



## How Digital Payments Are Enhancing Efficiency for Small Businesses in India

India's digital payments ecosystem has emerged as a pillar of Micro, Small, and Medium Enterprises (MSMEs) economies. MSMEs in India are estimated to contribute to 30% of the country's Gross Domestic

Product (GDP), over 45% of exports, and employ over 24 crore individuals. Therefore, these segments acting with high degrees of efficiency are crucial to India's vision of becoming a US\$ 5 trillion economy. The structural impediments and historical limitations of these small-scale commercial efforts have been a hindrance to their growth. Earlier, these sectors depended entirely upon the cash economy, and their access to mainstream financial alternatives was limited. However, with the rapid development and saturation of various aspects of Digital Public Infrastructure (DPI), these limitations have come to be erased. The scale and growth of Unified Payments Interface (UPI), from 91.5 crores in FY18 to over 18,586 crores in FY25, indicate this sector's transition from a mere fintech innovation to becoming omnipresent in Indian society.



## DIGITAL PAYMENTS AS A PRODUCTIVITY ENGINE

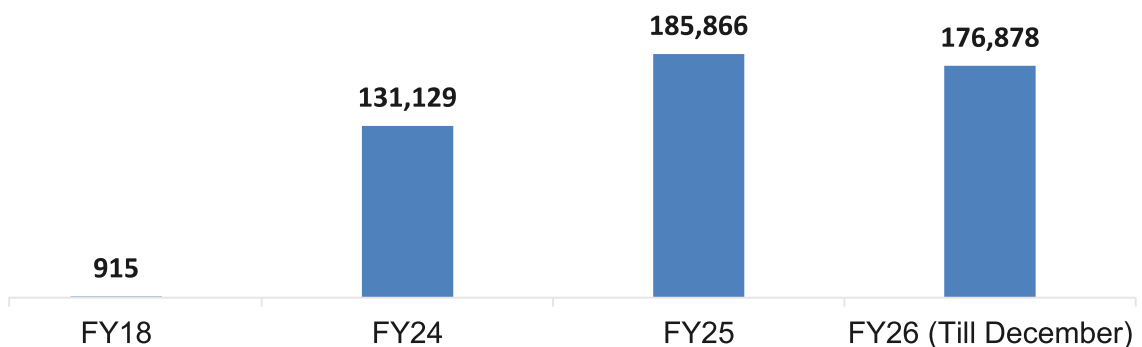
India's economic scenario is undergoing a significant period of change, and the Micro, Small, and Medium Enterprises are at the heart of this change. Termed the 'growth engine of the nation', MSMEs are the key to the ambitions of achieving a Rs. 450 lakh crore (US\$ 5 trillion) economy by FY28.

### The Scale of the Sector

India has a vast scope to support livelihoods for over 24.40 crore people, according to recent government figures.

- **Classification Dominance:** The major share of the registered units is held by micro-enterprises at 98.60% (5.69 crore units).
- **Economic Footprint:** This industry contributes approximately 30.10% of India's GDP and generates approximately 36.00% of the sum of all Indian manufacturing output.
- **Export Resilience:** MSME exports have witnessed a remarkable ascent, surging from Rs. 3.95 lakh crore (US\$ 47.10 billion) in FY21 to Rs. 12.39 lakh crore (US\$ 147.80 billion) in FY25.

UPI Volume (In Million)





The MSME landscape in India is huge and all-encompassing, supporting the livelihoods of more than 20.39 crore people who are registered on the Udyam portal. The resilience of the sector best reflects in its trade performance: MSME exports have risen sharply from Rs. 3.95 lakh crore (US\$ 47.1 billion) in FY21 to Rs. 12.39 lakh crore (US\$ 147.8 billion) in FY25. The ecosystem has become increasingly global, with MSME export counts swelling from 52,849 to 1,73,350 in the same window. MSMEs accounted for about 45.79% of India's total exports by May 2024, thus underlining their essentiality in the trade performance of the country.

