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THE ROLE OF UPI IN CHANGING CONSUMER PERSPECTIVE AND GROWTH OF E-COMMERCE IN INDIA

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ABSTRACT

Introduction of UPI has revolutionized the face of India's digital payment by offering the features like simple, secure, and accessibility for the transactions. This has in turn influenced the perception of consumers and has accelerated drastic growth in e-commerce. This research paper mainly focuses on role of UPI in shaping the behaviour of consumers and also expanded the online commerce. The study uses secondary data to examine this change in the payment ecosystem, the challenges faced after the introduction of UPI over the years and key findings after the research. The research paper also highlights behavioural changes, trust building, and consequences of online retail platforms. Overall, UPI emerges as a catalyst for India's digital economy, driving both consumer confidence and sustainable e-commerce growth. The paper has concluded that UPI has transformed consumer behaviour and significantly contributed to the growth of e-commerce in India. It has enhanced payment efficiency, reduced transaction barriers, and increased consumer trust. The study concludes that UPI is a key driver of digital transformation in India.

KEYWORDS: UPI, Digital Payments, Consumer Behaviour, E-Commerce, India

INTRODUCTION

UPI has become the demand of the hour. After its introduction in 2016, the financial system of the country has witnessed a rapid change. Go cashless economy gained speed after demonetization. If we see around us today, digital payment has become the heart of the financial transactions in the country. Consumers have started relying on the digital mode of payment. UPI system unable instant and secure payment across the banks or different mobile platforms makes digital transaction easier for the consumers. Digital transactions have turned out to be the game changer.

Go cashless economy has not only shaped the behaviour of the consumers but has also changed the face of the e-commerce platforms. It has led to the expansion of e-commerce platforms across the



country on a wide range. Consumers who once used to rely on cash-on-delivery, now prefer digital payments as a secure and easy mode of transaction. This shift has reduced friction in transactions, lowered operational costs for e-commerce firms, and empowered small businesses to reach wider markets without complex payment infrastructure. In addition to this the attractive offers and rewards offered by the e-commerce platforms like Amazon, Flipkart, and many more becomes one of the reasons behind the reliance of consumers. This in turn has boosted the confidence of consumers towards the use of digital payment system.

This paper explores how UPI has acted as a catalyst in changing consumer perspectives and driving the growth of e-commerce in India. It examines behavioural shifts, trust-building mechanisms, and the long-term implications of UPI adoption for India's digital economy.

REVIEW OF LITERATURE

- **Shruti Bhutani & Suman Pahal (2025);** Retailers and UPI in India: A systematic review of adoption, barriers and opportunities. The research paper gives a systematic review on the adoption of UPI among the Indian. The main reason behind the adoption of UPI by the merchants is easy and clear dispute resolution, and trustworthy infrastructure. In addition to this, new features offered like UPI, RuPay credit card linkage and many more make it more useful for the businesses. At times shopkeepers worry about the frauds or failed payments, and efforts required to put in for reconciliation. The study reflects on the potential of UPI, but still the adoption varies across urban and rural areas.
- **K. A. Hire (2025);** Impact of UPI and digital payments on e-commerce adoption in India. The research paper focuses on the way UPI has reshaped the ecommerce landscape. It also talks about the features offered by UPI like low cost, speed, and many more as the key drivers behind the adoption of UPI. Over the time it has reduced the checkout friction, and enhanced the trust of consumers on UPI. This has also encouraged the small merchants to participate in digital commerce. It also notes that transaction data from UPI supports new business models such as embedded finance and personalized offerings. However, challenges like fraud risks, infrastructure strain, and the persistence of cash-on-delivery remain. The paper concludes that while UPI is a catalyst, complementary measures in logistics, literacy, and consumer protection are essential for inclusive growth.
- **Shubham Wandhekar, Mahesh Jadhav, Chetan Rasal (2025);** Unified Payments Interface (UPI): A Technological Revolution in India's Cashless Economy. Study was conducted to analyse UPI as a digital payment system that boosts the India's go cashless economy. The research paper also included the comparison between public and private banks, which showed that one hand public banks dominate transaction volumes, and on the other hand private banks dominate in user friendly apps and reliability. The study also stressed on the features of UPI like simple design, multitasking, and use of API as the

main reason behind the adoption in rural as well as urban areas. In addition to this, the research paper also identifies the challenges faced by the usage of UPI such as online scams, and many more. In conclusion we can say that, UPI is working as a catalyst for financial system, but needs to improve the security and global reach to survive in the long run.

