



A STUDY ON ADOPTION OF DIGITAL PAYMENTS- A CUSTOMER'S PERSPECTIVE

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Abstract:

This paper seeks to identify the present trend towards the adoption of digital payments in India. The adoption of digital payment systems has witnessed tremendous growth since the last few years and continues to grow at a very fast pace all around the world. This has led to a decrease in the traditional modes of payment. This phenomena took momentum with the demonetization move in 2016 followed by the pandemic strike in the year 2020. The technology revolution and government initiative of a cashless economy, followed by the demonetization saga has enabled the evolution of multiple non-banking players in the payment space. This paper presents conclusive evidence that the adoption of digital payments reduces the demand for cash. It also discusses how the use of digital payments can further take a leap by adopting certain measures to curb the security & other concerns and also suggests ways to promote it in untapped segments. The paper also highlights the growth of digital wallets and how it has eased the lives of people wherein you can go cashless and conduct hassle free transactions. While these e-wallets have made substantial grounds in the Indian economy system, it becomes eminent to analyze the customers' perception towards these e-wallets. In this paper, the authors' attempt to analyze the sentiments of digital wallet users in India over its applications.

Keywords: *Digital Payments, Digital Wallet, E-Wallets, UPI.*

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Introduction:

Digital India, a flagship program of GOI Digital India is a campaign launched by the Government of India on July 1, 2015 in order to ensure that the citizens of the country are digitally empowered in the field of technology. This was the stepping move

for promoting digitization. Furthermore, the initiative of Digital Payments was taken by the Government of India after the announcement of demonetization on 8th November 2016. Digital Payments was initiated to bring transparency in transactions and eliminate black money. It was



actually a move towards a cashless economy. The strike of COVID 19 further increased the use of digital payments.

India's digital payment volume has climbed at an average annual rate of about 50 percent over the past five years. That itself is one of the world's fastest growth rates, but its expansion has been even more rapid—about 160 percent annually—in India's unique, real-time, mobile-enabled system, the Unified Payments Interface (UPI).

Transactions more than doubled, to 5.86 billion, in June 2022 from a year earlier as the number of participating banks jumped 44 percent, to 330. Values nearly doubled in the same period. In addition, the RBI in March introduced a UPI for feature phones (older devices with buttons instead of touchscreens) that can potentially connect 400 million users in distant rural areas.

Unified Payments Interface (UPI):

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging

several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience.

With the above context in mind, NPCI conducted a pilot launch with 21 member banks. The pilot launch was on 11th April 2016 by Dr. Raghuram G Rajan, Governor, RBI at Mumbai. Banks have started to upload their UPI enabled Apps on Google Play store from 25th August, 2016 onwards.

In November 2022, there were more than 730 crore (7.3 billion) transactions on the unified payments interface, according to data from the National Payments Corporation of India—a record that reflects the spectacular success of the platform in enabling digital payments in the country. Those who are driving this revolution, including the Reserve Bank of India, NPCI and the many entrepreneurs who developed the “India Stack” of digital building blocks, believe this is just the beginning.



Source: <https://www.idfcfirstbank.com/finfirst-blogs/finance/How-are-digital-payments-evolving-in-India>



Types of Digital Payment Methods in India:

1. Banking cards:

Some of the most reputed and well-known card payment systems are Visa, Rupay and MasterCard, among others. Banking cards can be used for online purchases, in digital payment apps, PoS machines, online transactions, etc.

2. USSD:

These types of payments can also be made with no mobile data facility. This facility is backed by the USSD along with the National Payments Corporation of India (NPCI).

3. AEPS:

The Aadhaar Enabled Payment System, AEPS, can be used for all banking transactions such as balance enquiry, cash withdrawal, cash deposit, payment transactions, Aadhaar to Aadhaar fund transfers, etc. This is another initiative taken by the NPCI to promote digital payments in the country.

4. UPI:

The service allows a user to link more than one bank account on a UPI app on their smartphone to seamlessly initiate fund transfers and make collect requests on a 24/7 basis and on all 365 days a year.

5. Mobile Wallets:

Some of the mobile wallet apps in the market are Paytm, Mobikwik, Freecharge, etc. The various services offered by mobile wallets include sending and receiving money, making payments to merchants, online purchases, etc.

6. Bank prepaid cards:

A prepaid card is a type of payment instrument on to which you load money to make purchases.

The type of card may not be linked to the bank account of the customer.

7. PoS terminals:

Traditionally, PoS terminals referred to those that were installed at all stores where purchases were made by customers using credit/debit cards. It is usually a hand held device that reads banking cards.

8. Internet Banking:

Internet banking refers to the process of carrying out banking transactions online. Internet banking is also referred to as e-banking or virtual banking. Internet banking is usually used to make online fund transfers via NEFT, RTGS or IMPS.