In earlier phases, this growth was constrained by a high dependence on physical cash, leading to an environment characterized mainly by a fragmented and informal atmosphere. This transformation into full digital bloom was accelerated by the COVID-19 pandemic and, for India's fintech scenario, marked a watershed moment. The outcome is a clear and accelerating trajectory as digital payments moved from niche convenience to core mainstream necessity across the country for small businesses.

Efficiency in today's competitive environment for a small business in India has evolved to become a full-fledged productivity machine with

four key pillars:

- **Operational Time Savings:** Digital payments eliminate the time lag associated with dealing with physical currencies. Push for instant settlements will help entrepreneurs save time to focus on growing businesses rather than dealing with this time drain.
- **Cost Optimization:** Removing cash from the equation eliminates security, transport, and storage costs. The relatively low digital transaction charges result in increased profitability.
- **Democratized Market Reach:** Tier-2 and Tier-3 MSMEs can access the global e-commerce value chain through a partnership with digital payment gateways.
- **Formalization and Credit Access:** The digital footprint facilitates smooth compliance with GST, helping lenders assess the credibility of borrowers. This bridges the long-standing credit gap for MSMEs, enabling them to obtain institutional support via alternative methods of obtaining credit.

As the RBI's Digital Payments Index increased to 493.22 in March 2025, it is evident that the digital payment system has become the core of the Indian economy.

## EVOLUTION OF DIGITAL PAYMENTS IN INDIA

Before 2016, India's economy was large on cash and informality. Digital payments were either big-ticket transfers via RTGS/NEFT or were largely intended for use in cities, mainly for card payments. The small business or MSME depended mostly upon cash, meaning minimal verifiable financial data and difficulty in accessing formal credit existed. The Bahi-Khata (physical ledger) system and traditional manual ledger systems limited operational transparency and scalability.

### Demonetisation: The Strategic Inflection Point

The year 2016 may be treated as a defining trend since the event of demonetisation acted as a behavioral trigger, forcing the populace to opt for a digital solution. This change helped to chip away at the mental barrier to using digital finance by fueling a surge in the uptake of mobile wallets. This can thus be treated as the 'fertile ground' in which the National Payments Corporation of India (NPCI) initiatives were taken forward.

### The Foundation: JAM Trinity & Infrastructure

India's success was not an accident, but the result of a deliberate, layered strategy known as the JAM Trinity:

- **Jan Dhan (Banking):** More than 558.3 million bank accounts opened under the PMJDY initiative (as of July 2025), helping the unbanked population access

financial services.

- **Aadhaar (Identity):** Providing a unique digital identity for biometric authentication (e-KYC), thereby facilitating and making the process of account opening effortless. Since its inception, over 142 crore Aadhaar cards have been issued cumulatively as of June 30, 2025, and have been the backbone of several digital services such as UPI.
- **Mobile (Connectivity):** The speedy deployment of 5G technology, with approximately 4.74 lakh active base stations reaching every district in the country. This construct caters to the service needs of the 116 crore mobile subscribers in the country by the year 2025 and provides the world's cheapest data rates, from Rs. 308 per GB in 2014 to below Rs.10per GB. Smartphones are essentially mobile payment systems for the masses.

### UPI: The Global Benchmark

The Unified Payments Interface, introduced in April 2016, revolutionised the payments landscape completely with capabilities such as one-to-one instant, round-the-clock transactions between banks on a simple Virtual Payment Address or QR code.

- **Global Dominance:** Based on an IMF report issued in June 2025, UPI has been recognized as the largest retail fast payment system across the world, accounting for an approximate share of 49% out of the total global real-time digital transactional systems.

