

GOVERNMENT INITIATIVES FOR DIGITAL PAYMENTS IN INDIA: A COMPREHENSIVE OVERVIEW

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Abstract

The “Government of India” has introduced a range of initiatives to encourage digital payments, with the goal of decreasing cash dependency and increasing financial inclusion. These efforts cover multiple sectors and are intended to benefit both consumers and merchants alike. This study aims to explore and evaluate key government initiatives that considerably contributed to the promotion of digital payments in India. It specifically examines flagship programs such as Digital India, PM Jan DhanYojana (PMJDY), UPI, BHIM, Aadhaar Enabled Payment System (AePS), and PM Street Vendor’s AtmaNirbhar Nidhi (PM SVANidhi). Study relying on secondary data obtained from certified portals including those of the Ministry of Finance, RBI, NPCI, and NITI Aayog, the research offers a descriptive analysis of how these initiatives have transmuted India’s digital and financial landscape. The findings highlight that the Digital India Programme has played a vital role in building robust digital substructure and facilitating inclusive access to digital services. Platforms like UPI and BHIM have revolutionized financial transactions, while PMJDY and PM SVANidhi have enhanced financial inclusion among marginalized communities. The study underscores the synergy between technology, governance, and financial inclusion in driving economic empowerment. It concludes that these integrated efforts have stood India as a global front-runner in digital transformation, setting a foundation for sustained growth and revolution in the years ahead.

Keywords: Digital Payments, Government Initiative, Aadhaar, PMJDY, Startup India

Introduction

Government initiatives play a crucial role in India, given the nation's wide-ranging socio-economic disparities and complex development needs. Many people across the country still struggle with poverty, joblessness, and limited access to essential services. These initiatives are vital for addressing such challenges and ensuring inclusive growth for all sections of society. Government schemes like MGNREGA, PMAY, and PDS aim to ensure social welfare and financial inclusion, while initiatives like Skill India and Startup India promote employment and entrepreneurship among the youth. Programs targeted at rural development, such as PM-KISAN and PMGSY, help bridge the urban-rural divide and support the agrarian economy.

Furthermore, public interventions are crucial to enhance healthcare, education, and infrastructure, especially in underdeveloped regions. Schemes like Ayushman Bharat, Samagra Shiksha Abhiyan, Bharatmala, and Digital India aim to create accessible, modern services. In addition, initiatives addressing climate change and sustainability—like UJALA and Swachh Bharat—highlight the government's role in environmental stewardship. Focused efforts to empower exposed groups through schemes such as Stand-Up India and Beti Bachao Beti Padhao reinforce the necessity for inclusive development. These initiatives collectively foster balanced growth and national progress, which cannot be accomplished by market forces alone.

Digital payments in India state to the seamless transfer of money through electronic modes, without the requirement for physical cash. Over the past decade, India has watched a rapid renovation in its payment ecosystem, driven by technological advancements, government initiatives, and growing smartphone and internet penetration. The launch of platforms like **UPI**, **Aadhaar-enabled Payment Systems (AePS)**, **BHIM**, and **mobile wallets** has made digital transactions faster, safer, and more accessible to a large section of the population. With the government's push towards a **cashless economy** under the **Digital India** mission, digital payments have become a key driver of financial inclusion, transparency, and economic growth.

In recent years, India has practiced a remarkable surge in digital transactions, reflecting a major step toward achieving a cash-less economy. Leading this transformation is the UPI, which recorded an all-time high of 16.73 billion transactions in December 2024. Alongside UPI, systems like Immediate IMPS and NETC FASTag have played central roles in increasing the speed, convenience, safety and security of commercial transactions.

