



Impact of UPI Adoption on Financial Management Practices of Small and Micro Enterprises in India: An Empirical Study

Dr. Ravi Kumar Malhotra^{1*}, Rajni Lakra², Babit Bhagat³

¹Assistant Professor (Guest), Shaheed Mahendra Karma Vishwavidyalaya, Jagdalpur, Bastar, Chhattisgarh, India

²Guest Lecturer, Department of Commerce, New Government College, Bagbahar, Jashpur, Chhattisgarh, India

³Guest Lecturer, Department of Sociology, Govt. R.B.R. N.E.S. P.G. College, Jashpurnagar, Chhattisgarh, India

Corresponding Author: * Dr. Ravi Kumar Malhotra

DOI: <https://doi.org/10.5281/zenodo.23181885>

Abstract

In modern India, the Unified Payments Interface (UPI) has become a game-changer in the retail payment system, allowing users to make seamless and instantaneous financial transactions. Beyond making payments easier, its use in SMEs has far-reaching implications for cash-flow management, financial record-keeping, working-capital efficiency, business transparency and access to formal financial services. The present study explores the association between UPI adoption and financial management practices of small and micro enterprises in India using descriptive and analytical approach with secondary empirical data. The analysis is based on transaction details shared by National Payments Corporation of India (NPCI), government reports, Reserve Bank of India publications and existing research on the enterprise level. According to the official statistics, the volume of transactions in the UPI has grown by 19 times from 4,595.61 crore in FY 2021–22 to 24,161.69 crore in FY 2025–26. There is also previous work that has linked positive outcomes in digital financial adoption to business outcomes, but with varying results based on the nature of the business and level of financial technology integration. The research revealed that UPI generates possibilities for quicker payments, tracing payments, increased financial visibility, and decreased reliance on physical cash. These benefits are limited, however, by the need for digital literacy, protection from fraud, the requirement to be connected, reconciling transactions and the ongoing presence of informal accounting practices. The results indicate that the monetary benefits of UPI are not limited to simply being able to receive digital payments, but also to providing access to transaction details to systematic financial management. The study identifies the importance of digital financial literacy, easily accessible accounting systems, secure payment systems, and enterprise-oriented financial inclusion programs.

Manuscript Information

- ISSN No: 3139-9851
- Received: 23-08-2026
- Accepted: 20-09-2026
- Published: 06-10-2026
- IJCATM:1(3); 2026: 59-66
- ©2026, All Rights Reserved
- Plagiarism Checked: Yes
- Peer Review Process: Yes
- Paper type: Research paper

How to Cite

Malhotra RK, Lakra R, Bhagat B. Impact of UPI adoption on financial management practices of small and micro enterprises in India: an empirical study. Int. J. Current Acad. Trend. Multi. 2026;1(3): 59-66

Access this Article Online



www.ijcatmjournals.com

KEYWORDS: Unified Payments Interface, UPI adoption, micro enterprises, small enterprises, financial management, digital payments, financial inclusion, cash-flow management, MSMEs.

1. INTRODUCTION

1.1 Background of the Study

The digital transformation has changed the way businesses do financial transactions, interact with customers, keep records and obtain financial services. Micro and small businesses are especially impacted by financial technology, which is often conducted with virtually no financial resources, and often rely on informal accounting methods, and on substantial income from daily sales.

The Unified Payments Interface was launched in India in 2016, which was a significant step towards the digitalization of financial transactions. UPI works on the principle that various payment apps are integrated with the NPCI and can transfer money to other bank accounts that are compatible with the NPCI.

Businesses can accept UPI payments without the need to invest in the traditional card payment infrastructure, thanks to the growth of UPI. Digital payments are now available for all kinds of retail and service businesses, as customers can pay using a QR code or other UPI payment method.

This is reflected in transaction official statistics. As per the Ministry of Finance (2026), during FY 2025-26, UPI has been used for 24,161.69 crore transactions with a total value of ₹314.23 lakh crore. This expansion demonstrates the growing importance of UPI within India's financial ecosystem.