Payment Mode	Use Case	Settlement Speed	Scale (FY24-25)
UPI	Person-to-Merchant (P2M) & P2P	Instant	~18,586 Cr+ Transactions
AePS	Rural/Last-mile Banking	Instant	36 Cr+ Ayushman/Social Benefits
Cards (PoS)	High-value Retail	T+1 / T+2 Days	100 million+ Credit Cards
NETC (FASTag)	Toll & Transit	Real-time	10% YoY Growth



## UNDERSTANDING SMALL BUSINESSES IN INDIA: THE ECONOMIC TAPESTRY

To appreciate the impact of digital payments, it is essential to define the scale and diversity of the Indian small business landscape. The Micro, Small, and Medium Enterprises (MSME) sector is not a monolith; rather, it is a vast spectrum of economic activities ranging from rural artisans and urban street vendors to high-tech manufacturing units.

### Defining the Pillars: Micro and Small Enterprises

Starting July 1, 2020, with amendments carried into the Union Budget 2025-26, the way we classify enterprises will be based on a mix of investment and annual turnover. Based on the revised RBI Master Direction (2025) and the Ministry of MSME Notification (March 21, 2025), the categories are:

- **Micro Enterprises:** Investment in plant and machinery up to Rs. 2.5 crore (US\$ 0.3 million) and annual turnover up

to Rs. 10 crore (US\$ 1.2 million).

- **Small Enterprises:** investment up to Rs. 25 crore (US\$ 2.9 million) and turnover up to Rs. 100 crore (US\$ 11.5 million).

As of January 2026, 7.59 crore enterprises registered on the Udyam Portal and Udyam Assist Platform (UAP) are in the 'Micro' category.

### Sectoral Spread: Beyond Manufacturing

The small business sphere in India permeates every aspect of daily living. As was identified in the Ministry of MSME's PIB Year-End Review 2025, there are:

1. **Trading & Retail:** around 3.28 crore units, encompassing greater than 12 million traditional kirana stores that, between them, control around 80% of the country's grocery market.
2. **Services:** 2.71 crore units, ranging from logistics companies and clinics to diagnostic centers and neighbourhood restaurants.
3. **Manufacturing:** 1.59 crore units, textile clusters, auto components, and food processing combined

## HOW DIGITAL PAYMENTS IMPROVE OPERATIONAL EFFICIENCY

Digital payments have transitioned from being a customer-facing convenience to a back-end productivity engine. For an Indian MSME, every digital transaction represents a shift from 'idle time' to 'active growth'.

### Faster Transactions & Cash Flow

The primary bottleneck for small businesses has traditionally been the float cycle, the time it takes for a sale to convert into usable cash in a bank account.



carries high hidden ‘manual drag’ costs.

- **Eliminating Cash Handling Costs:** Handling cash is prone to theft, involves the cost of secure transportation, and the time involved in manual counting. Studies show that handling cash can cost a small business 0.5% to 1.5% of its total business turnover.

- The Government of India has established Digital Public Infrastructure (DPI) to reduce operational hurdles for micro-enterprises. A key component of this approach is the fiscal support provided to ensure that the smallest businesses can switch to digital commerce without incurring the usual transaction costs.

- **Instance:** Zero MDR and UPI Incentive Framework

To further the ‘Less-Cash India’ vision, the Union Cabinet, headed by Prime Minister Mr. Narendra Modi, has approved an incentive budget of Rs. 1,500 crore (US\$ 178.50 million) for FY25 to encourage low-value BHIM-UPI transactions. This measure ensures that all RuPay debit cards and UPI transactions incur a Zero Merchant Discount Rate (MDR), with a special 0.15% incentive offered by the government for transactions up to Rs. 2,000 (US\$ 23.80) made for small merchants. As a result, the total value of UPI transactions has increased from Rs. 21.30 lakh crore (US\$ 253.47 billion) in FY20 to Rs. 213.80 lakh crore (US\$ 2.54 trillion) as of January 2025.

- **Reduced Pilferage:** Digital transactions are free from leakages and "shrinkage" that often occur with cash registers.

- **Instant Settlement via UPI:** Unlike checks or traditional NEFT, which can take hours or days, UPI transactions provide real-time settlement. As of March 2025, over 1,830 crore transactions were settled instantly, allowing merchants to reinvest daily earnings into new stock immediately.

