



# Digital payments – a disruption in consumption pattern

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## **Abstract**

*Proliferation of banking culture among all sections of Indian population is yet to be achieved. Government has taken various initiatives which helped increase the banking operations and paved way for digital payments. Digital payments have been a catalyst in the country's push towards a cashless economy.*

*NEFT/NACH payments are now available 24x7; IMPS gives instant credit to the recipient. UPI and Payment apps like Gpay, Paytm give faster results and provide convenience of instant transfer with a digital record. Post demonetisation, digital payments picked up. But digital salience has been increasing even after cash availability was restored. Digital payments have also helped in increased spending pattern and consumption, owing to ease of payments, digital trail and record, and synchronization with ease of purchase getting matched with ease of payment especially since the advent of Covid-19. Online purchases which have seen an uptick in Covid environment has given a further impetus to digital payments. It has changed consumer behavior and has paved way for many a fintech companies. Measures like e-banking, popularization of debit and credit cards, incentivizing merchants and consumers alike to adopt digital payments has helped greatly in gaining consumer acceptance for the digital mode of payment.*

*An attempt has been made in this paper to assess the impact of digital payment methods in the consumption and payment pattern of consumers. Data has been collected from over 100 respondents about their preference for making payments for regular transactions. Analysis has been made about the trend of payments for regular products. Chi – Square test has been used to test hypothesis on association of digital payments and payment pattern. The findings of the study are instrumental in proving that digital payment opportunities have caused disruption in payment pattern of consumers.*

**Key words :** Digital Payments, Payment pattern, Disruption, Consumption

## **Digital payments – a disruption in consumption pattern**

Digitalization is a process which is intended to use technology to drive the economy towards a cashless society. The trend towards use of non-cash transactions and settlement began in daily life during the 1990's, when electronic banking became popular. By the 2010's digital payment methods were introduced in western countries including intermediaries such as PayPal, digital wallet systems. By the 2010's cash had become actively disfavoured in some kinds of transaction which would historically have been very ordinary to pay with physical tender.

Prime minister, Mr Narendra Modi launched the Programme “Digital India” with a vision to transform India into a digitally empowered nation and creating a cashless, paperless economy. To strengthen the program, the government of India went on for a financial inclusion linking the bank account of people with their salaries and opening of bank account linked with aadhaar account under Jan Dhan Scheme. One of the significant advantages of digital payment is the seamless experience they provide to customers. It helps us to send and receive funds from anywhere in the world instantly. It saves time and money. The digitalized payments offers payment options to a customers, which ensures timely and accurate payment. Digital transactions brings in transparency, scalability and accountability as records are maintained at every level.

In November 2016, on account of demonetization, currency notes of INR 500 and INR 1000 denominations were scrapped. RBI has recently revealed a document “Payments and Settlement Schemes in India: Vision 2018” setting out a plan to inspire electronic payments so as to channelize India to move to a cashless economy in the medium and long term. The depletion in cash due to demonetisation has pushed digital and e-transaction to the forefront; e-banking, e-wallets, and other transaction apps became prevalent.

In India's journey towards becoming digitalization, 'demonetization' and 'COVID-19' played a significant role. One laid out the foundation of digital payments and another acted as a catalyst to build up the digital payments ecosystem. Pandemic and the enforced lockdown accelerated the process of contactless payments. During this period, online shopping was resorted to by further boosting online payments. The lockdown restricted economic transactions of 1.3 billion people. A survey conducted in April 2020 among nearly 9000 respondents revealed that over 33 percent of respondents increased their digital payments during this period and 9 percent made exclusively online payments.

India ranks 44<sup>th</sup> in terms of digital competitiveness in the world (IMD World Digital Competitiveness Ranking 2019, WDCR). The rank is based on how well a country's residents understand new technology, their competence and preparedness to develop and embrace new innovations.

There are different modes of digital payments. NEFT, RTGS, payment through credit card or debit card, mobile wallets Paytm, Pay U money, Mobikwik, Phone pay, E-Wallets like PayPal, UPI and few UPI apps are SBI Pay, Union Bank UPI App, Phone Pay, etc. are some modes of digital payments in India.

The present study intends to look at the change in consumer perception of digital payment methods in times of Covid Pandemic. It is intended to analyse the impact caused on consumption pattern due to digital payments, thereby highlighting the disruption caused by it.

## Review of Literature

Many empirical studies have been conducted on digital payments and cashless economy in India and Abroad. The major emphasis of research has been on various issues like frauds, security, usage patterns, new method of e-payment, etc.

Singh, S., & Rana R made a study on the consumer perception of digital payment modes and found that consumer perception of digital payment has a significant and positive impact on the adoption of digital payment. The study made use of Primary data and frequency analysis and concluded that there is no significant variance in consumer perception based on demographic factors such as gender, age of the respondents

Bamasak O (2011) carried out study in Saudi Arabia found that there is a bright future for m-payment. Security of mobile payment transactions and the unauthorized use of mobile phones to make a payment were found to be of great concerns to the mobile phone users. Security and privacy were the major concerns for the consumers which affect the adoption of digital payment solutions was the conclusion drawn by Dahlberg T, Mallat N, Oorni A (2003). Doan N (2014) illustrated the adoption of mobile wallet among consumers in Finland as only at the beginning stages of the Innovation-Decision Process.

