



Impact Of UPI & Real Time Payment In Traditional Banking

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Abstract

The emergence of digital payment solutions has led to a remarkable change in the Indian banking system, especially with the integration of the Unified Payments Interface (UPI) system and Real-time Payment solutions. The emergence of such payment systems has improved the processing speed and convenience associated with financial transactions, thus helping to alter the way customers interact with conventional banking systems. Nevertheless, the banking system still has an important role to play in complex financial services like lending and investments.

This study aims to investigate the effect of UPI and Real-Time Payment Systems on traditional banking institutions, specifically in terms of convenience for consumers, reducing visits to banking institutions, and the superiority of traditional banking institutions in handling intricate financial products. The research work utilizes a quantitative method, and primary research has been conducted, and a questionnaire has been administered to 106 respondents. The hypotheses were analyzed using percent analysis and SPSS. This research work looks to offer a perspective that seeks to explain how Real-Time Payment Systems are transforming and altering the banking habits of consumers, and how traditional banking institutions still remain relevant today in this dynamic digital age of finance.

Key Words: UPI (Unified Payments Interface), Real-Time Payment Systems, Traditional Banking, Digital Payments, Customer Behavior, Financial Technology (FinTech), Banking Transformation, Convenience.

Introduction

The banking industry in India has undergone significant transformation due to the rapid evolution of digital payment solutions, including UPI and real-time payment solutions. This technology has given users the ability to make real-time payment transactions through mobile applications, ensuring that digital payments are common in day-to-day activities.

The increasing use of real-time payment systems has influenced customer banking behavior, especially because of reduced reliance on banking branches. Most of these banking customers currently show a preference for conducting transactions, for example, fund transfers and payment of bills, online, and this has transformed the way banking is conducted traditionally. This has urged banks to improve their online banking services to accommodate these expectations.

However, conventional banks still play an important part in the financial system with their complex financial services such as loans and investments. Although UPI services emphasize



convenience for transactions, banks offer organized financial services with regulations for the long-term. In this respect, this study analyzes the effect of UPI and real-time payment systems on traditional banking practices, specifically in terms of customer convenience, the reduction of bank visits, and the superiority of traditional banks in complex financial products.

Review Of Literature

There has also been a focus on the increasing impact that real-time electronic payment systems have on the banking industry. Lusardi and Mitchell (2018) discuss how technology innovations have made the process faster and more convenient, leading to an increase in the use of electronic payment systems like UPI among bank customers.

As suggested by OECD (2020), having real-time payment systems at their disposal has made customers less dependent on banking branches to some extent as transactions are performed digitally due to higher digital literacy among them.

Nevertheless, the conventional banking system still plays a crucial role. According to Xiao and Porto (2019), while UPI-based platforms are predominant regarding day-to-day transactions, conventional banks have a competitive advantage regarding complex financial services like lending and investment offerings which require trust as well as government facilitation. Also, customer trust in conventional banks is high, according to Bhushan & Medury (2021), owing to the security they offer. Conventional banks thus adapt digital innovations rather than being replaced by them.

Methodology

The study adopts a quantitative research approach to examine the impact of real-time payment systems on traditional banking practices. Primary data were collected from 106 respondents using a structured questionnaire. The questionnaire included statements measured on a five-point Likert scale ranging from strongly agree to strongly disagree.

The study focuses on key aspects such as the effect of real-time payment services on the frequency of bank visits and the perceived advantage of traditional banks in offering complex financial products like loans and investments. Convenience sampling was used for data collection.

For data analysis, statistical tools were applied using SPSS software. A one-sample t-test was conducted to test the formulated hypotheses by comparing the sample mean with the test value of 3 (neutral level). This helped in identifying whether respondents significantly agree or disagree with the given statements.

Data Analysis And Results

The data collected from respondents were analysed using SPSS to test the hypotheses through a one-sample t-test. The test value was set at 3, representing a neutral response. The results are presented below:

For the statement “Real-time payment services have reduced my visits to the bank”, the mean value obtained was 2.01 with a sample size of 106. The t-value was found to be -11.471, and the significance value was less than 0.001. Since the p-value is less than 0.05, the result is statistically significant. This indicates that respondents significantly agree that real-time payment services have reduced their visits to bank branches.

For the statement “Traditional banks have an advantage over UPI platforms in offering complex financial products like loans and investments”, the mean value was 2.30. The t-value was -7.583, and the significance value was less than 0.001. As the p-value is below 0.05, the result is statistically significant. This suggests that respondents significantly agree that traditional banks have an advantage in providing complex financial products.

Overall, the analysis shows a clear pattern where real-time payment systems influence customer behavior by reducing physical bank visits, while traditional banks continue to maintain their importance in offering advanced financial services.

Table 1: One sample T- Test Results

	One-Sample Test					
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
2.Real-time payment services have reduced my visits to the bank.	-11.471	105	<.001	-.991	-1.16	-.82
FINDINGS						
12.Traditional banks have an advantage over UPI platforms in offering complex financial products like loans and investments.	-7.583	105	<.001	-.698	-.88	-.52

The findings of the study indicate that real-time payment systems have brought a noticeable change in customer banking behavior. A majority of respondents agree that the use of digital payment platforms has reduced their need to visit bank branches for routine transactions. This highlights the convenience and efficiency offered by real-time payment services.

At the same time, the study reveals that traditional banks continue to hold a strong position in the financial system. Respondents perceive that banks have a clear advantage in providing complex financial products such as loans and investments. This suggests that while digital payment platforms are preferred for daily transactions, customers still rely on traditional banks for more structured and long-term financial needs.

Overall, the findings show that real-time payment systems and traditional banking services complement each other. Digital platforms enhance convenience and accessibility, whereas traditional banks provide reliability and expertise in handling complex financial services.

Conclusion

The study concludes that real-time payment systems such as UPI have significantly influenced customer banking behaviour by enhancing convenience and reducing the need for physical bank visits. The findings clearly indicate that customers prefer digital payment platforms for routine transactions due to their speed, ease of use, and accessibility.

At the same time, traditional banks continue to play a crucial role in the financial system. The study shows that customers perceive banks as more reliable when it comes to offering complex financial products such as loans and investments. This highlights that while digital payment



systems are effective for day-to-day transactions, traditional banking institutions remain essential for structured and long-term financial services.

Overall, the study establishes that real-time payment systems and traditional banking are not substitutes but complementary to each other. To remain competitive, banks must continue to adopt digital innovations while maintaining their core strengths in financial services. This balance will help ensure sustained growth and improved customer satisfaction in the evolving banking environment.

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