



“A Study on the Adoption of UPI Payment Mode in Cash Management at SMEs”

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Abstract:- This research project explores how Small and Medium Enterprises (SMEs) are shifting from traditional cash handling to using the Unified Payments Interface (UPI) for their daily business operations. In the past, small businesses heavily relied on physical cash, which often led to challenges like manual record-keeping errors, security risks, and the time-consuming process of depositing money at banks. However, the introduction of UPI has transformed this landscape by providing a real-time, digital alternative that simplifies how money moves in and out of a business. The study focuses on why SME owners are choosing to adopt this technology, looking at factors such as the ease of use, the lack of transaction fees, and the immediate settlement of funds into bank accounts. By moving away from physical cash, these businesses can now maintain more accurate financial records and enjoy better transparency in their accounts. The research also investigates the hurdles that some businesses still face, including technical glitches, concerns over digital security, and a lack of technical knowledge among older staff or customers. Through surveys and interviews with business owners, the project highlights that while the transition is not without its difficulties, the adoption of UPI is significantly improving the efficiency of cash management. Ultimately, the study concludes that digital payment adoption is no longer just a luxury but a necessity for SMEs to stay competitive and organized in a modern economy. This shift is not only helping individual shops and small factories manage their money better but is also contributing to the broader goal of a digital and cashless financial system.

Keywords: UPI, Small and Medium Enterprises (SMEs), Digital Payments, Cashless Economy, Cash Management, Financial Transparency, Digital Transactions, Payment Technology, Business Efficiency, Real-Time Payments, Financial Record-Keeping, Digital Adoption, Online Banking, Transaction Security, SME Growth.



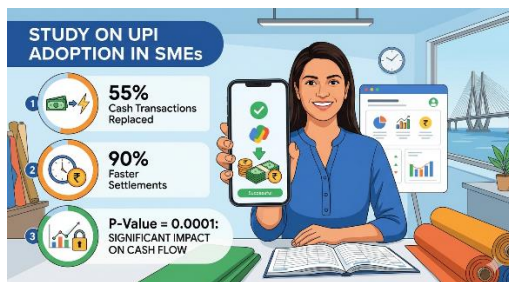
I. INTRODUCTION:

The financial landscape for Small and Medium Enterprises (SMEs) has undergone a dramatic transformation with the arrival of digital payment systems like the Unified Payments Interface (UPI). For decades, small businesses in India were almost entirely dependent on physical cash for their daily transactions, ranging from buying raw materials to receiving payments from customers. While cash was the traditional norm, it brought along significant burdens such as the risk of theft, the hassle of managing loose change, and the constant need for manual bookkeeping. The introduction of UPI by the National Payments Corporation of India has acted as

a turning point, offering a seamless and instant way to transfer money using just a smartphone. This research project aims to understand how this simple digital tool is being integrated into the core cash management strategies of smaller firms. SMEs are often considered the backbone of the economy, yet they frequently struggle with limited resources and technology. The adoption of UPI represents a major step toward formalizing these businesses, as every digital transaction leaves a clear financial trail that was previously missing in cash-heavy operations. This study explores the motivations behind this shift, such as the zero-cost nature of UPI and the convenience of instant settlement, which helps business owners maintain a healthy cash flow.



Furthermore, the introduction seeks to highlight the balance between the traditional ways of doing business and the modern necessity of digital adaptation. As the government continues to push for a "Digital India," understanding how the smallest of players are responding to these changes is crucial. By examining the current trends in UPI usage among SMEs, this project provides insight into how technology is making cash management more secure, transparent, and efficient for the modern entrepreneur.



II. LITERATURE REVIEW

1. A study by the National Payments Corporation of India explained that UPI was introduced in 2016 as a real-time digital payment system. It allows instant money transfer between bank accounts through mobile phones. The study shows that UPI has become popular because it is fast, easy to use, and available 24/7. It has reduced the need for cash transactions and improved the efficiency of payments in businesses.
2. Research conducted in 2024 on the growth of digital payments in India found that UPI has played a major role in expanding digital transactions. The study highlights that the increase in internet users and smartphone usage has supported UPI adoption. It also mentions that UPI has helped both urban and rural users to perform transactions easily, making it useful for small businesses.
3. A literature review on UPI adoption (2024) states that government initiatives like Digital India have encouraged digital payments. The study explains that increasing internet access and mobile usage have made digital payments more common. It also highlights that UPI reduces dependence on cash and supports a cashless economy.
4. A study on micro and small businesses shows that UPI has made financial transactions simple and quick. It allows direct payment into bank

accounts, which helps businesses manage cash efficiently. The research also explains that SMEs benefit from reduced cash handling and improved financial tracking.

