

# Challenges and Strategies for Monetizing UPI-Based Transactions: A Study on PhonePe

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## ABSTRACT

In recent years, India has seen a major shift towards digital payments, and one of the biggest contributors to this change has been the **Unified Payments Interface (UPI)**. UPI has made money transfers easy, fast, and available to almost everyone with a smartphone and bank account. Among the leading UPI platforms in India, **PhonePe** has emerged as one of the most widely used applications.

Although UPI has become highly successful in terms of transaction volume and user adoption, one major challenge still exists — **how companies can earn revenue from a system where transactions are mostly free for users and merchants**. This has created a serious business challenge for fintech companies like PhonePe.

This project focuses on understanding the **challenges involved in monetizing UPI-based transactions and the strategies adopted by PhonePe to overcome these difficulties**. The study explores factors such as intense competition, government regulations, customer expectations of free services, and operational costs. It also looks at how PhonePe is trying to generate income through methods like merchant services, financial product offerings, partnerships, and value-added services.

The project is based on both **primary and secondary data**. Primary data was collected through a structured questionnaire, while secondary data was gathered from articles, journals, reports, and online sources. The findings of

the study show that although direct monetization of UPI transactions is difficult, platforms like PhonePe can still build sustainable business models through service diversification and customer-focused innovations.

This study concludes that the future of UPI monetization depends on a balanced approach where companies continue to provide convenience and trust to users while also creating new revenue opportunities in a competitive digital ecosystem.

## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction to Digital Payments

Over the past few years, India has experienced a rapid transformation in the way financial transactions are carried out. Traditional payment methods such as cash and cheques are gradually being replaced by digital payment systems. Today, people prefer payment options that are fast, convenient, secure, and easy to use. This shift has become even more noticeable with the growth of smartphones, affordable internet services, and increasing awareness of digital banking tools.

Digital payments have now become a part of everyday life. Whether it is paying electricity bills, recharging mobile phones, shopping online, transferring money to friends, or making payments at local stores, people are increasingly using digital platforms instead of cash. This transformation has played a major role in promoting a more transparent and efficient financial system in India.

Among all digital payment systems introduced in India, the **Unified Payments Interface (UPI)** has emerged as one of the most revolutionary innovations in the financial technology sector.

#### 1.2 Introduction to UPI

The **Unified Payments Interface (UPI)** is a real-time payment system developed by the **National Payments Corporation of India (NPCI)** and launched in the year **2016**. It allows users to instantly transfer money between bank accounts through a mobile application without needing lengthy bank details such as account number or IFSC code.

UPI works through a simple identifier known as a **Virtual Payment Address (VPA)**, such as name@bank. This makes digital transactions extremely simple and user-friendly. A person can send or receive money, pay merchants, pay utility bills, recharge mobile phones, and make online purchases — all through one application.

The biggest strength of UPI is its convenience. It allows:

- instant fund transfers,
- 24/7 availability,
- multiple bank account linking in one app,
- QR code-based payments,
- secure transactions using UPI PIN.

Because of these features, UPI has become one of the most preferred payment systems in India.

#### 1.3 Growth of UPI in India

The adoption of UPI in India has been extraordinary. In a short span of time, it has transformed the country's payment ecosystem. What started as a simple digital payment solution has now become the backbone of India's cashless economy.

There are several reasons behind the success of UPI in India:

- Increased smartphone usage
- Availability of low-cost internet
- Government initiatives such as **Digital India**
- Rise in e-commerce and online services
- Growing trust in digital banking
- Convenience and speed of payment

Today, UPI is used by people from different age groups, professions, and income levels. From students and salaried employees to shopkeepers and street vendors, almost everyone is using UPI for daily transactions. This has made UPI not only a technological success but also a major driver of financial inclusion in the country.

#### 1.4 Role of PhonePe in the UPI Ecosystem

Among the major UPI-based applications in India, **PhonePe** has established itself as one of the leading digital payment platforms. It was founded in **2015** and quickly became one of the first applications to successfully integrate and scale on the UPI framework.

PhonePe offers users much more than simple money transfer services. Over time, it has expanded into a multi-service financial platform where users can:

- send and receive money,
- pay utility bills,
- recharge mobile and DTH,
- make merchant payments,
- purchase insurance,
- invest in mutual funds and gold,
- use online shopping and service integrations.

This wide range of services has helped PhonePe create a strong presence in India's fintech market. It has become more than just a payment app — it is now seen as a complete digital financial ecosystem.

PhonePe has also played a major role in promoting UPI adoption among merchants. Through QR code payments and merchant onboarding, it has made digital payments accessible even for small businesses and local shops.

#### 1.5 The Monetization Problem in UPI

Although UPI has been highly successful in terms of usage and scale, it has created an important challenge for fintech companies — **how to make money from a payment system that is mostly free.**

This is where the concept of **monetization** becomes important.

##### What is monetization?

Monetization simply means **generating revenue or profit from a product or service.**

In most financial systems, payment service providers earn income through transaction charges or service fees. However, in the case of UPI, direct transaction fees are either minimal or not allowed in many cases due to regulatory and policy structures. This means that platforms like PhonePe are handling massive transaction volumes but are not earning enough directly from the transactions themselves.

This creates a serious business issue because operating a digital payments platform is not free. Companies have to invest heavily in:

- technology infrastructure,
- app development,
- cybersecurity,
- fraud detection,
- customer support,
- marketing,
- merchant acquisition,
- compliance and regulatory systems.

As a result, even though UPI platforms are growing fast, their ability to generate direct revenue remains limited.

### 1.6 Why Monetization Matters for PhonePe

For a company like PhonePe, monetization is extremely important because long-term growth cannot depend only on user numbers and transaction volume. A company also needs a sustainable revenue model to continue operations, improve services, and stay competitive in the market.

PhonePe operates in a highly competitive environment where other strong players like **Google Pay**, **Paytm**, and **Amazon Pay** are also offering similar services. Since most of these apps provide transactions free of cost, users can easily switch from one platform to another. This makes customer retention and profitability even more challenging.

Therefore, PhonePe needs to identify ways to generate income without affecting user convenience or trust.

### 1.7 Monetization Strategies Used by PhonePe

To deal with this challenge, PhonePe has started using several indirect revenue generation strategies. Instead of charging users for every payment transaction, it focuses on earning through additional services and ecosystem expansion.

Some of the key monetization strategies include:

#### 1. Cross-Selling Financial Products

PhonePe offers services like:

- insurance,
- mutual funds,
- digital gold,
- investment products.

By partnering with financial institutions, it can earn commission or service revenue on these products.

#### 2. Merchant Services

PhonePe provides digital payment solutions to merchants and businesses. It can generate revenue by offering:

- premium merchant tools,
- business analytics,
- soundbox devices,

- payment management solutions.

### 3. Bill Payments and Recharge Commissions

PhonePe earns small commissions through:

- utility bill payments,
- mobile recharges,
- FASTag services,
- subscription payments.

### 4. In-App Promotions and Partnerships

Brands and service providers can collaborate with PhonePe for visibility, promotions, and customer engagement campaigns.

