

A Study on the Impact of UPI Payment on Sales Growth and Cash Flow Statement of Small Retail Businesses

E.Sarumathi¹, M.A. Dhandapani^{2*}

¹*M.Com. Student, Department of Commerce, School of Liberal & Creative Arts, Hindustan Institute of Technology and Science, Padur, Chennai, Tamil Nadu*

²*Associate Professor, Department of Commerce, School of Liberal & Creative Arts, Hindustan Institute of Technology and Science, Padur, Chennai, Tamil Nadu*

*Corresponding Author Email: dhandapma@hindustanuniv.ac.in

Abstract

UPI (Unified Payments Interface) is a digital payment system that enables instant money transfer through mobile applications, making transactions faster, convenient, and secure. The present study aims to examine the impact of UPI payments on small retail businesses in Chennai. The study also analyses the influence of UPI on sales growth and cash flow management of retailers. With the increasing adoption of digital payment systems and growing customer preference towards cashless transactions, UPI has become a widely used payment method in retail businesses. The collection of data was made through both primary and secondary methods. The primary data was collected using a structured questionnaire from 122 respondents, while secondary data was gathered from journals, reports, and online sources. The instrument used consists of questions related to usage of UPI, its benefits, and challenges faced by retailers. Percentage analysis and other statistical tools are used for the analysis of data. The study concludes that UPI has a significant positive impact on sales growth and improves cash flow management of small retail businesses. However, certain challenges such as technical issues, transaction failures, and lack of awareness still exist among retailers. Thus, it suggests that proper awareness, training, and support from financial institutions and government authorities can enhance the effective usage of UPI among small retailers.

Keywords: UPI Payments, Small Retail Businesses, Sales Growth, Cash Flow Management, Digital Transactions

Introduction

The Indian economy has undergone a significant transformation with the rapid growth of digital technology, particularly in the financial and banking sectors. Over the past decade, the Government of India and financial institutions have actively promoted cashless transactions

and digital payment systems to enhance financial inclusion, transparency, and efficiency in economic activities. As a result, digital payments have become an integral part of modern business operations. Digital payment systems refer to electronic methods of transferring money without the use of physical cash, including debit cards, credit cards, mobile wallets, internet banking, and real-time payment platforms. The increasing availability of smartphones, affordable internet services, and improved digital literacy among people have further accelerated the adoption of these systems. Among the various digital payment methods, Unified Payments Interface (UPI) has emerged as the most widely accepted and preferred mode of transaction in India. UPI enables instant, secure, and low-cost fund transfers directly between bank accounts using mobile devices. Its user-friendly interface and interoperability across banks have made it highly popular among both consumers and businesses. The introduction of UPI has significantly transformed the payment landscape by simplifying transactions and reducing dependency on cash.

Small retail businesses form a vital part of the Indian economy, including kirana stores, provision stores, medical shops, textile shops, and other local retail outlets. These businesses operate with limited capital, depend heavily on daily sales, and serve the immediate needs of local communities. Traditionally, such businesses relied on cash-based transactions, which involve several challenges such as risk of theft, difficulty in maintaining accurate records, lack of transparency, and inefficiencies in tracking financial performance. The shift towards digital payment systems, particularly UPI, provides an opportunity for small retailers to overcome these challenges by enabling faster transactions, improved record-keeping, and better financial control.

With the rapid digitalization of the economy and increasing customer preference for cashless transactions, small retail businesses are increasingly adopting UPI payments to remain competitive. UPI not only enhances customer convenience but also contributes to improved sales performance and efficient cash flow management by ensuring instant settlement of payments and maintaining digital transaction records. However, despite its advantages, small retailers also face challenges such as lack of digital literacy, dependence on internet connectivity, technical issues, and concerns regarding transaction security.

Therefore, the present study focuses on analyzing the impact of UPI payments on small retail businesses in Chennai, particularly in terms of sales growth and cash flow management.

The study also aims to understand the benefits and challenges associated with the adoption of UPI among small retailers, thereby providing insights into its role in improving business performance and financial efficiency.

