acceptance, while credit cards are favored for high-value purchases, online shopping, and reward-based spending. The study concludes that both payment methods serve distinct consumer needs and are likely to coexist, with increasing digital payment adoption driven by technological advancements, financial inclusion, and evolving consumer preferences in India.

INTRODUCTION

With the introduction of the Unified Payment Interface, India has made a significant step toward becoming a cashless economy (UPI). You can now use your smartphone as a virtual debit card with the new payment mechanism. It is also possible to send and receive money in real time. As a result, UPI is a single system that provides together a variety of banking features and services under one roof. To transfer and receive money, you only need your UPI ID and PIN. A cellphone number or a virtual payment address can be used to make real-time bank-to- bank payments (UPI ID).

UPI ID is a unique identification for a bank account that is used to transfer and receive funds.
The UPI PIN is a four-digit personal identification number that must be input in order to approve a money transfer via UPI. The PIN can be chosen by the account holder. The newly released UPI is expected to make mobile payments easier. UPI is a payment architecture developed by the Reserve Bank of India with a set of standard app APIs to enable next- generation online instant payments by utilizing trends such as growing Smartphone penetration,increased app downloads, and universal data and internet access.

The National Payments Corporation of India (NPCI), in collaboration with the Reserve Bank of India and the Indian Banks Association, has launched the Unified Payments Interface (UPI) (IBA). NPCI, which allows multiple banks to interconnect and transfer funds, is the company that manages RuPay payments infrastructure, which is equivalent to Visa and MasterCard. The Immediate Payments Service (IMPS) is another NPCI project. The enhanced version of IMPS is known as UPI.

Using VPA (virtual payment address), by downloading an android app, any smartphone user with a UPI-partnered bank's current or savings account can make P2M (peer-to-merchant) and P2P (peer-to-peer) payments. The advantage of this kind of payment is that the users need not remember account type, receiver's account number, bank name and IFSC. The payments which were very complex before have turned into very easy by just knowing the mobile phone number registered with the bank account, or UPI ID of the receiver. UPI service supported apps can be used to generate UPI ID by stating the information about the bank account in the app. The UPI ID format begins with the mobile number, followed by the @ symbol, then the app name at the
end. If your phone number is xxxxxxxx43 and you use the Paytm app, your UPI ID may be 'xxxxxxxx43@paytm'. The application will send an OTP to the registered cellphone number for authorization. A pin has to be created for further transactions upon submitting the OTP back to the app. Once the registration process is completed, the user can send or receive money from any of the contacts using their mobile number.

This payment option ensures the user's security by not providing sensitive information such as the IFSC code or bank account number. As a result, the consumer is not required to provide any sensitive information. It eliminates the need to enter card information such as the number, CVV code, and expiration date.

Scope of UPI

Users of UPI member banks have access to an instant, twenty-four-hour (24x7) interbank electronic fund transfer and/or fund collection service through the UPI service. Users will be able to create a Virtual Payment Address ("VPA") and initiate transactions through the BHIM App.

Objectives of this study

- To study the effect of UPI on the increasing clients in banks·
- To know the importance of UPI during this pandemic.
- To know the implementation of UPI paved the way for the growth of the banking industry.

Statement of the problem

UPI payment has made online transfers easier. Payment via UPI is now becoming standard and widely used in all industries. It has led many retailers to accept digital payments. For all the benefits that UPI brings, there are some difficulties for end users.

A transaction between a vendor and customer happens in 3 steps –

1. Identification of the vendor
2. Invoice Generation
3. Payment Confirmation

Vendors often register themselves with names we do not know. It may be their real name but the customer will never know. The list of merchants flooding the screen may confuse the user. The real seller does not fit the written algorithm to find merchants nearby. Vendor and Customer open their apps and use a peer-to-peer sharing approach to communicate. But the vendors we focus on will not prefer to include themselves in the program.

