

INCLUSIVE GROWTH ANALYSIS TOWARDS THE ADOPTION OF DIGITAL PAYMENTS

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Abstract

Today, all financial transactions are conducted digitally to reduce paper waste and raise the profile of digital currency in economically underdeveloped regions of the globe. The use of electronic money will enable day-to-day operations to be completed in a faster, simpler, and more trustworthy manner. The Covid-19 era has effectively broadened the new aspect of India's future in digital banking. India quickly expanded its use of digital technologies during that time. The adoption of digital payments has been shown to decrease the need for cash by a variety of convincing data. This study intends to assess the degree of acceptance, knowledge, and satisfaction with digital payment methods among residents of Coimbatore. The study finds that trust, subjective norms, perceived threat, usability, and utility are the main predictors of acceptance of digital payments. Research in the area of digital finance is expanding as important information is amassed that can help decision-makers and service providers develop plans for a broader understanding of digital payments.

Key Words: *Bank, Payment System Financial Literacy, Finance.*

JEL Number: *G21, E42, G53, F65.*

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Introduction

“India will be a global player in the digital economy”

- Sunder Pichai

Any purchase made using digital or electronic means of payment involves no actual monetary transaction. The Indian government has approved several businesses that aim to encourage cashless transactions across the country. The Indian government has started a drive called "Digital India" to make all public services available to citizens electronically through enhanced online infrastructure, expanded Internet connectivity, or the advancement of the nation's technological capabilities [6]. As part of this activity, plans are being made to connect remote regions to broadband networks. The development of a reliable and protected internet, the online distribution of public services, and general internet access are the three key pillars of "Digital India" [10]. A person can send funds from his bank account to the payees for his daily transactions thanks to the digitization of payments. Digital payment methods are made up of a variety of tools that can be used as and when needed. India is assuming a leadership position in the internet era and is preparing for growth that will allow more people to have access to mobile devices than to residential electricity connections. India is thus working toward the goal of a "Cashless Society," which entails that the amount of paper money in circulation will be drastically reduced and that all payments will be made using digital technology [12]. This study focuses particularly on adoption and preference.

Statement of the Problem

In recent years, India's digital economy has undergone substantial development. Adopting the digital age is one thing, and new payment methods will keep appearing. However, the use of currency doesn't appear to be decreasing all that much. The flexibility of banknotes and coins has no real competition, which is one of the major causes. The risks and advantages of different payment instruments need to be reassessed by Indians, with the risks posed by computerized payment instruments being significantly more varied and serious. One of the main reasons why people prefer cash is the issues with user information security, expensive transaction fees, transaction complexity, etc. Digital purchases, however, made their way into the Indian psyche after demonetization. In order to address the previously mentioned issue, the research chose a study on a general analysis of the growth of digital payments.

Research Question

- What are the key factors influencing the adoption of electronic payment methods among consumers?
- What are the major barriers hindering the widespread adoption of electronic payment systems, and how do these barriers vary across different demographics?

Objectives

- ✓ To examine the level of adoption, factors that impact adoption, and adoption barriers for electronic payments.

Research Gap

This study's focus is on India's use of digital payments. It will concentrate on the variables affecting adoption, and consumer preferences. The main sources of data will be surveys and already published research. The study will examine technology aspects, and infrastructure challenges rather than focusing on a particular population. Data accessibility and resource restrictions are limitations.

Hypothesis

- H0: There is no significant relationship between key factors and the adoption of electronic payment methods.
- H0: There is no significant difference in the perceived barriers to electronic payment adoption across different demographics.

Methodology

| | |
|---------------------------|--|
| Research Area | The scope of the current research is to find out the user's experience with digital payment modes. |
| Sampling Design | Purposive Sampling Method |
| Sample Size | 200 respondents |
| Method of data collection | Primary Data (Questionnaires Method) and Secondary Data (websites, journals, magazines, etc.) |
| Tools for Analysis | Descriptive analysis Garret's Ranking Techniques Weighted Average Score |

Literature Review

Sahil Nathani et.al (2022)¹ In their research paper, the students examined the historical development of the various types of digital payment, the effects of COVID-19 on the Indian electronic payment system, and the attitudes of customers towards switching from cash to digital payments. The COVID-19 outbreak sped up the development of digital payments in India. Additionally, consumers switched to digital mode due to concerns about health limitations which encouraged the operation of more types of digital payment systems. **Gourab Ghosh** (2021)² researched to find out the explanations given by various authors on why people give up using payments via the Internet. It was mentioned that one of the main reasons for utilizing digital methods of payment was the government of India's attempt to create a digital nation as a result of the rise in the sale of smartphones and the scarcity of available broadband connectivity at a reasonable price. **Kamatchi Eswaran** (2019)³ researched to understand customer preferences and the influence of demographic factors on the abandonment of digital payment methods. To gather the primary data, a block interviewing approach is employed. It is designed such that demographic factors, except education, have little bearing on the abandonment of digital payments.