Literature Review

Basavaraja E, Ravi B (2024) paper offers a descriptive analysis of government schemes designed to encourage startup growth in India. It explores various initiatives by examining their objectives, features, eligibility requirements, benefits, and challenges. Through literature reviews, official documents, and case studies, the study evaluates the influence of these policies on the startup ecosystem. It concludes with acumens into how government efforts have supported entrepreneurship and provides suggestions for enhancing these programs further. Pathak et al. (2024) paper examines the transformative impact of digital payment gateways on healthcare access in India, highlighting the rapid growth of cashless transactions driven by government initiatives like UPI and RuPay. Overall, digital payments are seen as a key driver toward more equitable and efficient healthcare in India. Mahesh A., et al. (2021) study analyzes the UPI and its transformative role in India's digital payment landscape, highlighting its rapid growth—contributing over 58% of digital transactions by May 2021. Using SWOT analysis, it identifies UPI's strengths in simplicity and inclusivity, weaknesses like technical issues, and both opportunities and threats linked to digital adoption. The paper concludes that “UPI” has significantly advanced “financial inclusion” and recommends improving user awareness and grievance redressal to enhance its impact. Devi, K., & Indoria, D. (2021) this paper reviews the evolution and adoption of UPI in India, highlighting starring role in transforming digital payments. It examines the progression of e-commerce, the increasing use of smartphones, and the shift headed for cashless transactions. UPI is a highly advanced payment system, simplifying transactions and promoting a less-cash society, driven by smartphone penetration, biometric technology, and universal banking access. Baghla A (2018) paper explores the current trend of digital payment adoption in India, which gained momentum after the government's demonetization move on November 8, 2016. Aimed at promoting a cashless economy and curbing black money, digital payments were encouraged for transparent transactions and better credit flow through banks. While a noteworthy share of the population has adopted digital methods, many still hesitate due to concerns about security and unfamiliarity.

Objective

- To discuss and analyse the key government initiatives.
- To assess the role of flagship programs in promoting digital payments in India.

Methodology

The study is purely centred on **secondary data analysis**, with a focus on examining government initiatives and programs using information primarily sourced from official government portals and program-specific websites (Ministry of Finance, NITI Ayog, RBI, NPCI, NIC etc.).

Digital India Programme

Launched on July 1, 2015, by Prime Minister Narendra Modi, the Digital India initiative seeks to reshape the country into a digitally empowered society and a knowledge-driven economy. Since its inception, the initiative has significantly improved the lives of citizens by enabling digital access to services, promoting digital governance, and expanding the digital economy. Key milestones include the development of broadband infrastructure, widespread mobile connectivity, and the establishment of public internet access points. These efforts have contributed to a steady rise in digital service delivery and have formed new opportunities for employment and economic growth.

Looking ahead, Digital India is positioned to lead transformative advancements by embracing emerging technologies such as artificial intelligence, quantum computing, and space technology. According to the 2024 State of India's Digital Economy Report by ICRIER, India ranks third globally in digitalisation, largely due to its robust digital infrastructure. The government's long-term vision, aligned with the "Viksit Bharat 2047" agenda, focuses on empowering citizens through education, skill development, and social welfare programs. These strategic measures aim to promote inclusive growth, boost innovation, and establish India as a worldwidespearhead in the digital and technological arena. India's Digital India Programme has significantly advanced the nation's digital infrastructure, with over **1.35 billion Aadhaar enrolments**, **1.2 billion mobile connections**, and more than **850 million internet users** as of 2023. Key platforms like **DigiLocker**, **UMANG**, and **AarogyaSetu** have enhanced digital access to government services, while digital payment systems such as **UPI** and the **BHIM app** have revolutionized financial transactions, recording over **100 billion transactions** and **Rs.170trillion** in value in 2023–24 alone. In terms of service delivery, over **5.5 lakh Common Services Centres (CSCs)** and **700+ eHospitals** have improved accessibility across urban and rural regions. The government's flagship digital literacy campaign, **PMGDISHA**, has trained over **4.7 crore rural citizens**, supporting inclusive digital participation. These

efforts have earned India global recognition, ranking **third** worldwide in digital economy development, celebrated for its cost-effective, scalable public digital infrastructure.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY is a nationwide mission aimed at confirming “financial inclusion” by providing simple banking services like savings accounts, credit, and insurance, pension, and remittance facilities to low-income and excluded groups. It promotes universal access to banking through technology, RuPay cards, and Direct Benefit Transfers (DBT), while also enhancing financial literacy and involving youth in the mission.

