

## A STUDY ON ADOPTION OF DIGITAL PAYMENT METHODS BY CONSUMERS

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### ABSTRACT

In the present age of the digital revolution consumer payment behavior has changed significantly. Demonetization along with different government initiatives such as UPI, BHIM, Rupay, E-wallets, etc have immensely contributed towards increased usage of digital payments in which both buyer and seller use online mode to exchange money. Due to the increased use of mobile and internet facilities, people are switching to cashless modes of transactions. Now even a vegetable vendor uses an online mode of transaction. In spite of that, it has been witnessed that cash still dominates as a payment method in India. This creates research interest to study digital payments adoption and awareness among people, to analyze perception and attitude of people when they choose to pay.

**Key Words:** Digital payments, E-wallets, Consumer behavior.

### INTRODUCTION

Digital payment is a way of transaction taking place through online mode and which does not involve any physical exchange of money. Indian economy used to rely heavily on traditional payment methods such as cash, cheque, or demand drafts as there was little awareness among people, and digital payments were supposed to be risky and complicated. To reduce our dependence on cash and to make India digitally empowered; the historical initiative of demonetization was taken by the government of India on 8th November 2016 to ensure transparency and maintain a record of transactions and transfers made by people. Various other initiatives were also taken by the government such as United Payment Interface (UPI), Bharat Interface for money (BHIM), Aadhaar Enabled payment system (AEPS), E-wallets, Rupay cards, and many others. Availability of low budget and high technology smart phones coupled with the entry of Reliance Jio in the market which offered free voice calls and cheap data plans led to a rise in the usage of mobile and internet.

Changing technology, IT and banking revolution, attractive discounts, cash backs, coupons are offered by service providers is changing consumer's attitudes, perception, awareness, and decisions towards adopting digital payments. Digital payments characterized by fast, ease of use, and secure methods are significant both for an individual due to ease and comfort in payments and for the economy too because of increased tax collection and greater transparency in financial records.

### LITERATURE REVIEW

Digital payment is a relatively new phenomenon. A few studies have been conducted in this area.

Batra and Kalra (2016) found that the main purpose of using digital wallets is online shopping. They observed that respondents preferred digital wallets to save time and due to ease of use and accessibility.

Bhatnagar (2017) observed that the main restraint for the consumer is a risk of security breaches, fear of hacking, the privacy of personal details, less access to the internet, and connectivity.

Singh and Rana (2017) found that education contributes significantly towards the adoption of digital payments while other demographic factors do not have a notable impact on digital payments.

Bhawani&Yuvaraj (2018) found consumers are buying confidently with digital payments and most employees, the young generation; postgraduate & undergraduate are using digital payments.

Baghla (2018) reported that the major challenges of digital payments are lack of reliability, awareness, trust, and delay in confirmation regarding the status of the transaction. The study stressed that the problem of digital literacy needs to be solved first to encourage the adoption of digital payments.

Singh (2019) reviewed factors affecting consumers' adoption behavior of digital payments and reported that young people are mostly using digital wallets for recharges, booking of movie tickets, DTH recharges, and transferring money into accounts believing that it is an easy mode of transaction.

Report of High-level committee on deepening digital payment (2019) recommended that volume of digital transactions should grow by a factor of 10 in 3 years, to protect users from risk and generating awareness among them RBI can publish aggregated fraud data periodically, BHIM Aadhaar pay should be promoted to allow users not having mobile phones to use

aadhaar enabled bank accounts for using digital payments. A centralized fraud registry and dispute resolution system should be created to rate transaction risk and to maintain track of fraud reports.

Shree, Pratap & Saroy (2021) in a survey-based approach concluded that digital payments were adopted because people's perception towards cash is negative and positive for digital payments. Also, digital payments perform better than cash based on convenience, safety, privacy, and cost to pay.