But, an increase in digital transactions doesn't necessarily mean that financial management at the enterprise level has improved. The real gains will vary based on whether enterprises are leveraging the transaction details for revenue monitoring, expenditure control, financial records, or business decisions.

States that small and micro enterprises play an important role in the economy. Small and Micro Enterprises have significance in the economy.

Micro and small businesses play significant role in India's production, employment, retail distribution and service industries. They engage in grocery store jobs, restaurants, tailoring, repair services, manufacturing, transportation and many types of self-employments.

1.2 Significance of Small and Micro Enterprises

The Ministry of Micro, Small and Medium Enterprises (2026) stated that 7.61 crore MSMEs were registered as on January 31, 2026, which includes informal micro enterprises registered via the Udyam Assist Platform. This shows the scale of India's enterprise ecosystem and the importance of consumer-friendly financial technologies to small businesses.

For smaller businesses, financial management can be especially challenging as the owner and business manager may be the same person. The business owner can deal directly with the buying and selling, customers, payments and accounting.

With cash-intensive operations, you may have a hard time determining when to receive cash, separating business income from personal income, reconciling your daily transactions and proving business performance to the financial institutions. UPI can be a solution to some of these problems. The digitization of receipts can help provide greater transparency of business income, and bank linked transactions can allow businesses to gain a more structured view of financial transactions. However,

digital payments cannot replace financial planning, disciplined bookkeeping or prudent working-capital management.

1.3 Statement of the Problem

UPI adoption has been high in the country, but there is no clarity about the financial management practices of small and micro enterprises and their contribution to the same. A business can receive many different types of electronic payments and not keep accurate books or have a clear system in place on how they are to manage their expenses and budget. Likewise, greater transaction visibility is not always a prerequisite for better profitability, liquidity and access to institutional funding. Previous studies have found correlations between the adoption of digital finance and enterprise performance. For instance, Verma et al., (2025) examined the data from World Bank Enterprise Survey for 9,024 MSMEs in India and found positive correlations between digital financial measures and sales growth. Their study, however, looked at digital finance as a whole instead of the impact on specific financial management practices, like UPI. Therefore, a targeted investigation is needed to ascertain the potential impact of UPI adoption on payment collection, cash-flow monitoring, Accounting, working-capital management and financial inclusion.

1.4 Objectives of the Study

Examine the growth and adoption of UPI within India's digital payment ecosystem.

Analyze the relationship between UPI adoption and cash-flow management among small and micro enterprises.

Evaluate the potential contribution of UPI to financial record-keeping and transaction transparency.

Examine the relationship between digital payment adoption and working-capital management and financial inclusion.

Identify barriers that prevent enterprises from fully integrating UPI into their financial management practices.

1.5 Research Questions

RQ1: How has UPI adoption evolved in India, and what does its growth indicate about digital payment usage?

RQ2: How does UPI adoption influence cash-flow management and payment collection among small and micro enterprises?

RQ3: To what extent can UPI transactions support financial record-keeping and business transparency?

RQ4: What opportunities does UPI create for working-capital management and access to formal financial services?

RQ5: What technological, financial, and behavioral barriers constrain the effective use of UPI by small and micro enterprises?

1.6 Research Hypotheses

H1: Higher levels of UPI adoption are positively associated with more systematic cash-flow monitoring among MSMEs.

H2: The integration of UPI transaction records into enterprise accounting practices is positively associated with improved financial record-keeping among MSMEs.

H3: The association between UPI adoption and financial management practices varies according to the level of digital

literacy, enterprise characteristics, and access to formal financial infrastructure.

These propositions are examined through secondary evidence rather than statistically tested using an original firm-level dataset.

2. REVIEW OF LITERATURE

2.1 Digital Financial Services and MSME Development

Digital financial services are becoming increasingly significant for smaller businesses because they allow for financial transactions to happen outside of the normal banking environment and working time.