Benefits under PMJDY

- A basic savings account is opened for individuals without access to banking services under the PMJDY scheme.
- There is no requirement to maintain a minimum balance in these accounts.
- Deposits in PMJDY accounts earn interest.
- Account holders receive a RuPay Debit Card.
- An accident insurance cover of Rs.1 lakh is included with the RuPaycard, which increases to Rs.2 lac for accounts opened on or after August 28, 2018.
- Eligible person can access an overdraft facility of up to Rs.10,000.

Since its launch in 2014, the **PMJDY** has opened over **50 crore bank accounts**, with **56% held by women** and **67% in rural or semi-urban areas**, highlighting its inclusive reach. The scheme has seen a rise in savings, with total deposits exceeding **Rs.2 lac crore** and a significant increase in average account balances. Over **32 crore “RuPay Debit Cards”** have been issued, offering insurance benefits, while the percentage of **zero-balance accounts has dropped below 8%**, indicating increased financial activity among users.

BHIM (Bharat Interface for Money)

The BHIM app, launched by Prime Minister Modi on December 30, 2016, is a user-friendly mobile payment application advanced by the NPCI. It facilitates fast, protected and secure transactions using the UPI, allowing users to send or get money directly through UPI IDs or

QR codes. Designed to encourage financial inclusion and support the Digital India initiative, BHIM plays a noteworthy part in making digital payments accessible to all.

As of May 2025, the BHIM has seen extensive adoption with over 274.5 million Android and 9.35 million iOS downloads. Integrated with 500 banks, it processed around 70.96 million transactions worth Rs.11,621 crore in that month alone. Following its spin-off as an independent entity in August 2024, BHIM significantly increased its transaction volume—from 26 million in early 2024 to 54 million by April 2025—raising its market share to 0.3%. Although its share remains modest compared to UPI giants like PhonePe and Google Pay, BHIM continues to be a vital government-supported digital payments platform, reflecting steady growth and continued relevance in India's digital finance ecosystem.

Unified Payments Interface (UPI)

UPI is a digital payment platform that lets users connect several bank accounts to one mobile application, making it easy to send money, pay merchants, and carry out person-to-person transactions seamlessly. It simplifies banking by integrating various services facilities into one platform. UPI was initially launched as a pilot by NPCI with 21 banks on April 11, 2016, and UPI-enabled apps began appearing on the “Google Play Store” from August 25, 2016.

UPI stands out due to its ability to enable instant money transfers 24/7, including holidays. It allows customers to manage multiple bank accounts via a sole app and ensures secure transactions using single-click two-factor authentication. UPI uses a virtual payment address, excluding the need to share profound details of account holders. It supports QR code-based payments, making it ideal for cashless transactions, including merchant payments, utility bills, donations, and in-app purchases. Additionally, users can conveniently raise objections and complaints directly from the mobile app, improving the overall user experience.

The UPI ecosystem has witnessed explosive growth in recent years: in May 2025 alone, it processed a record 18.68 billion transactions worth Rs.25.14 trillion, reflecting a 33% year-over-year increase. As of May 2025, 673 banks are integrated with UPI, collectively handling 18.68 billion transactions and a volume of Rs.25.14 trillion. The system saw an annual leap from approximately 11,768 crore transactions in 2023 to 17,220 crore transactions in 2024, and by October 2024, UPI recorded 16.58 billion transactions totaling Rs.23.49 lakh crore. In 2024, UPI's share of India's digital payments rose to an impressive 83%, underscoring its dominance in the nation's cashless transactions landscape.