9. Mobile Banking:

Mobile banking refers to the process of carrying out financial transactions/banking transactions through a smartphone.

10. Bharat Interface for Money (BHIM) app:

The BHIM app allows users to make payments using the UPI application. This also works in collaboration with UPI and transactions can be carried out using a VPA.

Benefits of Digital Payments:

- Faster, easier, more convenient
- Economical and less transaction fee
- Waivers, discounts and cashbacks
- Digital record of transactions
- One stop solution for paying bills
- Helps keep black money under control

Statement of the Problem:

It is imperative in the current period that digital payment is one important area where all the customers should be aware. The physical payment mode becomes critical due to various reasons like time and safety. This enabled e-payment methods



like internet banking and this again made simpler with android mobile phones. Keeping this concept, the research work is framed based on the consumer behavior towards digital payments especially UPI (unified payments interface).

Significance of the Study:

Online payments have become an important kind of transaction in trade. So, it is imperative to find the various sources of online sources towards money transactions. By this study we are trying to find out what are the various modes of online payment terms. This study is to analyze the awareness and satisfaction level of the customers in digital payments especially via UPI and the security and privacy concerns influencing consumers in adoption of UPI. The study analyzes consumer perception and problems towards digital wallets.

Scope of the Study:

The study takes into account the customers' perspective towards digital payments and the factors that has affected its adoption amongst the users of different age groups having different occupational

Research Methodology:

Universe	Retail Banking Customers
Sampling Method	Convenience sampling
Sample Size	104
Methods of Primary Data Collection	Survey- Structured Questionnaire
Methods of Secondary Data Collection	Government websites, NPCI website, other web based links
Data Analysis Tools	On the basis of responses by respondents.

Literature Review:

Sanghita Roy, Dr. Indrajit Sinha (2014) stated that the E- payment system in India, has shown tremendous growth, but still there is a lot to be done to increase its usage. Still 90% of the transactions are cash based. Technology Acceptance Model used for the purpose of study. They found Innovation,

status. The data collected focuses more on the use of UPI based payments as against other forms of traditional and digital payments.

Objectives of the Study:

1. To study the level of awareness of digital payments especially UPI and its adoption by people of different age groups
2. To understand customers' perspective and consumer satisfaction towards digital payments
3. To evaluate digital wallet as the preferred digital payment option
4. To analyze the factors that affect the consumer perception towards UPI
5. To suggest measures to increase the rate of adoption of digital wallets

Limitation of the Study:

1. The sample size is limited to 104 respondents. Hence it may not be the true representative of the population
2. Due to time constraints, the authors have taken the aspect of digital payment in general.

incentive, customer convenience and legal framework are the four factors which contribute to strengthening the E- payment system.

Rakesh H M & Ramya T J (2014) in their research paper titled A Study on Factors Influencing Consumer Adoption of Internet Banking in India tried to examine the factors that influence internet



banking adoption. It is found that internet banking is influenced by its perceived reliability, Perceived ease of use and Perceived usefulness. In the process of internet banking, experts should emphasize the benefits its adoption provides and awareness can also be improved to attract consumers' attention to internet banking services.

Slozko & Pello (2015) E-payment systems are important mechanisms used by individual and organizations as a secured and convenient way of making payments over the internet and at the same time a gateway to technological advancement in the field of world economy