## OBJECTIVES

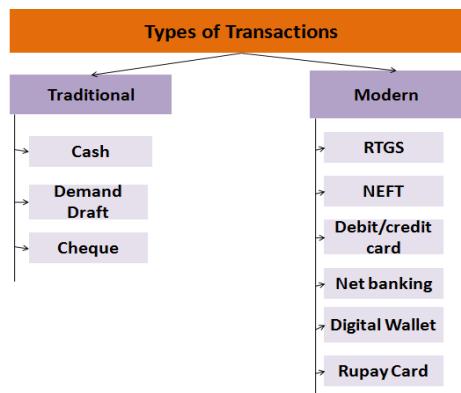
Considering the increasing scope of digital payments in India, the present study aims to analyze the adoption of digital payments by consumers of the country. Following are the objectives:-

- The impact of digitalization on consumer's payment methods.
- To analyze changing consumer choice when they make payments.

## RESEARCH METHODOLOGY

This study is based on secondary data. To analyze the impact and adoption of digitalization data from different reports, the National Payment Corporation of India (NPCI) and RBI have been used.

We can classify transactions in the following manner:-



**Fig. 1. Classification of transactions.**

## PROGRESS OF DIGITALIZATION

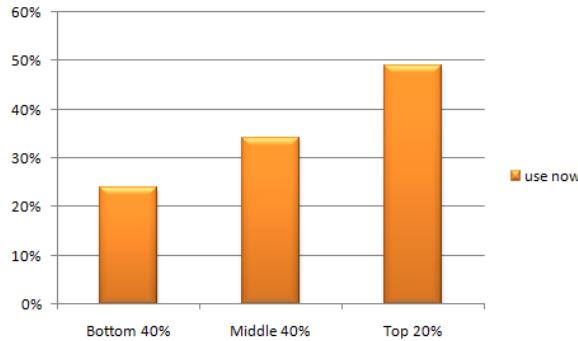
According to Department of Payment and Settlement System (DPSS) digital transaction share in non-cash transactions increased to 97% during 2019-2020. As evident from the following table total digital payments in 2017-18 were 1, 45,902 which increased to 3, 43,455 (in Lakh) in 2019-2020. It shows that consumers are shifting towards cashless transactions. RTGS transactions increased by 10.3%.

**Table 1: Annual Turnover (April to March) – Volume and Value of Transactions**

| Item                      | Volume(lakh) |          |          | Value(Crore) |              |              |
|---------------------------|--------------|----------|----------|--------------|--------------|--------------|
|                           | 2017-18      | 2018-19  | 2019-20  | 2017-18      | 2018-19      | 2019-20      |
| 1.RTGS                    | 1,244        | 1,366    | 1,507    | 11,67,12,478 | 13,56,88,187 | 13,11,56,475 |
| 2.Credit Transfers        | 58,793       | 1,18,750 | 2,06,661 | 1,88,14,287  | 2,60,97,655  | 2,85,72,100  |
| 3.Debit Transfers         | 3,788        | 6,382    | 8,957    | 3,99,300     | 6,56,232     | 8,26,036     |
| 4.Card payments           | 47,486       | 61,769   | 73,012   | 9,19,035     | 11,96,888    | 15,35,765    |
| 4.1 Credit Card           | 14,052       | 17,626   | 21,773   | 4,58,965     | 6,03,413     | 7,30,895     |
| 4.2 Debit Card            | 33,434       | 44,143   | 51,239   | 4,60,070     | 5,93,475     | 8,04,870     |
| 5. Prepaid payment        | 34,591       | 46,072   | 53,318   | 1,41,634     | 2,13,323     | 2,13,323     |
| 6. Paper based payment    | 11,713       | 11,238   | 10,414   | 81,93,493    | 82,46,065    | 78,24,821    |
| 7. Total Payments         | 1,57,615     | 2,45,577 | 3,53,869 | 14,51,80,226 | 17,20,98,350 | 17,01,30,756 |
| 8. Total Digital payments | 1,45,902     | 2,34,339 | 3,43,455 | 13,69,86,734 | 16,38,52,285 | 16,23,05,934 |

*Source: RBI Annual Report 2020*

As per NPCI-PRICE Report 2020, almost one third of households over the country are using digital payments. To assess the adoption and awareness of digital payments 36% of households were surveyed covering 25 states and were divided into top 20%, middle 40% and bottom 40%.