- **Improved Working Capital Rotation:** By reducing the time capital stays locked in transit, MSMEs can rotate their inventory faster. A typical retail store using digital payments sees a 15–20% improvement in capital turnover compared to cash-heavy peers.

- **Reduced Stock-outs:** Integrated digital payment systems allow for more accurate, real-time inventory tracking, which reduces both overstocking and stock-out scenarios.

**Improved Efficiency:** Retailers using digital tools report smoother operations, with 73% noting lower risks and costs related to cash handling (fraud/theft).

### Cost Reduction

While cash is often perceived as ‘free’, it

Feature	Cash Transactions	Digital Payments (UPI/QR)
Transaction Time	30–60 Seconds (change/counting)	5–10 Seconds (Scan & Pay)
Processing Cost	High (counting, storage, theft risk)	Minimal to Zero (MDR waivers)
Reconciliation	Manual (High error risk)	Automated (Zero error)
Theft Risk	High	Negligible

## Record-Keeping & Transparency

Digital payments act like a built-in Chief Financial Officer for the small business owner.

- **Automated Transaction History:** Transactions leave an indelible digital footprint. There'll be no need for late-night hours matching cash in the till with paper receipts.
- **GST Compliance Ease:** Digital reporting for GST has been made easy, and since over 90% of the MSMEs maintain some form of digital records, the journey towards their formalization has already been paved.
- **Data-Driven Decisions:** Mobile data from organizations such as Paytm for Business and Google Pay for Business presents trends in weekly sales, peak hour sales, and customer loyalty metrics.

## ACCESS TO FORMAL CREDIT & FINANCIAL INCLUSION

This report examines the credit gap in the sector, provides an in-depth study of 19 sectors where MSMEs play a critical role, and covers more than 70 MSME regions and interactions with more than 2,000 MSMEs through primary surveys supplemented with industry-level data. The study broadly estimates that the sector still has an addressable credit gap of about 24% or ~Rs. 30 lakh crores. The

gap is higher in the services sector at 27%; it is also estimated to be higher at 35% for women-owned MSMEs. Historically, the single greatest hurdle for Indian MSMEs has been the "Credit Gap" estimated at Rs. 25-30 lakh crore (US\$ 300-360 billion). Traditional banks require collateral and a 3-year tax history, which 90% of micro-enterprises lack. Digital payments have fundamentally solved this by turning daily sales data into a verifiable financial identity.

## From Digital Trails to Credit Scoring

Every UPI transaction, QR code scan, and digital invoice creates a permanent, time-stamped record of a business's health.

- **Cash-Flow Based Lending:** Instead of looking at property as collateral, Fintechs and Banks now use "Flow-based Lending." They analyze the frequency, volume, and consistency of digital inflows to determine creditworthiness.
- **Alternative Credit Models:** Using AI and Machine Learning, lenders assess a shopkeeper's "Digital Footprint." A merchant who processes 500 UPI transactions a month with a high success rate is now seen as more reliable than a cash-based business with no records.

## The Rise of Merchant Loans via UPI Data

Payment aggregators such as Pine Labs, Paytm, and BharatPe, along with banks, have launched small, 'sachet-sized' credit options for small vendors.

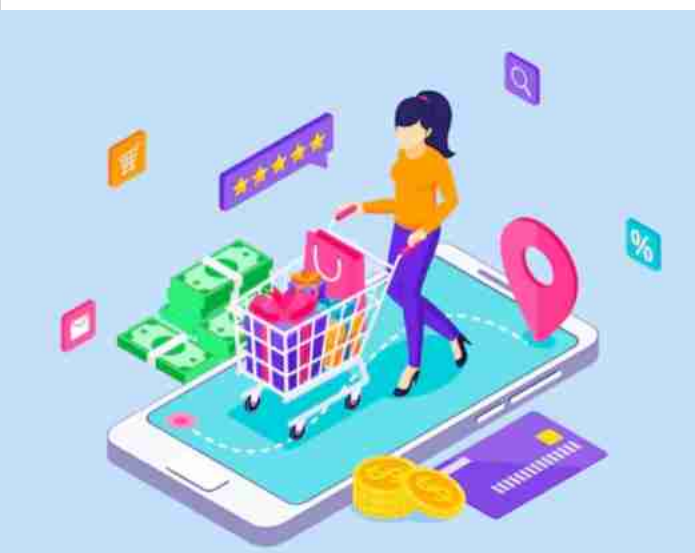
- **Daily Repayment Models:** Repayment is done daily, where the merchant's UPI settlement is levied daily. This model avoids a high EMI burden, with the amount increasing in proportion to daily sales.
- **Credit Line on UPI:** With the UPI Credit Line introduced in FY25, MSMEs will be provided the facility of pre-