Gupta and Agarwal (2023) explored the role of digital financial services (DFS) among the registered Indian MSMEs through primary questionnaire data. The research explored the awareness and adoption preferences of business owners, while also considering their demographic profiles.

The research revealed several factors that affect the adoption of digital financial services, such as age and experience of owners/managers. It also highlighted the need for better digitalized services and financial knowledge.

The results show that digital financial technology is about more than just having access to a payment app, it's about behavioral and organizational issues as well.

Using the Enterprise Surveys data provided by the World Bank for MSMEs in India (N=9024), Verma et al. (2025) examined the relationship between digital finance and MSME performance. They found that digitally engaged companies had higher sales growth compared to non-digital companies. There was some evidence linking increases in the digitization of financial variables to increases in sales growth, but not as strong in the cases of employment growth and labour productivity. The research also found that there are variations in enterprise's adoption of digitization based on the size, age and characteristics of its organizations.

The implications of these findings are important as the financial impact of digitalization could be related to the current managerial competence of the enterprise and its capacity to embed technology into the business.

2.2 UPI Adoption Among Micro Enterprises

Kumar et al. (2025) used ethnographic methods to study the adoption of UPI by micro enterprises in India. Their study found that adoption occurs in a way that was influenced by the opportunities provided by technology, and the realities faced by business owners. The researchers noted that technological advancements, like interoperable QR-based payments, presented new opportunities for financial transactions and also challenges like concerns of fraud.

They found that the uptake of and subsequent use of UPI is not a simple process of one choice leading to regular use. Instead, enterprises are continually adjusting their payment procedures to technology advances and their niche. This is particularly true for small businesses, where the methods used for technology may vary based on customer tastes, the devices on hand, and the owner's financial expertise.

2.3. The merchant acceptance of these products and the financial inclusion of people who use them

Rao and Upadhyaya (2026) conducted a study on the acceptance of UPI among small retailers in various socio-economic regions of India. Their study employed a mixed-method research design, which involved an examination of merchant attitudes, intentions to adopt UPI payment applications and actual usage. In their investigation, they demonstrate the need to consider the merchant's perspective rather than take for granted that the growth of the payment infrastructure generates a uniform participation in the various business contexts.

Merchant involvement is also a factor in the development of the broader payments system. Motheram and Buteau (2026) looked at digital payments in 711 districts of India from 2020 to 2024. Their research showed that the development of the merchant ecosystem was one of the important aspects linked to increased UPI usage. They also found differences between geographic and socioeconomic settings. In combination, these studies suggest that digital financial inclusion is not just about access to technology, but also adoption by businesses.

2.4 Future Use of the Internet for Financial Services

The Reserve Bank of India (2024) highlighted that Digital payment systems provide information on business transactions, time of payment and consumer spending patterns. These data can be used in financial services, such as credit assessment, collections, savings and other financial products. In the case of small businesses, this means that the benefit of digital payments goes beyond the checkout. Financial transaction information can be used to gain a more systematic view of business activity, for enterprises and financial institutions.

But, just because digital transaction information exists doesn't mean that an enterprise will use it effectively. Even a business has to categorize income and expenditure, track their outstanding liabilities, and keep a check on the bank balance.

2.5 Research Gap

Prior studies offer significant insights on digital financial inclusion, acceptability, and performance of MSMEs. However, there are a number of areas that still need to be addressed. One, most of the literature focuses on digital financial services as a whole instead of specific contribution of UPI. Second, studies often focus on intention to adopt or ease of payment, or enterprise performance, but there is comparatively less focus on financial management consequences. Thirdly, accepting digital payments and incorporating digital payment information into financial decision making are two separate processes. Lastly, compare transaction data does not provide any indication of the liquidity, profitability or financial discipline of any particular enterprise following the implementation of UPI.

The present study seeks to fill these gaps by exploring the financial management mechanisms associated with the adoption of UPI and the difference between what might be expected to benefit from UPI adoption and what has actually been achieved.

