

RBI DIGITAL PAYMENTS INDEX: ECONOMY

NEWS: RBI's digital payments index increases to 493.22 as of March 2025

WHAT'S IN THE NEWS?

The RBI Digital Payments Index (RBI-DPI) rose to 493.22 in March 2025, marking a 10.7% annual growth, indicating strong and consistent progress in India's digital payment ecosystem. This growth reflects improved infrastructure, rising adoption in rural areas, and enhanced financial inclusion.

RBI Digital Payments Index – March 2025 Update

Overview of the RBI-DPI Growth (March 2025)

- The **RBI-Digital Payments Index (RBI-DPI)** rose to **493.22** in **March 2025**, up from **445.50** in **March 2024**, indicating a **10.7% year-on-year growth**.
- This increase reflects a **consistent and broad-based growth** in digital payment adoption and infrastructure across India.

Key Findings and Observations

1. Steady and Consistent Growth

- The RBI-DPI has shown **uninterrupted upward momentum** since its inception in **March 2018**.
- It demonstrates **India's long-term commitment** to digital financial inclusion and transformation.
- The index has grown **nearly five-fold** in seven years (from base value of 100 in 2018 to 493.22 in 2025).

2. Strong Performance in Payment Infrastructure

- The surge in index value is attributed to significant improvements in:
 - **Payment enablers** (e.g., mobile connectivity, internet penetration)
 - **Infrastructure** on both the **supply side** (banks, POS machines, QR codes) and **demand side** (smartphone usage, app-based transactions).
- The growth indicates **enhanced user engagement** and **greater volume/value of digital transactions**.

3. Expansion Beyond Urban India

- Growth is no longer confined to Tier-I cities; substantial **penetration seen in semi-urban and rural areas**.
- Attributed to:
 - **Payments Infrastructure Development Fund (PIDF)**: Subsidises deployment of physical payment infrastructure in underserved areas.

- **RBI-fintech collaborations:** Help create tailored solutions for low-bandwidth rural environments.
- **UPI's increasing role** in enabling small-value peer-to-peer and merchant payments in remote regions.

About RBI Digital Payments Index (RBI-DPI)

- **Introduced by RBI in 2018**, with base year set as **March 2018 (index value = 100)**.
- It is a **semi-annual index** (released in March and September every year).
- Purpose: To **objectively measure the extent of digitization of payments** across India.
- Designed to capture **quantitative changes over time** in digital transactions and payment ecosystem.

Parameters Used in the Index

The index is based on **five broad parameters**:

1. **Payment Enablers** – Infrastructure such as internet access, mobile penetration, and banking services.
2. **Payment Infrastructure – Supply Side** – Number of bank branches, ATMs, POS terminals, QR codes, etc.
3. **Payment Infrastructure – Demand Side** – Volume and value of transactions, digital wallet use, app-based services.
4. **Payment Performance** – Growth, speed, and efficiency of transactions.
5. **Consumer Centricity and Fraud Prevention** – Focus on security, grievance redressal, and customer satisfaction.

Implications and Impact of the DPI Growth

1. Accelerated Financial Inclusion

- Rise in digital payments signals **greater financial access for underserved populations** such as:
 - **Micro, Small and Medium Enterprises (MSMEs)**
 - **Rural and remote communities**
- Reduces dependency on cash, enhances **formalization of the economy**.

2. Support for Digital Credit and MSME Lending

- Digital payments growth strengthens the case for **data-driven digital lending**.

- Supports **New Digital Credit Assessment Models** where:
 - **Transaction history**, utility payments, and GST data help assess MSME creditworthiness.
 - Enables **faster, more transparent**, and **fairer credit flow**.

3. Strengthening India's Digital Ecosystem

- Reflects India's transition toward a **resilient and inclusive digital economy**.
- Driven by:
 - Proactive **regulatory frameworks** by RBI.
 - **Fintech innovations** such as UPI, Aadhaar-enabled Payments, CBDC pilots.
 - Increasing **trust among consumers and merchants**.

4. Policy Feedback Tool

- The RBI-DPI helps policymakers and regulators:
 - Identify **gaps in digital infrastructure**.
 - Track **performance of interventions** like PIDE, Digital India, JAM trinity.
 - Guide **future regulatory actions** to promote responsible digital finance.

Next Steps

- The **next update** of the RBI Digital Payments Index will be released in **September 2025**.
- It will further track **India's digital transformation journey** and the evolution of cashless, inclusive financial systems.

Source: https://www.business-standard.com/finance/news/rbi-digital-payments-index-rises-to-493-22-in-march-2025-125072801301_1.html