



A STUDY OF CONSUMER PERCEPTION TOWARDS DIGITAL PAYMENT SYSTEM

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Abstract

A digital payment system is a means of making payments using digital and electronic networks. As it moves toward a digital payment system, India tries. The Indian government has implemented a number of initiatives to encourage and strengthen digital payments throughout the nation. Consumers love new and easy transactions in addition to safe transfers in this day and age. With the development of digital technology, payments are now easy. Customers can choose from a variety of payment methods that provide safe, quick transactions. Digital payments are made with just a few clicks, touches, swipes of cards, taps of a point-of-sale device, or scans of Quick Response (QR) codes, all of which ensure that the transaction is authenticated. This study examines the many kinds of digital payment systems that are offered in India and pinpoints the elements influencing how customers see these systems.

The new technology and the larger global network, especially the internet, are being used both internally and externally by the digital economy, electronic commerce, and electronic banking. An increase in the use of computers and the internet, together with government programs like "digital India," which aims to create a society without cash in India. India's demonetization caused an explosion in the country's digital payment system. To ease the shift to digital payments, the payment system underwent a number of changes recently. These included the addition of digital wallets, UPI, AEPS, QR codes, and BHIM apps. The study looks at a customer's perspective on digital payments. One research technique used was a structured questionnaire to learn more about the perceptions of customers regarding digital payments. The goal of the study is to look at how different digital payment methods have evolved historically and how it has impacted Indian digital payment systems.

Keywords: Digital payment, Consumers, Perception, UPI, QR codes, Digital economy

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Introduction

Digital payments are ones that take place without a real money exchange online or through digital channels. This shows that electronic methods are used for the payment exchange between the payer and the payee.

To promote and encourage the usage of digital payments there, the Indian government has been putting a variety of programs into action. The government wants to establish a "digitally empowered" economy that is "Faceless, Paperless, and Cashless" as part of the "Digital India" campaign. There are numerous kinds and approaches for making digital payments. Please be aware that digital payments can be made

both online and at physical locations. An example of a digital payment would be making an Amazon purchase and paying with UPI. In a similar vein, making a purchase from your neighborhood Kirana store and opting to pay with UPI rather than cash is likewise considered a digital payment.

The primary goal of digitalizing India's banking and payment systems is to establish a cashless economy by increasing accountability and transparency in all financial transactions and, more importantly, by reducing the flow of illicit or unaccounted-for money. The Digital Payment System gained notoriety solely subsequent to the announcement of Demonetization. In order



to increase the amount of digital transactions in India, the government also promotes their use. The greater use of digital payments is a result of the spread of devices like iPads, computers, and smartphones as well as the internet and other cutting-edge technologies in the payment ecosystem.

Digital Payment Methods in India

Ten digital payment methods are currently accepted in India with the introduction of Cashless India. Certain techniques have been around for over ten years, while others are relatively new. These techniques have just lately gained popularity.

Banking Cards

Indians frequently utilize prepaid cards, debit/credit cards, or banking cards in place of cash payments. In India, the first credit card was introduced by Andhra Bank in 1981. There are a number of reasons why cards are favored, some of which being convenience, mobility, safety, and security. There isn't a more widely used digital payment method for both online and offline transactions than this one. Apps like Cred, Square, and others are being released these days specifically for the purpose of handling credit card transactions.

Unstructured Supplementary Service Data(USSD)

In order to meet the demands of the Indian public who lacked access to suitable banking and internet services, the USSD was established. Users can perform mobile banking transactions under USSD without requiring an internet connection by only dialing *99# on any required feature phone. Customers can use this number to access services such as financial transfers between bank accounts, balance inquiries, and mini statements. It is operational across all Telecom Service Providers (TSPs). English and Hindi are two of the twelve languages in which 51 top banks provide USSD service.

Aadhaar Enabled Payment System (AEPS)

By leveraging Aadhar's reach and presence, the bank-led AEPS digital payment model seeks to. Customer Aadhaar linked bank accounts can be used to transfer funds between two Aadhaar

linked bank accounts utilizing this technology. Figures from the NPCI show that AEPS exceeds 205 million as of February 2020.