3. RESEARCH METHODOLOGY

3.1 Research Design

This research is descriptive and analytical with the secondary empirical data approach. It leverages quantitative analysis of published data on UPI transactions and a structured review of available empirical evidence on digital financial services and small businesses. The research doesn't contain an authentic survey, experimental intervention or gathering of private banking records. It is empirical in its descriptive contribution,

by documenting changes in the scale of UPI transactions, and in its analysis of the changes in terms of published evidence of enterprise financial practices.

3.2 SOURCES OF DATA

The study uses information from the following sources:

Source	Data or evidence used
National Payments Corporation of India	UPI transaction volume and value
Ministry of Finance	Annual UPI transaction statistics
Reserve Bank of India	Digital payment development and financial inclusion
Ministry of MSME	Enterprise registration and sectoral context
Peer-reviewed research	Enterprise adoption, digital finance, and merchant behavior

The principal quantitative period covers FY 2021–22 to FY 2025–26. The analysis also considers the most recent available monthly UPI statistics as of August 2026.

3.3 Variables and Analytical Framework

The principal explanatory concept is UPI adoption. At the enterprise level, UPI adoption can be operationalized through

payment acceptance, frequency of use, proportion of receipts collected digitally, and integration of UPI records into accounting practices. The outcome dimensions are financial management practices, including cash-flow management, record-keeping, working-capital management, financial transparency, and access to formal financial services.

Table 1: Operational Framework of the Study

Variable	Dimension	Suggested enterprise-level indicator
UPI adoption	Usage intensity	Share of sales received through UPI
Cash-flow management	Payment collection	Average time between sale and receipt
Financial record-keeping	Accounting accuracy	Frequency of transaction reconciliation
Working-capital management	Liquidity	Availability of funds for operating expenses
Financial transparency	Transaction traceability	Proportion of receipts recorded and classified
Financial inclusion	Institutional participation	Use of business banking and formal credit
Digital capability	Financial literacy	Ability to understand statements and manage payment risks

Note. The indicators provide an operational framework for interpreting the research topic. They are not observations from a newly collected dataset.

3.4 Method of Analysis

The quantitative analysis examines the annual growth of UPI transactions using published transaction volumes and values. The year-on-year growth rate is calculated as: $\text{Growth Rate} = [(V_t - V_{t-1}) / V_{t-1}] \times 100$, where V_t represents transaction volume in the current financial year and V_{t-1} represents transaction volume in the preceding financial year.

The study also uses comparative interpretation of published research to examine the relationship between digital payment adoption and financial management outcomes. No original regression model, hypothesis test, or inferential statistical estimate is reported because the necessary enterprise-level observations were not supplied.

3.5 Scope and Limitations

The study focuses on small and micro enterprises operating in India, particularly enterprises engaged in retail trade and

services. A principal limitation is that national UPI statistics include multiple categories of users and transactions. They cannot be treated as direct measurements of payment usage by small and micro enterprises. Similarly, evidence concerning broader MSME digital finance adoption cannot establish the independent causal effect of UPI. The study therefore distinguishes between official payment-system observations, findings reported by earlier researchers, and the analytical implications derived from those findings.

4. DATA ANALYSIS AND INTERPRETATION

4.1 Growth of UPI Transactions in India

UPI transaction statistics demonstrate substantial expansion in India's digital payment activity. Official Ministry of Finance data provide the annual transaction volume and value for FY 2021–22 through FY 2025–26.

Table 2: India's Annual Growth in UPI Transactions

Financial year	Transaction volume (crore)	Transaction value (₹ lakh crore)
2021–22	4,595.61	84.16
2022–23	8,371.44	139.15
2023–24	13,112.95	199.95
2024–25	18,586.60	260.56
2025–26	24,161.69	314.23

Source: Ministry of Finance (2026), based on NPCI statistics.

