

“Impact of Unified Payments Interface (UPI) in the labor market special reference to freelancers in the Chennai city”

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Abstract:

This study delves into the dynamic landscape of Unified Payments Interface (UPI) transaction adoption in India since 2016, with a special reference to freelancers in the labour market in Chennai. The biggest problem in the labour market is connecting workers with clients and receiving payments for their services. This problem is solved by Digitization, particularly for freelancer’s whom benefit more from different platforms like Rapido, Zomato, Swiggy, Ola, etc. Digitization strengthened after the introduction of the UPI Payments method, and digital transactions slowly pushed the economy to the digital economy in that key role played by the UPI Payments method. UPI transactions are funds transferred between two people, and it’s like an end-to-end encryption payment method. UPI Transaction are an easy and trustworthy way of making payments between two people. This leads to enormous growth in digital transactions and UPI payments, which directly benefit freelancers. The Transaction method is Transparent and Records of Transactions, so that freelancers can be able to fix the rate of their payments, and Accountability helps the Government to monitor cash flow in the labour market and for freelancers. Then the UPI transaction method creates a huge impact on the labour market for freelancers, with two major objectives: mobilization and accountability. Study analysis and interpretation of the influence of the UPI payment method in the labour market for freelancers. UPI transaction methods impact both the digital economy and the gig economy.

Introduction

In the digital era, freelancing has become a job opportunity for people worldwide. Day by day, freelancing is proliferating around the world, particularly in India. After the digital revolution in 2015, the growth of freelancing is enormous compared to other countries in the world. Currently around 15 million freelancers in India and NITI Aayog predicted to grow 23.5 million of people will be freelancing by the year 2029-2030.

Digitalization in India impacted the growth of both the gig economy and the Digital economy. In freelancing, the mammoth task for a freelancer is obtaining the clients and receiving the payment from them on time. Digitalization made this task a piece of cake. Due to the introduction of the Unified Payments Interface (UPI) receiving payments on time is accessible.

UPI mode payments have had a significant ramification on the labor market. They offer instant fund transfer, a safe and secure way of transaction, and transparency in record of transactions. This has led to a shift from traditional finances to digital finances, a change that is being embraced by both public and the Government.

Emerging of UPI Payments

The twin effect of India economy Demonetization and pandemic has elevated the growth of Digital finance. Predominantly during the pandemic more people were maneuver to UPI payments. It modifies people’s mindsets after the postpandemic transition from transitional payments to Digital payments. Currently Which emerges the digital finance in Indian at Peak.

UPI recorded over 12 billion digital transactions last year, in December 2023, the largest ever transaction compared to other countries. Retail digital payments in India in 2012- 2013 were 1620 million transactions and currently in 2023-2024 (Frist Quarter) recorded 24,900 million of digital transaction in particularly UPI contribution is 80% and approximately 19,920 million of digital transactions.

Growth of UPI Payments

Unified Payments Interface (UPI) was introduced by RBI Governor Raghuram G. Rajan on 11th April 2016. UPI is monitored and maintained by the National Payments Corporation of India (NPCI). NPCI also has its own UPI Payments interface application, Bharat Interface for Money (BHIM), the primary UPI application. Apart from BHIM, UPI has 25 IIIrd party apps supported by ten nationalized banks in India.

The growth of UPI is tremendous because it is different from traditional digital payments; it takes time to enter the card data before waiting for the OTP (Time Password), and we have to enter the OTP on time; otherwise, the payment is not successful. The UPI has eradicated these types of complex and challenging conditions. Before getting the UPI ID, the person only has to get authorization from the bank online, and the process is simple. Later, its PIN password was created and protected by PIN, which makes payments and seamless transactions easy. Additional services like discounts, rewards, promotion codes, and coupons have impacted the person's use of UPI more and more. It automatically rapidly increases the UPI transactions.

