



A Literature Study Of Consumer Perception Towards Digital Payment Mode In Greater Chennai

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ABSTRACT

In the age of digitization, using technology for transactions is the most efficient way to remain agile and provide enhanced service to consumers. This study aims to explore consumers' perceptions regarding online and digital payments, as well as the safety of these transactions in a world of interconnected technologies. Digital transactions are quickly emerging as the predominant method of transaction across India, and Chennai is no exception. Several studies have highlighted that an efficient payment system can significantly enhance the liquidity flow within an economy. The study finds the advantages and challenges which is faced by consumers while adopting digital payment.

Keywords: Digital Transactions, Consumer, Perception, Security and Safety of Transactions

INTRODUCTION

Digital India, favorable regulatory environment, new payment service, and improved customer experience are considered as the major drivers for the growth of Indian digital payment systems. Digital India program has created a platform for a knowledge-based electronic transformation in governance for its citizen by engaging both central and state government. The three major areas focused. by this program are a) Infrastructure as utility to every citizen

b) Governance and services on Demand c) Digital Empowerment of citizen.

The other key actors that backed one of boost to digital transactions are the Pradhan Matri Jan Dhan Yogna (PMJDY), Unified Payment Interface (UPI) and the demonetization policy implemented in 2016. The PMJDY is a flagship program launched by the government of India to promote financial inclusion. This initiative made sure that all the citizen is having a bank account and these accounts are the default channel. (Direct Benefit Transfer) for any government payments to the accountholders.

Demonetization has played a significant role in accelerating digitization in India. Contributing factors include improved mobile connectivity, technological infrastructure, electronic service delivery, and advancements in information technology. The benefits of digitization include ease of use, faster transactions, reduced environmental impact, increased customer satisfaction, and positive social transformation.

Lack of education, limited adoption of technology, insufficient government support, high implementation costs, safety concerns, inadequate infrastructure, and lack of training present significant challenges to digitization. However, improved systems, enhanced security, and collaborative efforts from all stakeholders can accelerate the digitization process (Shallu et al., 2019)

While demonetization acted as a catalyst for the widespread adoption of digital transactions, studies indicate that UPI has emerged as a more influential driver in the long term. By the end of the financial year 2018–2019, UPI had surpassed all other digital financial transaction platforms, recording a 450% increase in transaction volume. Industry experts also attribute this rapid adoption to the growing affordability of smartphones and internet data, which has made digital payment systems more accessible to people across various socio-economic groups.

The Information and Communication Technology (ICT) sector plays a vital role in societal development and the digitization of the economy. Today's economy is often referred to as the digital or internet economy. Digitalization is now deeply integrated into every aspect of life—from manufacturing and purchasing to payments. A variety of online payment methods are now widely used, including credit and debit cards, Unified Payments Interface (UPI), and mobile wallets, among others.

With the advancement of the internet, online banking services and mobile applications have made transactions more convenient, allowing consumers to carry out financial activities anytime and anywhere. The adoption of cashless or digital transactions brings several benefits. Customers can pay directly from their bank accounts, track and manage their financial activities, enjoy cashback offers and rewards, and receive payments remotely. These advantages extend to merchants as well.

Identity theft, cybercrimes, limited technological preparedness among the population, poor internet connectivity, lack of awareness regarding digital payments, and reluctance to adopt digital platforms for financial transactions are significant obstacles to achieving a cashless economy in the country.

This paper aims to explore public perception of online payments and to gain insights into the various challenges associated with them through a review of existing literature.

OBJECTIVES

1. To explore the concept and various modes of digital payments.
2. To examine consumers' perceptions regarding online and digital payments, with a focus on the safety and security of these transactions.

IMPORTANCE OF THE STUDY

This study aims to explore consumer perceptions regarding online payments, particularly focusing on the safety and security of these transactions. While considerable research has been conducted on consumer attitudes toward credit card usage, there is relatively limited research on other digital payment methods and the challenges consumers face when using them. This study seeks to examine the frequency of digital payment usage and identify the factors or obstacles that influence consumer experience and perception of digital payment system.

SCOPE OF THE STUDY

The literature reviewed for this study is primarily based on research conducted in Chennai, encompassing a range of studies from usage patterns to consumer behavior. These studies were analyzed to extract key findings, with a specific focus on the digitization of payment systems.

RESEARCH METHODOLOGY

The study adopts an exploratory approach, utilizing literature reviews and secondary sources to draw conclusions. It is intended to serve as a resource for future researchers by providing relevant secondary data. As no primary data has been collected, the study's reliability is dependent on the quality and authenticity of the secondary information used.