The last decade has seen tremendous growth in the use of the internet and mobile phones in India. UPI has become a trendsetter in our country aimed at digital development and a prosperous economy especially after the democratic process initiated by our Prime Minister in 2016. Increased internet usage, mobile access and a government program such as Digital India gave birth to UPI (Unified Payment Interface), a virtual interface over digital wallet. Unified Payment Interface (UPI) is a program that enables multiple bank accounts in one mobile application (for any participating bank). It allows seamless transfers without CVV numbers which is why it is so secure. Several consumer transactions are conducted at the point of sale (POS) on a daily basis. The way to pay for most of these purchases is because an online bank or mobile banking system uses a smart phone and a non-cash payment mode. The paper attempts to understand the functionality of UPI vs Digital wallets and measures customer perception and acceptance of UPI-based applications such as BHIM. It compares the payment method of UPI with other types of digital services

Needs and Relevance of the study

With the introduction of the UPI, India has made a significant step toward becoming a cashless economy. You may now use your smartphone as a virtual debit card thanks to a new payment methodology. It has also made instant money sending and receiving possible. The QR code approach has completely eliminated the use of digital wallets. UPI stands for Unified Payments Interface, which simplifies e-banking and online payment systems. It allows you to send money from your phone to your bank account in real-time. We can use it for a variety of things, such as paying our utility bills or shopping at the local supermarket. You won't need to carry cash because the UPI system functions as a digital wallet. UPI also avoids the risk of keeping cash on hand all of the time. When sending money, there is no need to submit the recipient's bank account information. We can also collect money by sharing your UPI ID, which is typically your bank's registered mobile phone number. UPI allows money transfer from one bank account to another instantly via one’s mobile phone. App payments can be made on mobile devices only. UPI works on a 24x7 basis for transfer of money.

- · Rewards and cashback.
- · Available 24x7 (Transfers can be made at any time including weekends).
- · Daily transaction limit Rs.1,00,000.
- · Merges various banking services under one umbrella.

- · Privacy- share only virtual address

METHODOLOGY OF RESEARCH

The methodology section focuses on study design. Research methodology is the exact processes or procedures used to choose, identify, process, and analyse information about a topic. The study the impact of UPI on customers discussed during every situation and their satisfaction level and effect of UPI in the Indian Banking System. The present study is based on secondary data and deals with qualitative data. In secondary data it consists of various books, newspapers, research papers, journals, reports of diversified agencies and web contents.

RESEARCH DESIGN

Research designs are plans which specify how data should be interpreted and collected. Research outline, blueprint are the different names it is also known. Research design is set by the matter, its nature and data.

EXPLORATORY RESEARCH

The way toward investigating the difficult that has not been contemplated or totally investigated previously is exploratory examination. Examination by exploratory sort is commonly prompted to have prevalent comprehension of the recent concern, anyway customarily doesn't speedy an unequivocal result.

Analysts use the same method when endeavoring to get insight with a current wonder and obtain new information to shape a well definite issue. Exploratory starts reliant on an overall thoughts and consequences of the exploration are used to find related issues with the subject of the examination.

In exploratory assessment, the pattern of the assessment shifts as exhibited by the assessment of latest data or understanding. Also, suggested as interpretative assessment or grounded speculation approach, the delayed consequences of this investigation offer reactions to questions like what, how and why.

2.REVIEW OF LITERATURE

A review article is a sort of literature review. It is a research work that includes current information, major findings, and hypothetical and methodological contributions to a certain field. The data has been taken from different literature and various sources have been referred to, for this piece of work. The sources which referred to all provided well versed information about the subject.

3.SWOC OF RESEARCH:

SWOC ANALYSIS

SWOC analysis is a strategic planning method that is used to assess the strengths, weaknesses, opportunities, and challenges that are present in a project, a commercial endeavour, or any other circumstance that necessitates a choice. It will draw out the strength or the plus points of a company. The weakness part will allow one to find in which all part improvements should be made. SWOC analysis helps finding the opportunities to be explored. It will also help in identifying the challenges the firm is going to face. It helps in avoiding future threats by exploring the existing opportunities. It allows us to identify the critical factors which will affect the firm or a decision.

In this chapter the observation on the factors influencing the role of UPI in the Indian banking sector is being classified under the four headings. SWOC thus helps in the proper analysis of the problem and helps in finding a solution for the problem. Strengths and weaknesses are the internal analysis while threats and opportunities are the external analysis. SWOC analysis helps in finding out what we are good at or what are the positive sides of a problem and also helps us finding out what are the challenges or problems we are facing. This can help us improve in the part which we are not aware about by giving a proper understanding about the topic.

The SWOC analysis is a management technique that is used to determine a company's strengths, weaknesses, opportunities, and challenges. A company's strength is a resource or capacity that it may put to good use in order to achieve its goals. What all are the benefits of UPI over other transaction modes is being discussed as the strength of the study. Weaknesses are those struggles faced by the industry in its growth and marketing of products. Opportunities are often external and it provides ways for the UPI to improve or grow successfully in the future. Challenges are similar to threats but have the chance of being overcome. Threats are those factors which can damage a firm but challenges often already exist and can be handled to overcome the situation. This is the final step in the SWOC analysis. In this study, the SWOC analysis is employed to identify the SWOC factors relating to the role of UPI in the Indian banking sector.