The data indicate that the number of annual UPI transactions increased more than fivefold during the period. The growth demonstrates that UPI has become an important component of India's payment infrastructure. For smaller enterprises, this expansion indicates that digital payment acceptance increasingly forms part of the environment in which businesses interact with customers. However, the figures do not measure the number of small enterprises adopting UPI, their individual

transaction volumes, or changes in their financial management performance.

4.2 Recent UPI Transaction Activity

Monthly statistics provide additional evidence of continued payment-system expansion. NPCI reported the following UPI transaction volumes during the first five months of FY 2026–27:

Table: 3 UPI Transaction Activity, April–August 2026

Month	Transaction volume (million)	Transaction value (₹ crore)
April 2026	22,346.80	29,02,988.05
May 2026	23,201.93	29,90,424.21
June 2026	22,716.07	28,92,138.67
July 2026	23,658.35	29,87,880.49
August 2026	24,508.96	29,82,355.95

Source. National Payments Corporation of India (2026).

The monthly figures demonstrate that UPI continues to process large transaction volumes. Nevertheless, changes in total payment volume can result from several factors, including greater numbers of users, more frequent transactions, wider merchant acceptance, or changes in payment preferences. For this reason, the expansion of national UPI activity should be interpreted as evidence of payment-system development rather than direct proof of improvements in enterprise profitability or liquidity.

4.3 UPI Adoption and Cash-Flow Management

Cash-flow management is related with the tracking of cash flows into and out of enterprise, so that enterprise can be able to pay its financial commitments. A small business often relies on the daily inflow of income to buy inventory, pay suppliers, cover the cost of running the business, and keep the business going. UPI can help shape cash-flow practices, as it offers bank-linked payment collection and offers digital confirmation of payments.

For instance, if a retail business accepts a customer's payment via UPI, it can have it recognized in its bank-entangled transaction records. This will increase the visibility of collections as opposed to if multiple cash receipts were combined together and recorded back. The benefits to financial management are that the cash received can be better identified, expected and received payments can be compared easily, and there is less need to physically receive customer cash.

These benefits, however, rely on the ability to get payment confirmation and the reliability of the enterprise to reconcile transactions. The receipt of a payment notification should not be deemed to be conclusive evidence of a successful transaction. If there are any disputes or delays in payment, the merchants must check the real status of the payment. So, while UPI might help with cash flow monitoring, it won't replace liquidity planning or payment verification.

4.4 UPI Adoption and Financial Record-Keeping” can be found at the following link:

Financial records should be kept accurately to understand the income and expenditure of the business, its profits and profits due and the money required to pay its debts. Micro enterprises can keep their records in a handwritten register, a not-so-formal sales record, or a simple spreadsheet. These can make things tricky if transactions spike. UPI provides the details of transactions which can help maintain a better-organized log of receipts by the customer.

Digital payments could help companies lessen reliance on memory and manual cash counting when they constantly check the transaction logs against the sales logs. A business owner can, for instance, reconcile daily UPI receipts with the invoices or sales entries to see if there are any missing receipts, refunds or discrepancies. A bank statement, however, is not a substitute for a full accounting system. The income from UPI does not show the cost of goods sold, the depreciation, the change in inventory, unpaid liabilities or profit.

Similarly, if a business owner has the same bank account for both their home and business, it will be hard to read and understand the digital records without proper categorization. What makes financial management then, so useful is that you use UPI in conjunction with good bookkeeping, and not the other way around.

4.5 UPI Adoption and Working-Capital Management

Working capital is the liquidity of a company to meet its short-term obligations. It is especially vital for small businesses that have a small capital or have regular expenses for stock, salaries, shipping, utilities, and payments to suppliers. UPI can aid in working out the management of working capital by bank linked collection and transfer of funds.

