

# A STUDY ON CONSUMER BEHAVIOR TOWARDS DIGITAL PAYMENTS WITH REFERENCE TO MADURAI CITY

FARIDHA R

LECTURER, DEPARTMENT OF COMMERCE, THE AMERICAN COLLEGE, MADURAI

## ABSTRACT:

Digital payments in India have been experiencing exponential growth. The future economy will be driven by cashless transaction which will be possible only through digitalization of payment mechanism at different location such as smart phone, internet banking, card transaction etc. The Indian government's ambitious Digital India project and the modernization of India Post paved the way for digital transition in the country. The Digital India project aims to offer a one-stop shop for government services. The announcement of Demonetization by Prime Minister Mr. Narender Modi created huge growth opportunity for digital payment in India and the digital wallet companies garbed the opportunities with both the hands to expand their market share. Demonetization has presented a unique platform for adoption of digital payment, as an alternative to cash for Indian consumers. The paper focuses on the consumer behavior towards the adoption of digital payment. The study also analyses the factors influencing and the satisfaction level of the consumers towards digital payment. It further identifies the problems in the adoption of digital payment. A total of 100 respondents were selected in and around Madurai and questionnaires were used as instruments.

**Key words:** Digital payments, Demonetization, Digital India and Consumer behavior

## 1. Introduction

India is heading on the path of a major digital revolution. The volume of digital transaction has witnessed exponential growth in volume and value whether it is digital wallet, interbank transfer or transaction by debit or credit card. Adoption of cashless transaction has been significantly pushed by Prime Minister Mr. Narender Modi as part of government reforms after demonetization of high value currency of Rs. 500 and 1000 (86% of cash circulation). The demonetization resulted in unprecedented growth in digital payment. As per Ministry

of Finance Report (December 2016) on Digital payment, financial inclusion is one of the foremost challenge facing India. 53 percent of India population had access to formal financial services. In this context, digital payment can act as accelerator to financial inclusion [1]. Increasing availability of mobile phone, availability of data network infrastructure, rollout of 3G and 4G networks and large merchant eco system are the critical enablers of digital payment in India. It is further supported by the coordinated efforts of industry, regulator and government. “Digital India ” is an initiative of the Central Government of India to transform India into a global digitized hub by improving digital connectivity and skill enhancement and various other incentives to make the country digitally empowered in the field of technology. . A digital economy certainly presents benefits that will boost our economy.

### 1.1. Digital Payments

Digital payment is a way of payment which is made through digital modes. In digital payments, payer and payee both use digital modes to send and receive money. It is also called electronic payment. No hard cash is involved in the digital payments. All the transactions in digital payments are completed online. It is an instant and convenient way to make payments.

### 1.2. Consumer Behavior

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

### 1.3. Digital Payment Modes

**Banking cards:** Cards are among the most widely used payment methods and come with various features and benefits such as security of payments, convenience, etc. The main advantage of debit/credit or prepaid banking cards is that they can be used to make other types of digital payments. For example, customers can store card information in digital payment apps or mobile wallets to make a cashless payment. Some of the most reputed and well-known card payment systems are Visa, Rupay and MasterCard, among others. Banking cards can be used for online purchases, in digital payment apps, PoS machines, online transactions, etc.

**2. USSD:** Another type of digital payment method, \*99#, can be used to carry out mobile transactions without downloading any app. These types of payments can also be made with no mobile data facility. This facility is backed by the USSD along with the National Payments Corporation of India (NPCI). The main aim of this type of digital payment service is to create an environment of inclusion among the underserved sections of society and integrate them into mainstream banking. This service can be used to initiate fund transfers, get a look at bank statements and make balance queries. Another advantage of this type of payment system is that it is also available in Hindi.

**3. AEPS:** Expanded as Aadhaar Enabled Payment System, AEPS can be used for all banking transactions such as balance enquiry, cash withdrawal, cash deposit, payment transactions, Aadhaar to Aadhaar fund transfers, etc. All transactions are carried out through a banking correspondent based on Aadhaar verification. There is no need to physically visit a branch, provide debit or credit cards, or even make a signature on a document. This service can only be availed if your Aadhaar number is registered with the bank where you hold an account. This is another initiative taken by the NPCI to promote digital payments in the country.