Literature Review

Dev, H., Gupta, R., Dharmavaram, S., & Kumar, D. (2024), examined the impact of UPI on spending behavior among Indian users. The study found that the shift from cash to digital payments has significantly influenced consumer spending patterns, leading to increased transaction frequency and convenience. It also highlighted that UPI enhances ease of payment and encourages cashless transactions. The study concluded that UPI plays a vital role in transforming consumer behavior and promoting a digital economy.

Cornelli, G. et al. (2024), analyzed the Unified Payments Interface (UPI) and its role in the digital payment ecosystem. The study found that UPI has emerged as a highly efficient real-time payment system due to its interoperability, accessibility, and low transaction cost. It also emphasized that UPI has strengthened financial inclusion and improved transaction efficiency. The study concluded that UPI serves as a global model for digital payment systems.

Reserve Bank of India (2024), in its annual report examined the growth and performance of digital payments in India. The report found that UPI transactions have increased significantly in both volume and value, indicating widespread adoption among users and businesses. It also highlighted that digital payments contribute to transparency and efficiency in financial transactions. The report concluded that UPI is a key driver of India's digital financial growth.

National Payments Corporation of India (2023), studied the role of UPI in transforming the digital payment landscape. The report found that UPI provides a simple, secure, and real-time platform for money transfer, which benefits both consumers and small businesses. It also highlighted that UPI reduces dependency on cash and promotes financial inclusion. The study concluded that UPI is a revolutionary innovation in the Indian payment system.

Ministry of Finance, Government of India (2026), reported on the rapid growth of UPI as the largest real-time payment system in India. The study found that UPI transactions have reached record levels, reflecting its widespread acceptance across different sectors. It also

emphasized that UPI supports economic development by enabling fast and secure transactions. The report concluded that UPI plays a crucial role in strengthening India's digital economy.

Boston Consulting Group (2023), analyzed UPI as a global benchmark for digital payments. The study found that UPI's scalability, cost efficiency, and user-friendly features have made it one of the most successful payment systems worldwide. It also highlighted that UPI enhances customer convenience and supports business growth. The study concluded that UPI sets a strong example for other countries in developing digital payment infrastructure.

Reserve Bank of India (2021), examined the national strategy for financial inclusion in India. The report found that digital payment systems like UPI play a significant role in improving access to financial services. It also highlighted that increased usage of digital payments helps in promoting financial literacy and economic inclusion. The study concluded that UPI contributes to inclusive growth and strengthens the overall financial system.

Objectives of the Study

The present study is undertaken with the following objectives:

- To study the impact of Unified Payments Interface (UPI) on the sales growth of small retail businesses.
- To analyze the effect of UPI payments on cash flow management of small retail businesses.
- To examine the benefits of UPI in improving transaction efficiency, convenience, and financial record-keeping.
- To identify the challenges faced by small retail businesses in adopting and using UPI payment systems.

Statement of Problem

Small retail businesses play a vital role in the Indian economy but often operate with limited financial resources and rely heavily on cash transactions. This dependence on cash creates challenges such as poor record-keeping, lack of transparency, and difficulties in managing cash flow effectively. With the introduction of Unified Payments Interface (UPI), digital payments have become more accessible, offering opportunities for improved transaction efficiency and financial management. However, the extent to which UPI influences sales growth and cash flow management among small retailers remains unclear. Additionally, issues such as technical errors, internet connectivity, and lack of digital literacy may hinder its effective adoption. There

is also limited research focusing specifically on the impact of UPI on small retail businesses. Therefore, this study aims to examine the role of UPI in improving sales performance and financial management while identifying the challenges faced by small retailers in its usage.

Research Design

The study is a descriptive and analytical study. Both primary as well as secondary data are used for the study. The primary data is collected through structured questionnaire. Convenience sampling method was used for the study. For the present study, small retail business owners in OMR, Chennai are considered as the population. The sample size for the study is 122 respondents. The questionnaire consists of different sections, where the first section deals with the profile of the respondents and the second section includes questions related to UPI usage, its impact on sales growth and cash flow management, and challenges faced by the retailers. Books, research journals, online reports, magazines, newspapers, and websites were used for collecting secondary data.