If a business is able to use collected funds quickly, then it might better able to meet its operating needs in the short-term. Digital transaction data can also aid in the identification of the timing of inflow and repetitive expenditure. But the quicker the money is received, the more working capital doesn't necessarily become. Even if the business has not experienced a lack of sales, but has invested too much in inventory, high operating costs, or failed to settle other debts that have become due and payable, the company can still be in trouble for lack of

liquidity. So, UPI is more a financial transaction and information tool, which can assist in working-capital transactions rather than being a standalone answer to a working-capital crunch.

4.6 UPI Adoption and Financial Inclusion

In the context of financial inclusion, access to and effective utilization of suitable financial services is included. Incorporating bank linked payment methods by allowing firms to obtain money electronically with UPI can promote the adoption of these systems. Normal transaction histories may also include details of the volume and frequency of business receipts. The Reserve Bank of India (2024) has recognized the promise of the digital transaction information to enhance the growth of credit assessment and financial services. More systematic financial records might then help to bring financial visibility to small enterprises that do not have a high degree of formal documentation.

However, not all loans are available to everyone with payment records. Other factors such as the ability to pay back, other obligations, credit history, stability of the enterprise and requirements for financing may be considered by financial institutions. UPI-based financial information should, therefore, be considered as a potential enabling input rather than a guarantee of creditworthiness for financial inclusion.

5. DISCUSSION

5.1 Relationship between UPI adoption and financial management

The result of the analysis shows that UPI can impact financial management in a number of interrelated ways. The first is the digitization of customer receipts. With direct payment through the bank linked system, business owners can have greater real-time visibility of collections and account balances. The second is transaction traceability. Digital payment records can include data that can be utilized to verify payment receipts, reconcile sales, and track funds. The third one is availability of financial information. Transaction history may provide additional data to support insights into business activity and be available as a source of financial services.

But the effectiveness of these mechanisms is dependent on the financial and technological means of the enterprise. A business that takes UPI payments and doesn't have a separate business account or financial records may not see significant gains in financial management, but can gain payment convenience. This finding is similar to the overall results of Verma et al. (2025) in another study that found variations in digital adoption based on enterprise characteristics and business performance. Their findings indicate that the impact of technology usage and business outcomes is not necessarily consistent for all businesses.

5.2 Financial Literacy and Managerial Capability

Financial literacy can affect how able business owners are to utilize digital transaction data. While an entrepreneur might feel at ease while accepting UPI payments, he or she might not be able to create cash-flow statements, determine operating margins, or differentiate between revenue and profit. Likewise,

history of digital transactions can be underutilized if enterprises are unable to export statement, categorize spending, or reconcile bank accounts.

Gupta and Agarwal (2023) found that several factors such as awareness and owner characteristics are significant in the adoption of digital financial services among Indian MSMEs. They also have discovered that financial knowledge and managerial skills must be taken into account when considering technological access. Practical application is that digital financial inclusion should not be to merely receive electronic payments, but also to understand and act on financial information.

5.3 Challenges Associated with UPI Adoption

While UPI has the promise of financial benefits, there are a few challenges for the small and micro enterprises that could make it less effective:

Digital literacy: Some proprietors might not know how to verify payments, access bank statements, use application interfaces or how to ensure proper cybersecurity.

Payment messages sent via a QR code that are not from a legitimate company, requests for payment through a fake QR code, and unauthorized attempts to make payments can cause financial risk. It is a necessary distinction for businesses to make between being paid and authorizing a payment to another party.

Network and technical dependence: Digital payment acceptance depends on the working payment infrastructure. Transactions can be interrupted by connectivity problems, device failures or payment-processing issues.

Payment integration: Payment records could be in multiple applications or bank accounts, adding to the reconciliation workload.

Mixing of personal and business transactions: If business owners make personal account payments for business income and payments, it can be hard to determine actual business income.

Customer payment preferences: Some customers may stick with cash and it may not be feasible for some businesses to rely on 100% digital transactions.

Kumar et al. (2025) showed that the adoption of micro-enterprises is influenced by the interplay of the changing norms and opportunities for technology. Their findings contribute to understanding the inability of improved access to UPI to solve operational and financial problems.