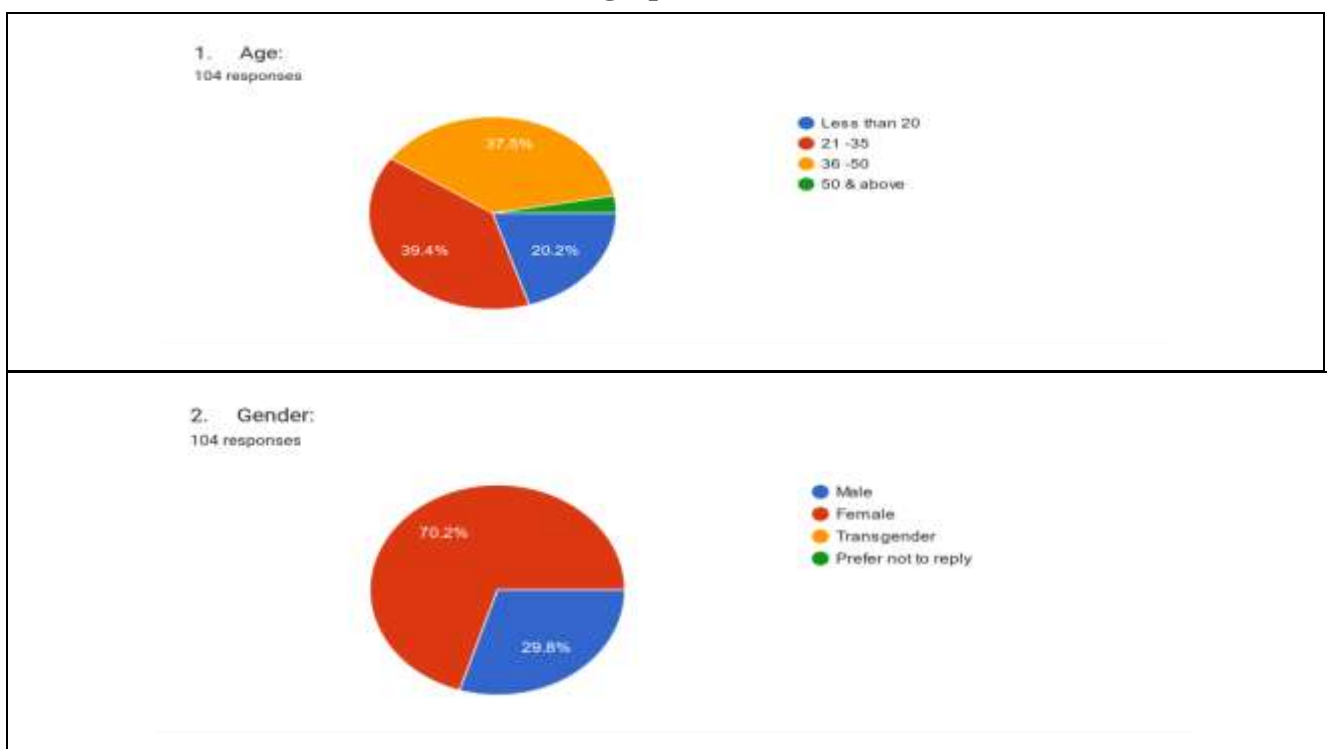
Pushpa S. Abbigeri and Rajeshwari M. Shettar (2018) talked about how the Digital India flagship program attracted a large number of people to start resistance had an impact on the actual usage.

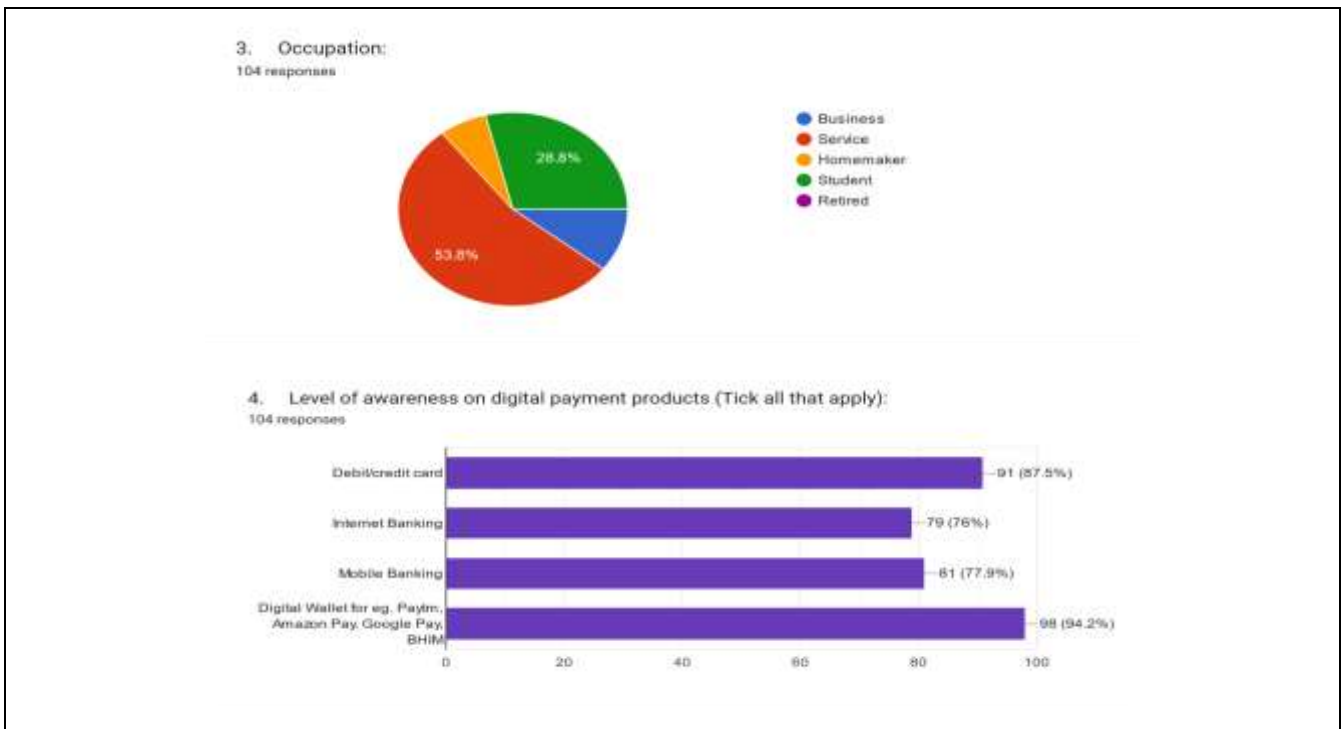
using digital wallets , which people started to use as there were lots of cash back offers and coupons. After the digital India flagship program a lot of mobile wallet companies entered India and other methods such as UPI, NEFT to a surge. The initiative taken by the government and RBI was being accepted by the people as they were using such methods.