**4. UPI:** UPI is a type of interoperable payment system through which any customer holding any bank account can send and receive money through a UPI-based app. The service allows a user to link more than one bank account on a UPI app on their smart phone to seamlessly initiate fund transfers and make collect requests on a 24/7 basis and on all 365 days a year. The main advantage of UPI is that it enables users to transfer money without a bank account or IFSC code. All you need is a Virtual Payment Address (VPA). There are many UPI apps in the market and it is available on both Android and ios platforms. To use the service one should have a valid bank account and a registered mobile number, which is linked to the same bank account. There are no transaction charges for using UPI. Through this, a customer can send and receive money and make balance enquiries.

**5. Mobile Wallets:** A mobile wallet is a type of virtual wallet service that can be used by downloading an app. The digital or mobile wallet stores bank account or debit/credit card information or bank account information in an encoded format to allow secure payments. One can also add money to a mobile wallet and use the same to make payments and purchase goods and services. This eliminated the need to use credit/debit

cards or remember the CVV or 4-digit pin. Many banks in the country have launched e-wallet services and apart from banks, there are also many private players. Some of the mobile wallet apps in the market are Paytm, Mobikwik, Freecharge, etc. The various services offered by mobile wallets include sending and receiving money, making payments to merchants, online purchases, etc. Some mobile wallets may charge a certain transaction fee for the services offered.

**6. Bank pre-paid cards:** A prepaid card is a type of payment instrument on to which you load money to make purchases. The type of card may not be linked to the bank account of the customer. However, a debit card issued by the bank is linked with the bank account of the customer.

**7. PoS terminals:** Traditionally, PoS terminals referred to those that were installed at all stores where purchases were made by customers using credit/debit cards. It is usually a hand held device that reads banking cards. However, with digitization the scope of PoS is expanding and this service is also available on mobile platforms and through internet browsers. There are different types of PoS terminals such as Physical PoS, Mobile PoS and Virtual PoS. Physical PoS terminals are the ones that are kept at shops and stores. On the other hand, mobile PoS terminals work through a tablet or smart phone. This is advantageous for small time business owners as they do not have to invest in expensive electronic registers. Virtual PoS systems use web-based applications to process payments.

**8. Internet Banking:** Internet banking refers to the process of carrying out banking transactions online. These may include many services such as transferring funds, opening a new fixed or recurring deposit, closing an account, etc. Internet banking is also referred to as e-banking or virtual banking. Internet banking is usually used to make online fund transfers via NEFT, RTGS or IMPS. Banks offer customers all types of banking services through their website and a customer can log into his/her account by using a username and password. Unlike visiting a physical bank, there are to time restrictions for internet banking services and they can be availed at any time and on all 365 days in a year. There is a wide scope for internet banking services.

**9. Mobile Banking:** Mobile banking is referred to the process of carrying out financial transactions/banking transactions through a smartphone. The scope of mobile banking is only expanding with the introduction of many mobile wallets, digital payment apps and other services like the UPI. Many banks have their own apps

and customers can download the same to carry out banking transactions at the click of a button. Mobile banking is a wide term used for the extensive range or umbrella of services that can be availed under this.

**10. Bharat Interface for Money (BHIM) app:** The BHIM app allows users to make payments using the UPI application. This also works in collaboration with UPI and transactions can be carried out using a VPA. One can link his/her bank account with the BHIM interface easily. It is also possible to link multiple bank accounts. The BHIM app can be used by anyone who has a mobile number, debit card and a valid bank account. Money can be sent to different bank accounts, virtual addresses or to an Aadhaar number. There are also many banks that have collaborated with the NPCI and BHIM to allow customers to use this interface.

#### 1.4. Statement of the Problem

To curtail the rise in the circulation of black money in the country, Prime Minister Narendra Modi, on November 8, 2016 had initiated the demonetization policy, following which there had been a ban on currency notes of the denomination Rs 500 and Rs 1,000. Thus central government put their first step to cashless economy. In a cashless economy most of the transaction will be done by digital means like e banking, debit and credit cards, PoS (point of sales) machines, digital wallets etc. In simpler words no liquid money or paper currency will be used by the people in a given country. It not only eases our life but also authenticates and formalizes our transactions. In this context it is felt necessary to undertake a study to know the factors influencing and the satisfaction level of the consumers towards digital payment and also identify the problems in the adoption of digital payment.

