

# Factors Affecting Consumer Preference towards Digital Payment Systems: A Study with Special Reference to Rayalaseema Region, Andhra Pradesh

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## Abstract

*Digital payment systems are growing at exceptional rate. Soon digital payment systems will become dominant traditional payments in India. Apart from smart phone usage, internet invasion, entry of non-financial institutes in payments, changing customer preference towards one touch solution for payments is major factor influencing development of digital payment system. Digital payment service providers' needs to spend more efforts in understanding needs and requirements and there by seize opportunities in the market of payment system. It is evident form the fact that digital payment couldn't achieved target of 25,000 cores set by ministry of electronics and information technology in the financial year 2017-18. This paper explored the impact of Perceived ease of use, saves time, perceived usefulness, effective, perceived enjoyment and privacy and security on the consumer preference towards digital payment systems in Rayalaseema region. The study concluded that there is an impact of gender and marital status on factors affecting consumer preference towards digital payment systems.*

**Index Terms – Digital payment systems, Consumer preference and Perceived ease of use**

## Introduction

Payments are the crucial part of any business transactions, which include exchange of money and goods and services between two interest taking parties. The procedure of conventional payments systems includes trade of money or payment amongst consumer and merchant. Cash payment and non-cash payment happens out the monetary system, which is time and effort spending process

To keep up the speed of business in the internet era, even payment systems have altered their working. Digital payments have initiated with the beginning of internet. On the off chance that there was no internet, there wouldn't be e-services and online business. Digital payment is certifiably not a single device but instead an umbrella term that is connected to numerous devices utilized as a part of different ways. It can be considered as a method of paying for services or goods by means of an electronic mode without the utilization of money or check. It is then called electronic payment system or e-payment. At first, online payment systems were not easy to comprehend and required precise learning of information interchange convention. The greater part of the primary online services utilized micropayment systems and their mutual trademark was the endeavor to have electronic money options. Aangela Scott - Briggs (2016)<sup>1</sup>

Today's customers have less time and attention to devote to the brands. They are surrounded by alternatives every step of the way. Marketers need to stand up, get their attention and deliver the message they want to hear. Takes advantage of the shifting consumer mood to reach more customers and engage them more fully than ever before. Exploit the changes that are tripping up traditional approaches and make them an integral part of methodology. The role of marketer is to sense the changing nature of the customer path in digital economy and to guide customer throughout their journey from awareness and ultimately to advocacy. Philip kotler (2017)<sup>2</sup>

In the present era of stiff competition among the organizations, assessing needs and requirements, meeting them and creating demand in the market is not an easy task. An organization needs to think of

innovative ways of analysing the necessities of customers and framing strategies to gain competitive edge over the competitors.

Generally society has been moving towards electronic payment systems since the 1970s, but it is only the arrival of the Internet and its vertiginous growth, that has made possible the recent advances in this area. Donal O mahony (2001)<sup>3</sup>

Consumer behaviour isn't just about responding to what the consumer needs. Foreseeing a consumers needs is as essential as responding. It makes considerably more important to know and understand consumers' preferences before they purchase. Consumer preferences are desires, likes, and dislikes, inspirations and tendencies that drive consumers obtaining choices. They supplement consumer needs in clarifying consumer behaviour.

As indicated by Technology Acceptance Model (TAM), Perceived Usefulness (PU) and Perceived Ease of Use (PEOU) alongside different components like Perceived Risk, Trust, Security and protection essentially influence the adoption of digital payment systems. In the light of Diffusion of Innovation theory (DOI) relative advantage, compatibility, and trail ability essentially influenced the preference of using digital payment systems.

Consumer preferences are characterized as the individual tastes, as estimated by utility, of different packs of products. They authorize the consumer to rank these groups of products as per the dimensions of utility they give the consumer. A consumer preference clarifies how a customer positions a gathering of products or services or lean towards one accumulation over another. This definition accepts that consumers rank products or services by the measure of fulfilment, utility and accomplished. Consumer preferences assumptions do not take the customer's salary, product or service's price, or the consumers' capacity to buy the product or service.

### **Factors affecting consumer preference towards digital payment systems**

#### **Perceived ease of use**

Perceived ease of use alludes to how much an individual trusts that utilizing the specific system would be free of effort. Brand loyalty is regularly formed by a customer's early introduction of organization and its product or service offering. Like every early introduction, it needs to get the chance to do this once. This implies hitting the nail on the head the first run through is basic, and ease of use is a key factor with regards to leaving a positive impression in customers mind. If an item is anything but difficult to use from the get-go, consumers are bound to frame a positive association with the brand. Be that as it may, if an item is hard to utilize, this initial introduction is probably going to last, and could hinder a client from obtaining an item later on. Remarkable ease of use can significantly decrease the measure of resources required with regards to offering customer support

#### **Saves time**

Adopting digital payments causes businesses be increasingly compelling at overseeing business. Accepting any type of payment that clients want to utilize is basic to influence the deal as a large portion of customers to want to utilize their card or other digital payment systems while shopping. Customers appreciate the comfort of digital payment systems. Searching for cash, counting out precise change, and writing checks require more vitality.