DRAWBACKS OF THE STUDY

This paper is based on a literature review and is preliminary in nature, rather than an in-depth analysis. Digital payment refers to any transaction conducted using digital tools or platforms that involve both a payer and a payee. As part of the Digital India initiative, the government has introduced various digital payment methods to promote and facilitate cashless transactions, including the following:

Banking Cards – This category includes both credit and debit cards, offering customers convenience, flexibility, and secure transaction options. These cards enhance transaction safety through two-factor authentication, typically involving a secure PIN and a One-Time Password (OTP).

Aadhaar Enabled Payment System (AEPS) – AEPS leverages the existing banking infrastructure to facilitate digital transactions. For authentication, the customer must have their Aadhaar number linked to their bank account. Transactions are carried out using biometric verification, typically through micro-ATMs and fingerprint or iris scans.

Unified Payment Interface (UPI) – UPI integrates multiple bank accounts into a single mobile application, enabling seamless and real-time financial transactions. To use this system, a smartphone with internet access and a mobile PIN (MPIN) is required.

Point of Sale (PoS) – This refers to the time and location where a retail transaction is finalized, typically involving the use of a card-swiping machine or digital payment terminal.

Internet Banking – This service allows customers to perform banking transactions online. It includes various methods such as National Electronic Funds Transfer (NEFT), enabling secure and convenient fund transfers.

Mobile Wallets – These allow users to store digital cash by linking their debit or credit card information to a mobile wallet application on their devices. Popular mobile wallets in India include Paytm, Airtel Money, SBI Buddy, Phonepe and others.

DIGITAL PAYMENT AND METHODS

Mobile Banking – This service allows customers to perform a variety of financial transactions remotely using a mobile phone or tablet. Most banks offer their own dedicated mobile applications to facilitate convenient and secure banking on the go.

Micro ATMs – These are portable card-swiping devices operated by bank business correspondents, primarily in remote or rural areas. Micro ATMs offer basic banking services, helping extend financial inclusion by providing easier access to banking facilities for underserved populations.

LITERATURE REVIEW

India is the second-largest smartphone market in the world, following China. The widespread use of smartphones, coupled with strong support from internet providers like Reliance Jio, has significantly boosted the adoption of digital wallets and electronic payments. Mobile connectivity and internet access are crucial for the growth of online payments. As of November 2019, there were 504 million active internet users in India (Digital in India 2019 by IMAI and Nielsen). Financial institutions and other businesses have made considerable efforts to increase the usage of online payments, while the government has also worked to expand internet penetration. The reach of the internet in rural areas is growing substantially as well. The digital payment market in India was estimated to be worth \$69,168 million in 2020 (Statista.com). This growth is driven by technological advancements and the rise of digital wallets.

A digital wallet is a software application that enables users to store money, payment credentials, and other information digitally. Consumers can use this application to carry out various types of cashless transactions (McKinsey, May 2015). Digital wallets are widely used for online payments.

However, one of the key challenges hindering the growth of this sector in India is the limited reach and quality of internet connectivity. According to research by *The Hindu* (December 2019), India ranked 128th out of 140 countries in terms of internet download speed. For digital payments to become more successful, significant improvements in internet infrastructure are necessary.

Digitalization is playing a crucial role across all sectors of business, from purchasing to payments (Yuvaraj & Eveline, 2018). According to Kumar and Chaubey (2017), their study reveals that the process of digitization is progressing slowly, and people are adopting it primarily because they have little alternative.

The speed of adoption has been explored by several researchers. D. Sudhir Babu and P. Lakshmi Narayanamma (2018) found that electronic payments enable faster product purchases. Gokilavani et al. (2018) observed a significant difference in consumer perceptions of digital payments based on their socio-economic status in their study on customer attitudes toward digital payments. Customer perception is a key factor influencing the adoption of digital payment methods. Digital payment service providers must also ensure timely processing of payments to avoid unnecessary delays.

In addition to ease of use, social factors and brand perception have also been found to significantly influence customer adoption of digital payments (Chua Chang Jin et al., 2020). This finding is further supported by the research of Andrew T. Stephen (2015). The role of customer loyalty was also highlighted by Dr. S. Manikandan and J. Mary Jayakodi (2017). Brijesh Sivathanu (2018) emphasized the importance of understanding customer behavior and the resistance to new innovations when it comes to the adoption of digital payments.

The significance of demographic factors and their influence on consumer adoption was highlighted by Satadruti Chakraborty and Dipa Mitra (2018), as well as M. Kavitha and K. Sampath Kumar (2018). The role of demographic elements, such as education level, was also emphasized in a study by Shamsheer Singh and Ravish Rana (2017), who also discussed the importance of internet penetration and smartphone usage. Additionally, Vally and Divya (2018) examined the impact of age and education on digital payment adoption. Dr. K. Kamatchi Eswaran (2019) found that education plays a key role in the adoption of digital payments.