### 5. Ecosystem Expansion

PhonePe is trying to become a “super app” by integrating multiple services into one platform, which helps increase user engagement and opens new monetization opportunities.

These strategies show that while direct charging on UPI transactions may be difficult, there are still multiple ways to build a sustainable business model around UPI usage.

## 1.8 Need for the Study

The digital payment industry in India is growing rapidly, but one major concern still remains — **how fintech companies can stay profitable while offering mostly free services.**

This study is important because it focuses on one of the most relevant issues in today’s digital economy: **the monetization of UPI-based transactions.**

The need for this study arises due to the following reasons:

- UPI transaction volume is increasing rapidly, but revenue generation remains limited.
- Companies like PhonePe are spending heavily on growth, innovation, and customer acquisition.
- There is a need to understand whether users are open to paid or value-added digital services.
- The impact of government regulations and industry competition needs to be examined.
- The future sustainability of UPI-based platforms depends on innovative business models.

By studying PhonePe as a case, this project helps in understanding the practical difficulties and possible solutions related to monetizing digital payment platforms in India.

## 1.9 Objectives of the Study

The main objectives of this study are:

1. To understand the concept of monetization in the UPI ecosystem.
2. To identify the major challenges faced by PhonePe in generating revenue from UPI-based transactions.
3. To study the strategies adopted by PhonePe for sustainable monetization.

4. To analyze customer awareness and perception regarding paid or value-added digital payment services.
5. To suggest practical recommendations for improving monetization opportunities in the UPI ecosystem.

### **1.10 Scope of the Study**

The scope of this project is mainly limited to understanding the monetization challenges and strategies related to PhonePe in the Indian digital payment market.

This study covers:

- the overall UPI ecosystem in India,
- the role of PhonePe in digital transactions,
- the barriers to direct monetization,
- indirect revenue generation strategies,
- customer response towards premium and value-added services.

The project mainly focuses on the Indian context and does not go deeply into international payment systems.

### **1.11 Significance of the Study**

This study is useful from both academic and practical perspectives.

#### **Academically:**

It contributes to understanding how modern fintech businesses operate in a low-fee or zero-fee environment.

#### **Practically:**

It helps in identifying realistic strategies that companies like PhonePe can use to sustain and grow.

This study may be helpful for:

- management students,
- fintech researchers,
- digital payment companies,
- policy makers,
- professionals working in the financial services industry.

### **1.12 Conclusion of the Chapter**

UPI has completely transformed the digital payment landscape in India by making transactions faster, simpler, and more accessible to people across the country. Platforms like PhonePe have played a major role in this transformation by bringing digital payment services into the daily lives of millions of users.

However, despite its popularity and scale, UPI-based business models face a major challenge when it comes to monetization. Since direct transaction charging is limited, companies must explore alternative ways to earn revenue while maintaining user trust and convenience.

This makes the topic highly relevant and worth studying. The following chapters of this project will further examine existing research, methodology, data analysis, findings, and recommendations related to PhonePe's monetization strategies.

## CHAPTER 2

### LITERATURE REVIEW

Literature review is an important part of any research study because it helps in understanding what previous researchers, authors, and experts have already studied about the topic. It gives a clear background to the research and helps in identifying important concepts, trends, challenges, and gaps related to the subject.

The present study is based on the topic **“Challenges and Strategies for Monetizing UPI-Based Transactions: A Study on PhonePe.”** Since UPI has become one of the most important digital payment systems in India, many researchers have studied its growth, customer adoption, benefits, and impact on the economy. However, one major issue that is still gaining attention is **how UPI-based platforms like PhonePe can generate revenue in a system where transactions are mostly free.**

This chapter includes the review of different research papers, articles, reports, and studies related to:

- growth of digital payments in India,
- adoption of UPI,
- role of fintech companies,
- customer behavior toward UPI apps,
- challenges in monetization,
- and possible business strategies used by platforms like PhonePe.

#### 2.1 Review of Literature

The rapid adoption of UPI in India has been widely studied, and numerous research papers highlight both its transformative impact and the challenges related to monetization. For instance, **Cornelli et al. (2020)** analyzed UPI as a “digital public infrastructure,” showing how it enables high-volume retail payments while emphasizing its public utility nature. They noted that the low-cost settlement environment, while beneficial for users, limits the ability of app providers to monetize individual transactions effectively. Similarly, an **IMF Working Paper (2020)** provided macro-level evidence demonstrating that UPI not only drives financial growth and inclusion but also underscores that sustainable monetization must rely on additional services layered over the payments system, such as lending, investment, or data-driven solutions.

Building on this, **Routh and colleagues (Kansas City Fed)** highlighted the role of non-bank fintechs, particularly PhonePe, in boosting person-to-merchant (P2M) payments. Their study demonstrates that by offering merchant services, integrating APIs, and embedding credit features, fintechs can create revenue opportunities beyond simple transaction fees, signaling possible monetization levers above the basic UPI rail. Similarly, **Tyagi, Jagadale, and Anute (2022)** compared various digital payment applications in India, including PhonePe, Google Pay, and Paytm. They found that app features, user interface design, and incentive mechanisms like rewards and cashback play a crucial role in adoption and user retention, which indirectly supports monetization potential by maintaining an engaged user base.

In addition, **Sahoo, Patnaik, and Satpathy (2024)** conducted a comprehensive review of UPI adoption factors and found that ease of use, interoperability, network effects, and trust are major determinants. Their study emphasizes that maintaining high user retention is critical, as it directly affects the potential for introducing premium or value-added

services. In a similar vein, **Karmakar (2022)** explored the broader impact of UPI on India's financial landscape and global aspirations. The study underscores that while UPI promotes financial literacy and inclusion, there exists a tension between low fees for users and the need for sustainable business models for service providers.

Focusing on rural adoption, **Haque (2025)** highlighted that UPI usage is gradually rising in rural India, but challenges such as low digital literacy and limited smartphone access restrict the full monetization potential of platforms in these regions. This demonstrates that while UPI is growing rapidly, demographic factors can constrain revenue-generation opportunities for fintech companies like PhonePe. Complementing this perspective, **Vithyalakshmi et al. (2025, EPRA Journal)** examined temporal growth patterns in UPI usage and highlighted operational challenges including cybersecurity threats, transaction errors, and infrastructure limitations, all of which pose risks to effective monetization.

A **systematic review of digital payments in India (2024)** synthesized evidence across user interface design, adoption trends, trust, and regulatory constraints. The study provides a foundational understanding of the many side constraints that PhonePe must navigate when attempting to monetize its services. Additionally, **The UPI Revolution: An Analysis of India's Rapidly Growing Online Transactions (Technoarete, 2024)** presented statistical growth trends while highlighting connectivity issues and transaction caps, factors that directly influence the ceiling for app-based monetization. Lastly, **the European Payments Council (2024)** reported that UPI now handles over 75% of India's retail payments, reinforcing the immense scale opportunity for front-end firms but also suggesting that without innovative monetization strategies, capturing revenue from such a large user base remains challenging.