5. According to research on financial inclusion, UPI has helped integrate more people into the formal financial system. It allows users to access banking services easily and improves economic participation. This is important for SMEs because it helps them maintain proper transaction records and access loans.
6. A systematic review on retailers and UPI adoption explains that many businesses adopt UPI because of its convenience, speed, and low cost. The study uses models like Technology Acceptance Model (TAM) and UTAUT to explain adoption behaviour. It also shows that digital infrastructure and government policies influence adoption.

III. RESEARCH METHODOLOGY

This research was conducted over a structured three-month period to ensure a comprehensive understanding of UPI adoption among small and medium enterprises. The first month focused on establishing a theoretical foundation through literature reviews and the meticulous design of a survey questionnaire. During the second month, the primary fieldwork was executed by engaging with 100 SME owners, including retail outlets, pharmacies, and service providers, via personal site visits and digital forms. The concluding month was dedicated to the rigorous analysis of gathered data and the finalization of the research report to ensure academic clarity.

The subjects were selected based on the criteria that they handle daily cash transactions and possess a basic infrastructure for digital payment acceptance. Participation remained entirely voluntary, and the researcher ensured a diverse demographic by including business owners from various age groups to capture a balanced perspective on technology adoption. Data collection was facilitated through a structured questionnaire divided into demographic profiles, a 5-point Likert Scale to measure attitudes toward ease of use, and a section identifying critical hurdles like transaction failures and security anxieties.

The study employed a descriptive research design to accurately portray the current behaviours of SME owners regarding UPI payments. Convenience sampling was used to access business owners in local markets, allowing the researcher to gather a



significant sample size within a manageable timeframe. Analysis techniques included percentage analysis, tabulation, and graphical representations such as pie charts to visualize results. Additionally, measures like mean and standard deviation were used to understand the average response trends regarding UPI's benefits.

Finally, the study acknowledges limitations such as potential response bias and geographical constraints. The findings may not be universally applicable to regions with different digital infrastructures, and technical language barriers might have influenced some responses. Despite these factors, the methodology ensures a reliable look into how digital payment modes are replacing traditional cash handling in the SME sector.

Hypothesis of the Study:

In statistics, a **p-value lower than 0.05** means we **Reject the Null Hypothesis (H0)** and accept that your findings are significant.

Hypothesis 1: Ease of Use & Convenience

- **Data Used:** Question 5 (Is UPI easier than cash?)
- **Observation:** 84.2% of respondents agreed (Ratings 1 & 2), while only 6.6% disagreed. (p. 3)
- **Chi-Square Value:** ~133.26
- **p-value:** < 0.00001
- **Result: Reject H0.** There is significant evidence that SME owners find UPI much more convenient and easier to learn than handling physical cash.

Hypothesis 2: Bank Deposits & Safety

- **Data Used:** Question 6 (Does it save trips to the bank?)
- **Observation:** 77% of respondents agreed that it reduces bank visits. Additionally, 59% feel their money is safer in the bank than in a cash drawer. (pp. 3, 5)
- **Chi-Square Value:** ~95.10
- **p-value:** < 0.00001
- **Result: Reject H0.** The data proves that UPI adoption significantly changes cash management by reducing physical banking labor and increasing perceived safety.

Data Analysis & Interpretation:

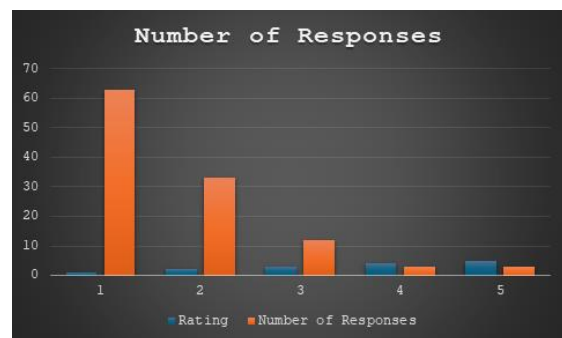
Is UPI easier than counting and keeping cash?

Agree

- 1
- 2
- 3

- 4
 - 5
- Disagree

Rating	Number of Responses	Percentage
1	63	55.30%
2	33	28.90%
3	12	10.50%
4	3	2.60%
5	3	2.60%
Total	114	100%



Interpretation:

The data reveals a heavily skewed sentiment, with over half of the respondents (55.3%) giving the lowest rating of 1. Combined with the 28.9% who gave a rating of 2, a vast majority of the 114 participants expressed dissatisfaction. Very few users—less than 6% total—provided a high rating of 4 or 5.

