

## AN ANALYTICAL STUDY ON ADOPTION OF DIGITAL PAYMENT SYSTEM: CASHLESS ECONOMY

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### ABSTRACT

*The Digital India is the Indian Governments flagship programmed with a vision to convert India into a digitally empowered country. Faceless, Paperless, Online is one of supposed function of Digital India. Governments other initiatives like BHIM and UPI are supporting in transition and faster adoption of digital payments. Electronic consumer transaction made at point of sale (POS) for services and products either through internet banking or mobile banking using smart phone or card payment are called as digital payment. Electronic Payment is a financial exchange that takes place online between buyers and sellers. The content of this exchange is usually some form of digital financial instrument (such as encrypted credit card numbers, electronic cheques or digital cash) that is backed by a bank or an intermediary, or by a legal tender. This payment system generally includes three electronic payment instruments namely, Cash, Cheque and Card. Post demonetization is electing the e-commerce sector that Cash on Delivery is gradually getting stopped and other modes of payment is replace like Card on Delivery, Net Banking, Debit Card, Credit Card etc. .Demonetization will positively help out e-commerce industry in India enhances the chance for people to go online.*

**KEYWORDS:** *E- payment Instruments, Demonetization, Cashless Payment.*

### Introduction

The Digital India is the Indian Governments flagship programme with a vision to convert India into a digitally empowered country. Faceless, Paperless, Online is one of supposed function of Digital India. Electronic consumer transaction made at point of sale (POS) for services and products either through internet banking or mobile banking using smart phone or card payment are called as digital payment. The digital payment system has the following phases,

- Registration
- Invoicing
- Payment selection
- Payment confirmation.

This payment system generally includes 3 electronic payment instruments namely - cash, cheque and card. Post demonetization is electing the e-commerce sector that Cash on Delivery is gradually getting stopped and other modes of payment is replace like Card on Delivery, Net Banking, Debit Card, Credit Card etc. .Demonetization will positively help out e- commerce industry in India enhances the chance for people to go online.

E-payment systems are made to facilitate the acceptance of electronic payments for online transactions. It comes with many benefits, such as:

- Reaching more clients from all over the world, these results in more sales.
- More effective and efficient transactions - It's because transactions are made in seconds (with one-click), without wasting customer's time. It comes with speed and simplicity.

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- Convenience. Customers can pay for items on an e-commerce website at anytime and anywhere. They just need an internet connected device. As simple as that!
- Lower transaction cost and decreased technology costs.

#### And the drawbacks are?

- E-commerce fraud is growing at 30% per year. If you follow the security rules, there shouldn't be such problems, but when a merchant chooses a payment system which is not highly secure, there is a risk of sensitive data breach which may cause identity theft.
- The lack of anonymity - for most, it's not a problem at all, but you need to remember that some of your personal data is stored in the database of the payment system.
- The need for internet access - as you may guess, if the internet connection fails, it's impossible to complete a transaction, get to your online account, etc.

#### Review of Literature

According to Dr **Hem Shwetha Rathore (2017)** the study on "Adoption of Digital Wallet by Consumers" gives a analysis about the various factors that could impact a consumer's decision in adoption of digital wallet as an mode of payment. It also attempts to study the various risk and challenges that are faced in using of digital wallet by users.

**Shamsher Singh, Ravish Ran (2017)**, "Study Consumer Perception of Digital Payment Mode" finds out the customer perception and impact of demographic factors on adoption of digital mode of payment .ANOVA Computation is carried in testing the hypothesis set. The study finds that a demographic factor except education does not have a impact on the adoption of International Journal of Pure and Applied Mathematics Special Issue 2585 the digital payment. Analysis through ANOVA computation shows that education level of the customer plays an important role in customer adoption in digital payment mode.

**Kartikeya Bolar (2014)** In his research paper End-user Acceptance of Technology Interface In Transaction Based Environment stated that Creators and investors of technology need information about the customers evaluation of their technology interface based on the features and various quality dimensions to make strategic decisions in improving technology interfaces and compete on various quality dimensions.

#### Research Methodology

The study is conducted to obtain data on adoption of digital payment system in India. The study is conducted in Indore region. It is a descriptive type of research. A sample size of 150 was selected using the random sampling.

#### Tools used for Data Collection

To answer the research questions data were collected through surveys.