#### 1.5 Review of Literature

**Deepika Kumari, (2016).**, in her studies of Cashless Transaction: Methods, Applications and Challenges concluded that the as the demonetization applied by government of India, Government trying to aware its people for cashless transaction by various kinds of advertisement method but still a large number of people are awaiting for the introduction of cashless transaction. This paper is a study of cashless transaction its different methods, advantages and challenges. This paper will help to understand the basic of the cashless transaction



**Subramanian. S., (2014).**, the study Paper- free payment systems in India - an analytical study concluded that the Banks and other financial institutions should concentrate further on efforts to encourage corporate, individual /retail customers and also noted that the gaps in the bill payments eco-system for lack of interoperability, high cost of cash, cheque /draft collection and poor accessibility in semi-urban and rural areas to ensue efficient innovative paper free electronic payments and settlement systems form the backbone of economic well being of the nation.. In addition, simplifying documentation requirements, increasing role of non-banks in the payment systems, innovation and competition, uniformity, addressing risks could facilitate more usage of the innovative efficient paper free mode.

**Ashish Das, and Rakhi Agarwal, (2010)**, in their article “Cashless Payment System in India- A Roadmap” Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc. enhance financial inclusion and integrate the parallel economy with main stream.

**Balakrishnan, (2007).**, in his article Working capital management – Impact of emerging electronic payment Options in India published the adoption of new age electronic payments systems and use of new practices in inventory and production management help the companies achieve long-term reduction in working capital management requirement.

## 1.6. Objectives

- To find out the factors influencing the consumer behavior towards digital payments.
- To measure the satisfaction level of the customers from the service quality of digital payments
- To identify the problems faced by consumers in the adoption of digital payments.

## 1.7. Methodology

The present study comprises both primary and secondary data collected from the respondents of the Madurai city.

**1.7.1 Primary data:** The primary data were collected from the visitors at various tourists spots situated in Madurai city.

**1.7.2 Secondary data:** The secondary data were also collected from various standard text books, magazines, journals, newspapers and internet, which constituted a supportive literature for the purpose of making analysis and suggestions.

**1.7.3 Period of the study:** The study was undertaken during the months of November and December 2017.

**1.7.4 Sampling design:** Convenience sampling technique was used.

**1.7.5 Sample Size:** Sample sizes of 100 respondents were selected for this purpose of the study.

#### 1.7.6 Statistical Analysis:

- SPSS 23.0 software packages and Simple techniques such as percentage, mean, simple ranking and Likert's scaling, regression analysis, pie charts were used for the statistical analysis. The questionnaire was divided into four parts. Part A obtains information on respondents' profile. Part B is to identify the factors influencing, which consists of various aspects. Part C is to measure the satisfaction level from the service quality of digital payments. Part D is to identify the problems faced by consumers in the adoption of digital payments.

## 1.8 Analysis and Interpretation

### Demographic profile of the respondent-Percentage analysis

Table 1.8.1

#### Distribution on overall result of Profile of respondents

S.No	Particulars	Variable	No. of respondents	Percentage
1	Age	21-40 years	48	48
2	Gender	Male	58	58
3	Marital Status	Unmarried	56	56
4	Educational Qualification	Post-Graduation	38	38
5	Occupation	Professional	24	24
6	Monthly Income	Above 50000	32	32

Source: Primary Data

**Overall findings:** With regard to the finding on profile of respondents it is clear that under the category age majority of the respondents belong to the age group 21-40 years [48%], gender-men[58%], marital

status- unmarried [56%], educational qualification- post graduate [38%], occupation-professional [24%] and monthly income- above 50,000 [32%] .

### Factors influencing the consumer behavior towards digital payments

**Table 1.8.2**

#### Distribution on factors influencing towards digital payments

S.No	Factors	No. of respondents	Percentage
1	Time saving	28	28
2	Ease of use	24	24
3	Information under one roof	22	22
4	Cost effectiveness	14	14
5	Technology savvy	12	12
	<b>Total</b>	<b>100</b>	<b>100</b>

Source: Primary Data

From the above table for factors influencing towards digital payments it is clear that out of 100 respondents majority of the respondents belong to time saving category [28%] followed by ease of use category [24%], information under one roof [22%], cost effectiveness [14%] and technology savvy [11%].

### Regression analysis for factors influencing towards digital payments and independent variables

**H<sub>0</sub>**: There is no significant association between independent variables and factors influencing towards digital payments.