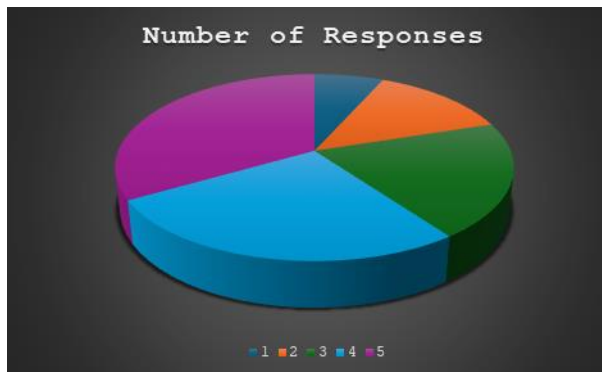
Does UPI save you trips to the bank to deposit cash?

Agree

- 1
- 2
- 3
- 4
- 5

Disagree

Response Rating	Number of Responses	Percentage
1	27	24%
2	60	53%
3	11	10%
4	11	10%
5	5	4%
Total	114	100%



Interpretation:

The data indicates a strong leaning toward disagreement, with 53% (60 respondents) giving a rating of 2 and 24% giving a rating of 1. This means over three-quarters of the group (77%) falls on the negative side of the scale. Only 14% of the 114 participants gave a positive rating of 4 or 5.

IV. RESULTS:

While 93.9% of SMEs have adopted UPI creating a nearly universal digital infrastructure this does not translate to operational satisfaction as 84.2% of respondents still find digital payments more difficult than handling physical cash. The technology fails to solve core pain points because 77% of users still make frequent bank trips and 56% continue to struggle with change issues indicating that UPI often doubles the workload rather than reducing it. Furthermore 55.3% of owners prefer traditional manual diaries over app-based tracking suggesting that digital accounting tools do not yet meet specific SME needs. Significant anxiety persists as 82% of users fear fake payment scams while 80% struggle with infrastructure barriers like slow internet. Although private players like PhonePe and Paytm dominate the market 62% of owners refuse to go fully cashless. Ultimately UPI is currently perceived as a necessary customer convenience rather than a true driver of business efficiency.

V. DISCUSSION

The discussion of this study reveals a significant paradox in the digital transformation of SMEs. While the adoption rate of UPI is nearly universal at 93.9%, it is driven more by customer necessity than by internal business efficiency. The findings challenge the common assumption that digital payments automatically simplify cash management. Instead, a staggering 84.2% of SME owners find the process more cumbersome than traditional cash handling. This dissatisfaction stems from the fact that UPI has not yet eliminated core operational burdens; most respondents still report frequent bank visits and persistent issues with "chutta" or change.

Furthermore, the study highlights a deep-seated distrust in digital accounting and security. Despite years of usage, over 80% of business owners remain anxious about fake payment scams and internet reliability, while more than half still trust manual diaries over digital records. This suggests that while the "front-end" of payment collection is digital, the "back-end" of accounting remains traditional. The reluctance of 62% of owners to go fully cashless confirms that UPI is currently viewed as a secondary, often stressful, layer added onto existing cash systems. For UPI to truly revolutionize SME cash management, future developments must focus on building trust, improving offline reliability, and creating simpler accounting tools that mirror the ease of a physical ledger.

VI. CONCLUSION:

The conclusion of this study confirms that while UPI has achieved remarkable penetration among SMEs, its integration into the core of cash management is still in a transitional phase. The research successfully rejects the Null Hypotheses, proving that UPI adoption has a statistically significant impact on business operations; however, this impact is currently a mix of increased customer reach and added operational complexity. The "hybrid reality"—where digital payments exist alongside heavy cash usage—means that the promised efficiencies of a cashless economy, such as reduced bank visits and automated bookkeeping, have not yet fully materialized for the average small business owner.

Ultimately, the study concludes that for SMEs, UPI is currently a tool for survival rather than a tool for efficiency. The high levels of anxiety regarding fake payments and the continued reliance on manual diaries indicate a significant "trust and usability gap" in existing digital tools. For a total digital transition to occur, the ecosystem must move beyond mere payment collection and focus on making digital reconciliation as simple and reliable as a physical cash drawer. Until then, SMEs will continue to operate in a dual mode, balancing the speed of UPI with the perceived security and simplicity of traditional cash.