Utilizing debit or credit cards, signing documents, going to a bank, or any other type of physical interaction is not necessary while utilizing AEPS. This bank-led concept uses Aadhaar verification to enable digital payments at PoS (Point of Sale / Micro ATM) through a Business Correspondent, also called Bank Mitra. Around Rs. 15 is the AePS fee for cash withdrawals at BC Points.

Unified Payments Interface (UPI)

Transferring money between any two parties is made easier by the UPI payment system, which integrates numerous bank accounts into a single application. Among banks, UPI is significantly more standardized and well-defined than RTGS, IMPS, and NEFT. Using UPI, you may initiate a bank transfer from any location with only a few clicks.

The advantage of using UPI is that it eliminates the need for you to provide your bank account information or credit card information when making payments. More than 2 billion transactions were made using this technique in October of 2020, making it one of the most widely used digital payment methods.

Mobile Wallets

Mobile wallets are a type of wallet that let you carry cash in a digital format, as the name suggests. Consumers usually link their bank accounts or credit cards to the wallet to facilitate safe online transactions. Adding money to a mobile wallet and making transfers with that amount is just another way to use a wallet.

Many banks have introduced their wallets in recent years. Notable private businesses have also made an impression on the mobile wallet market. Axis Bank Lime, ICICI Pockets, Vodafone M-Pesa, SBI Buddy, Freecharge, Mobikwik, m Rupee, Airtel Money, Jio Money, and others are a few of the most utilized ones.

Bank Prepaid Cards

Pre-loaded debit cards that are issued by banks and are often single-use or reloadable are known as bank prepaid cards. It is not the same



as a regular debit card, which is always connected to your bank account and has multiple uses. This may or may not apply to a prepaid bank card.

By visiting the bank's website, any customer who satisfies the KYC requirements for their account can easily create a prepaid card. These cards are usually given as company presents, incentive cards, or one-time use gift cards.

Internet Banking

Internet banking, often known as e-banking or online banking, allows customers of a certain bank to conduct transactions and carry out other financial activities via the bank's website. A steady internet connection is necessary for e-banking, commonly referred to as Internet Banking, in order to transfer and receive money and access a bank's website.

These days, the majority of Indian banks provide internet banking services. It has emerged as one of the most popular ways to do online transactions. In India, every payment channel has the option of virtual banking. Online banking transaction techniques that are most commonly used are IMPS, RTGS, and NEFT.

Mobile Banking

Mobile banking is the process of conducting transactions and other banking operations via a mobile device, typically using a bank's mobile application. Most banks these days have mobile banking programs that work on PCs and portable devices like phones and tablets.

Mobile banking is thought to be the way of the future for banking because of its quickness, ease of use, and simplicity. A unified platform for digital payment methods such as RTGS, NEFT, IMPS, investments, bank statements, bill payments, etc. is provided through mobile banking apps. Financial institutions constantly push their customers to go digital because it streamlines processes for them as well.

Micro ATMs

Micro ATMs are used by Business Correspondents (BC) to offer basic banking services to customers. These Correspondents, who may even be the proprietors of adjacent businesses, will serve as a "micro ATM" for

short-term transactions. They will use an apparatus that just needs your fingerprint for authentication in order to move money from your bank account that is connected to your Aadhaar.

Literature Review

In 2017, Singh and Rana The primary aim of the study was to determine consumer perception and examine the influence of demographic factors on the uptake of digital payments. Consumer perceptions of demographic characteristics such as gender, age, occupation, and yearly income do not significantly differ, according to the results of the empirical investigation; nevertheless, consumer perceptions of education do significantly differ. As a result, it was discovered that customers' opinions on digital payment methods were highly influenced by knowledge. Thus, the adoption of digital payments is found to be significantly and favorably impacted by consumer perception.