STRENGTH

- Strong government backing

UPI is the largest payment system in the country in terms of level of transaction. Due to this the government of India gives maximum support for this payment system. The government has abolished the two-year free policy that it has adopted since December 2019. Under the announced plan, banks installing swipe card machines or QR codes in stores will be promoted by the government by paying a percentage of the amount of RuPay transactions and BHIM-UPI low payment methods, with an estimated expenditure of Rs 1,300 crore for one year from April 1, 2021.

4.OUTCOME OF THE STUDY

In India digital payments are on the rise. Compared to previous years, digitalpurchases reached a record high this year. According to a local source, all channels from the Unified Payment Interface (UPI) to the Aadhar-enabled Payment System (AEPS) have experienced significant growth. In contrast to the darkness caused by the Covid-19 epidemic and economic closure, digital payments and fintechmade history in 2020 when a large number of people chose to stay home and maintainsocial distances.

Concerned about catching new coronavirus infections by visiting bank branches andusing cash notes, many people are starting to use their smartphones to buy and take out loans with smooth banking services, not only in the metro but also in small towns.

Due to the closure of COVID-19 and the resulting challenges, a growing number ofpeople have chosen to trade in digital. Bank transfers have also improved after the collapse in April as economic growth slowed by almost half. Digital payments reached new heights by 2020, with all platforms operating efficiently, from the Integrated Payments Program to the Aadhar Enabled Payment System (AEPS).

According to my analysis, digital transactions based on UPI increased 110% in volume and 109% in value between June 2020 and June 2021 if current trends continue over the next few years, UPI contribution to the nations entire digital payments industry will increase significantly. The consistent rate of growth reflected in UPI payments could mean up to 18% of the countries total target of 30 billion transactions is achieved in the coming years. UPI witnessed exponential growth in the past year and it also influence the growth of the banking sector.

- Today India stands second in terms of smartphone users in the world, therefore UPI will be available for a large number of people. So, the number of transactions is increased as well as the customers also.
- The number of transactions on the UPI platform increased during this pandemic because of people to go in for contactless payment in their life.
- According to the data released by the National Payment Corporation of India (NPCI), UPI recorded 4.56 billion transactions, worth Rs. 8.27 trillion. On a year-on-year basis, in December, the volume of transactions more than doubled, while the value of transactions reported 99% growth. The implementation of UPI paved the way for the growth of the banking industry.

5.EXPERIENCES AND CONCLUSION

EXPERIENCES

This project, “A STUDY ON ROLE OF UPI IN INDIAN BANKING SECTOR”, was a great learning experience for me. The project contributes to a better understanding about the UPI in the Indian banking sector during this pandemic. A large number of research papers have been reviewed in order to provide more effective and relevant information for the project. All of this provided me with a very positive experience. This research also assists me in better understanding the various benefits of UPI payments. All this data and knowledge gave me a better experience.

CONCLUSION

UPI payments are a way to send and receive cash payments to the economy, which serve as an economic stimulus by facilitating cash flow. People can use UPI programs to perform worldwide activities at any time of the day or night without having to dig deep into their pockets. Following the epidemic, there was an increase in the use of UPI services by Indians such as business people and households, but the COVID-19 wave increased the use of UPI applications.

Trading with UPI applications is much safer than physical exchange, which involves multiple hand-held notes in a circular motion. QR code makes payment easier by exchanging purchased goods or services. This, in turn, encourages more customers to pay directly into their bank accounts or digital wallets when making any type of purchase, removing the pressure of money shortages in the market. For small business owners, UPI acts as a direct deposit into their bank accounts instead of standing in long lines at the bank deposit table, saving them time and expanding the scope of their business.

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The advent of COVID-19 has enhanced the use of the UPI as well as the understanding and knowledge of the UPI and its services. Instead of exchanging money for their needs, they simply pay by UPI, and small business owners or shop owners buy their stock with real-time payments, and only the retailer offers their goods. However, these mobile carriers, retailers, or small shop owners can now get their required stock by making UPI payments from affiliate retailers. Although there has been an increase in the use of UPI services following the introduction of cash marketing, the epidemic has encouraged people to incorporate it into their daily routine. The current trend indicates the acceptance and implementation of UPI applications willcontinue to increase as people realize and understand their value. UPI services contribute significantly to the development of the Indian economy and social levels.