approved overdraft limits directly within the UPI app itself, enabling them to meet unplanned expenses of procuring raw materials during the peak festive season.

- **The Digital Lending Revolution and Merchant Integration**

India has emerged as one of the fastest-growing digital lending ecosystems with a strong Digital Public Infrastructure that helps convert payment data into creditworthiness. India has achieved the “largest merchant network in the world,” with over 678 million Unique QR Codes by the end of 2025 through its UPI market, thereby helping banks lend “sachet-sized loans” to micro-enterprises using actual transactional streams rather than physical assets.



For instance, Expansions of credit through UPI Lite and UPI Lite X. For enhanced financial inclusion in rural areas, the RBI expanded UPI Lite and UPI Lite X in FY25 to facilitate small vendors in connectivity-constrained areas. Both tools assist even the smallest of street vendors in creating a digital footprint to attain institutional credit.

- **Role of Fintechs & NBFCs: Bridging the Last Mile**

While traditional banks focus on larger units, Non-Banking Financial Companies

(NBFCs) and Fintechs are the "last-mile lenders" for Micro-enterprises.

- **Speed of Disbursement:** Digital lending platforms have reduced the loan turnaround time (TAT) from 3 weeks to under 30 minutes.

- **Invoice Financing & BNPL:** MSMEs can now "discount" their digital invoices to get immediate cash. Buy Now, Pay Later (BNPL) for B2B allows a small kirana store to stock up on inventory and pay the distributor 15 days later, effectively acting as interest-free working capital.



- **Scaling Financial Inclusion**

According to the RBI’s Financial Inclusion Index (FI-Index), which rose to 67 in March 2025, the "Usage" and "Quality" of financial services have seen the sharpest growth. The success of the scheme resulted in over 55.98 crore beneficiaries (as on 4 August 2025), where over 55% accounts are held by women. For financial awareness, several campaigns were launched to reach last-mile beneficiaries. (107 Digital Banking Units (DBUs) have been set up by Banks (as of December 2024), where these units offer facilities like opening of savings bank accounts, passbook printing, transfer of funds, loan applications, etc.

## GOVERNMENT INITIATIVES SUPPORTING DIGITAL PAYMENTS

The transformation of India's payment landscape is anchored in the concept of "Public Good, Private Innovation." The government provides the underlying "rails" of the Digital Public Infrastructure (DPI), while private fintech players innovate on top to reach the last mile.

### Digital Public Infrastructure (DPI) & India Stack

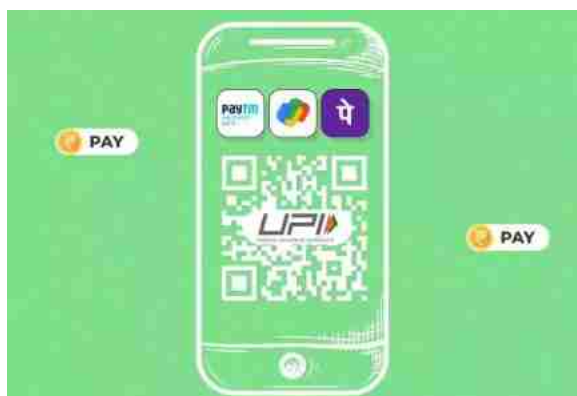
- **Indian digital leadership** is founded on the concept of the India Stack, a stack of open APIs that establishes a digital identity and payment foundation at a population scale. DPI has increasingly been referenced as a global benchmark for scalable digital public infrastructure.