The Goparaju (2017) The researcher has investigated the digital payment industry in India using a theoretical analysis. Numerous scholars' works have been examined for this study, and data about digital transactions from different nations has been gathered. The study used Porter's Five Forces model to examine the digital payment market in India, taking into account the following factors: industries, suppliers, customers, rivals, and goods and services. This study illustrates the growing popularity of the digital transaction phenomena and suggests that a sizable user base for digital payments will contribute to the development of the digital economy.

In 2019, Bagchi The goal of the creative article was to empirically quantify the factors associated with online payment system adoption. Online business transactions are increasing exponentially, according to the results of the regress study. Because paperless transactions are so convenient, internet payment systems have become incredibly popular. The effectiveness and security of web systems are also found to have a significant



impact on customers' propensity to use online payment methods.

Pathak (2021) Using empirical analysis, the researcher sought to determine what aspects customers' acceptance of electronic payments was influenced by. People favor electronic payment systems, according to the report, primarily because of their accessibility and convenience. According to the study, perceived security, ease of use, and utility are important factors for electronic payment system acceptance, whereas perceived danger is not. The Central Bank of India and the Government of India, according to the researcher, are improving the electronic payment system in order to match consumer demand, which will ultimately lead to consumers' intention to accept and use the system.

Significance of the study

The digital payment system is evolving slowly these days, and more and more people are choosing to conduct their financial transactions online. Even though India has had access to electronic financial transactions since the early 1990s, digital financial transactions only became popular in 2005. Actually, the importance of digital payment systems increased following demonetization. It wasn't until after demonetization that individuals discovered a digital alternative to cash mode for conducting financial transactions. The convenience and advantages of digital payment systems—such as their widespread use, time savings, seamlessness, and instantaneous money transfers—inspired the populace gradually. Therefore, the digitalization of the financial industry and the payment environment is of utmost importance for this research.

Statement of the problem

In this new era of technology, digital payment methods are increasingly popular, with many citizens using them to conduct financial transactions. Due to theft and burglary, people believe that holding physical currency puts them at risk. Digital financial transactions allow for the tracking and recording of each and every transaction. Therefore, examining how

consumers view digital payment systems will help the government, banks, financial institutions, policy makers, and others to encourage, support, and promote digital transactions and draw in citizens to use them, increasing the volume and value of such transactions. The flow of black money, the parallel economy, and illicit transactions will be stopped once digital payment systems are widely used. This will eventually increase accountability, promote financial inclusion, and strengthen the nation's economy. For this reason, the researcher's major goals in this study are to find out how consumers perceive digital transactions and what drives them to use digital payment systems.

Research gap

After carefully examining a number of published national and international literatures, research articles, and studies, the investigator discovered that a significant number of studies were conducted primarily on the subjects of online and mobile banking, mobile wallets, card payments, electronic and mobile payment systems, etc. However, very few studies were found when combining the different digital payment systems that are offered in India.

Therefore, it's imperative to understand and clarify how customers feel about digital payment systems. In order to determine the consumers' level of awareness regarding the availability of different digital payment systems and which one they preferred, the researcher conducted a thorough investigation. They also enumerated nearly all of the major factors that impact the consumers' perception of digital payment systems in India.

Objectives of the study

- To research the financial information, digital payment usage, and demographics of consumers who make use of digital payment methods.
- To determine the elements influencing how customers see digital payment methods.
- To categorize users of digital payment systems according to the various perspectives they have.

Research methodology



A systematic approach to gathering specific data and information to clarify the research topic and inform decisions is known as research methodology. A methodical and well-organized approach makes it easier to precisely accomplish the goals of the investigation. This study is descriptive in character, with theoretical data obtained from published sources and empirical analysis performed by using the survey method to collect data. The goal of the current study is to identify the variables influencing consumers' opinions about digital payment methods.

Sources of Data collection

Primary Data: The primary data are gathered using a carefully thought-out and organized questionnaire. The respondents who utilize digital payment methods in Mumbai received the surveys in both hard copy and soft copy formats.