Shivathanu B. (2019) in his study adoption of digital payment system in the era of demonetization emphasised on how the digital payment system was used by the people or accepted by the people during demonetization. It was based on a conceptual framework where the sample size was 766 .The data analysed suggested that behavioural intentions and innovation

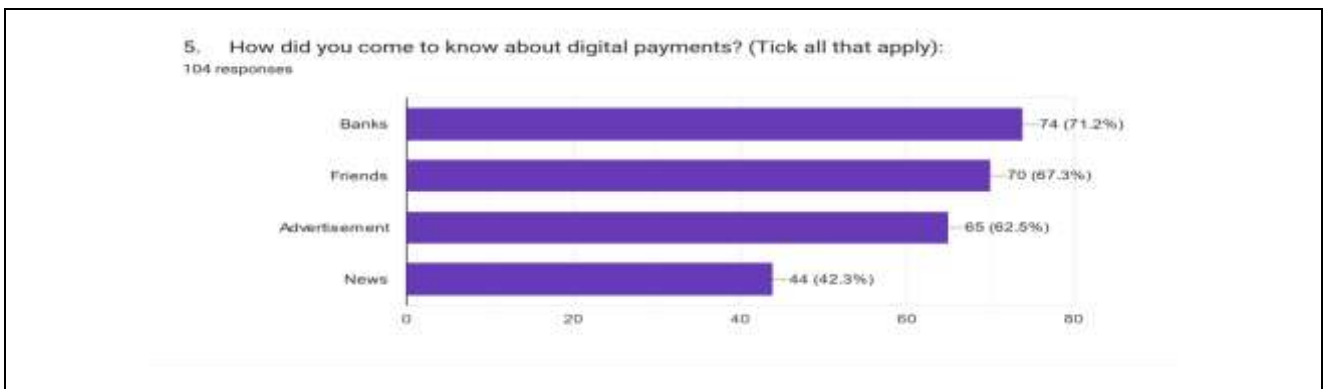
Data Analysis and Interpretation:

Demographic Profile :