**Fig. 2. Status of digital payments adoption (Source: NPCI-PRICE Report 2020)**

The above figure indicates that approximately a quarter of bottom 40% households are now adopting digital payments. It shows that it is no longer a privilege of few section of society.

**Table 2: Status of online banking**

| % of households            | Bottom 40% | Middle 40% | Top 20% | Total |
|----------------------------|------------|------------|---------|-------|
| <b>Have smart phone</b>    | 57%        | 72%        | 90%     | 68%   |
| <b>Do digital payments</b> | 24%        | 34%        | 49%     | 32%   |

*Source: NPCI-PRICE Report 2020*

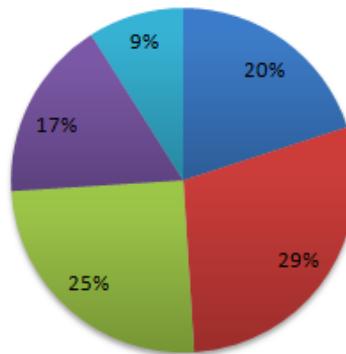
68% respondents have smart phones while 32% use digital payments showing that there is a 36% gap. Nowadays, we can see that even a casual laborer owns a smart phone but mostly people do not have required knowledge to use mobile wallets.

### CASH –KING OF TRANSACTIONS

Despite the improvement in digital payments it has been witnessed that India continues to rely on cash as a payment method. A study by JP Morgan shows that cash is a part of 17% of all sales.

**Fig.3: E-Commerce payment method**

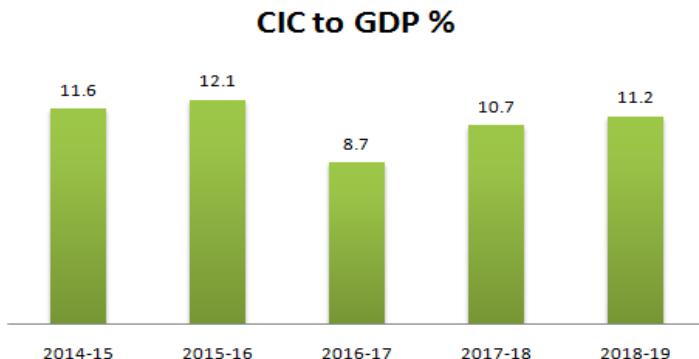
■ Bank Transfer ■ Card ■ Digital wallet ■ Cash ■ Other



*(Source: JP Morgan Global Payment Trend Report 2019)*

In the pre-demonetization period, Currency in Circulation (CIC) as a % of GDP was 12.1% which decreased to 8.7% post demonetization. But in 2018-19 it increased to 11.2%. High CIC to GDP indicates that people still prefers cash payment method.

**Fig.4: Currency in circulation to GDP %**



(Source: *RBI Annual Report 2020*)

## CONCLUSION

This study identifies that consumers are switching towards digital mode of transactions. Their choice is changing; most of them own a smart phone and a quarter of bottom 40% are also adopting digital payments. Thus, a positive change in consumer's attitude and perception has been witnessed. Digital revolution has begun in our country but the journey towards cashless mode of transactions is full of hurdles as currency in circulation to GDP ratio increased after demonetization which shows that cash is still preferred by people. Cash still holds strong position in sales. These problems need to be tackled by the government to make India completely a cashless economy.

## IMPORTANCE OF STUDY

### THEORETICAL CONTRIBUTION

The study will contribute to the field of behavioral economics by exploring the role of digital currency in influencing consumer psychology.

### CONTRIBUTION FOR POLICYMAKERS

The study will throw light on the implication of changes in consumer behavior due to digital mode of payment on saving and investment in the economy.

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