Secondary Source:A variety of national and international journals, research papers, RBI

Bulletins, official publications, newspapers, articles, magazines, and books about digital payment systems are gathered as secondary sources. Information was also gathered from a variety of internet and electronic databases.

Sampling Technique

Sampling is the process of choosing a portion of an aggregate or totality to use as the foundation for conclusions or judgments about the entire or aggregate. Respondents were chosen for this study using the Convenient Sampling Technique. It is challenging to assess the sample because it is uncertain how many people utilize digital payment systems. One of the most popular non-probability sampling strategies used by social science researchers to gather primary data is convenience sampling. The people in Mumbai City who use digital payment methods make up the sample unit for this study.

Data Analysis & Interpretation.

Table 1: Reliability Analysis
Case Processing Summary

		N	%
Cases	Valid	84	100.0
	Excluded ^a	0	.0
	Total	84	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.819	6

The relationship between interdependent variables and the consistency of the summated scale are measured using reliability analysis. A satisfactory degree of correlation between

responses is indicated by reliability. According to Andy field Cronbach Alpha > 0.70, the data gathered from Likert scale responses are considered dependable.

Table 2: Demographic Information

Gender	Frequency	percentage
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Male	55	55.00
Female	45	45.00
Total	100	100

In this case, information was gathered from 84 respondents from Mumbai City. Of which 47 are female and 37 are male. The respondents in this

case have been using digital payments for the previous two years.

Marital Status of the respondents

Marital Status of the respondents	Frequency	Percentage
Unmarried	35	35.0
Married	65	65.0

There are 100 respondents in the sample unit; 35 (36.0%) are single, and 65 (64.0%) are married. In order to free up more time for family time, the respondents use digital payment systems to check bank accounts, transfer money, pay utility bills, and other tasks

while relaxing at home with just a few clicks. Given the convenience and cost-effectiveness of digital payment methods, which are accessible 24/7, married respondents may manage their families with ease.

Consumer perception towards digital payment system

Table 3: Descriptive Statistics

Sr.No	Statements	Mean	Rank
1	Security Risk	4.46	1
2	Long processes for payment	4.40	2
3	Charges of Digital-services are higher	4.39	3
4	Lack of Customer service in Digital Payment	4.32	4
5	Internet connectivity during digital payment	4.25	5
6	Less cashback and offers during digital payments	4.37	6
7	Transaction Cost during digital payments	4.00	7
8	High SMS charges during digital payments	2.95	8

Data Interpretation.

A five-point Likert scale was used by the researcher to gauge consumer perception. The results showed that issues such as security risk had the highest average mean score (4.46),

followed by issues like poor customer service (4.32) and lengthy payment processing times. 2.95 is the lowest mean average score for a transaction's set limit.

Digital banking usage perception

Usage Preference	Frequency	Percentage
Always	30	30.0
Often	25	25.0
Sometimes	30	30.0
Rare	15	15.0

According to the sample unit, 41.8% of consumers always prefer to use digital banking, followed by 23.1% of customers who use it frequently, 23.6% of customers who use it

occasionally, and 11.5% of customers who use it infrequently. Consequently, the report highlights the fact that most clients favor using digital banking.



Preferred mode for digital banking transactions

The method that customers preferred to use for digital banking transactions was examined. The banks provide their clients with digital banking services through a variety of platforms, including mobile, online, and internet banking.

The two main categories of digital banking modes that were favored in this survey were bank websites and bank apps. The frequency table that follows shows the respondents' preferred method for doing digital banking transactions.