The large-scale success of UPI in India has also been discussed in various recent studies and institutional reports. According to the **European Payments Council (2024)** in the report "UPI: Revolutionising Real-Time Digital Payments in India," UPI has now become one of the most dominant retail payment systems in the country, handling a very large share of India's digital transactions. The report highlights that this scale creates a major opportunity for front-end fintech firms like PhonePe, as a large user base can potentially be converted into a strong business ecosystem. However, it also implies that firms need innovative strategies to convert high transaction volume into sustainable revenue.

Similarly, the **SUERF (2024)** report titled "The Organisation of Digital Payments in India: Lessons from the Unified Payments Interface (UPI)" explains the institutional and structural framework behind UPI. The study focuses on the governance model, interoperability features, and overall payments architecture in India. It shows that while UPI's design has made digital payments more accessible and seamless, it also creates limitations for app-based companies in terms of direct monetization. This is because the system is designed more as a public utility than a profit-oriented transaction model. Such institutional conditions become important when analyzing the revenue challenges faced by platforms like PhonePe.

Another relevant contribution comes from the **ScienceDirect (2024)** study on "Adoption of UPI Among Indian Users: Using Extended Meta-UTAUT." This study uses a structural equation model to understand what drives people to adopt and continue using UPI. It highlights important behavioral factors such as performance expectancy, effort expectancy, trust, social influence, and facilitating conditions. These findings are useful because they show that for any app like PhonePe, maintaining user trust, convenience, and engagement is essential not just for growth, but also for future monetization through premium or value-added services.

A very interesting behavioral perspective is offered by **Dev, Gupta, Dharmavaram, and Kumar (2024)** in their study "From Cash to Cashless: UPI's Impact on Spending Behavior Among Indian Users and Prototyping Financially Responsible Interfaces." The study found that many users tend to spend more while using UPI-based payment methods as compared to cash. This happens because digital transactions reduce the "pain of paying" and make spending feel more effortless. This insight is important for platforms like PhonePe because it suggests that increased user spending behavior may create opportunities for commerce integration, higher transaction volume, and revenue through merchant-side or ecosystem-based services.

A similar theoretical perspective is supported by **Jiang (2022)** in the study "The Influence of Payment Method: Do Consumers Pay More with Mobile Payment?" Although this research is based in a Chinese context, it remains relevant

for understanding user behavior in mobile payments. The study found that consumers tend to spend more when using mobile payment methods compared to cash. This reinforces the idea that mobile payment apps can influence purchase behavior, which may indirectly help companies like PhonePe generate monetization opportunities through merchant partnerships, transaction-linked services, and platform-based promotions.

Another important area in the literature is the long-term continuity of mobile payment usage. **Alhassan and Butler (2021)** in their study “Digital Resilience and the Continuance Use of Mobile Payment Services” explain that factors such as fraud, security issues, technical failures, and digital disruptions can negatively affect user trust and continued usage. Their findings suggest that payment apps need to invest heavily in digital resilience, system reliability, and fraud prevention if they want to protect their long-term monetization potential. For a platform like PhonePe, this means that operational stability is not only a service issue but also a revenue-related concern.

A comparative understanding of UPI apps is provided in the **ResearchGate (2023)** paper titled “Comparative Analysis of Consumer Payment Apps: Google Pay, PhonePe and Paytm.” This study compares major payment apps on the basis of features, customer satisfaction, convenience, and user challenges. It helps in understanding how PhonePe performs against its competitors and what areas may influence user preference. Such comparison is useful for evaluating PhonePe’s market position and understanding how its monetization strategies may differ or improve in comparison to similar apps.

User satisfaction has also been directly studied in relation to PhonePe. The **IJRPR (2024)** paper by **Gnanamani and Harshini**, titled “A Study on Consumer Satisfaction Towards PhonePe,” focuses on customer experience, ease of use, trust, and perceived security. The study shows that users generally value smooth transactions, simple navigation, and secure payment experiences. These factors are highly relevant for monetization because if users are satisfied and trust the app, they are more likely to explore additional services such as insurance, investments, or merchant-related offerings available on the same platform.

## Conclusion

From the above studies, it is clear that UPI has become one of the most important parts of India’s digital payment system. It has made transactions easy, fast, and widely accessible. At the same time, these studies also show that even though UPI apps like PhonePe have gained huge popularity, they still face a major challenge in earning revenue directly from transactions.

Most of the literature suggests that the future of monetization lies in merchant services, financial products, customer engagement, ecosystem expansion, and value-added services rather than direct payment charges.

Therefore, these studies provide a strong base for the present research and help in understanding the various challenges and possible strategies related to monetizing UPI-based transactions through PhonePe.

## CHAPTER 3

### 3.1 RESEARCH METHODOLOGY

This chapter explains the "how" of my study. To understand the challenges and strategies PhonePe faces when trying to make money from UPI transactions, I needed a clear plan. I chose a mix of looking at existing information and gathering new opinions to get a full picture of how people use PhonePe and what they think about paying for services.

#### 3.1.1 Research Design : Descriptive

I chose a Descriptive Research Design for this study. Instead of experimenting in a lab, I focused on observing and describing the current state of PhonePe’s monetization strategies. This approach is perfect for identifying how users react to things like "platform fees" on mobile recharges or the introduction of insurance and investment products within the app. It allows me to report on "what is happening" in the market right now.

### 3.1.2 Nature of Study

The nature of the present study is analytical and descriptive.

It is **descriptive** because it explains the growth and use of UPI, the role of PhonePe, and the general challenges in digital payment monetization.

It is also **analytical** because it studies the reasons behind those challenges and tries to understand the possible strategies that can help PhonePe earn revenue in the long run.

Thus, the study combines both description and analysis to give a better understanding of the topic.

### 3.1.3 Objectives of the Study

The study has been conducted with the following objectives :

1. To understand the concept and growth of UPI-based transactions in India.
2. To study the role of PhonePe in the UPI digital payment ecosystem.
3. To identify the major challenges faced by PhonePe in monetizing UPI-based transactions.
4. To analyze the possible strategies that can help PhonePe generate revenue.
5. To understand user behavior, satisfaction, and engagement related to PhonePe services.

### 3.1.4 Scope of the Study

The scope of the present study is limited to the understanding of UPI-based transactions and monetization strategies with special reference to PhonePe.

The study mainly focuses on:

- the digital payment environment in India,
- the business challenges faced by PhonePe,
- user-related factors such as trust, convenience, and satisfaction,
- and the possible revenue-generating strategies available to the platform.

The study does not cover the full financial performance of all fintech companies in India, but mainly focuses on the selected company and its business model in the UPI ecosystem.

## 3.2 Data Sources

To get a 360 - degree view, I used two types of data :

**Primary Data:** This is the most critical part of my work. I collected first-hand information directly from PhonePe users through an online survey. This gave me a direct look into user behavior that hasn't been published anywhere else yet.

**Secondary Data:** I supported my primary findings by looking at existing information. This included financial reports from PhonePe, news articles about UPI regulations (like the zero-MDR policy), and academic journals that discuss digital payment trends.

## 3.3 Data collection

Following the successful model of the reference study, I used **Google Forms** to gather my primary data

**The Questionnaire:** I designed a set of questions that were easy for anyone to answer on their phone. The questions focused on three things: how often they use PhonePe, what services they use beyond simple money transfers, and their willingness to pay small fees for convenience.