5.4 Implications for Enterprise Performance

Financial management can help improve enterprise performance in terms of making timely payments, controlling expenditures and utilizing resources effectively. When companies actively integrate information from transactions into their management processes, UPI can be helpful in these processes. For example, if a retailer regularly balances the UPI receipts as they receive them with sales figures, they can detect collections discrepancies and have a better idea of how much money is on hand. Also, a service provider can analyze the transactions that occurred in the past to determine cyclical patterns in receipts and allocate budget as needed.

However, better visibility of financials is not necessarily equivalent to better profitability. Other elements such as pricing, customer demand, operating costs, level of competition, labour productivity and the economic climate also influence profitability. So, the relationship between UPI adoption and enterprise performance is likely to be indirect and dependent on the quality of financial management.

6. Major Findings of the Study

First, UPI has emerged as a key player in India's digital payment landscape. The sharp rise in the volume of transactions between FY 2021-22 and FY 2025-26 portrays its growth in magnitude. This puts the broader economic landscape in which small and micro enterprises are increasingly seeing digital payment behaviors.

Second, UPI provides opportunities for better cash-flow visibility. Bank-receipts and transaction logs can assist businesses to trace customer payments, and monitor funds availability. The size of any reduction in collection delays, however, at the enterprise level cannot be confirmed using the data available for secondary analysis.

Thirdly, UPI can facilitate more systematic financial record keeping. Digital transaction information can help with verification of sales and bank reconciliation. The benefit will depend on whether or not business owners incorporate payment data into their accounting practices.

Fourth, UPI can facilitate working-capital decisions and financial inclusion. Transaction data can enhance financial visibility and can be used to augment the credit assessment. However, while payment adoption does not ensure adequate liquidity or formal credit approval, it does pave the way for this.

Fifth, enterprise attributes and digital capabilities impact the benefits of UPI adoption. Previous empirical studies suggest a variation in digital financial adoption at the enterprise level and among different socio-economic settings.

Last but not least, technology cannot guarantee financial management improvements. All the key elements of financial literacy, the proper handling of books, secure transactions and business and personal finance separation are crucial.

In summary, the evidence suggests that UPI has the potential to be an enabling technology for better financial practices, though the impact on the actual financial practices of individual enterprises will vary, depending on how they implement UPI.

7. Recommendations

7.2 Integration of UPI With Accounting Practices

Small and micro businesses need to have simple sales reconciliation system for UPI receipts. Simple accounting programs such as a spreadsheet or a bookkeeping program that can be easily accessed can be used to turn the information of the transactions into useable financial data. The goal is to properly categorize transactions, not simply keep track of all payments received.

7.2 Increase digital financial literacy

Financial education programs should cover real-life practice in payment verification, classification of expenses, budgeting,

bank reconciliation and digital fraud prevention. Training must suit micro enterprises, where the entrepreneurs might be inexperienced in formal accounting practices.

7.3 Separation of Personal and Business Finances

Owners should, as far as possible, have their own bank accounts for business purposes. This can make it simpler to identify revenue and monitor expenses, as well as make preparation of financial records easier. It can also help to minimize the confusion for business owners when analyzing profitability or applying for outside financing.

7.4 Strengthening Payment Security

Payment service providers and financial institutions should keep enhancing the transaction notifications, fraud reporting, dispute resolution and educating merchants. Businesses need to ensure that funds are received, and should not take anything on their word that is merely a screen shot of the payment shown by the customer.

7.5 Development of Accessible Financial Management Tools

Banks, payment service providers, and accounting technology developers can help small businesses with low-cost, easily accessible financial management solutions. Aside from their straightforward financial benefits, the practical use of digital payments could be enhanced with features like transaction categorization, daily receipt summaries, multilingual interfaces and simplified bank reconciliation.