Data Analysis and Interpretation

The collected data is analysed and tabulated below to explore the study's objectives. Demographical profile includes types of business, years of operation, Number of employees and Daily turnover of the respondents.

Table 1: Demographic Profile of the Respondents

Demographic profile	Categories	Percentage
Types of business	Kirana/ Provision	24.6
	Medical Store	7.4
	Textile/ Garment	17.2
	Stationery Store	14.8
	Bakery / Food Outlet	18.9
	Others	17.1
Years of Operation	Less than 2 years	18.0
	2 – 5 years	16.4
	5 – 10 years	37.7
	More than 10 years	27.9
Number of Employees	Self – employed	32.8
	1 – 2 employees	20.5
	3 – 5 employees	25.4
	More than 5 employees	21.3
Daily Sales Turnover	Below ₹5,000	19.7
	₹5,000 - ₹10,000	34.4
	₹10,000 - ₹20,000	24.6
	Above ₹20,000	21.3

Source: Primary Data

The Table 1 presents the demographic profile of respondents based on percentage distribution, revealing that **Kirana/Provision stores constitute the largest segment (24.6%)**, followed by bakery/food outlets (18.9%) and textile/garment stores (17.2%), indicating a diverse representation of retail businesses. In terms of experience, a majority of respondents fall within the **5–10 years category (37.7%)**, followed by those with more than 10 years of operation (27.9%), suggesting that most businesses are well-established and possess significant market experience. With respect to employment, **32.8% of respondents are self-employed**, and a considerable proportion operate with a small number of employees, highlighting the micro and small-scale nature of the retail sector. Regarding daily sales turnover, the highest percentage of respondents (**34.4%**) falls within the ₹5,000–₹10,000 range, followed by ₹10,000–₹20,000 (24.6%) and above ₹20,000 (21.3%), indicating that most businesses function at a moderate level of sales. Overall, the demographic profile reflects that the study primarily covers **small, experienced, and moderately performing retail businesses**, providing a suitable foundation for analyzing the impact of UPI on business operations and performance.

Impact on Sales Growth on Adopting UPI Payment

Table 2: Total Sales of the Respondents Using UPI

Category	Number of Respondents	Percentage
Less than 25%	17	13.9
25% - 50%	43	35.2
50% - 75%	47	38.5
More than 75%	15	12.3
Total	122	100

Source: Primary Data

The Table 2 shows the distribution of total sales conducted through UPI among respondents. A majority of respondents (38.5%) report that **50%–75% of their sales** are made through UPI, followed by 35.2% in the 25%–50% range. Only 13.9% of respondents have less than 25% of sales through UPI, while 12.3% report more than 75%. This indicates that UPI has become a **significant mode of transaction** for most businesses. The data suggests a **moderate to high dependency on digital payments** in daily operations. Overall, UPI contributes substantially to total sales, though it has not completely replaced traditional payment methods.

Table 3: Number of UPI Transactions that the Respondents Received Daily

Category	Number of Respondents	Percentage
Less than 10	11	9.0
10 – 20	32	26.2
20 – 30	41	33.6
More than 30	38	31.1
Total	122	100

Source: Primary Data

The Table 3 presents the average number of UPI transactions received daily by respondents. It is observed that the highest proportion (33.6%) receive **20–30 transactions per day**, followed by 31.1% receiving more than 30 transactions. Additionally, 26.2% of respondents receive 10–20 transactions, while only 9% receive less than 10. This indicates that most businesses handle a **considerable volume of UPI transactions daily**. The findings highlight the growing reliance on UPI for routine transactions. Overall, UPI plays a crucial role in ensuring **continuous cash inflow and smooth business operations**.

Table 4: Customer Preference for UPI over Cash

Category	Number of Respondents	Percentage
Yes	98	80.3
No	21	17.2
Sometimes	3	2.5
Total	122	100

Source: Primary Data

The Table 4 shows customer preference for UPI payments over cash in retail businesses. A significant majority of respondents (80.3%) reported that customers **prefer UPI over cash**, while 17.2% indicated otherwise and only 2.5% responded “sometimes.” This reflects a **strong shift in customer payment behavior** towards digital modes. The high preference for UPI can be attributed to its **convenience, speed, and ease of use**. It also indicates reduced dependence on cash transactions in retail businesses. Overall, the findings suggest that UPI has become a **preferred payment method among customers**.