**Confidentiality:** To make sure people gave honest answers, I kept all identities private and secure. This encouraged respondents to be more truthful about their spending habits and frustrations.

### 3.4 Sampling : Who was Studied?

I used a Convenience Sampling technique to reach a diverse group of 200 people. My sample included:

**Age Groups:** A mix of young students (who are very tech-savvy) and older working professionals (who might use the app for different reasons).

**Gender Balance:** I aimed for a fair representation, though, like the reference study, I found a slightly higher percentage of male respondents participating in the digital survey.

**Sample Size:** By surveying 100 people, I was able to get enough data to see clear patterns without the study becoming unmanageable.

### 3.5 Research Limitation

It's important to be honest about what this study couldn't cover:

**Geographic Focus:** Most respondents were from urban areas, so the views of rural UPI users might be different.

**Technical Bias:** Since the survey was conducted via a link, it naturally excludes those who aren't comfortable with digital forms.

**Time Constraints:** The UPI and fintech world moves incredibly fast; what is a challenge today might have a new solution by next month.

## CHAPTER 4

### DATA ANALYSIS AND INTERPRETATION

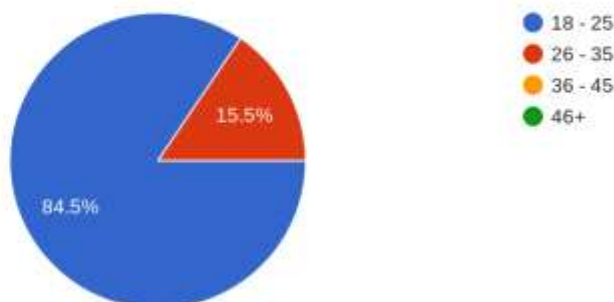
This chapter focuses on analyzing the responses collected from the respondents for the study. The main purpose of this chapter is to understand how users interact with PhonePe, what they think about its services, and whether there is any future scope for monetizing UPI-based transactions through the platform.

For this study, responses were collected from 174 people who are familiar with UPI applications and regularly use digital payment apps like PhonePe, Google Pay, Paytm, etc. The analysis has been done using tables, percentages, and simple interpretation so that the data can be understood in a practical and easy way.

#### Data Analysis & Interpretation

##### 1. Age

174 responses



1. The data collected from 174 respondents shows that the majority of users fall in the 18–25 age group, accounting for 84.5% of the total respondents. A smaller portion, 15.5%, belongs to the 26–35 age group. There are no respondents from the 36–45 and 45+ age categories.

This indicates that young people (especially students and early professionals) are the primary users of UPI-based apps like PhonePe. They are more comfortable with digital payments and technology.

The very low participation from older age groups suggests that digital payment adoption is still limited among older individuals, possibly due to lack of awareness, trust issues, or difficulty in using technology.

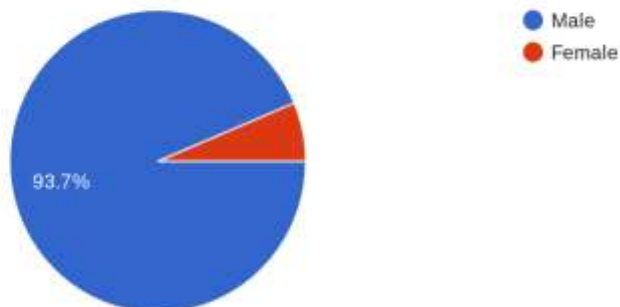
2. Out of 174 respondents, 93.7% are male and only 6.3% are female. This shows a very high participation of male respondents compared to female respondents.

The data indicates that male users are more actively participating in UPI-based transactions like PhonePe. This could be due to factors such as higher exposure to digital payment platforms, financial decision-making roles, or greater familiarity with technology.

On the other hand, the lower percentage of female respondents suggests that female participation in digital payments is still comparatively less. This may be due to lack of awareness, limited access to digital tools, or hesitation in using online financial services.

## 2. Gender

174 responses



3. Out of 174 respondents, the majority are students (57.5%). This is followed by salaried employees (30.5%). A smaller portion of respondents are business owners (10.9%), while self-employed and others contribute a very minimal percentage.

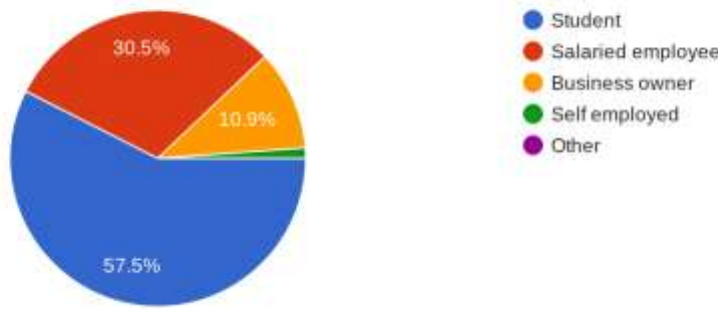
The data clearly shows that students form the largest group of UPI users, which indicates that young people are highly active in using digital payment platforms like PhonePe. This may be due to their frequent small transactions such as mobile recharges, food orders, and peer-to-peer payments

Salaried employees also make up a significant portion, suggesting that working professionals rely on UPI for convenience in daily transactions, such as bill payments and shopping.

The relatively lower percentage of business owners and self-employed individuals suggests that these groups may still rely partly on traditional payment methods or use other business-focused payment systems.

### 3. Occupation

174 responses

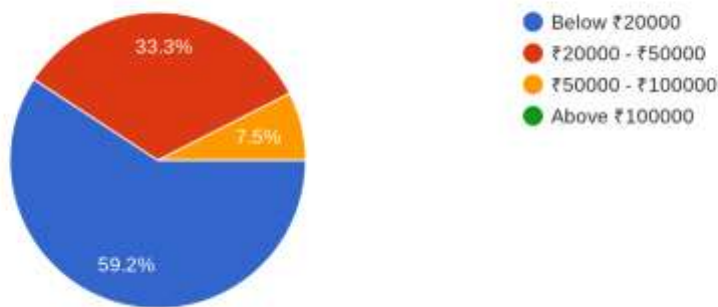


4. Out of 174 respondents, the majority (59.2%) fall under the below ₹20,000 income group. About 33.3% of respondents earn between ₹20,000 – ₹50,000, while a small percentage (7.5%) belong to the ₹50,000 – ₹1,00,000 category. There are very few or no respondents earning above ₹1,00,000

This shows that most UPI users, especially PhonePe users in this study, belong to the lower and middle-income groups. These users prefer digital payments because they are quick, convenient, and cost-effective. The high usage among lower-income groups may also be due to cashback offers, discounts, and zero transaction charges, which make apps like PhonePe more attractive. The smaller percentage of higher-income users suggests that they may use other financial tools like credit cards, net banking, or premium apps for transactions.