7.6 Future Empirical Research

The primary data should be collected for further research through the enterprises in urban, semi-urban and rural India. Comparative analysis of businesses that use UPI often, occasionally or mainly cash could be helpful in determining whether there is any impact on financial management due to the adoption of digital transactions. These could be collection time, the frequency of reconciling, the availability of working-capital, cash-handling expenditure and access to business credit. It would be very useful to have a longitudinal study of companies before and after the adoption of UPI to help distinguish impacts of digitalization from other business changes.

8. CONCLUSION

UPI has revolutionized the digital payment landscape in India and provided fresh opportunities for small and micro businesses to engage in monetary transactions using a bank-based payment system. The present study investigated the relationship between UPI and cash-flow management, financial records keeping, efficiency of working capital, financial transparency and financial inclusion.

Official transaction statistics highlight significant growth in UPI usage, and research published at the enterprise-level shows that digital financial adoption impacts on some business outcomes and is driven by organizational and individual attributes. The analysis indicates that UPI's primary financial management benefit is enabling collection of payments and

providing transaction data that may be used as input for financial data and decision making within business processes. But having the digital payment records doesn't necessarily generate precise accounting, better profitability or access to credit. They are supported by complementary practices such as regular financial reconciliation, expense monitoring, and financial arrangements and financial literacy.

The key takeaway is that the impact of UPI on financial management is more driven by the extent to which enterprises use UPI in their financial operations rather than the availability of digital payments.

The study makes a contribution on understanding of UPI as a payment facilitating mechanism and also a tool for more systematic financial management of enterprises. These relationships need primary research to quantify and determine if UPI adoption yields measurable benefits at the enterprise level.

REFERENCES

1. Gupta U, Agarwal B. The role of digital financial services on Indian MSMEs. *Indian J Finance*. 2023;17(2):8-26. doi:10.17010/ijf/2023/v17i2/170125.
2. Kumar M, Singh JB, Sharma SK. Evolving “affordances” and “constraints” in mobile payment use: a study of Indian micro-enterprises’ UPI adoption process. *J Enterp Inf Manag*. 2025;38(2):660-678. doi:10.1108/JEIM-09-2023-0455.
3. Ministry of Finance. Nearly 55.49 crore users onboarded on UPI as in June 2026. Press Information Bureau; 2026 Jul 20.
4. Ministry of Micro, Small and Medium Enterprises. Annual report 2025-26. Government of India; 2026.
5. Motheram A, Buteau S. Supply side drivers of digital payment adoption in India. *Discov Sustain*. 2026; 7:560. doi:10.1007/s43621-026-02901-x.
6. National Payments Corporation of India. Unified Payments Interface (UPI): product statistics. 2026 [cited 2026 Oct 6].
7. National Payments Corporation of India. UPI ecosystem statistics. 2026 [cited 2026 Oct 6].
8. Rao K, Upadhyaya P. Small-scale merchants’ acceptance of UPI payment apps: evidence from India. *Humanit Soc Sci Commun*. 2026. doi:10.1057/s41599-026-08005-1.
9. Reserve Bank of India. Report on currency and finance 2023-24: India’s digital revolution. Mumbai: Reserve Bank of India; 2024.
10. Reserve Bank of India. Annual report 2024-25. Mumbai: Reserve Bank of India; 2025.
11. Verma A, Das KC, Misra P. Digital finance and MSME performance in India: evidence from World Bank Enterprise Survey data. *J Econ Stud*. 2025;52(5):887-903. doi:10.1108/JES-12-2023-0744.
12. World Bank. The Global Findex Database 2025: connectivity and financial inclusion in the digital economy—India, 2024. Washington (DC): World Bank; 2025. doi:10.48529/c9vy-pq51.

Creative Commons (CC) License

This article is an open-access article distributed under the terms and conditions of the Creative Commons Attribution–Non-Commercial–No Derivatives 4.0 International (CC BY-NC-ND 4.0) license. This license permits sharing and redistribution of the article in any medium or format for non-commercial purposes only, provided that appropriate credit is given to the original author(s) and source. No modifications, adaptations, or derivative works are permitted under this license.