Table 5: Increase in Customer Footfall due to UPI Availability

Category	Number of Respondents	Percentage
Yes	115	94.3
No	7	5.7
Total	122	100

Source: Primary Data

The Table 5 highlights the impact of UPI availability on customer footfall. A large majority of respondents (94.3%) reported an **increase in customer visits**, while only 5.7% did not observe any change. This indicates that offering UPI as a payment option can **attract more customers to retail outlets**. The availability of digital payment methods enhances customer convenience and encourages more frequent purchases. It also reflects the importance of adopting modern payment systems to stay competitive. Overall, UPI availability has a **positive influence on customer footfall and business growth**.

Effect of Cash Flow Management on Small Retail Business

Table 6: Role of UPI in Financial Planning

Category	Number of Respondents	Percentage
Yes	106	86.9
No	16	13.1
Total	122	100

Source: Primary Data

The Table 6 shows that a majority of respondents (86.9%) agree that UPI plays a significant role in financial planning, while only 13.1% disagree. This indicates that UPI is widely perceived as a useful tool for managing financial activities in small retail businesses. The ease of tracking transactions and maintaining digital records supports better budgeting and planning. It also reduces the complexity involved in manual record-keeping. The high level of agreement reflects strong acceptance of UPI as a financial management tool. Overall, UPI contributes positively to improving financial planning practices among retailers.

Table 7: Ease of Expenses and Payment Reconciliation using UPI

Category	Number of Respondents	Percentage
Yes	93	76.2
Sometimes	19	15.6
No	10	8.2
Total	122	100

The Table 7 indicates that 76.2% of respondents find UPI helpful in making expense tracking and payment reconciliation easier, while 15.6% feel it is only sometimes helpful. A small proportion (8.2%) reported no benefit in this regard. This suggests that UPI simplifies financial processes by providing clear and instant transaction records. It helps businesses in reducing errors and improving accuracy in accounting. The availability of digital transaction history supports efficient reconciliation. Overall, UPI enhances the ease of managing expenses and payments in retail businesses.

Benefits of UPI

Table 8: Descriptive Analysis of Benefits of UPI

Factors	Mean	Median	Mode
Faster billing & checkout	4.62	5.00	0.65
Attracting new customers	4.10	4.00	0.72
Instant money receipt	4.41	5.00	0.78
Improved daily cash flow	3.85	4.00	0.81
Tracking income easily	4.25	4.00	0.84
Reduced risk of theft/ loss	4.18	4.00	0.92

Source: Calculated Data

The Table 8 presents the mean, median, and variation values for various benefits of UPI. It is observed that **faster billing and checkout (mean = 4.62)** and **instant money receipt (mean = 4.41)** are the most highly rated benefits. Factors such as tracking income easily and reduced risk of theft also show favorable responses. Although attracting new customers and improving daily cash flow have slightly lower mean values, they still indicate positive perception. The median values around 4 and 5 suggest strong agreement among respondents. Overall, the results confirm that UPI provides multiple operational and financial advantages to retail businesses.

Table 9: Challenges of the Respondents Faced While Using UPI Payments

Challenges	Number of Respondents	Percentage
Technical errors	93	76.2
Payment failures	90	73.8
Poor internet connectivity	83	68.0
Fear of fraud	52	42.6
Lack of technical knowledge	38	31.1
No major challenge	11	9.0

Source: Primary Data

The Table 9 highlights the key challenges faced by respondents while using UPI payments. A majority reported **technical errors (76.2%)** and **payment failures (73.8%)** as the most common issues. Additionally, **poor internet connectivity (68%)** is identified as a major barrier affecting smooth transactions. Concerns such as fear of fraud (42.6%) and lack of technical knowledge (31.1%) also impact usage. Only a small percentage (9%) reported no major challenges. This indicates that despite its benefits, UPI usage is affected by technical and infrastructural limitations. Overall, addressing these challenges is essential for improving user experience and adoption.