Table 1

Digital transaction and contribution of UPI in Digital transaction in 2014-2024

S. N	Years	Digital Transaction (In Cr)	UPI (In Cr)	Contribution of UPI (%) in Digital Transaction
1	2014-2015	316	0	0%
2	2015-2016	577	0	0%
3	2016-2017	1004	2	0.001%
4	2017-2018	2071	92	4%
5	2018-2019	3134	535	17%
6	2019-2020	4572	1252	27%
7	2020-2021	5554	2233	40%
8	2021-2022	8840	4597	52%
9	2022-2023	12985	8375	64%
10	2023-2024(Frist Quarter)	24,900	19920	80%

Sources: PIB (<https://pib.gov.in/PressReleasePage.aspx?PRID=1988370>) & <https://www.pwc.in/assets/pdfs/consulting/financial-services/fintech/publications/the-indian-paymentshandbook-%E2%80%93-2023%E2%80%932028.pdf#:~:text=UPI%20accounted%20for%20more%20than,value%20reached%20INR%2039.7%20trillion.> (Download on 14-08-2024)

Diagram-1

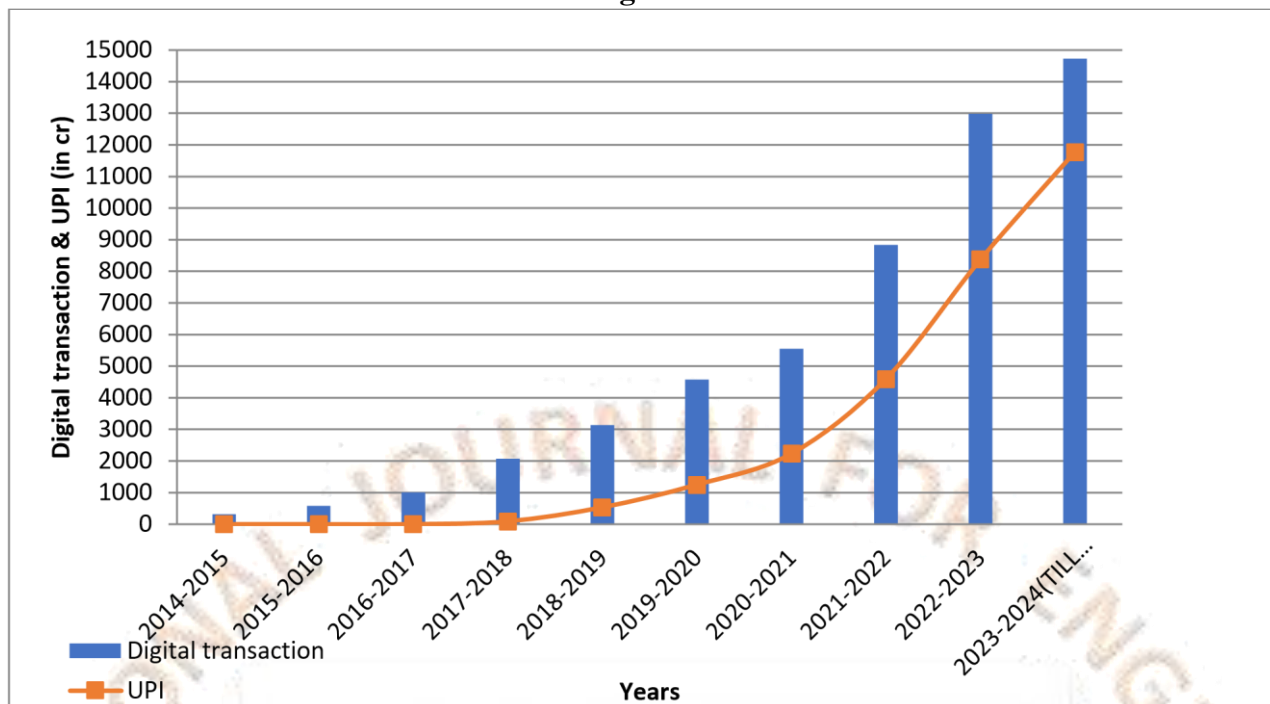


Table 1 and Diagram 1 clearly show the impact of UPI on Digital transactions and its tremendous growth from its introduction in 2016 to 2024. If the trend continues, then UPI's contribution to digital transactions will be 100% in the future.

Service provided by UPI

1. Money transfer, 2. Bill payments, 3. Record of transaction history, 4. Checking Account balance, 5. Adding more than one bank, 6. Self-transfer, 7. Transaction Notifications, 8. Managing your Bank Account, 9. Using for a ticket, and 10. QR code Fund transfer.... etc. these listed services are the primary service provided by UPI way of digital transactions

Literature review

T.ilona, H.sanna & B.Kirsimaria (2020) "Freelancing has become more popular after the introduction of digital work platforms, where the important problem of workers meeting the client through digital work platforms. It has taken much time for trust in virtual communities to meet the demands of clients, but today, in the digital era, trust in virtual communities and work engagement in personal job fit is at its peak."

I.Hudek, P.Tominc, & K. Sira (2021), "Freelancing also becomes a career choice of youngsters in this digital era. The satisfaction level of choosing to freelance is comparably higher than in the past decade."