Preferred Mode for Digital Banking Transactions

Preferred Mode	Frequency	Percentage
Banks Website	42	42.0
Banks App	58	58.0
Total	100	100

Interpretation

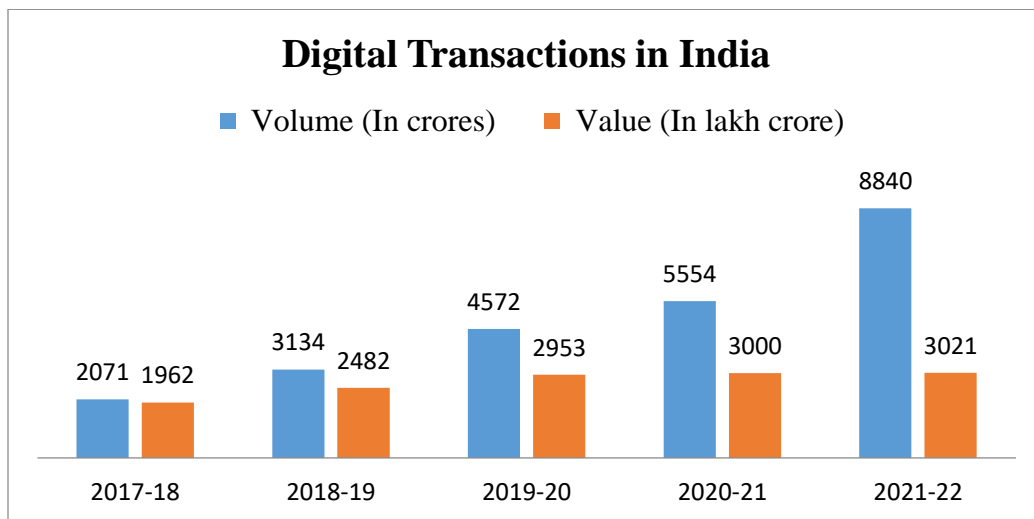
Digital banking consumers make up 52% of the survey sample, with 48% preferring the bank app, and 52% preferring to conduct digital banking via the bank's websites. Most consumers prefer to transact digitally on their bank's website, according to this study.

decision to switch from "conventional banking to convenience banking" was impacted (Bhawana Belly & Sunil, 2019). E-banking is a straightforward way to conduct daily transactions using ATMs, phones, credit and debit cards, the internet, and mobile devices. Electronic banking, often known as E-Banking, is displacing traditional banking services by enabling customers to conduct their financial transactions using electronic devices such as computers, mobile phones, ATMs, cards, etc. The following chart shows the continuous increase in digital payments in India from the year 2017-18 to 2021-2022

Digital Transaction in India

Many financial advances, such as ATMs, credit cards, RTGS, debit cards, mobile banking, etc., have caused a significant upheaval in the Indian banking sector. The sector is witnessing a paradigm change from the seller's market to the buyer's market as a result. The bank's

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Source: RBI, DigiDhan Dashboard

The increase in the number of digital transactions from 2017–18 to 2021–22, or from 2071 to 8840, is shown in the above diagram. Consequently, the value of digital transactions

has increased by 1051 lakh crore rupees, or 3021 lakh crores, reflecting India's growing trend of digital payments.

Conclusion



It is more convenient to pay with digital funds than cash. Contemporary consumers are fond of simplicity and originality. Anxiety about security and danger lowers in customers when they feel at ease and have expertise making digital payments. Working together to address the needs of present and future customers means that the Reserve Bank of India, the Government, banks and financial institutions, companies that provide digital wallets, application developers, and software engineers should do. A fair price for services and the ability to conduct fast, dependable, and secure transactions will affect customers' perceptions of digital payment systems.

The modernization of the digital sphere and the progress of information and communication technology are critical components in the development of digital payment systems. These days, digital payment systems have made a remarkable transition from traditional cash payment methods. With the advent of the digital revolution, digital payments now have a simple trail. With the advancement of technology, a large number of FinTech businesses have emerged to grow, improve, and facilitate safe, quick, online transactions. Reducing the flow of black money, illicit transactions, and parallel economies through increased use of digital payment systems will ultimately enhance accountability, promote financial inclusion, and strengthen the nation's economic standing.

Cashless or digital payments are seeing significant advancements in India. Because of its convenience, efficacy, efficiency, flexibility, transparency, and user-friendliness—all of which contribute to users' overall satisfaction—digital payment systems are experiencing a boom in popularity. There is a growing trend of digital payment methods due to the widespread usage of online banking and shopping.

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