We have also collected secondary data through magazines, journals, internet, articles, etc. which help us to better understand the factors and their influence in adoption of digital payment systems among youth.

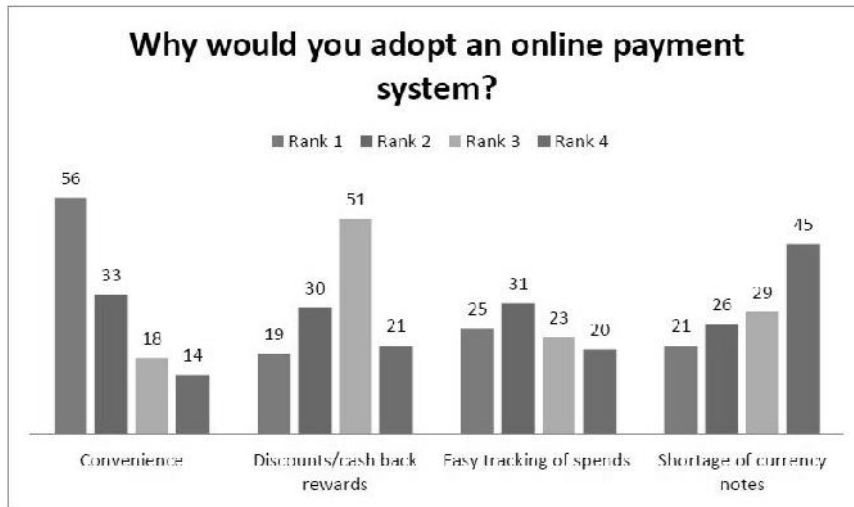
#### Tools used for Data Analysis

For demographic analysis purpose tools like percentage were used. The responses from the respondents were analyzed using the Pie charts and graphs.

#### Data Analysis & Interpretation

- Why would you adopt an online payment system? (Rank them)

Why would you adopt an Online payment system?	1	2	3	4
Convenience	56	33	18	14
Discounts/cash back rewards	19	30	51	21
Easy tracking of spends	25	31	23	20
Shortage of currency notes	21	26	29	45

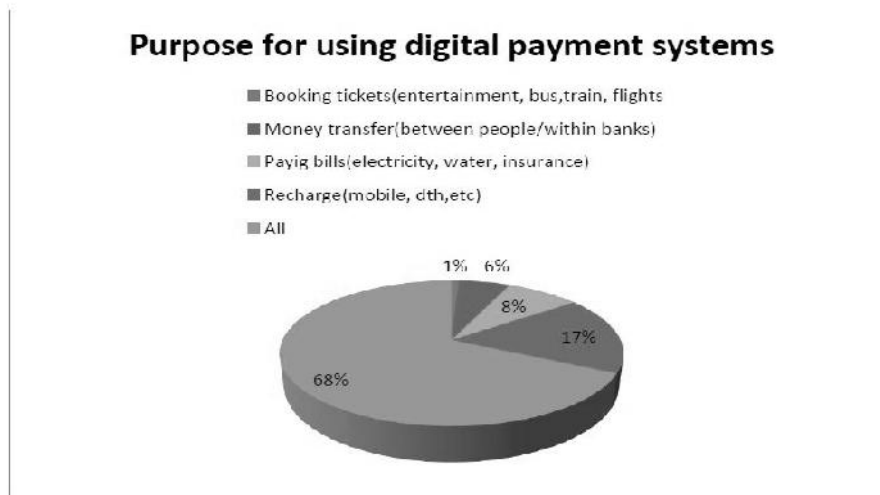


**Interpretation**

From the above figure it can be depicted that most of the respondents opted convenience as a major factor and shortage of currency notes is the least factor to adopt online payment system.

- What purpose do you use digital payment system mostly?