Financial knowledge, non-acceptance, Infrastructure problems and economy problems were found to be most important challenges of adoption of digital payment in rural sector. Improving these measures and trust are the solutions suggested by government of India. (Renu Singh, Garima Malik, 2019). Another study found out factors like costs, safety of transactions, acceptability of digital payment methods and ability to handle the transactions are found to be the main challenges in adoption of electronic payment in India (Masudul Hasan Adil, Neeraj R. Hatekar, 2020)

A contrasting perspective was presented by Singh and Rana (2017), whose study suggested that demographic factors have little to no impact on the adoption of digital payment methods. On the other hand, Vaishnav Kameswaran, Srihari Hulikal, and Muralidhar (2019) explored the usage of both cash and digital payments by visually impaired customers, offering a unique viewpoint on the matter.

The significance of third-party payments, which have a strong positive correlation with the ability of financial companies to create value for customers, was examined by Yao Meifang et al. (2018). This factor was also emphasized in a study by Sampaio C.H. et al. (2017) on the advantages of mobile banking. Additionally, the role of mobile wallets has been explored by several researchers. Ramesh Sardar's (2016) study found that mobile wallets played a crucial role in promoting the development of cashless electronic payments.

SUMMARY OF FINDINGS

The literature review presents the following findings based on selected studies. The summary offers valuable insights into consumer perceptions regarding digital payments.

1. Demonetization, the Digital India initiative, and other government schemes have significantly contributed to the growth of digitization and digital payments over the past decade.
2. The advantages of digital payments include convenience, cost savings, and ease of use, while the major drawbacks are issues related to reach, infrastructure, and safety. Factors such as efficiency, safety, convenience, cost and time savings, ease of use, and consumer privacy have a significant positive impact on the adoption rate of digital payments (R. Gokilavani, 2018; Cherinet Boke Chakiso, 2019).
3. The influence of demographic variables, such as age, on consumer adoption was highlighted by Satadruti Chakraborty and Dipa Mitra (2018), as well as M. Kavitha and K. Sampath Kumar (2018).
4. **Third-Party Payments:** Yao Meifang et al. (2018) and Sampaio C.H. et al. (2017) explored the impact of third-party payments and the benefits provided by mobile banking, such as transaction convenience.
5. **Challenges:** Factors such as transaction costs, safety concerns, the acceptability of digital payment methods, and the ability to manage transactions are identified as the primary challenges in adopting electronic payments in India (Masudul Hasan Adil, Neeraj R. Hatekar, 2020). Additionally, retailers need to increase their use of digital payments.
6. The cost was identified as a key factor in adopting digital wallets (P. Tiwari, V. Garg, and A. Singhal, 2019). Additionally, personal, technical, and environmental factors were found to impact mobile payments (Maris Karsen, 2019).

RESULTS AND DISCUSSION

The literature review indicates that while security concerns still cause apprehension toward digital payments, the convenience of this medium is attracting more consumers. Several articles highlight various benefits as reasons for using digital payments. However, many people still refrain from using them due to a lack of awareness and other factors. If security issues are addressed and greater awareness is raised, especially in rural areas of Chennai, more people will likely adopt digital payments, making the process faster and more efficient. Various independent variables, such as innovation resistance and behavioral intention, have already been considered in existing studies, but there is potential for further exploration. Therefore, there is room for future research to make the study more comprehensive. Additionally, future research could incorporate methods like structured interviews, observation, and projective techniques to gain deeper insights into consumer perceptions.

The government should allocate more resources to expand internet access and technology. Public awareness about digital payment usage needs to be increased. Efforts should be made to enhance internet speed, with private internet providers playing a role in expanding reach. Banks should promote the use of credit and debit cards, and mobile wallets should be encouraged. Safety concerns related to internet usage must be addressed, with technology playing a key role in this regard. Retailers and distributors should be motivated to adopt more

digital solutions. Additionally, further studies should be conducted in these areas, and overall investment in this field is essential.

CONCLUSION

The transformations occurring in the digital world have influenced every aspect of human life. Smartphones and internet access have simplified daily activities with just a click. This has, in turn, raised the needs and expectations of consumers. In today's world, the growing use of cashless payments has nearly replaced physical cash transactions. While there are some limitations, particularly concerning privacy and security, these issues largely depend on how consumers, banks, and other organizations manage and handle information. Therefore, this study aims to explore consumer perspectives on digital payments.

This study is valuable for the industry as it identifies both positive and negative factors, emphasizing the significance of technology and safety concerns. Few studies have explored the role of digital payments among retailers, and even fewer have examined the role of technology in digital payments. There is a need for further research in these areas, which future researchers can focus on. Additionally, more studies could be conducted using primary data collection and analysis, supported by confirmatory factor analysis.

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