### 4. Monthly income

174 responses

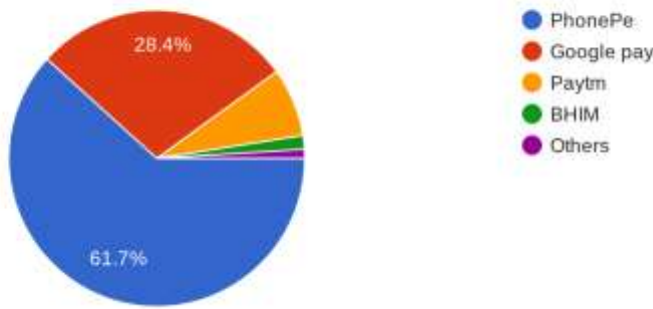


5. Out of 201 respondents, the majority (61.7%) prefer PhonePe as their most frequently used UPI app. This is followed by Google Pay (28.4%). A small percentage of users prefer Paytm, while BHIM and other apps are used by very few respondents.

The data clearly shows that PhonePe is the most popular UPI app among users in this study. This may be due to its user-friendly interface, wide acceptance, cashback offers, and multiple services available on a single platform. Google Pay is the second most preferred app, indicating strong competition in the UPI market. However, the gap between PhonePe and Google Pay suggests that PhonePe has a stronger user base and higher engagement. The lower usage of Paytm, BHIM, and other apps shows that these platforms are less preferred for regular transactions, possibly due to fewer incentives or lower user satisfaction

5. Which UPI Apps do you use most frequently?

201 responses

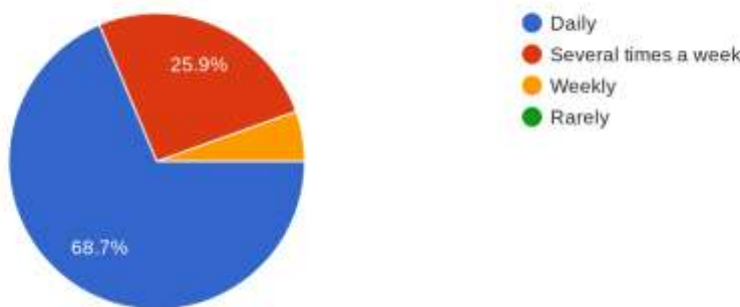


6. Out of 201 respondents, the majority (68.7%) use UPI daily for their transactions. About 25.9% of respondents use UPI several times a week, while a small percentage use it weekly. Very few respondents use UPI rarely.

This clearly shows that UPI has become a regular part of daily life for most users. The high percentage of daily users indicates that people rely heavily on apps like PhonePe for everyday transactions such as shopping, bill payments, and money transfers. The users who use UPI several times a week also show consistent engagement, which highlights the convenience and reliability of digital payment systems. The very low number of occasional users suggests that once people start using UPI, they tend to use it frequently due to its ease and speed.

6. How often do you use UPI for payments?

201 responses

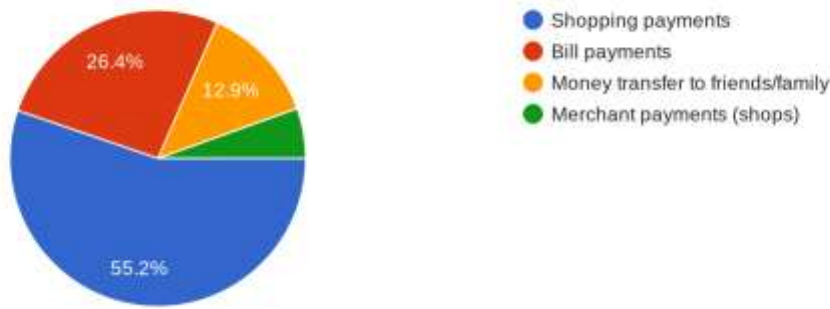


7. Out of 201 respondents, the majority (55.2%) use UPI mainly for shopping payments. This is followed by bill payments (26.4%). About 12.9% of users use UPI for money transfer to friends and family, while a small percentage use it for merchant/shop payments.

The data shows that shopping is the most common use of UPI, which indicates that users prefer digital payments for online and offline purchases due to convenience and speed. Bill payments also form a significant portion, suggesting that users rely on UPI apps like PhonePe for regular utility payments such as electricity, mobile recharge, and DTH.

7. What type of payments do you mostly make using UPI?

201 responses

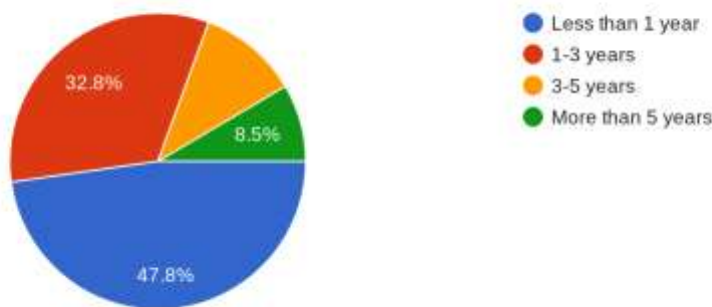


8. Out of 201 respondents, the majority (55.2%) use UPI mainly for shopping payments. This is followed by bill payments (26.4%). About 12.9% of users use UPI for money transfer to friends and family, while a small percentage use it for merchant/shop payments.

The data shows that a majority of users are relatively new to UPI platforms, which indicates that digital payment adoption is still growing rapidly. The significant number of users in the 1–3 years category suggests that UPI has gained popularity in recent years, especially due to increased smartphone usage and internet accessibility.

8. For how long have you been using UPI Apps?

201 responses

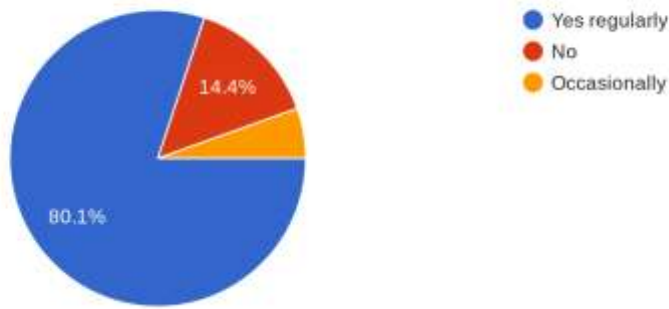


9. Out of 201 respondents, a large majority (80.1%) use PhonePe regularly. About 14.4% of respondents do not use PhonePe, while a small percentage use it occasionally.

The data clearly shows that PhonePe has a strong and active user base, with most respondents using it regularly for their transactions. This indicates a high level of trust, satisfaction, and convenience associated with the app. The small percentage of occasional users suggests that some people may be using multiple UPI apps and switch between them based on offers or preferences.