#### **Perceived usefulness**

Perceived usefulness (PU) refers to how much an individual trusts that utilizing a specific system would upgrade his/her performance. It is theorized to be the immediate indicator of behaviour intension to use. Perceived usefulness (PU is decidedly connected with continuance intention with regards to digital payments. Within the marketing context, individuals are commonly reinforced for good execution of the service.

## Effective

With the advancement of internet technology, the extent of digital payment systems has extremely improved. The most alluring thing about the digital transactions is, exceptionally simple and easy to deal with the transactions with no issue. There is no compelling reason to remain in long lines so as to make the payments. Reduced operational and payment handling costs, developing e commerce, diminishing expense of technology, convenience and interoperability of electronic payment systems made trust among buyers.

## Perceived enjoyment

Perceived enjoyment alludes to capacity to significantly impact the intension to utilize. The method of reasoning is that people who experience delight or happiness from utilizing a system are bound to shape an aim to utilize it than others. The focal suspicion of this investigation is that Perceived enjoyment would straightforwardly decide proceeded with utilization in digital payment systems. Not at all like extrinsic motivation, such as perceived usefulness which depends on accomplishment of specified objectives or rewards, had Perceived enjoyment alluded to the joy of completing an action itself.

## Privacy and security

All data-driven digital services, including digital payment systems, carry privacy and security dangers which emerge from poor data practices. From a privacy point of view, poor data practices non-consensual or excessive data gathering, sharing, stockpiling, and use; unchecked data banker; and inability to identify information. From a security point of view, poor practices incorporate the utilization of powerless encryption, poor technical controls, poor digital insight, and centralized data storage. The negative effect of poor data practices influences consumers. Consumers are hurt by data breaches, identity theft, segregation, reputational harm, and real misfortune. Payment systems must be upgraded to tentatively ensure security and utilize unbreakable encryption and open benchmarks. An information security enactment and a solid market controller are additionally fundamental.

## Literature review

Ajeet Singh (2012)<sup>4</sup> in the paper on A Review: Secure Payment System for Electronic Transaction Secure Electronic Payment schemes, reviewed that a secure electronic payment system for Internet transaction through, Secure Sockets Layer and Secure Electronic Transaction. The security practices are used to offer security the customer able to purchase the wanted items. The system can guarantee the security of transaction, so it is an outstanding solution to the E-business model. Main benefits of Payment System for Internet Transaction are: it practices strong cryptography and authenticity inspection models; the merchant is prevented from seeing payment data; the customer can easy to practice the system.

Singh (December 2013)<sup>5</sup> in their paper reviewed that bboth consumers and service providers can profit from e-payment systems leading to surge national competitiveness in the future. The successful executions of electronic payment systems depends on how the security and privacy aspects perceived by consumers as well as sellers are generally managed , in turn would increase the market confidence in the system.

Richard (2016)<sup>6</sup> in the paper reviewed that technology has certainly made our lives easier. It has changed across distance, space and even time. One of the technological inventions in banking, finance and business is the electronic payments. Electronic payments offers greater autonomy to individual in paying their taxes, licences, fees, bills, fines and buying at unconventional locations and at any time of

the day. The triumph of e-commerce payment systems is mostly depended on consumer preferences, ease of use, cost, industry, agreement, authorization, security, non-reputability and acceptability.

Nidhi Singh (December 2016)<sup>7</sup> in the study concluded that Consumers' awareness about technology advancement is growing rapidly, and their changing perception is leading to an increased usage of mobile wallets in India. Consumers demand has increased with technology improvements. Therefore, banks and technology establishments must evaluate characteristics of mobile wallets from the consumers' point of view.

Dr. R. Gokilavani (2018)<sup>8</sup> in their article reviewed that significant difference exists between perception of consumers towards digital payment and their socioeconomic status. The superiority, efficiency, safe and secured, convenient, cost and time savings, user friendly, easiness and protection of privacy of digital payment have positive and significant influence on the rate of adoption of digital payment of consumers.

Vidyashree.D.V (May 2018)<sup>9</sup> they made an effort to know the people's attitude, how consumers are using a few facilities of digital money generally for recharging the DTH and paying bills, money transfer etc., the awareness and hands-on usability of digital money is low, that should be amplified by adding more value added services to it. Future studies can be performed to throw lights on covering the entire people's attitude towards digital payments and study can be conducted in diverse areas of the nation to get productive solution in enlightening the digital payment system.

