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IMPACT OF DIGITAL PAYMENT SYSTEMS ON SMALL RETAIL BUSINESSES

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Digital payment systems have revolutionized the retail sector, significantly influencing small retail businesses. This study examines the impact of digital payment systems on operational efficiency, customer satisfaction, and revenue growth in small retail businesses in Shivamogga. It identifies challenges and opportunities faced by retailers in adopting these systems and highlight the role of technology and government initiatives in promoting digital adoption. Data collected from 150 retailers through surveys and interviews reveal increased operational efficiency and customer reach but also underline persistent barriers such as technological illiteracy and infrastructure constraints. The study emphasizes the need for enhanced support systems to improve the effectiveness and inclusivity of digital payment platforms for small retail businesses.

Keywords: Digital Payment Systems, Small Retail Businesses, Customer Satisfaction, Operational Efficiency, Revenue Growth, Technological Barriers

INTRODUCTION

Digital payment systems have become a cornerstone of the evolving global economy, transforming how transactions are conducted. Platforms such as Unified Payments Interface (UPI), digital wallets, and contactless payments facilitate instant, secure financial transactions. Their widespread adoption is driven by increasing smartphone penetration, improved internet access, and government initiatives like Digital India.

Small retail businesses are vital to the Indian economy, especially in semi-urban and rural regions like Shivamogga. Adopting digital payment systems offers these businesses opportunities for enhanced operational efficiency, customer convenience, and revenue growth. However, barriers such as technological illiteracy, inadequate infrastructure, and resistance to change pose significant challenges.

This study delves into these dynamics, evaluating the benefits and challenges of digital payment adoption among small retailers in Shivamogga. It aims to provide actionable insights for policymakers and stakeholders to foster a more inclusive and efficient digital payment ecosystem

Research Design: The study employs a mixed-methods approach to provide a comprehensive understanding of the impact of digital payment systems on small retail businesses.

Target Population: Small retail business owners

Sample Size: 150 respondents selected through stratified random sampling to ensure representation across various business categories.

Data Collection Methods:

- **Quantitative Data:** A structured questionnaire comprising 25 items was distributed to participants, covering adoption levels, operational efficiency, customer satisfaction, and perceived challenges.

- **Qualitative Data:** In-depth interviews with 15 business owners provided nuanced insights and real-world experiences related to digital payment systems.

Data Analysis Tools: Statistical analyses were conducted using SPSS, and qualitative data were thematically analysed to identify recurring patterns and insights.

Objectives:

1. To assess the adoption level of digital payment systems among small retailers.
2. To evaluate the impact of digital payments on operational efficiency and revenue.
3. To identify challenges encountered by small retailers in integrating digital payment systems into their operations.
4. To propose strategies for enhancing the accessibility and efficiency of digital payment platforms.

Review of Literature: Existing literature underscores the transformative potential of digital payment systems across industries. Studies highlight their ability to reduce transaction times, minimize cash handling, and lower operational costs (Sharma & Singh, 2020). However, infrastructure gaps, particularly in semi-urban and rural areas, remain significant barriers to adoption (Kumar, 2019).

Government initiatives such as demonetization and Digital India have accelerated the shift toward a cashless economy. **Rao (2021)** emphasizes the critical role of government policies in promoting digital payments, though challenges like consumer trust and cybersecurity persist. Addressing these barriers is essential to unlocking the full potential of digital payment systems.

Research Tools: The study used structured questionnaires and interviews to collect primary data. The questionnaire was divided into the following sections:

1. **Demographics:** Age, gender, education level, and years of business operation.
2. **Adoption Patterns:** Frequency and modes of digital payment use.
3. **Perceived Benefits:** Impact on efficiency, revenue, and customer satisfaction.
4. **Challenges:** Issues such as technical failures, digital illiteracy, and infrastructural gaps.

The interviews provided qualitative insights into unique business experiences, enabling triangulation of data for robust analysis.

ANALYSIS AND INTERPRETATION OF DATA

Adoption Levels: Survey results indicate that 78% of small retailers have adopted digital payment systems. UPI platforms such as Google Pay, PhonePe, and Paytm are the most preferred due to their user-friendly interfaces and widespread availability.

Operational Efficiency: Approximately 67% of respondents reported improved operational efficiency, citing faster transaction processing times and reduced cash management as key benefits.

Revenue Growth: The study found that 58% of small retailers experienced revenue growth, attributed to the ability to cater to a broader customer base, including tech-savvy younger demographics.

Challenges:

1. **Technological Illiteracy:** 45% of respondents reported difficulties in understanding and using digital platforms.

2. **Infrastructure Issues:** Poor internet connectivity was cited by 25% of respondents, particularly in semi-urban areas.

3. **Technical Failures:** Transaction failures and delays due to server issues were noted by 30% of participants.

FINDINGS AND SUGGESTIONS

Findings:

- Digital payment systems significantly improve transaction efficiency and customer reach.
- Revenue growth is directly linked to digital payment adoption levels.
- Persistent barriers include technological illiteracy and inadequate infrastructure.

Suggestions:

1. Conduct regular workshops to improve digital literacy among retailers.
2. Strengthen internet connectivity in underserved areas to enhance accessibility.
3. Collaborate with technology providers to simplify user interfaces and address technical issues.

Future Research Areas: Future studies could explore the role of emerging technologies like blockchain and artificial intelligence in enhancing digital payments. Comparative analyses across different geographical and demographic contexts could provide broader insights.

CONCLUSION

Digital payment systems offer transformative benefits to small retail businesses, including enhanced efficiency, customer satisfaction, and revenue growth. However, challenges such as infrastructural deficits and technological barriers must be addressed. Targeted interventions can drive inclusive growth and strengthen the economic foundation of small businesses.

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