A.Khuntia, M.G.A.Rojas, S.Mithas, & H.Hah (2021) "Reaching the client and finding labor in the labor market is a difficult task, but the digitalization this task made easier for both of them. Digitalization works widely after the internet revolution, which deals with signals of the network."

S.Leduia, D.Herhqusan, D.Grewal, L.Bova, S.Benoit, K.Ruyter & P.Cerwin (2022) "The gig economy growth is enormous due to the online Multisided platforms which prompted the massive transformation from transactional business to online business which rapidly grows the freelancing in the labor market."

A. Sharma, V.Mrudula, J.Kanovjiya, & P. Barge, S. Rastogi (2022) "Digital payment in India growth in the last decade in enormous growth due to the introduction of UPI. UPI is distracted by financial inclusion and implies ensuring financial services, products, and sufficient credit without discrimination in weaker sections of society."

S. Awasthy, R. Misra, and S. Dhal (2023) "Revolution in India payments system, which transmitted transitional payment to digital payment, pushing the economic factors to digital economic factors. The purpose of money will change into a medium of exchange to store value in the digital economy."

V.Pulignano, S.Marino, M.Johnson, M.Domecka, & M.Riemann (2023)

"Digitalization creates the digital business platforms which directly increase a lot of freelancing facilities and freelancers services are available in digital platforms which give the positive relationship between freelancers and clients."

T. Trivedi (2023): "The adoption of financial digitalization is higher in India than in any other country in the world. Digital finance leads to inflation in the economy due to large spending and the easy way of fund transfer; inflation increases the price level in the economy. So, digital finance boots the economy at a higher level and improves living standards."

S.S. Kumari, K.M.Singh, & N.Ahmad (2024) "Evolution is a part of human life. Likewise, the next level of evolution is a cashless economy, which is a Digital economy here UPI will play a vital role."

S.C.Agarwal, V. Shukla,& A. Awasthi (2024) "In digital transactions, the banking sector plays a crucial role, which directly affects the national economy. After digitalization in India, the growth of the digital economy is comparatively higher than in other countries. UPI is a seamless and convenient way for people in the country to make online transactions, contributing to sustainable development and social inclusion."

Scope of UPI Payments

The future of the Indian economy is Cashless economy (digital economy) and UPI is driving force of the digital economy. UPI has the ability to change the Global economy. Other countries are slowly started to adopt the UPI mode of digital transactions. In upcoming years UPI way payments will be wide range of acceptance behind the borders of India, Then UPI will be act has money transfer and exchange bank in between the India and other countries.

UPI digital transactions may evolve into the central bank of digital currency, and now the Indian Government has announced a pilot vision of the Central Bank of Digital Currency (CBDC), monitored and maintained by the Reserve Bank of India (RBI). In the future, the Central Bank of Digital Currency (CBDC) will issue a digital form of legal tender currency. Different types of payment modes will be available in UPI examples, such as., e-Rupee, voice, and Biometric payments are instant, safe, and secure digital transactions.

Objectives

The study has three major objectives there are,

- To study nexus behavior of income and UPI Use fall under the category of freelancers
- To analysis the satisfaction level of freelancers using UPI Transaction.
- To understand the problem faced by freelancers while using the UPI payments.

Hypothesis

H₀- The income and UPI users male and female both are Independent

Methodology

Date type: Primary data

Sample size:50

Sample collecting method: Random sampling method

Collected using the Questioners method in different areas around chennai **H₀**- The income and UPI user's male and female both are Independent **Table:2**

Income of UPI users in Gender wise

Income Group \ Gender	Gender		Total
	Male	Female	
Upper middle-class income	3	1	4
Middle middle-class Income	13	11	24
Lower Middle-class Income	20	2	22
Total	36	14	50

Source: Primary data

Chi-square analysis

Table:3

- Chi-square Table Value is 10.597
- Calculated Value is 7.7058
- **Calculated Value < Table value**
- Ho= The income and UPI users male and female both are Independent ○ **Ho is excepted**

So, The Income and UPI users Male and Female both are Independent.

This data interpretation verify that income doesn't influence the users to use UPI mode payments. Because of same people having high income group will think before use and they are not frequent UPI users, but with low-income people use the UPI frequently and more compare to high income these one of important reasons to income and UPI users are independent.