9. Do you use PhonePe

201 responses

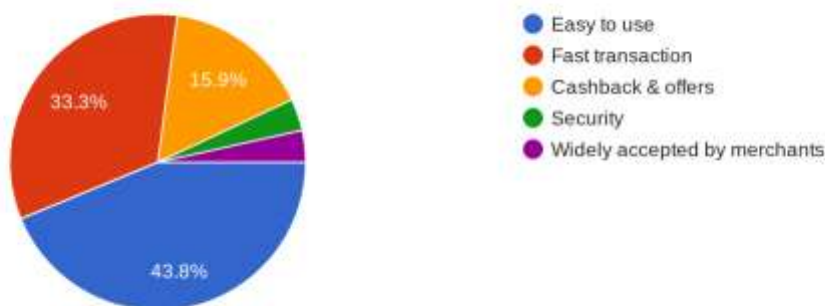


10. Out of 201 respondents, a large majority (80.1%) use PhonePe regularly. About 14.4% of respondents do not use PhonePe, while a small percentage use it occasionally.

The findings indicate that simplicity and user-friendly interface are the most important factors influencing user preference. Users value apps that are easy to navigate and require minimal effort to complete transactions. The second major factor is speed, which shows that users expect quick and seamless payments without delays. Cashback and offers also play a role, but they are not the primary reason for most users.

10. Why do you prefer PhonePe?

201 responses



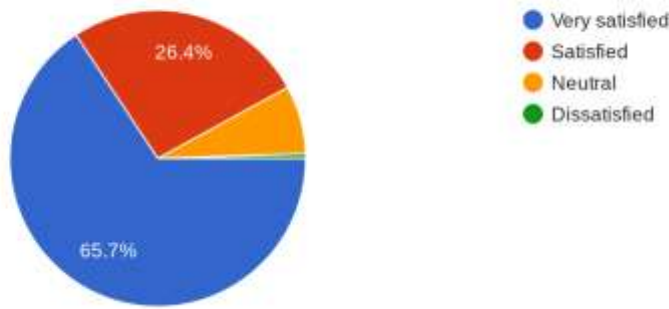
11. Out of 201 respondents, a majority (65.7%) are very satisfied with PhonePe services. Around 26.4% of users are satisfied, while a small percentage of respondents remain neutral. Only a negligible number of users are dissatisfied.

The data clearly indicates a high level of customer satisfaction among PhonePe users. The large proportion of “very satisfied” users suggests that the platform is successfully meeting user expectations in terms of convenience, speed, and reliability.

The presence of some neutral responses may indicate minor issues or areas where improvements can be made, such as customer support or additional features.

### 11. How satisfied are you with PhonePe Services?

201 responses



12. Out of 201 respondents, the majority (62.7%) use PhonePe for bill payments, making it the most popular service. About 51.7% of users have used insurance services, while 30.3% have invested in mutual funds through the app. A small percentage (8.5%) have used digital gold, and only 3% of respondents have not used any additional services.

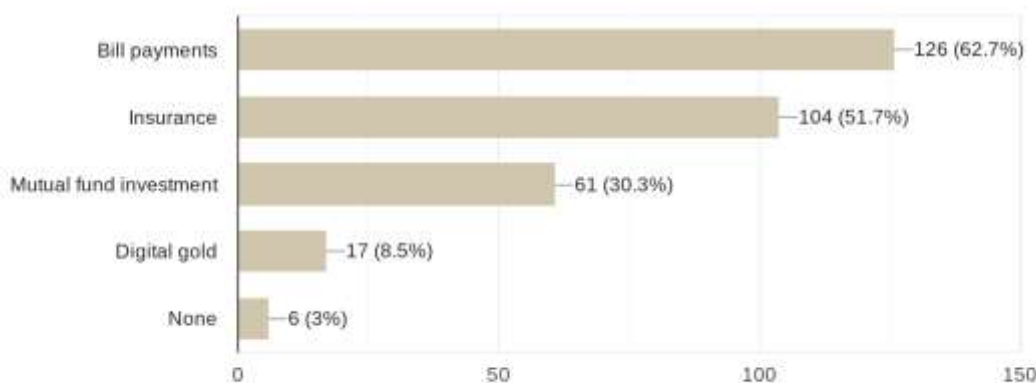
The data indicates that bill payments are the primary use case for PhonePe beyond basic transactions, highlighting its importance in users' daily financial activities.

The relatively high usage of insurance services suggests that users are open to adopting value-added financial products offered by the platform.

Moderate participation in mutual funds shows growing interest in investment options, but it is still not as widely adopted as basic services.

### 12. Have you used any of the following services of PhonePe?

201 responses



13. Out of 200 respondents, a vast majority (89.5%) are aware that PhonePe earns revenue through services like insurance, investments, and merchant services. Only 10.5% of respondents are not aware of these monetization methods.

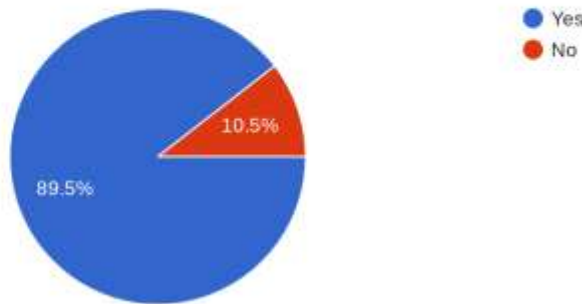
The data clearly indicates a high level of awareness among users regarding how PhonePe generates revenue. This suggests that users are not only using the platform but also have a basic understanding of its business model.

The small percentage of unaware users may represent new users or those who primarily use the app for basic transactions without exploring additional services.

High awareness also reflects that PhonePe’s services like insurance and investments are visible and well-promoted within the app.

13. Are you aware that PhonePe earns revenue through services like insurance, investments, and merchant services?

200 responses

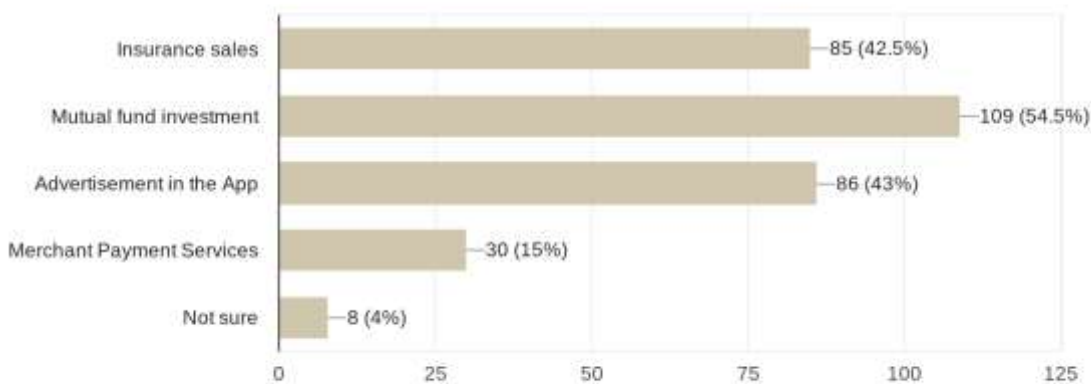


14. Out of 200 respondents, the majority (54.5%) believe that mutual fund investments generate revenue for PhonePe. Around 43% of respondents think advertisements in the app are a major source of revenue, while 42.5% consider insurance sales as a revenue-generating service. Only 15% of respondents identified merchant payment services, and a small percentage (4%) are not sure.