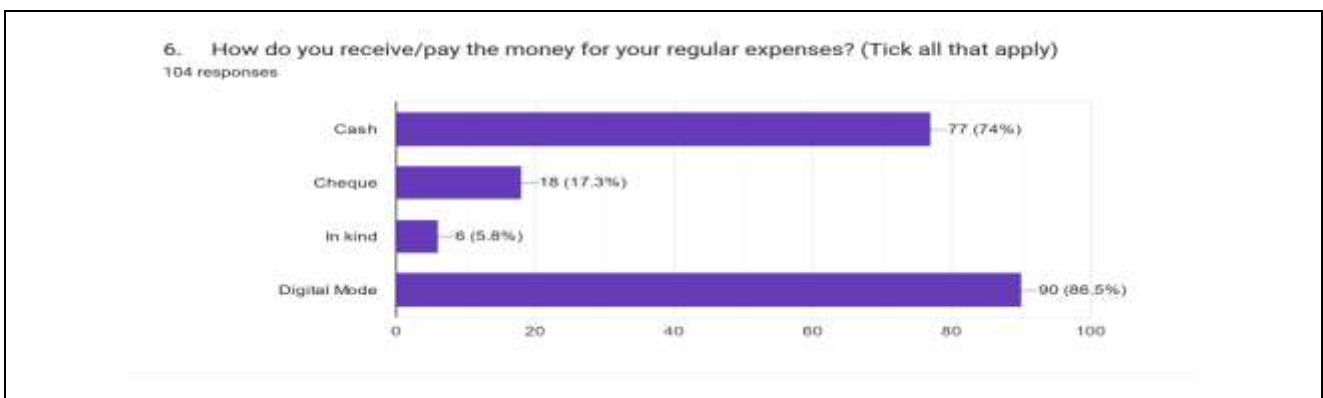




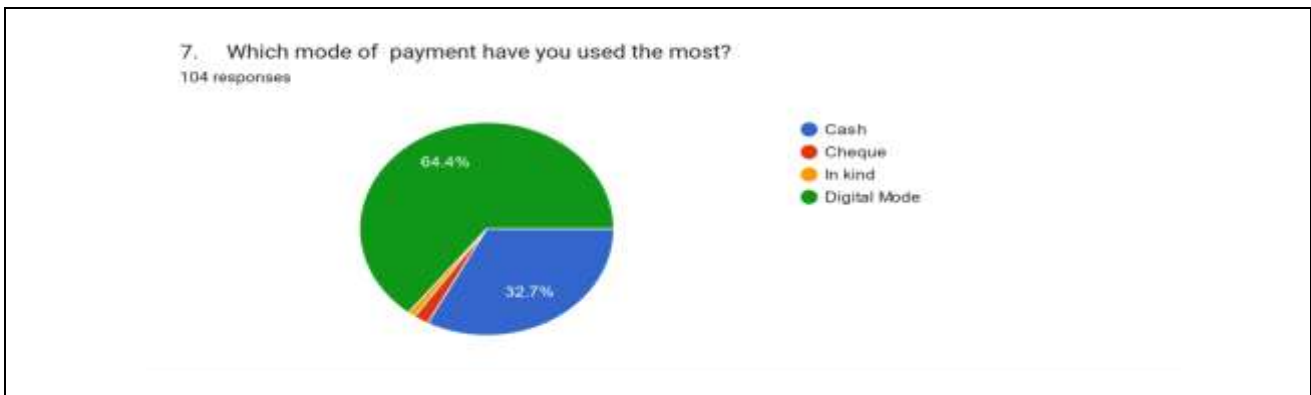
Survey shows that the level of awareness is high among the respondents.



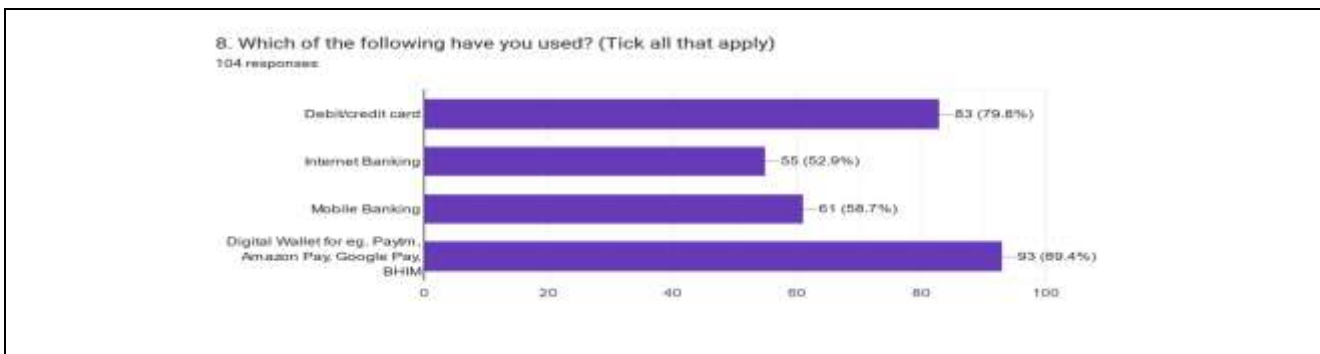
Maximum respondents came to know about digital payments through banks and friends.



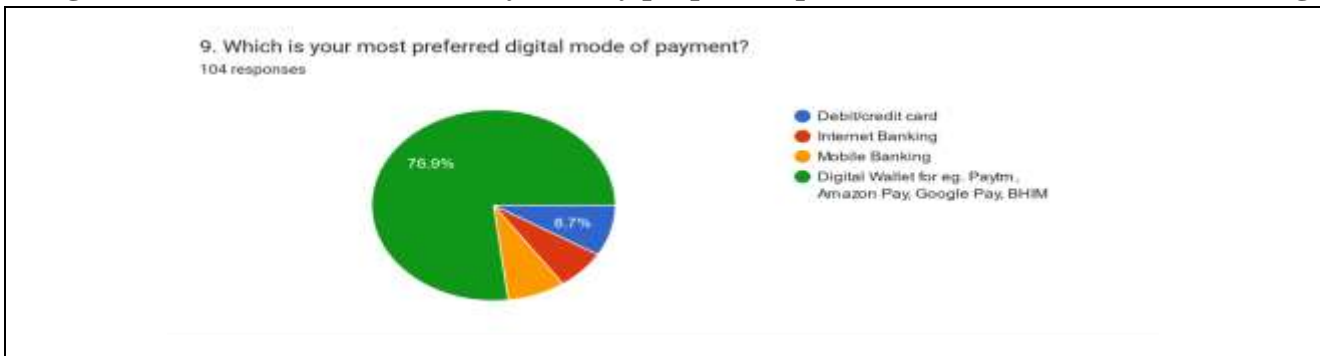
It shows that the people are preferring mostly digital mode along with cash option.