Research Gap

There is a research gap within the way government regulations, technology accessibility, and changing customer preferences impact the adoption as well as regular use of digital payments, even though recent research has thrown light on numerous elements of digital payments in India. A thorough investigation into this topic would offer a more complete grasp of the variables influencing India's digital payment landscape.

Results and Discussion:

Table 1: Demographic and Socio-Economic Characteristics of the Respondents

| Demographic profile | | Frequency | Percentage |
|--|---------------------------|-----------|------------|
| Source of awareness about digital payments | Self | 73 | 36.5 |
| | Advertisement | 53 | 26.5 |
| | Word of mouth | 52 | 26 |
| | By obligations/ Mandatory | 22 | 11 |

| | | | |
|--|---|-----|------|
| | Total | 200 | 100 |
| Amount Spent through digital payment modes | Below Rs. 1,000 | 64 | 32 |
| | Rs.1,001- Rs. 10,000 | 85 | 42.5 |
| | Rs. 10,001- Rs. 50,000 | 33 | 16.5 |
| | Above Rs. 50,000 | 18 | 9 |
| | Total | 200 | 100 |
| Frequency of usage | Daily | 53 | 26.5 |
| | On-occasions | 68 | 34 |
| | Rarely | 29 | 14.5 |
| | If necessary | 50 | 25 |
| | Total | 200 | 100 |
| Purpose of usage of digital payment modes | Personal purpose | 102 | 51 |
| | Business purpose | 33 | 16.5 |
| | Official purpose | 34 | 17 |
| | Mandatory | 31 | 15.5 |
| | Total | 200 | 100 |
| Benefits of usage | Provides waiver, discount, and cashback | 41 | 20.5 |
| | One-stop solution for paying bills | 54 | 27 |
| | Helps keep black money under control | 41 | 20.5 |
| | Economical and lower transaction fees | 35 | 17.5 |
| | A digital record of transactions | 29 | 14.5 |
| | Total | 200 | 100 |
| UPI Apps preferred by the respondents | Paytm | 23 | 11.5 |
| | Google Pay | 99 | 49.5 |
| | Phonepe | 24 | 12 |
| | Amazon pay | 24 | 12 |
| | BHIM UPI | 27 | 13.5 |
| | Mobiwik | 3 | 1.5 |

| | | | |
|---|------------------------|-----|------|
| | Total | 200 | 100 |
| Level of satisfaction towards digital mode of payment | Very high satisfaction | 31 | 15.5 |
| | High Satisfaction | 57 | 28.5 |
| | Medium Satisfaction | 100 | 50 |
| | Low satisfaction | 10 | 5 |
| | Very low satisfaction | 2 | 1 |
| | Total | 200 | 100 |

Source: Result based on SPSS Software

The above result shows that 36.5% of the respondents have come to know about products on their own (self), 42.5% of the respondents spend Rs. 1,001 to Rs. 10,000 per month through digital modes, 34% of the respondents use digital mode of payments occasionally, 51% of the respondents using the digital payment modes for personal purpose, regarding the benefits of usage 27% of the respondents prefer digital payment modes to make one-stop solution for pay bills, 49.5% of the respondents prefer Google pay payment mode, 50% of the respondents are moderately satisfied with the digital payment system.

Table 2: The adoption of digital payment methods is influenced by several factors.

| Factors | No of Respondents | Percentage |
|---|-------------------|------------|
| Convenience | 112 | 56 |
| Reliability | 95 | 47.5 |
| Security | 100 | 50 |
| Complicated digital payment procedures | 75 | 37.5 |
| Lack of awareness of digital payment mode | 66 | 33 |
| Network bias | 35 | 17.5 |
| Total | 483 | 241.5 |

Source: Result based on SPSS Software

The above result depicts that the majority of the respondents are impacted by the convenience (56%) factor followed by security (50%) and reliability (47.5%) for adopting digital payments.