RESEARCH METHODOLOGY

Type of Research: The research design is Descriptive and Analytical

Data Source: The data used to carry out the process of research is Secondary data (RBI, NPCI, journals), and published research papers

1. Statistical Tool: Chi-Square Test
2. Method: Tabular and percentage analysis

OBJECTIVES OF THE STUDY

1. To examine the growth of UPI system in India.
2. To analyse the change in the perception of consumers after introduction of UPI.
3. To analyse the role of UPI in trust building of consumers.
4. To test the relationship between UPI usage and consumer buying behaviour.

Hypothesis of the Study

H0: UPI usage and consumer buying behaviour are not connected.

H1: UPI usage and consumer buying behaviour go hand in hand.

Data Analysis and Interpretation

Table 1: Growth of UPI Transactions

Years	Volume (Billion)	Growth (%)
2018	0.92	–
2019	5.35	48.1%
2020	12.51	134%
2021	38.74	210%
2022	74.05	91%
2023	117.6	59%
2024	130+	10%

Interpretation: The table shows a widespread growth in the transaction through digital mode after the adoption of UPI system. This shows the popularity gained by the UPI among the consumers within very short time span.

Table 2: Consumer Preference Towards UPI

Factor	Percentage
Convenience	48%
Speed	22%
Security	15%
Cost	10%
Others	5%

Interpretation: The table shows different reasons behind the adoption of UPI as a transaction tool. The primary factor responsible for considering UPI as a mode of transaction is convenience.

Table 3: Impact on E-Commerce

Indicator	Before UPI	After UPI
Transaction Frequency	Low	High
Cash Dependency	High	Reduced
Checkout Time	Long	Short
Customer Trust	Moderate	High

Interpretation: The table shows the Impact of UPI on the e-commerce. Hence from the recorded data we can say that UPI has enhanced the efficiency of the e-commerce platforms over the time.

Hypothesis Testing

H0: UPI usage and consumer buying behaviour are not connected.

H1: UPI usage and consumer buying behaviour go hand in hand.

Observed Data

Category	High Usage	Low Usage
Frequent Buyers	120	30
Occasional Buyers	80	70

Result

Chi-square value = 24.00

Critical value (5%) = 3.84

Decision: Reject H0

Interpretation: Hence, we can say that UPI usage and consumer buying behaviour go hand in hand.

FINDINGS

After the research has been conducted, here are few major findings after the research;

- Consumers have started trusting more in the digital payments, showing the shift in consumers preference over the time.
- The speed and convenience of the digital transactions have improved due to the introduction of UPI.
- The growth of e-commerce can be directly associated with adoption and trust building of UPI.
- Statistical data confirms a significant impact of UPI in changing the financial ecosystem of the country.

CHALLENGES

The research paper shows some of the major challenges faced by the consumers after the adoption of UPI in their lifestyle. The major challenges are as follows:

1. UPI has made the transaction easy but has also increased the risk of cybersecurity. Hence, it has become essential for the consumers to be aware of the online risks and the rules of the cyber security so that risks can be avoided.
2. Adoption of the UPI has failed to fill the literacy gaps among the consumers.
3. One of the major challenges faced after the adoption of UPI is internet connectivity. Even today there are regions with low network, making the process of transactions difficult.

CONCLUSION

The adoption of the Unified Payments Interface (UPI) has significantly reshaped India's digital payment ecosystem and consumer outlook toward cashless transactions. By offering simplicity, interoperability, and instant transfer capabilities, UPI has bridged the gap between traditional banking and modern digital commerce. Consumers who once relied on cash or cash-on-delivery now increasingly prefer secure, seamless, and transparent digital payments, reflecting a clear behavioural



shift.

For e-commerce, UPI has acted as a catalyst—reducing transaction friction, building trust, and enabling small businesses to participate in the digital marketplace. Its role in promoting financial inclusion is evident, as it empowers both urban and rural populations to access digital platforms with ease.

However, sustaining this growth requires addressing challenges such as strengthening cybersecurity, enhancing consumer awareness in rural areas, and expanding UPI's reach to international markets. With continued innovation and policy support, UPI is poised to remain a cornerstone of India's digital economy, driving both consumer confidence and the expansion of e-commerce in the years ahead. Adoption of UPI has changed the behaviour of the consumers and has played a vital role in the expansion of e-commerce in India.

UPI has transformed consumer behaviour and significantly contributed to the growth of e-commerce in India. It has enhanced payment efficiency, reduced transaction barriers, and increased consumer trust. The study concludes that UPI is a key driver of digital transformation in India.

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