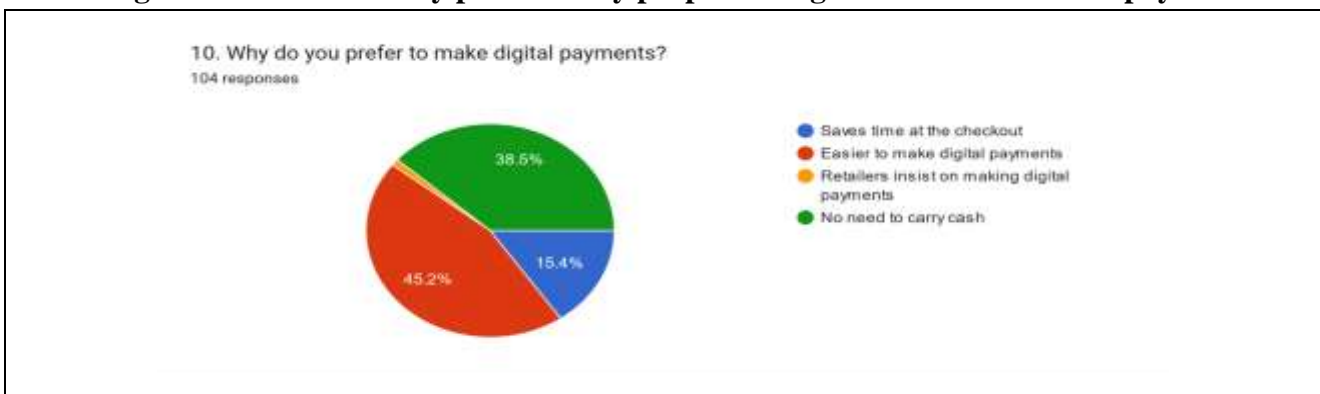
It shows that the respondents are preferring digital mode.



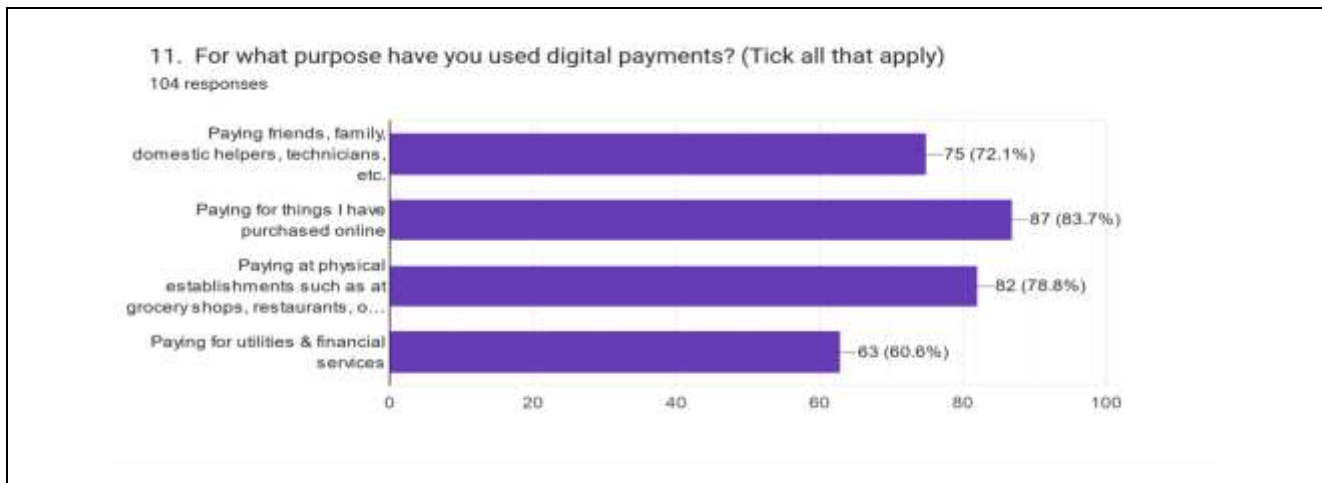
Digital wallets and cards are mostly used by people compared to Internet and mobile banking