- **To analysis the satisfaction level of freelancers using UPI Transaction.**

Linkert scale analysis

Observed value (O)	Expected value (E)			
		O-E	(O-E) ²	(O-E) ² / E
3	2.88	0.12	0.0144	0.005
13	17.28	-4.28	18.3184	1.060093
20	15.84	4.16	17.3056	1.092525
1	1.12	-0.12	0.0144	0.012857
11	6.72	4.28	18.3184	2.725952
2	6.16	-4.16	17.3056	2.809351
Total				7.705778

Source: Primary data

Table-4

Question Response	Your opinion about service of UPI	Online banking	Secured transactions	Convenience in usage	Comparatively easier than the traditional methods
Total	77	72	90	80	133
Average	1.54	1.44	1.8	1.6	2.66
Scaling	Highly Satisfied	Highly Satisfied	Highly Satisfied	Highly Satisfied	Neutral

Source: Primary data

Linkert Scale analysis	
Highly Satisfied	1.00-1.80
Satisfied	1.81-2.60
Neutral	2.61-3.40
Dissatisfied	3.41-4.20
Highly Dissatisfied	4.21-5.00

This table-3 clearly show UPI using Freelancers are Highly Satisfied

Freelancers are highly satisfied because the mammoth task for freelancer is receiving the payment on time and giving right changes to clients. UPI made this a piece of cake for freelancers. Then they can concentrate on other work and other client, so this increases their time spending the freelancing and income also increase. That one of most important reasons freelancers are highly satisfied.

Issues faced by Freelancers while using the UPI payments

○ To understand the Issues faced by freelancers while using the UPI payments. (Table-5)

Issues Gender	Safety And Secure	Authentication	Network Problem	Total
Male	8 (16%)	5 (10%)	23 (46%)	36 (72%)
Female	0 (0%)	5 (10%)	9 (18%)	14 (28%)
Total	8 (16%)	10 (20%)	32 (64%)	50 (100%)

Source: Primary data

Safety and Secure

One of the most important threads of using Digital transactions is the safe and secure way of transactions. A pin protracts UPI, and UPI has quality control over safety and security, but it does not give 100% assurance over safety and security transactions. The same 16% of respondents filed that safety and security are issues facing using the UPI way of payments. The majority of people Trust the UPI way of digital transactions

because of the banking sector, and Government Insights towards Improving UPI Digital transactions are Increasing daily.

Authentication

Authentication is the process of identifying a person to gain access to sources or services. In UPI authentication, it is simple: You just need a bank-registered phone number to access the financial resources available in your bank account. This has its own pros and cons. Twenty percent of Respondents felt that one of the issues that the government should focus on is the authentication process.

Network Problem

In the digital era, network and internet speed play a significant role; after the internet revolution in India, the broadband industry business reached its never height. Nevertheless, speed internet is in metropolitan cities, not rural areas; in metropolitan cities, there are also areas and speeds, and some areas have different speeds. There are many reasons for the speed difference. However, UPI payments are Fully dependent on network and internet speed. The majority, 64% of respondents, feel this is an essential and significant issue of UPI transactions.

Limitation of UPI Payments

- The UPI daily transaction limit is 25,000-1,00,000 lacs per NPCI. The majority of banks set a limit of 25,000 per day. However, the highest transaction limit as per UPI is 1,00,000 per day.
- The government charges 1.1% for interchange charges for prepaid payment instruments wallets (PPI Wallets) transactions over ₹ 2,000.

Conclusion & Suggestions

The digital economy is the cashless economy, which is the future of the global economy. In India, UPI is a major driving force of the digital economy, which also impacts all sectors of the economy and the structure of the economic model. Freelancing is one of the most significant forms of employment in the labor market, and India ranks second place in freelancing. It has the ability to change the cash flow in the economy.

Freelancing economics is the gig economy model, where people get jobs (or) render services for time and receive payment for their services. After digitalization, freelancing has grown enormously compared to other countries. They were freelancing, which could generate 3,00,000 to 7,00,000 incomes annually in India. Now, the Indian government's new tax regime of 3,00,000-7,00,000 has to pay a 5% income tax from its income. Still now, in India, freelancing is coming under the unorganized sector; if a freelancer's income crosses over 3,00,000, he/she has to fill out the Income tax, and he/she has to pay the 5% income tax income, which makes the freelancer a professional and Taxpayer. This makes many people choose to freelance as a career path. Income generation will be higher, and it will affect economic factors. The only way to monitor and maintain the cash flow in the economy is financial digitalization, in which UPI will play the Predominant role in financial digitalization. Then, with UPI, the government can Control both the Gig economy and digital economic Models.

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