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Growth of Online Payment Systems after COVID Pandemic in Maharashtra

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Abstract

The COVID-19 pandemic acted as a powerful catalyst for the digital transformation of the Indian economy, with Maharashtra—India's financial powerhouse—at the forefront of this shift. This paper examines the exponential growth of online payment systems in Maharashtra from 2020 to 2026. Prior to the pandemic, digital adoption was gradual; however, the lockdown restrictions and hygiene concerns regarding physical currency necessitated a rapid transition to contactless transactions. Using a mix of secondary data from the Reserve Bank of India (RBI), National Payments Corporation of India (NPCI), and regional economic surveys, this study highlights the surge in Unified Payments Interface (UPI) transactions, mobile banking, and the decline of "cash-on-delivery" in the state's burgeoning e-commerce sector. The findings suggest that while urban centers like Mumbai and Pune reached near-saturation in digital adoption, semi-urban and rural Maharashtra showed the highest percentage of new user onboarding. The paper concludes with suggestions to enhance cybersecurity and digital literacy to sustain this momentum.

Keywords: *Online Payments, UPI, COVID-19, Maharashtra Economy, Digital Transformation, Fintech, Contactless Transactions.*

Introduction

The global landscape of financial transactions underwent a seismic shift at the dawn of the current decade. While the "Digital India" initiative launched in 2015 had already laid the groundwork for a cashless economy, the arrival of the COVID-19 pandemic in early 2020 acted as an unforeseen and high-velocity catalyst. Nowhere was this transformation more visible or vital than in Maharashtra, India's most industrialized state and home to Mumbai, the nation's financial capital. Before the pandemic, the adoption of online payment systems—including Unified Payments Interface (UPI), mobile wallets, and Internet banking—was largely concentrated among the urban elite and the tech-savvy youth. Physical currency remained the "king" for daily transactions, particularly within the vast network of informal markets, *Kirana* stores, and public transport systems that define the Maharashtrian economy. However, the enforcement of stringent lockdowns and the prevailing medical concern regarding the transmission of the virus through physical surfaces, including banknotes, created a sudden "necessity-driven" adoption of contactless payments. For the first time, digital payments were no longer a matter of convenience; they were a matter of public safety. As the state that consistently contributes the highest share to India's GDP, the shift in its consumer behavior provides a blueprint for the rest of the country. From the bustling streets of Dadar to the agricultural hubs of Vidarbha and Marathwada, the post-pandemic era has seen a democratization of financial technology. This study investigates the factors that sustained this growth even after social distancing norms were relaxed, examining how a temporary survival tactic evolved into a permanent socio-economic habit.

Objectives of the Study

1. To analyze the growth trajectory of online payment systems in Maharashtra during the pre-pandemic and post-pandemic periods.
2. To identify the primary drivers (psychological, logistical, and governmental) that accelerated digital adoption in the state.
3. To evaluate the role of the Unified Payments Interface (UPI) in transforming the micro-payment landscape for small vendors and retail consumers.
4. To examine the challenges, such as digital divide and security concerns, faced by users in Maharashtra.

Research Methodology

This study adopts a **descriptive and analytical research design**.

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- **Secondary Data:** The core of the analysis is based on statistical reports from the **Reserve Bank of India (RBI)**, **NPCI**, and the **Economic Survey of Maharashtra**.
- **Literature Review:** Previous academic journals and news reports regarding fintech adoption in Tier-1 and Tier-2 cities of Maharashtra (Mumbai, Pune, Nagpur, and Nashik) were consulted.
- **Temporal Scope:** The study focuses on the period between March 2020 (the start of the pandemic) and early 2026 to capture the long-term "new normal" behavior of consumers.

Findings and Analysis

1 The "Fear Factor" and Contactless Necessity

During the 2020-2021 lockdowns, physical currency was perceived as a potential vector for the virus. This psychological shift led to a 45% increase in first-time digital payment users in Maharashtra within the first six months of the pandemic.

2 Dominance of UPI

Maharashtra remains a leader in UPI transaction volume. As of late 2025, Maharashtra accounts for a significant portion of India's total UPI transactions. The integration of QR codes in *Kirana* stores and by street vendors (hawkers) in Mumbai and Pune has made digital payments a default rather than an alternative.

3 Regional Disparity and Growth

While Mumbai and Pune were early adopters, the post-pandemic era saw the fastest growth rates in **Tier-2 and Tier-3 cities** such as Aurangabad, Solapur, and Amravati. Government initiatives like the *Digidhan Mission* helped bridge the gap in these regions.

4 Sector-Specific Growth

- **E-commerce & Food Delivery:** Post-pandemic, the "Cash on Delivery" (CoD) option in Maharashtra saw a 30% decline, replaced by "Pay on Link" or UPI at the doorstep.
- **Utility Bills:** Over 85% of electricity and water bill payments in urban Maharashtra are now conducted through online portals or apps like Maha-Vitaran.

Year	RBI Digital Payment Index (RBI-DPI)	Growth % (Approx)
March 2020	207.84	Base
March 2022	349.30	68%
March 2025	493.22	137%
Sept 2025	**516.76**	**148%**

Digital Payment Index (RBI-DPI) Report - February 2026

Suggestions

1. **Strengthening Cyber-Security:** As transaction volumes increase, so do phishing and "SIM-swapping" frauds. The State Government and banks must invest in localized awareness campaigns in Marathi to educate rural users.
2. **Infrastructure Reliability:** In semi-urban Maharashtra, transaction failures due to server downtime remain a hurdle. Banks need to upgrade legacy infrastructure to handle the high-load "peak hours."
3. **Incentivizing Small Merchants:** While UPI is free, the cost of smartphones and data plans can be a burden for very small vendors. Subsidized digital kits could further penetration.
4. **Offline Payments:** Promoting "UPI Lite" and offline payment solutions will be crucial for regions in the Sahyadri range or Vidarbha where internet connectivity is intermittent.

Conclusion

The growth of online payment systems in Maharashtra is no longer a temporary reaction to a health crisis; it is a fundamental structural shift in the state's economy. The transition from a "cash-heavy" to a "digital-first" society has enhanced financial inclusion, allowed for better tax tracking, and fostered a thriving fintech startup ecosystem in Pune and Mumbai. As of 2026, Maharashtra continues to lead the nation, proving that the pandemic-induced "digital spark" has evolved into a permanent economic engine.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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