**Table 1.8.3**

#### Regression analysis for independent variables and factors influencing towards digital payments

S.No	Particulars	Standardized Coefficients	T	Sig.
1.	(Constant)	-	-.011	.991
	Age	.421	2.210	.032
	Gender	.045	.336	.739
	Marital Status	.237	1.429	.160
	Education	-.280	-1.593	.119
	Occupation	.474	3.484	.001
	Income	-.155	-1.001	.322

Source: Computed Data

Model:

R <sup>2</sup>	Adjusted R Square	Std. Error of the Estimate
.353	.262	1.165

Predictors: Independent Variable



**Dependent Variable:** Factors influencing towards digital payments

The above table shows regression analysis for Factors influencing towards digital payments and independent variables, the  $R^2$  value for this model is .353. Age has a standardized coefficient .421, gender .045 marital status .237, educational qualification -.280, occupation .474 and monthly income -.155. Thus from the table it is very clear that the dependent and independent variables are positively associated with each other, therefore the null hypothesis is rejected and the alternative hypothesis [ $H_a$ : There is significant association between independent variables and Factors influencing towards digital payments] is accepted.

**Satisfaction level of the customers from the service quality of digital payments****Table 1.8.4****Satisfaction level from the service quality of digital payments**

S.No	Particulars	Mean Score	Mean Rank
1	Accuracy	3.96	4
2	Easy and convenient payment	4.08	1
3	Reliability	4.04	2
4	Customer services	3.78	5
5	Efficiency	4.00	3
6	Security	3.78	6

**Source: Computed Data**

It could be observed from Table 1.8.4 that easy and convenient payment was ranked in the first place with a mean score of 4.08. It is followed by reliability with a mean score of 4.04. Lastly, the customer services as well as security were in the sixth position with a mean score of 3.78. It was concluded that digital payment mode as easy and convenient payment method.

**Problems faced by consumers in the adoption of digital payments****Simple Ranking Method****Table 1.8.5****Problems faced by consumers in the adoption of digital payments**

S.No	Particulars	Mean	S. D	Rank
1	Data theft	2.64	1.35	I

2	Transaction cost	3.48	1.79	III
3	Lack of trust	3.06	1.58	II
4	PoS availability	3.88	1.96	V
5	Internet traffic	3.84	1.68	IV
6	Overspending	4.10	1.44	VI

**Source: Computed Data**

In the above table for identifying the problems faced by consumers in the adoption of digital payments simple ranking technique was calculated. After calculating the mean and standard deviation ranks were allotted for the variables. It is clear that data theft ranks first [I] with a mean and standard deviation of 2.64 and 1.35, followed by lack of trust ranks second [II] with a mean and standard deviation of 3.06 and 1.58. Lastly, overspending ranks sixth [VI] with a mean and standard deviation of 4.10 and 1.44. It was concluded that data theft was the major problem faced by the customer.

### 1.9 Suggestions

- Women are behind in using and adopting cashless transaction than the men, hence awareness programme to women must be initiated.
- As most of respondents are concerned about the security of cashless payments, the security system should be strengthening so that people won't scare about their money and transactions
- The transaction cost is an important obstacle while using cashless digital payment mode, so the Government of India should consider and waiving off transaction cost.
- The banks should provide POS machine to all possible shops at concession rate.
- The Government of India and Telecom ministry should make necessary step to enhance broadband speed and wide coverage of internet to all areas
- The Government should continue and give some incentive benefits to those are using regular digital payments because it will motivate not only the regular user but also new user.

### 1.10. Conclusion

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India. The paper concludes that digital payment mode as easy and convenient

payment method and helps in saving time. Digital transfers' apps has brought behavioral change and helped in the adoption of digital payment. This has resulted in ease of transfer of money in rural areas which was not touched earlier by the digital payment method. Now many foreign investors want to invest in digital payment industry which is new attractive destinations because of scope of tremendous expansion in India. There are number of facilitators which are leading to the growth of digital payment and transition from cash economy to less cash economy. These facilitators include penetration of internet connectivity on smart phones, non-banking financial institution facilitating digital payment, one touch payment, rise of financial technology sector and push by government either by giving incentives or tax breaks. These all factors are creating positive atmosphere for growth of digital payment in India and towards greater accountability towards the flow of money, reduction in black economy and bringing more people into the banking system.