Aadhaar Enabled Payment System (AePS)

To speed up “financial inclusion” in India, the RBI formed two operational groups focused on setting MicroATM standards and strengthening Aadhaar-based infrastructure. These groups included fellows from RBI, UIDAI, NPCI, and banking research bodies. A successful proof of concept was conducted to test Aadhaar-based MicroATM transactions. Based on this, the AePS was developed as a bank-led model that allows operators to execute six basic banking transactions using only their bank name, Aadhaar number, and biometric data. AePS supports services like cash deposit/withdrawal, balance inquiry, mini statement, and Aadhaar-to-Aadhaar fund transfers via business correspondents. It aims to promote digital payments, enable direct benefit transfers, support interoperability, and expand access to Aadhaar-based banking, aligning with the financial inclusion goals of RBI and the Government of India.

The Aadhaar Enabled Payment System (AePS), launched in 2014 by the NPCI, has seen significant growth. In FY 2023–24, it recorded over 2.5 billion transactions amounting to more than Rs.3.5 lakh crore. As of April 2024, monthly transactions reached around 21 crore, with an average of over 7 million transactions daily. Over 400 banks are currently participating in the AePS network.

Promotion of QR Code Payments (Bharat QR, UPI QR)

QR codes, developed in Japan in the 1990s by Denso Wave for tracking vehicles in manufacturing, can store over 4,000 alphanumeric characters and be scanned from any angle—making them ideal for modern digital payments. Unlike costly POS or mPOS devices, QR codes are cheap to deploy, making them a cost-effective solution for merchants and appealing to today's fast-paced, tech-savvy consumers. In India, QR-based payments surged post-demonetisation, with platforms like Bharat QR enabling secure, card-less transactions using RuPay, Visa, MasterCard, or UPI. These innovations enhance convenience and reduce transaction errors. However, while QR usage is growing steadily, challenges remain in widespread adoption due to limited financial literacy. Compared to China's massive mobile payments market, India still lags, underscoring the need for increased awareness and youth-led digital education to fully harness the potential of QR payments for financial inclusion. QR-based payments in India, particularly through Bharat QR and UPI QR, have witnessed rapid growth. In FY 2024–25, active UPI QR codes surged by 91.5%, reaching around 657.9 million, with significant adoption in semi-urban and rural areas where QR placements jumped 126%

year-over-year. By April 2025, 668 banks were integrated with UPI, supporting this expansion. Bharat QR alone saw over 6.2 million deployments by FY 2023–24, with a 16% annual growth. QR payments at retail outlets increased by 33% in 2024, and QR-enabled UPI transactions have overtaken peer-to-peer transfers as the preferred payment mode.

PM Street Vendor’s AtmaNirbhar Nidhi (PM SVANidhi)

The Ministry of Housing and Urban Affairs launched the PM Street Vendor’s AtmaNirbhar Nidhi (PM SVANidhi) scheme on June 1, 2020, as a special micro-credit initiative to support street vendors affected by the COVID-19 pandemic and related lockdowns. The scheme offers collateral-free working capital loans in three phases—Rs.10,000 in the first tranche, Rs.20,000 in the second, and Rs.50,000 in the third—to help vendors restart their livelihoods. Lane vendors holding a Certificate of Vending, Identity Card, or a “Letter of Recommendation from Urban Local Bodies, (ULBs)” are eligible. Beneficiaries who repay their loans on time receive a 7% annual interest subsidy, which is directly credited to their bank accounts via Direct Benefit Transfer (DBT). As of March 9, 2025, the PM SVANidhi scheme has supported around 6.8 million street vendors, with loans amounting to Rs.14,316 crore sanctioned. By December 2024, a total of 9.43 million loans worth Rs.13,422 crore had been disbursed, and 4.04 million loans were repaid. The scheme offers a 7% yearly interest grant for timely refund and monthly cashback incentives ranging from Rs.50 to Rs.100 to boost digital transactions.