- **Cost Efficiency:** By combining Aadhaar, UPI, and DigiLocker, the government has reduced customer onboarding costs by nearly 90.00%. Traditional KYC costs dropped from an estimated US\$ 23 (Rs. 1,930) to just US\$ 0.15 (Rs. 12.60), with total e-KYC transactions more than 1,470 crore.

- **Global Footprint:** UPI has managed to expand its network to over eight countries across the globe, including the UAE, Singapore, France, Mauritius, and Qatar by January 2026. This has helped Indian MSMEs make international payments with ease, thereby leveraging the real-time payments space in which India currently boasts of 49.00% of global transactions.

### The Zero MDR Policy: Removing Entry Barriers

To encourage small merchants who are traditionally price-sensitive, the Government of India maintains the Zero Merchant Discount Rate (MDR) policy for RuPay Debit cards and BHIM-UPI transactions.



- **Merchant Savings:** No fee will be incurred by the merchant.

- **Government Support:** Regarding government support for FY25, the Union Cabinet allowed for an incentive outlay of Rs. 1,500 crore (US\$ 163.8 million) to compensate banks for free infrastructure costs, especially for transactions below Rs. 2,000 (US\$ 21.84).

### PM SVANidhi: Formalizing the Street Vendor

The PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi), a flagship program, aims to integrate street vendors in urban cities into the formal financial ecosystem.

- **Credit Reach:** This program provides working capital loans to them without any collateral and up to Rs. 50,000 (US\$ 546).

- **Digital Adoption:** During the later part of 2025, digital-transacting vendors under this program have



collectively transacted more than Rs. 6.09 lakh crore (US\$ 66.5 billion).

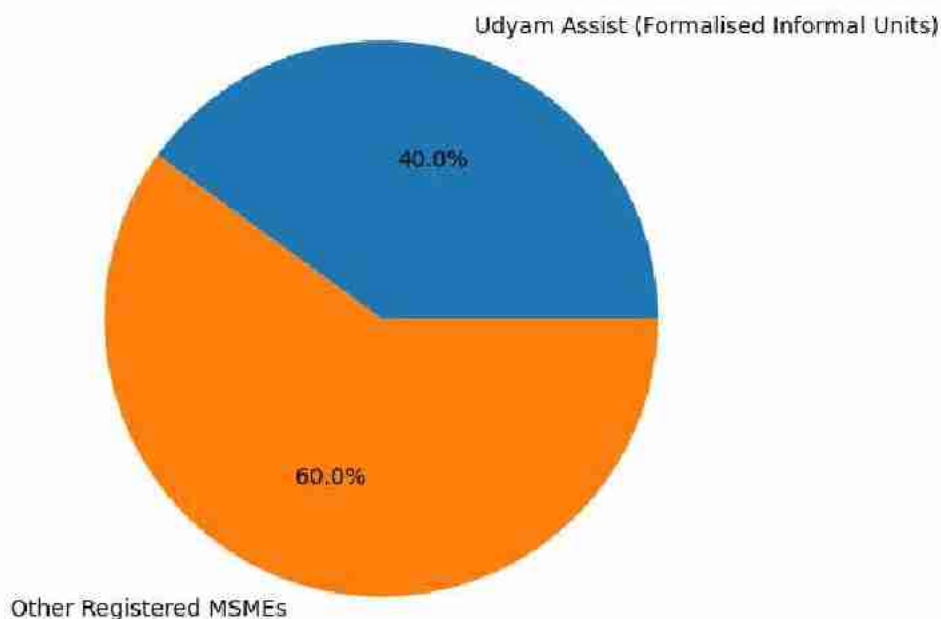
digital-transacting vendors are eligible to receive up to Rs. 1,200 (US\$ 13.10) as annual cashback rewards after fulfilling digital transactions.