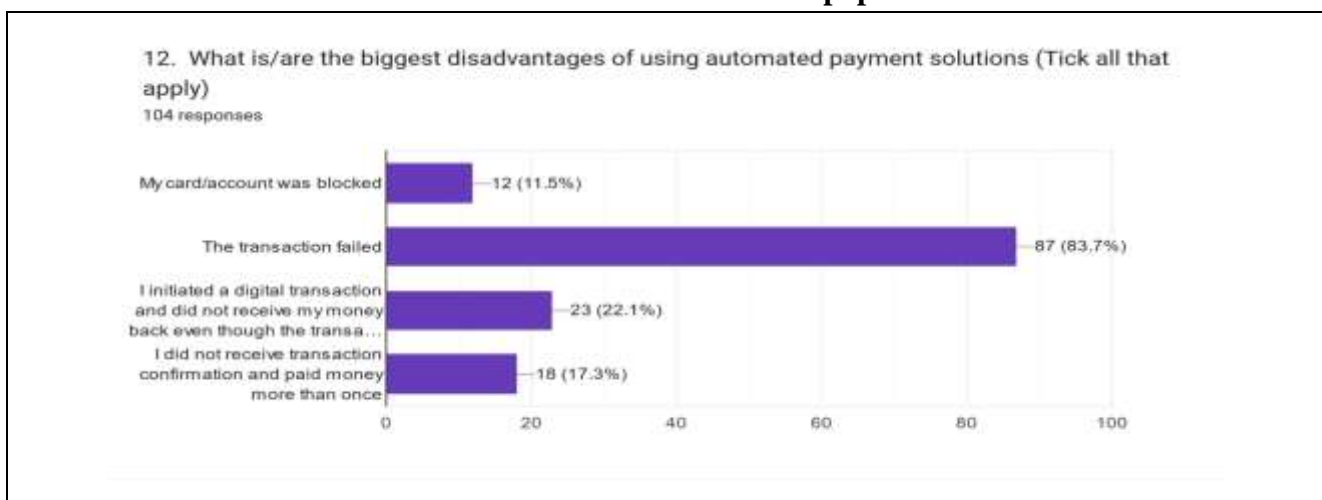
Digital wallets are mostly preferred by people among the various modes of payment



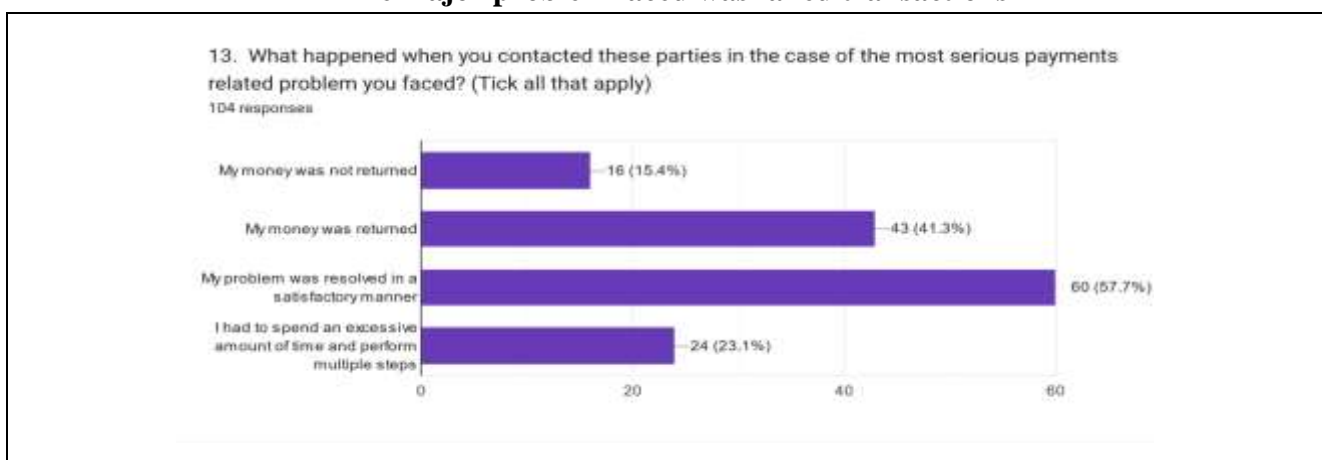
Easy to make digital payments and no need to carry cash are the main reason for preferring digital payments.