A Brief Summary of Government Schemes/Initiatives

Scheme/Initiative	Launch Date	Key Features/Highlights	Impact/Data (Latest Available)
Digital India Programme	July 1, 2015	<ul style="list-style-type: none"> Digital empowerment- e-Governance- Infrastructure development- Emerging tech: AI, quantum computing, space tech 	<ul style="list-style-type: none"> 1.35+ billion Aadhaar enrolments 1.2 billion mobile connections 850+ million internet users- Ranked 3rd globally
Common Services Centres (CSCs)	Part of Digital India	<ul style="list-style-type: none"> Deliver digital services in rural/urban areas 	<ul style="list-style-type: none"> 5.5 lakh+ CSCs operational
DigiLocker, UMANG, AarogyaSetu	Various (2015 onwards)	<ul style="list-style-type: none"> Provide secure access to digital documents and government services 	<ul style="list-style-type: none"> Widely used platforms integrated with many services

PMGDISHA	2017	<ul style="list-style-type: none"> • Digital literacy for rural citizens 	<ul style="list-style-type: none"> • 4.7 crore+ people trained
PM Jan DhanYojana (PMJDY)	August 28, 2014	<ul style="list-style-type: none"> • Basic banking accounts- RuPay debit card- No minimum balance- Overdraft facility- DBT-enabled 	<ul style="list-style-type: none"> • 50 crore+ accounts • Rs.2 lakh+ crore deposits • 56% women • 67% rural/ semi-urban • <8% zero-balance accounts
BHIM App	December 30, 2016	<ul style="list-style-type: none"> • UPI-based mobile payment app- Govt-supported 	<ul style="list-style-type: none"> • 274.5M Android + 9.35M iOS downloads • 70.96M transactions worth Rs.11,621 crore (May 2025) • 500+ banks integrated
Unified Payments Interface (UPI)	April 11, 2016 (pilot)	<ul style="list-style-type: none"> • 24/7 instant money transfer- QR code support- Multi-bank access via one app 	<ul style="list-style-type: none"> • 18.68B transactions worth Rs.25.14 trillion (May 2025) • 673 banks integrated • 83% share of digital payments in 2024.
AePS	2014	<ul style="list-style-type: none"> • Biometric-based banking using Aadhaar 	<ul style="list-style-type: none"> • 2.5B+ transactions worth Rs.3.5 lakh crore (FY 2023–24) • 400+ participating banks
QR Code Payments (Bharat QR, UPI QR)	Post-2016 (scaled post-demo)	<ul style="list-style-type: none"> • Low-cost, contactless digital payments 	<ul style="list-style-type: none"> • 657.9M active UPI QR codes (FY 2024–25) • QR placements up 126% in rural/semi-urban • 6.2M+ Bharat QR deployed
PM SVANidhi	June 1, 2020	<ul style="list-style-type: none"> • Micro-credit to street vendors- 3-tier loan system • Interest aid for timely repayment 	<ul style="list-style-type: none"> • 6.8M+ vendors supported- Rs.14,316 crore loans sanctioned • 9.43M loans disbursed • 4.04M loans repaid

Source: Author Composition

Conclusion

India's Digital India Programme has emerged as a transformative initiative, revolutionizing the country's digital landscape and strengthening the foundation for inclusive development. Through platforms like UPI, BHIM, DigiLocker, and AePS, it has facilitated seamless access to government services, empowered citizens with secure and efficient digital payment systems, and fostered a robust digital infrastructure. With over a billion Aadhaar enrolments, hundreds of millions of internet users, and exponential growth in digital transactions, the programme has successfully bridged the urban-rural divide and enabled socio-economic empowerment through technology. Furthermore, public initiatives such as PMGDISHA and the expansion of Common Services Centres have fostered digital literacy and participation across all sections of society.

In synergy with the goals of Digital India, targeted financial inclusion schemes like the Pradhan Mantri Jan-DhanYojana (PMJDY) and PM SVANidhi have provided unbanked populations with vital access to banking, credit, insurance, and livelihood support. These efforts, alongside the promotion of QR-based payments and innovations like UPI and AePS, have helped bring formal financial systems to millions. As India embraces emerging technologies and scales its digital ecosystem further, the combined impact of these programmes will continue to fuel inclusive economic growth, deepen citizen engagement, and position India as a global leader in digital governance and financial innovation.

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