- **Incentives:** In return, these

### Comparative Summary of Key Schemes & Impact

Scheme / Initiative	Focus Area	Impact Metric (26)
Zero MDR Policy	Cost-free acceptance	Rs. 1,500 Cr (US\$ 163.8 M) incentive to sustain free UPI.
PM SVANidhi	Street Vendor Credit	1.15 Crore beneficiaries; Rs. 6.09 Lakh Cr (US\$ 66.5 B) digital txns.
PM Vishwakarma	Artisan Digitization	Rs. 1 (US\$ 0.011) incentive per digital txn for 6.7 Lakh artisans.
MSME Credit Portfolio	Formal Lending	Total MSME lending crossed Rs. 35.2 lakh crore (US\$ 384.4 B).
Udyam Assist (UAP)	Formalization	2.92 Crore+ informal units given digital identities.

Share of Informal MSMEs Formalised via Udyam Assist Platform



### TECHNOLOGY ENABLERS & INNOVATION

The proliferation of digital payments within India's MSME sector is driven by a state-led Digital Public Infrastructure (DPI). This "India Stack" model allows for low-cost, high-security technological tools that bridge the gap between rural micro-enterprises and the formal financial system.

### Acceptance Infrastructure: QR and the Soundbox

- The Government of India and the Reserve Bank of India (RBI) have prioritised the deployment of physical touchpoints to bridge the digital divide between urban and rural India. By providing tangible infrastructure, the state has effectively built merchant trust in digital ecosystems, transitioning small



businesses from cash-based operations to verified digital commerce.

On May 31, 2025, the Payments Infrastructure Development Fund facility of the RBI facilitated the rollout of more than 4.77 crore (47.7 million) of digital touchpoints like QR codes and Point of Sale (POS) terminals, especially in Tier-3 to Tier-6 cities and the North-Eastern States of the country. By October 31, 2025, the figure rose to the tune of around 5.45 crore.

**The Soundbox Innovation:** The Ministry of Finance has hailed this innovation, enabled by IoT, which is ‘a global symbol of innovation’, providing instant audio confirmations for its users, especially the semi-literate vendors in busy street markets, where the need for phone checks is eliminated while generating "digitized trust.

### Software Enablers: UPI Lite & Credit on UPI

India’s Unified Payments Interface (UPI) operates at an immense scale. By late 2025, UPI was routinely processing around 20–21 billion transactions per month, underscoring its centrality to digital commerce and inclusion in the country. (as of late 2025).

- **UPI Lite:** This feature facilitates low-value transactions (under Rs. 500 / US\$

5.46) by processing them on the device's local wallet. This reduces the load on core banking servers, ensuring high success rates for micro-merchants during peak hours.

- **Credit Line on UPI:** Launched to make "credit as frictionless as payments," this allows MSMEs to access pre-approved credit lines directly through the UPI app. It serves as a digital overdraft facility for immediate working capital needs.

### AI-Based Fraud Detection & Security

With the digital volume in business expanding exponentially, RBI and NPCI have incorporated Artificial Intelligence into their core to keep everything secure.

- **AI/ML Fraud Monitoring:** The NPCI provides banks with an AI/ML-powered fraud solution that facilitates real-time alerts and blocks for banks.
- **The FREE-AI Framework:** In fact, the RBI, in August 2025, introduced the Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI). It assists banks in the use of AI for the detection of real-time anomalies and cybersecurity, thus ensuring the strengthening of digital payments with a ‘safety-first’ approach.



## Comparative Summary of Key Schemes & Impact

Technology Component	Official Government Classification	Impact on Small Business (2025-26)
QR Code / POS	Acceptance Infrastructure (PIDF)	Over 4.77 Crore touchpoints deployed in underserved regions.
UPI Lite	Offline/On-device Processing	On-device wallet for quick micro-transactions with small value limits (e.g., ~Rs. 1,000 per transaction, Rs. 5,000 wallets).
Credit Line on UPI	Frictionless Credit Access	Enables banks to link pre-approved credit to UPI; actual credit limits vary by issuing bank.
AI/ML Monitoring	Fraud Mitigation Protocol	Real-time blocking of phishing and unauthorized access.