Findings and Conclusion

From the study, it is inferred that UPI has become a widely accepted mode of payment among small retail businesses in the OMR region of Chennai. The majority of retailers have adopted UPI due to increasing customer preference for cashless transactions. It is observed that kirana and provision stores form a major portion of the sample, followed by bakery, textile, and other retail businesses, indicating that UPI is predominantly used in essential and daily-use sectors. Most of the businesses are self-employed or operate with a small number of employees, showing that UPI is highly suitable for micro and small-scale enterprises.

The study reveals that all respondents are aware of UPI and almost all of them accept UPI payments, indicating near-universal adoption. Applications such as Google Pay and PhonePe are highly preferred among retailers due to their ease of use, while other applications have comparatively lower usage. A large number of retailers actively encourage customers to use UPI, and most of them have been using it for more than two to three years, showing familiarity and experience with the system.

It is further found that customer demand is the major factor influencing the adoption of UPI, followed by convenience and ease of transactions. A significant portion of daily sales is carried out through UPI, and most retailers receive frequent transactions throughout the day. The study also indicates a clear shift in customer behavior, with a majority preferring UPI over cash. This has resulted in increased customer footfall and improved sales performance in retail businesses. The findings clearly show that UPI has a positive impact on sales growth, as most respondents reported an increase in sales after adopting digital payment methods. It also improves transparency in transactions by maintaining digital records, which reduces errors and enhances

accountability. Retailers have expressed strong willingness to continue using UPI in the future, indicating high levels of trust and satisfaction.

Further, UPI contributes to better financial planning and cash flow management by enabling easy tracking of income and instant receipt of payments. Factors such as faster billing, improved transaction speed, and reduced risk of theft or loss have received strong agreement among respondents. Overall, the study concludes that UPI has significantly improved operational efficiency, financial management, and business performance of small retail businesses, making it an essential tool in the modern retail environment.

References

Dev, H., Gupta, R., Dharmavaram, S., & Kumar, D. (2024). "From Cash to Cashless: UPI's Impact on Spending Behavior among Indian Users", arXiv

Cornelli, G. et al. (2024): "Lessons from the Unified Payments Interface (UPI)", BIS Papers, Bank for International Settlements

Reserve Bank of India (2024): "Annual Report 2023–24", RBI Publications

National Payments Corporation of India (2023): "UPI – A Payment System to Transform Digital Economy", NPCI Report

Ministry of Finance, Government of India (2026): "UPI emerges as the largest real-time payment system", Press Information Bureau

Boston Consulting Group (2023): "UPI – The Global Benchmark for Digital Payments"

Reserve Bank of India (2021): "National Strategy for Financial Inclusion 2019–2024"

Author Biographies



E.Sarumathi is a motivated and enthusiastic postgraduate student pursuing a Master of Commerce (M.Com). She has completed her undergraduate degree in B.Com (Banking and Insurance) and is currently strengthening her knowledge in areas such as accounting, finance, and business management through her postgraduate studies. She is a dedicated learner with a strong interest in financial management, research, and analytical work. She has a keen ability to understand business concepts and apply them effectively in practical situations. She is passionate about exploring data, improving processes, and gaining deeper insights into the financial aspects of organizations. She is hardworking, adaptable, and eager to build a successful career in the field of commerce and finance. With a positive attitude and a willingness to learn, she aims to contribute effectively to organizational growth while continuously developing her professional skills.



Dr.M.A.Dhandapani is an accomplished academician and researcher with significant contributions to the field of Commerce. He currently serves as an Associate Professor in the Department of Commerce at Hindustan Institute of Technology & Science, Chennai. He has an impressive record of scholarly work, having presented 32 research papers at various national and international conferences. In addition, he has published numerous research articles in UGC-listed, refereed, and Scopus-indexed journals, demonstrating his commitment to high-quality academic research. Also he holds 2 patents, reflecting his innovative approach and contribution to applied research. He has authored 3 books in his area of expertise, contributing to academic literature and student learning. As a research supervisor, he has successfully guided 3 Ph.D. scholars, showcasing his dedication to mentoring and developing future researchers. He is also recognized as an effective academic administrator and mentor, known for his leadership, guidance, and commitment to institutional development.