Dr.S.Yuvaraj July (2018)<sup>10</sup> in the paper Consumer perception towards cashless transactions and information security in the digital economy reviewed that Changes that take place in the digital world have impacted in every stage of human life. Smartphones and internet facilities had made life modest by a click of a button. This eventually increases the needs and hopes of the consumers. In the present scenario with the increasing use cashless payments has almost replaced the physical cash transactions. Though there are little limitations, when it comes to the privacy and security concern but it depends on how consumers, banks and other organisations use and handle the information.

Divya, (2018)<sup>11</sup> the study looks at the impact of receiving digital payment systems sway on purchasers of the financial part of India. The outcomes show that the arrangement of innovation for advanced payments has improved the execution of banking area and ready to accomplish the thought process money less nation. The investigation offers accentuation to the level of awareness on most extreme usage of innovation. Banks should take powerful measures in making awareness towards the successful utilization of innovation and security

### **Statement of the problem**

The world has seen tremendous changes in all aspects because of internet. Payment is one of them. Since last decade digital payment systems are soaring. Non cash payments are experiencing sudden increase along with the cash payments. After cancellation of high value currency notes in India on 8th November 2016, government and citizens suddenly understanding the importance of digital payments. Both central and state governments started setting up regulatory mechanisms and initiatives to support digital payment systems. Many digital payment service providers started seizing the opportunity.

In this connection some organizations are succeeded and others failed in attracting consumers. So, it is important to the service providers to frame strategies by analysing the consumer behaviour, their requirements, needs and preference. Hence the present study is undertaken for understanding various factors affecting consumer preference towards digital payment systems.

### **Objectives of the study**

The present study is performed to determine the following objectives

- To understand the conceptual framework of factors affecting consumer preference towards digital payment systems
- To analyse factors influencing consumer perception towards digital payment systems
- To explore relationship between demographic factors of consumers and their preference towards digital payment systems.

### Hypotheses

H1: There is no significant relationship between age of the respondents and factors affecting consumer preference towards digital payment systems.

H2: There is no significant relationship between gender of the respondents and factors affecting consumer preference towards digital payment systems.

H3: There is no significant relationship between place of the respondents and factors affecting consumer preference towards digital payment systems.

H4: There is no significant relationship between educational qualifications of the respondents and factors affecting consumer preference towards digital payment systems.

H5: There is no significant relationship between income levels of the respondents and factors affecting consumer preference towards digital payment systems.

H6: There is no significant relationship between marital status of the respondents and factors affecting consumer preference towards digital payment systems.

H7: There is no significant relationship between occupation of the respondents and factors affecting consumer preference towards digital payment systems.

### Limitations of the study

The research is conducted under some limitations such as, the sample has been selected only from four districts of Rayalaseema Region and the respondents are drawn by using convenience sampling. Thus, the data gathered may not perfectly represent the complete population. The data is collected through structured questionnaire; it may limit the opinion of the customers.

### Data analysis and interpretation

The survey is conducted on the individuals having various beliefs belongs to the four districts of Rayalaseema Region i.e., Anantapur, Kurnool, YSR Kadapa and Chittoor. Questionnaire is used as the research device, which contains 2 sections: demographical profile of customers, the usage and frequency of using digital payment systems and factors affecting consumer preference towards digital payment systems. Five points Likert scale is used ranging from 1- strongly agree to 5- strongly disagree. A sample of 400 customers is drawn by using convenience sampling technique. The questionnaire is distributed through e-mail to all the respondents and 352 filled questionnaires are received. Thus the response rate is 88 percentages.

Table 1: Demographic details of the consumers

		Respondents	Percentage
Age	18-25 Years	76	21.59
	26-35 Years	94	26.7

	36-45 Years	137	38.92
	> 45 Years	45	12.78
Gender	Male	140	39.77
	Female	212	60.22
Place (District)	Anantapur	92	26.13
	Chittoor	90	25.56
	YSR Kadapa	74	21.02
	Kurnool	96	27.27
Education qualifications	SSC	33	9.37
	Intermediate	74	21.02
	UG	133	37.78
	PG	97	27.55
	PhD	15	4.26
Income levels	<15,000	65	18.46
	15,000-25,000	87	24.71
	25001-35000	123	34.94
	> 35,000	77	21.87
Marital status	Married	146	41.47
	Unmarried	206	58.52
Occupation	Govt. Employee	55	15.62
	Private. Employee	118	33.52
	Business	112	31.81
	Student	67	19.03

Source: Primary data

It is clear from the above table that majority of the sample respondents are from the age group 36-45 (38.92%) and 18-25 (21.59%). Pertaining to gender wise classification of respondents' majority percentage (60.22) of respondents is male and remaining percentages (39.77) are female. It is also clear that 27.27 percentages of the respondents from Kurnool district, 26.13 percentages are from Ananthapur, 25.56 % are from chittoor and remaining 21.02 are chosen from YSR kadapa district. It is found that large sample is selected from Under Graduates (37.78) and Post Graduates (27.55). It is obvious from the table that majority population (34.94 %) derived from the 25,001 to 35,000 income group.