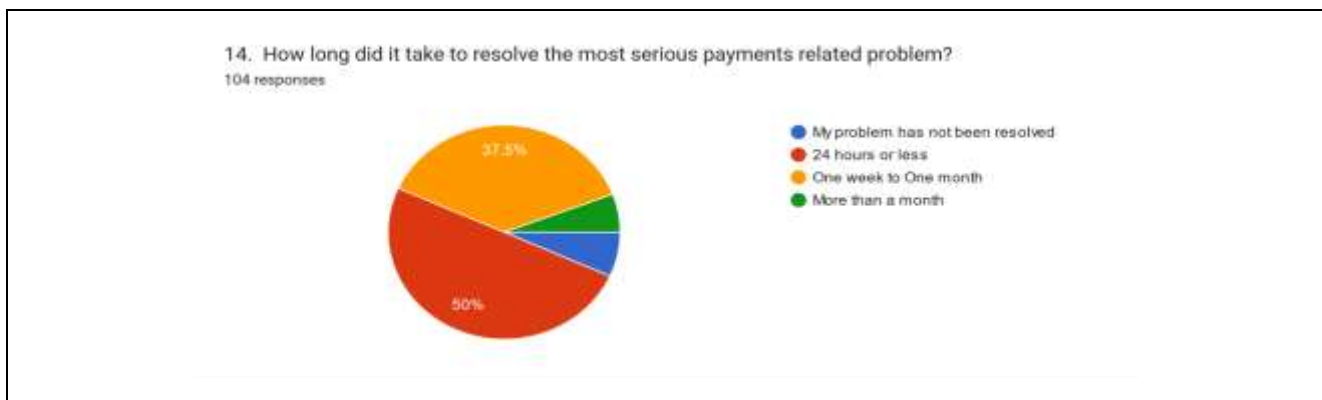
It is seen that digital payments are used for every purpose as of today. This however reflects more of the sentiments of urban population



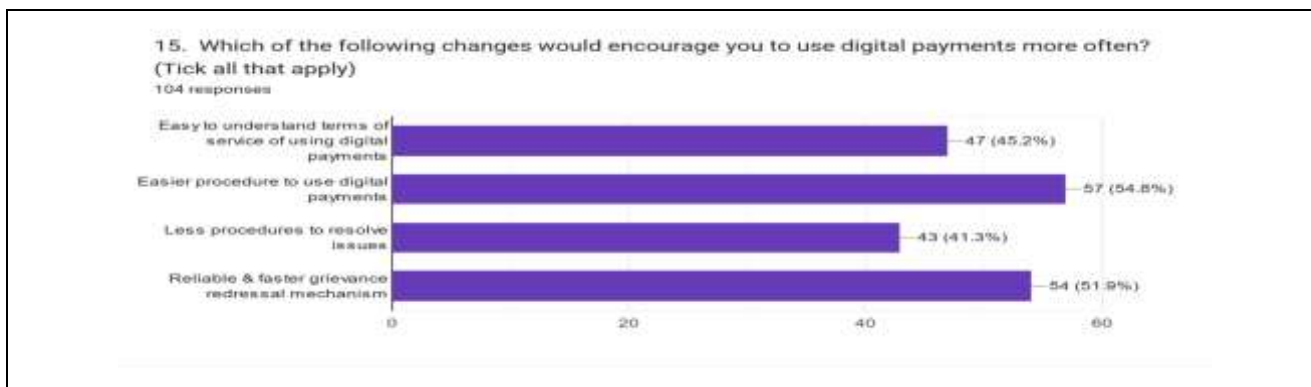
The major problem faced was failed transactions



Problems were resolved most of the times. Respondents complained of lengthy & cumbersome procedure. In few cases, money wasn't recovered.



Maximum times problems are solved within 24 hours or less but sometimes it may take one week to one month.



All the options were found to be of importance to ensure greater usage of the digital payments

Findings:

- ✚ People have high level of awareness of digital payment modes
- ✚ People initiate digital payments for meeting every kind of expense or income
- ✚ Digital wallets are most widely used
- ✚ The popularity and widespread use of digital wallets is mainly owing to convenience and to free oneself from carrying cash wherever they go
- ✚ Few categories like homemakers and retired people though approached were unaware of the digital wallets hence were hesitant to fill in the questionnaire
- ✚ Security and failed payment were major issues encountered which restricts its usage on part of certain customers

Conclusion & Suggestions:

Though level of awareness is high, deciding on the right choice of payment modes is all about convenience, security, and speed. Even though we have witnessed a rapid increase in the using digital payment modes, there is still a lack of awareness among people concerning security, data privacy, etc. which is leading to some of them believing that making payments as card or cash is much better than using digital wallets.

- ✚ Government should conduct more awareness programs for online and banking customers regarding various services offered by NPIC, UPI, Bharat bill payment system etc.
- ✚ E-literacy campaigns should be implemented for removing the problems faced by customers while using such services



- In India there is lack of internet connectivity in some places especially the rural areas. Government should invest in providing high speed internet & accessibility in low cost.
- Once internet connectivity will increase, then online fund transfer and use of digital wallets will increase too.

Scope for further Research:

This study talks about adoption of digital modes of payments in totality. It gives a basic understanding on the customers' perspective and their satisfaction towards digital payments specifically digital wallets. Further research can be conducted on digital wallets with reference to BHIM & GPay/Paytm. Study can also be conducted on digital payment usage and adoption in rural areas.

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