The findings show that users largely associate PhonePe’s revenue with financial services like mutual funds and insurance, indicating awareness of its role as a financial platform beyond just payments. A significant portion also recognizes advertisements as a source of income, which reflects user exposure to in-app promotions. However, fewer respondents identified merchant payment services, suggesting that users may not be fully aware of backend revenue streams such as transaction fees or partnerships with merchants.

14. Which services do you think generate revenue for PhonePe?

200 responses



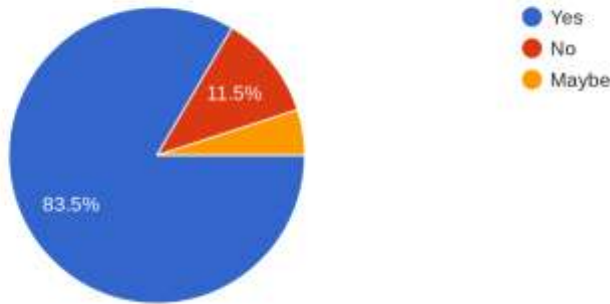
15. Out of 200 respondents, a large majority (82.5%) believe that UPI apps should introduce premium services for additional benefits. Around 11.5% of respondents disagreed, while a small percentage selected “Maybe”.

The data indicates a strong positive response toward the idea of premium services, suggesting that users are open to enhanced features if they provide added value.

The small percentage of users who said “No” may prefer free services or may not see enough value in paid features. The “Maybe” group reflects users who might consider premium services depending on the benefits offered.

15. Do you think UPI Apps should introduce premium services for additional benefits?

200 responses



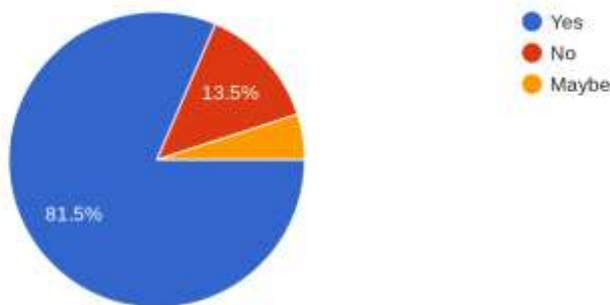
16. Out of 200 respondents, a significant majority (81.5%) expressed their willingness to pay a small fee for faster or premium payment services. Around 13.5% of respondents were not willing to pay, while a small percentage selected “Maybe.”

The results indicate a strong inclination among users toward paid premium services, especially when they offer added convenience such as faster transactions or enhanced features.

The relatively small percentage of respondents who said “No” suggests that most users are open to monetization, provided the value proposition is clear. The “Maybe” group reflects users who might be persuaded depending on pricing and benefits offered.

16. Would you be willing to pay a small fee for faster or premium payment services ?

200 responses

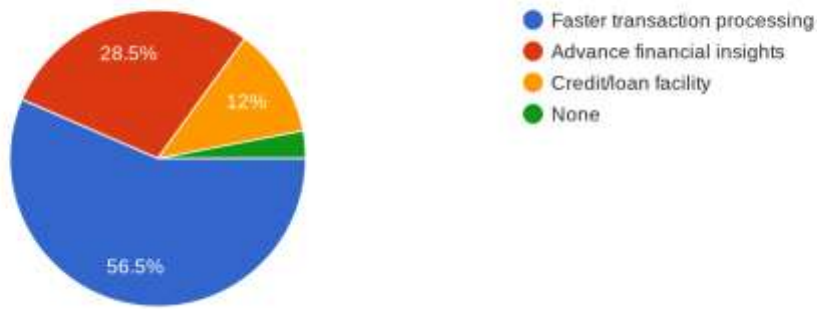


17. Out of 200 respondents, the majority (56.5%) indicated that they are willing to pay for faster transaction processing. Around 28.5% of respondents preferred advanced financial insights, while 12% showed interest in credit/loan facilities. A very small percentage selected none, indicating little to no interest in paid services.

A considerable number of respondents are also interested in advanced financial insights, suggesting a demand for features like spending analysis, budgeting tools, and personalized financial recommendations. The relatively lower preference for credit/loan facilities indicates that while financial products are important, they may not be the primary reason users would opt for premium services.

17. What kind of premium services would you pay for?

200 responses

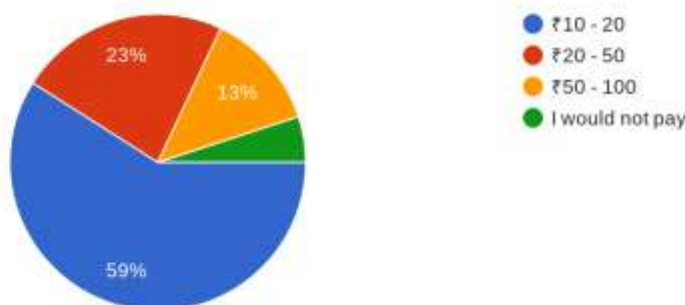


18. Out of 200 respondents, the majority (59%) are willing to pay between ₹10–₹20 per month for premium services. Around 23% are willing to pay ₹20–₹50, while 13% are open to paying a higher amount of ₹50–₹100. A small percentage of respondents indicated that they would not pay for such services.

The findings suggest that most users prefer low-cost premium plans, indicating price sensitivity despite their willingness to pay for additional benefits. The significant portion of respondents willing to pay up to ₹50 shows a potential for tiered pricing strategies, where users can choose plans based on their needs and affordability. The smaller group willing to pay higher amounts reflects a niche segment that values advanced or exclusive features, while those unwilling to pay highlight the importance of maintaining basic free services.

18. How much would you be willing to pay for premium services monthly?

200 responses

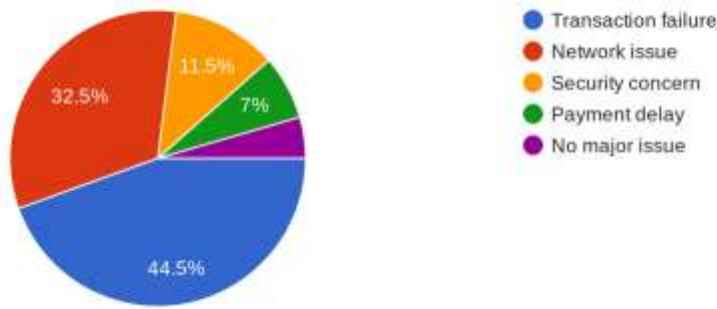


19. Out of 200 respondents, the most common issue faced is transaction failure, reported by 44.5% of users. This is followed by network issues at 32.5%. Around 11.5% of respondents expressed concerns regarding security, while 7% reported experiencing payment delays. A very small percentage indicated no major issues.

The findings highlight that technical reliability issues, particularly transaction failures and network problems, are the major challenges faced by users. Security concerns, although lower in percentage, still represent an important factor that affects user trust. Payment delays, while less frequent, also contribute to a negative user experience. The small percentage of users reporting no issues suggests that while UPI apps are widely adopted, service consistency still needs improvement.