Purpose	Respondents	%
Booking tickets(entertainment, bus, train, flights)	1	1
Money transfer(between people/within banks)	7	6
Paying bills(electricity, water, insurance)	10	8
Recharge(mobile, dth,etc)	21	17
All	82	68

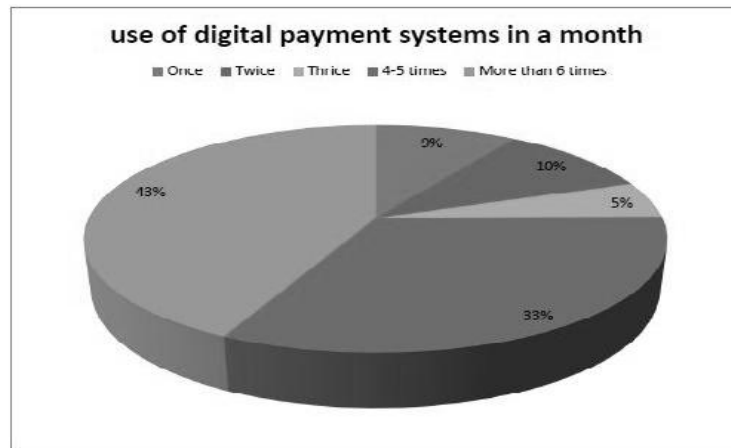


**Interpretation**

It is depicted from the above figure that 17% of respondents used online payments for recharges, 8% respondents used for paying bills, 6% respondents used for money transfer and 1% of respondents used for booking tickets and 68% of respondents uses for all kind of purposes mentioned above.

- How often did you use digital payment systems in a month?

Usage	Respondents	%
Once	11	9
Twice	12	10
Thrice	6	5
4-5 times	38	33
More than 6 times	50	43



**Interpretation**

It is depicted from the above figure that 43% of respondents use online payment systems more than 6 times in a month, 33% respondents use 4-5 times, 10% of respondent's use twice a month, 9% respondents use once a month and 5% respondents use thrice a month.

**Findings and Discussion**

- 62% of the youth today use online payment systems for mostly transactions like recharges, booking tickets, paying bills, money transfer, etc.
- Most of the respondents choose cheques and credit/debit cards because of their easy and quick nature of transaction, as well as time saving.
- Respondents agree that online payment systems are alternate mode of payment and can replace or support the existing payment systems.
- Effects of Demonetization has led the towards an alternate Payment mode, E wallets utilized this opportunity.
- For high value transactions youth prefer cheques and credit/ debit cards. Most of the respondents also use NEFT/RTGS for high value transactions.
- It is also found that youth use online payment systems more than 6 times in a month for their mostly payment transaction
- Most of the respondents feel secure in accessing pubic Wi-Fi while using online payment systems.

**Conclusion**

Online Payment systems have grown-up to a larger market during the years, being a part of techno economic development youth has accepted this concept. Most of the youth today use Online Payment systems at more than 6 times in a month, perceiving Online Payment systems mainly due to their easily accessible nature, and ease of transaction as well as accepted by most of the vendors and merchants. Online Payment systems are rapidly gaining acceptance as a mainstream mode of payment and in near future it will garner significant share as a mode of payment for sure going online as well as offline business.

This Study indicated that main reasons for low preference of Online Payment system as mode of payment are tendency of people to do not move out of comfort of using traditional mode of payments, privacy concerns and threat to security. Online Payment system users give very high level of importance to attributes like security, privacy concerns and pricing (Fees). The major problems frequently encountered by the respondents while using Online Payment system are long transaction time taken by Online Payment system for processing the transaction, security breach and delayed payment. Demonetization drive of government of India has contributed immensely towards awareness, usage and acceptance of online payment. Future of Online Payment systems seems promising.

### Suggestions

Based on the findings following suggestions are made:

- Due to convenience, availability, understanding and easy accessibility Electronic Payment services is suitable for all categories of youth.
- Features of Electronic Payment and Clearing System should be enhanced to make online enquiry and online payment much easier to the customers. For the purpose of customers. Satisfaction and fulfillment of their expectations banks should arrange demonstration programs for the customers to enjoy all E-Payment services properly.
- To encourage cashless trading it would be better for the banks to eliminate service tax for purchasing goods and services through ATM cum debit card. .
- Banks should enhance and also make easier their refund facilities concerns to wrong transactions made by customers by mistake or if any.

### Limitations

- Sample size of 150 respondents is not sufficient to generate accurate results.
- This study focuses on a very small subset of the youth in India and is limited to the city of Indore.
- Some respondents are not engaging in this discussion.
- The survey was carried through questionnaire and the questions were based on perceptions.
- Huge difference between what people say and what they actually do.
- There was lack of interest in fulfilling the questionnaire by the respondents.
- Another limitation of the research was the unwillingness of some respondents to pick up the questionnaire and the late return of completed ones.

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