Table 2: Results of Descriptive Statics of Study Variables

Factors	Pearson chi square test Assump. Sig						
	Age	Gender	Place	Education	Income	Marital status	Occupation
Perceived ease of use	0.896	0.045	1.345	0.132	0.674	0.006	0.114
Saves time	0.895	0.015	0.987	0.148	0.342	0	0.213
Perceived usefulness	0.773	0.042	0.567	0.734	0.134	0.034	0.342
Effective	0.348	0.038	0.842	0.656	0.543	0.042	0.075
Perceived enjoyment	0.124	0.031	0.467	0.145	0.113	0	0.142
Privacy and security	0.543	0	0.432	0.362	0.712	0.015	0.173

Source: Primary data

We sampled 352 samples and evaluated whether there is a relationship between age and factors affecting consumer preference towards digital payment systems. The data was analysed using a chi square goodness of fit test. It is assessed that probability values for perceived ease of use (.896), saves time (.895), perceived usefulness(.773), effective (.348), perceived enjoyment (.124) and privacy and security (.543) are greater than alpha values, i.e.  $P > .05$ . Hence the **H1** is failed to reject, it means there is no relationship between age of the respondents and factors affecting consumer preference towards digital payment systems.

**H2** is rejected as the significant values for perceived ease of use (.045), saves time (.015), perceived usefulness(.042), effective (.038), perceived enjoyment (.031) and privacy and security (.000) are less than alpha values, i.e.  $P < .05$ . It means there is a significant relationship between gender of the respondents and factors affecting consumer preference towards digital payment systems

Chi square test is use to test **H3**, and evaluated that probability values for perceived ease of use (1.345), saves time (.987), perceived usefulness(.567), effective (.842), perceived enjoyment (.467) and privacy and security (.432) are greater than alpha values, i.e.  $P > .05$ . Hence the **H3** is failed to reject, it means there is no relationship between place of the respondents and factors affecting consumer preference towards digital payment systems.

It is clear from the person chi square test that significant values for perceived ease of use (.132), saves time (.148), perceived usefulness(.734), effective (.656), perceived enjoyment (.145) and privacy and security (.362) are greater than alpha values, i.e.  $P > .05$ . Hence the **H4** is failed to reject, it means there is no relationship between education of the respondents and factors affecting consumer preference towards digital payment systems.

The significant values for perceived ease of use (.674), saves time (.342), perceived usefulness(.134), effective (.543), perceived enjoyment (.113) and privacy and security (.712) are greater than alpha values, i.e.  $P > .05$ . Hence the **H5** is failed to reject, it means there is no relationship between income of the respondents and factors affecting consumer preference towards digital payment systems.

It is sampled 352 samples and evaluated whether there is a relationship between marital status of the respondents and factors affecting consumer preference towards digital payment systems. It was found that the significant values for perceived ease of use (.006), saves time (.000), perceived usefulness(.034), effective (.042), perceived enjoyment (.000) and privacy and security (.015) are less than alpha values, i.e.  $P < .05$ . Hence the **H6** is rejected; it means there is a relationship between marital status of the respondents and factors affecting consumer preference towards digital payment systems.

**H7** is tested by using chi square test and evaluated that the significant values for perceived ease of use (.114), saves time (.213), perceived usefulness(.342), effective (.075), perceived enjoyment (.142) and privacy and security (.173) are greater than alpha values, i.e.  $P > .05$ . Hence the **H5** is failed to reject,

it means there is no relationship between occupation of the respondents and factors affecting consumer preference towards digital payment systems.

### Conclusion

Invasion of smart phones, internet usage, entry of non-banking institutions and changing consumer behaviours are the essential supporter for the development of digital payment systems in India. Perceived ease of use, saves time, perceived usefulness, effective, perceived enjoyment and privacy and security are the vital factors influencing consumer preference towards digital payment systems. It is evaluated and that gender and marital status of the respondents' shows impact on the consumer preference and place, age, education, income and occupation of the respondents don't alter the consumer preference towards digital payment systems. It is suggested to the payment system service providers to consider factors influencing consumer preference and take appropriate measures.

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