Table 3: Opinion of the Respondents towards the Adoption of Digital Payment Modes

| Opinions | Weighted Average | Rank |
|--|------------------|------|
| Digital payment is better than traditional payment | 4.24 | 1 |
| Digital payment has brought huge changes in the monetary transaction | 3.96 | 2 |
| Digital payment modes are improvised every day | 3.865 | 4 |
| The circumstances profoundly impacted if digital payments are accepted. | 3.84 | 5 |
| People are aware of government policies and regulations on digital payment modes | 3.56 | 11 |
| Bank promotes to adoption of digital payment | 3.75 | 9 |
| Demonetization has led to higher adoption of digital payments | 3.885 | 3 |
| E-wallets are used to carry out daily transactions | 3.775 | 7 |
| Digital payments are useful when purchases are made even at small retail stores | 3.815 | 6 |
| Charges levied on banking cards are reasonable | 3.62 | 10 |
| Traditional payment modes are cost-efficient | 3.765 | 8 |

Source: The author

Table 1 shows that most respondents believed that digital payment methods are superior to traditional payment methods and that these methods have significantly changed the way money is transacted in India. It is found that the majority of respondents are aware of the digital payment method and are in favor of its adoption and implementation.

Table 4: Barriers to Adoption of Digital Payments Modes

| Factors | Security | Trust on bank | Authenticity | Inconvenience | Lack of knowledge | Network Problem | Reliability |
|---------------|----------|---------------|--------------|---------------|-------------------|-----------------|-------------|
| Average Score | 60.51 | 53.575 | 51.415 | 50.97 | 50.865 | 46.1 | 36.565 |
| Rank | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Source: The author

The table above reveals that security, which ranks first with an average score of 60.51, is the main obstacle to the adoption of digital payment methods. It is followed by trust in the bank, authenticity, and inconvenience. The bank's digital payment gateway is regarded as minimally inconvenient by the majority of people, so it has ranked second with an average score of 53.575. With an overall score of 51.415, the legitimacy of banks' digital payment channels is ranked third. Convenience has received a 50.97 average score, placing it fourth. Lack of knowledge came in fifth with an average score of 50.865, indicating that most people are well-educated enough to make the transition to digital technology. Network problem ranked 6th with an average score of 46.1 stating that the majority people of the people are at the reach of an average stable interned facility. Reliability has ranked 7th with an average score of 36.565, which states that most people rely on digital payment modes for making monetary transactions. Based on the respondents' ratings, it is concluded that safety is the main obstacle to the widespread use of online payments.

Suggestion

Level of awareness: The lack of information about digital payment methods and the sluggish adoption of electronic ways of paying are solely due to the extremely low level of awareness regarding these methods of payment, as well as the lack of prominent awareness-raising channels. Numerous awareness efforts and campaigns can help raise the degree of awareness.

Digital Literacy: Making digital literacy mandatory is necessary to hasten the adoption of digital payment methods. The use of digital payment methods is made accessible to everybody in the economy at a low cost, and those without access to modern technology—such as smartphone customers in the nation are relatively few in number.

Privacy and Security: The major barriers that people fear in digital payment modes the privacy and security which of course is a minimal threat but such occur only if the user of digital

payment mode is careless and has little knowledge of the security measures on digital payment modes.

Providing Assistance: The Customer Services Point (CSP) provided by various banks is highly useful for customers who tend to face issues with digital payment modes. These CSPs provide digital payment support for the customers for a minimal charge. Which helps to increase the number of users.

Internet to Everyone: Since the digital payment modes solely depend on the internet connection the network providers should improvise their network scope to far reaching corners of the country. It helps in reducing the failure of digital transactions and stable network availability will build an immense trust in the people which will induce them to adopt digital mode of payments.

Motivation: People lack motivation to adopt digital payment modes due to the conviction that it may fail and the surrounding also promotes such convictions. In addition, motivating people will change the majority of people who think traditional payment modes are convenient to adopting digital payment modes.

Conclusion

Relinquishment of digital payment modes will gain momentum in the coming times as the country is headed towards a drastic technological advancement. In the current trends, the relinquishment position of digital payment modes is adding due to demand or coercion reasons. This helps the frugality in marshaling finances from one part to another with minimum trouble and complication. Due to the addition of technical breakthroughs and the present generation population size, especially the "Zen Kids," people's perceptions of methods of electronic payment are shifting in favor of their abandonment. Those who favor using digital payment methods for all of their banking activities will bring about an important shift in sales of goods in the upcoming ten years. According to the study below, people are moving away from using digital payment methods for all of their costs in a few years. This trend can be stopped by increasing awareness of these methods among the general public and requiring people to do so.

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