19. What problem do you face while using UPI Apps?

200 responses

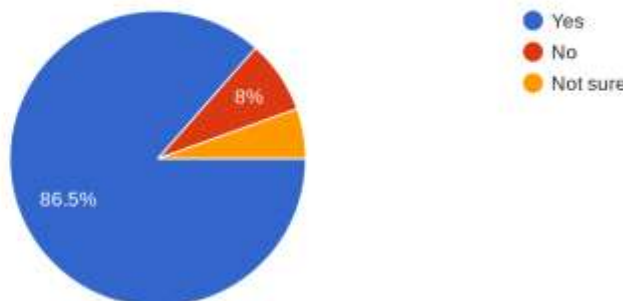


20. Out of 200 respondents, a large majority (86.5%) believe that UPI apps should charge merchants for advanced services. Around 8% of respondents disagreed, while a small percentage were not sure.

The findings indicate strong support among users for a merchant-based monetization model, where businesses, rather than individual users, bear the cost of advanced services. This suggests that users prefer to keep basic UPI services free for personal use, while accepting that merchants can be charged for additional features such as analytics, faster settlements, or promotional tools.

20. Do you think UPI App should charge merchants for advance services?

200 responses



## FINDINGS

1 High Usage of UPI Apps - Most respondents actively use UPI apps like PhonePe for daily transactions, showing strong adoption of digital payments.

2 Convenience is the Main Reason - Users prefer UPI apps mainly due to ease of use, speed, and convenience compared to traditional payment methods.

3 User Satisfaction is Generally High - A majority of users are satisfied with the overall performance of UPI apps.

4 Transaction Failures are the Biggest Issue - The most common problem faced by users is transaction failure, followed by network-related issues.

5 Security Concerns Still Exist - Although fewer users reported it, security concerns remain an important factor affecting trust.

6 Awareness of Revenue Sources is Limited - Users mainly associate revenue with financial services like mutual funds and insurance, but are less aware of backend revenue streams.

7 Positive Attitude Towards Premium Services - Most respondents support the introduction of premium services in UPI apps.

8 Willingness to Pay for Better Services - A large number of users are willing to pay a small fee for faster or enhanced services.

9 Preference for Low-Cost Plans - Most users prefer affordable pricing (₹10–₹20/month), showing price sensitivity.

10 Speed is the Most Desired Premium Feature - Users are most interested in faster transaction processing as a paid service.

11 Growing Interest in Financial Insights - Many users also prefer advanced financial insights like spending analysis and budgeting tools.

12 Support for Merchant-Based Charges - A strong majority believe that merchants should be charged for advanced services rather than individual users.

13 Free Basic Services are Expected - Users expect basic UPI services to remain free of cost, even if premium features are introduced.

## CONCLUSION

The present study was conducted to understand the challenges and strategies for monetizing UPI-based transactions with special reference to PhonePe. From the overall research, it can be clearly concluded that UPI has completely changed the way people make payments in India. It has made transactions faster, easier, and more accessible for users across different categories. PhonePe, being one of the major players in this ecosystem, has successfully built a strong user base and gained high trust among users. However, the study also makes one thing very clear — high usage does not automatically mean high revenue.

The biggest challenge for PhonePe is that the core UPI transaction system is largely expected to remain free, simple, and convenient. Because of this, direct monetization through transaction fees becomes difficult and may even negatively affect user behavior. At the same time, the study also shows that this challenge does not mean monetization is impossible. In fact, PhonePe has strong monetization opportunities if it focuses on the right areas. The research suggests that the future of monetization lies in:

- merchant services
- financial products
- ecosystem expansion
- value-added services
- premium convenience features
- and user engagement beyond payments

In simple words, the payment transaction itself may not be the final source of revenue — but it can act as the starting point for building profitable services around it. This is where PhonePe's real business potential lies.

Overall, it can be concluded that PhonePe has a strong future in the UPI ecosystem, but its long-term success will depend on how effectively it balances customer convenience, trust, and smart monetization strategies.

## FUTURE SCOPE

The present study mainly focused on understanding the **challenges and strategies for monetizing UPI-based transactions with special reference to PhonePe**. While this study gives useful insights, there is still a lot of scope for further research in this area because the digital payment industry is changing very fast. In the future, similar studies can be carried out on a larger sample size and with respondents from different age groups, professions, and regions. This would help in getting a more diverse understanding of user behavior and monetization acceptance across a wider population.

Future research can also compare PhonePe with other UPI platforms such as Google Pay, Paytm, and Amazon Pay to understand which platform has better monetization potential and what different business strategies they are using. Another important area for future study is the role of merchant services and business solutions in generating revenue. Since direct user charging is not preferred much, future research can go deeper into how merchant-based services can support long-term profitability for UPI platforms.

Further studies can also explore how financial products such as insurance, lending, investments, and wealth-related services can contribute to the monetization of digital payment apps. This is especially important because such services may become a major source of income for platforms like PhonePe in the future.

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## APPENDIX

### QUESTIONNAIRE

The following questionnaire was used to collect data for the study on “UPI Usage and Monetization Strategies (PhonePe)”

1. Which UPI app do you use the most?

- a) PhonePe
- b) Google Pay
- c) Paytm
- d) Others

2. How often do you use UPI apps?

- a) Daily
- b) Weekly
- c) Monthly
- d) Rarely

3. What is your primary purpose of using UPI apps?

- a) Money transfer
- b) Bill payments
- c) Online shopping
- d) Others

4. How satisfied are you with UPI services?

- a) Very satisfied
- b) Satisfied
- c) Neutral
- d) Dissatisfied

5. Which feature do you like the most in UPI apps?

- a) Speed
- b) Convenience

c) Cashback/Offers

d) Security

6. Have you ever faced issues while using UPI apps?

a) Yes

b) No

7. What type of issues do you face?

a) Transaction failure

b) Network issues

c) Security concerns

d) Payment delay

8. Do you trust UPI apps for secure transactions?

a) Yes

b) No

c) Maybe

9. Are you aware of how UPI apps generate revenue?

a) Yes

b) No

10. Which services do you think generate revenue for UPI apps?

a) Advertisements

b) Insurance services

c) Mutual funds

d) Merchant services

11. Do you find advertisements in UPI apps useful?

a) Yes

b) No

c) Sometimes

12. Would you prefer fewer ads in UPI apps?

- a) Yes
- b) No

13. Do you use financial services (insurance, mutual funds) on UPI apps?

- a) Yes
- b) No

14. Which service do you think generates the most revenue?

- a) Mutual funds
- b) Insurance
- c) Ads
- d) Merchant payments

15. Do you think UPI apps should introduce premium services?

- a) Yes
- b) No
- c) Maybe

16. Would you be willing to pay for premium services?

- a) Yes
- b) No
- c) Maybe

17. What premium services would you prefer?

- a) Faster transactions
- b) Financial insights
- c) Credit/loan facility
- d) None

18. How much would you be willing to pay monthly?

- a) ₹10–₹20
- b) ₹20–₹50
- c) ₹50–₹100

d) Not willing to pay

19. What problems do you face while using UPI apps?

a) Transaction failure

b) Network issues

c) Security concerns

d) Payment delay

e) No issues

20. Do you think merchants should be charged for advanced services?

a) Yes

b) No

c) Not sure