### DIGITAL ADOPTION IN ACTION

The transition from a cash-heavy operation to a digital-first business model is transforming the efficiency and creditworthiness of India's 6.3 crore (63 million) MSMEs.

#### The Kirana Store: From Manual Ledgers to Digital Credit

**Scenario:** Corner shops in the local neighbourhood, called Kirana shops, are increasingly using their everyday transactions and connecting them to the mainstream financial system using integrated systems such as QR codes and Digital Banking Units (DBUs).

- **Transformation:** By moving away from manual bahi-khata (handwritten ledgers) and adopting QR-based digital payments, stores create digital transaction records that build a verifiable financial history, improving their visibility within formal banking and credit ecosystems.
- **Economic Impact:** Policy discussions on Digital Banks note that technology-driven models can lower operating costs and improve credit assessment using digital cash-flow data, enabling better credit access for small merchants, though

official reports do not prescribe fixed interest rate comparisons.

- **Operational Gain:** UPI Soundbox devices provide instant audio confirmation of successful payments, helping merchants immediately verify transactions, reduce disputes, and handle higher customer volumes during peak business hours.

#### The Street Vendor: The PM SVANidhi Success Loop

**Scenario:** Urban street vendors are integrated into the formal financial fold through the PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) scheme.

- **Transformation:** Vendors would be given collateral-free working capital loans, and they would earn cashback each month if they made digital payments.
- **Credit Laddering:** Timely repayment of digital loans would enable vendors to move from the initial limit of Rs. 10,000 (US\$ 119.80) to a third tranche of Rs. 50,000 (US\$ 599.03) and benefit from a subsidy of 7% interest on loan repayment.
- **Direct Benefit:** As of late 2025, the scheme's restructuring aims to benefit more vendors and profile them for linkage to social welfare and financial inclusion initiatives (e.g., digital transaction incentives and potential pension linkages) under the SVANidhi se Samridhi initiative.





### Small Service Units: Digitalizing Agri-Business & Dairy

**Scenario:** Small-scale service providers and farmers are using integrated digital platforms to capture and verify every transaction.

- **Agri-MSMEs:** More than 45,000 small or marginal farmers across Odisha, Tamil Nadu, and Uttar Pradesh are profiled digitally with the help of the KANCHI platform. The profiles are built by aggregating data on finances and transactions, facilitating formal engagement and opening doors to access to potential credits.
- **Dairy Efficiency:** In Dairy, Automatic Milk Collection is a digital platform that captures every dairy transaction, including quantity, quality, and remuneration. This platform, by late 2025, covers over 17.3 lakh milk producers across 54 milk unions. The farmer is paid directly through their bank account without any middleman involved.

- **Outcome:** These digital tools aggregate transactional data on a large scale, improving transparency and enhancing visibility for rural producers in formal markets and allowing them to access wider socio-economic relationships.

### CONCLUSION

India's digital payments system has grown from a tool for financial inclusion into a key driver of productivity for the country's MSMEs. Platforms like UPI and the wider Digital Public Infrastructure now make real-time payments, automated records, and data-based credit easier for small businesses. These changes have reduced daily hassles, improved cash flow, and helped more businesses become formal. Government programs such as Zero MDR, PM SVANidhi, and the Payments Infrastructure Development Fund have made it easier for MSMEs to get started. At the same time, fintech companies have opened new avenues for borrowing. MSMEs now make up almost 30% of India's GDP and over 45% of exports. Digital payments are not just making transactions easier; they are changing how businesses compete, how people access finance, and how the economy grows. To sustain this progress, it will be important to close digital skills gaps, improve internet access, and strengthen cybersecurity so that all MSMEs can benefit from a more digital and connected economy.