Doing payments via mobile phones has been in use for many years and is now set to explode (Dahlberg T, et al 2008). Also mobiles are increasingly being used by consumers for making payments. Wamuyu PK (2014). Opined that “Digital Wallet “has become a part of consumers which are nothing but smart phones which can function as leather wallets .Digital wallet offered many benefits while transferring money such as convenience, security and affordability Growth in technology has opened many modes of payments through which consumers can do transactions which are more convenient, accessible and acceptable was the inference drawn by Soman D (2001).Dewan SG, Chen LD (2005) also found that consumers have an inclination towards mobile payment apps usage.It was agreed by Liu S, Zhuo Y, Soman D, Zhao M (2012). Major factor in adoption of digital wallet is convenience in buying products online without physically going from one location to another location was the benefit according to Rathore HS (2016). There has been many studies conducted in past on mobile payment application to find consumer interest and they found consumer has positive inclination for the same Dewan SG, Chen LD (2005).

The factors such as perceived ease of use, expressiveness and trust affect adoption of digital wallet as payment method. These factors are termed as facilitators and plays crucial role in adoption of digital payment solution as per the study conducted by Padashetty S, Kishore KS (2013). Usage of digital wallet among youth in the state of Punjab was found to be associated with societal influence and usefulness, controllability and security, and need for performance enhancement. Premium pricing, complexity, a lack of critical mass, and perceived risks are the barriers to adoption of digital payment systems was the result of the study conducted by Taheem K, Sharma R, Goswami S (2016).

## Research Methodology

Exploratory method was used to conduct research. Data was collected from both, primary and secondary sources. Primary data was collected by making a questionnaire through google forms and circulated in WhatsApp groups.Data has been collected from people in the age group of 20 to 60. Working population has been selected to collect data. Data was collected from hundred respondents residing in different parts of Mumbai metropolitan region. Convenience sampling was used to collect data. The secondary data was collected from various websites, newspaper, magazines, trade journals, publications of different market analysts, Further, to test hypothesis, Z test is used to find the impact of the pandemic on the preference for making payments. Chi square test has been used to find the association between demographic factors and preference for digital payments.

## Objectives of Study

1. To understand the different modes of Digital Payments
2. To analyse the mode of payments preferred before lockdown and during lockdown.
3. To evaluate the impact of pandemic on digital payments based on demographic factors.

## Hypothesis

### Null Hypothesis 1

H0: There is no significant difference between the mode of payment while purchasing the product before lockdown and during lockdown period.

### Alternate Hypothesis 1

H1: There is a significant difference between the mode of payment while purchasing the product before lockdown and during lockdown period.

### Null Hypothesis 2

H0: - There is no association between the demographic factors and preference for digital payments.

## Alternate Hypothesis 2

H1: There is an association between the demographic factors and preference for digital payments

### Limitations of study

The study is restricted to Mumbai metropolitan region. Due care has been taken to select a geographical area which has a pan India representation, yet the results may not represent the behavioural pattern of the entire population. The information given by the respondents might be biased. This study like any other research in social science suffers from inherent limitations. Respondents reserved their comments on certain questions. Though the questionnaire was circulated among more than 150 respondents, only about 100 questionnaires were filled completely.

Lack of awareness was also a detriment in collecting data.

### Data Analysis

Age	Number	Percentage
Below 25	66	66%
Between 25-50	26	26%
50 and Above	08	8%
Total	100	100%

#### Source: Primary data

The data was collected from 100 respondents out of which 66% of them were of less than 25 years of age. 8% of them were above 50.

Gender	Number	Percentage
Male	18	36%
Female	32	64%
Total	50	100

#### Source: Primary data

Data was collected from majority of female. 64% of them who had responded were females. 36 males had responded.

According to the survey, nearly 98% of respondents preferred digital payments. Only 2% were apprehensive of using technology. They were afraid to link their bank accounts with the payment platforms.

It was found that nearly 68% of the respondents were comfortable using Debit / Credit Cards. The second most preferred mode of payment was UPI 28%. This shows that other modes of payments were not very popular.

80% of respondents think that digital payments saves both money and time. 75% respondents were of the opinion that pandemic and the enforced lockdown had accelerated their adoption of digital payments.

Network issues pose a challenge to digital transactions. 98% of respondents were receptive to changes in technology and were ready to learn to use online platform. Digital education and uninterrupted internet connection were perceived to be most important for digital payments. Respondents preferred digital payments as they were sceptical about moving out of their homes and were keen to avoid point of contacts during the pandemic.

Z test was conducted to test the first hypothesis. P value was found at 2.01. Since p value of z test at 95% confidence level is greater than 1.96, null hypothesis is rejected.

Chi Square test was used to test the second hypothesis. At 23 degrees of freedom with 5% level of significance, critical values are 11.689 and 38.076. P value is calculated at 40.32. So null hypothesis is rejected.

## Conclusion

Government's initiative, the pandemic, digital awareness campaigns by the payment solution providers, Fintechs and banks are some of the factors which have encouraged digital payments. Increase in connectivity with mobile phones and a robust digital payment infrastructure may pave way for accelerated digitalization. Digital payment platforms have performed well during this pandemic. Fintech companies are expected to play a pivotal role in making India's journey towards the cashless economy.

Going cashless not only offers convenience but also helps authenticate and formalize the transactions that are done. This helps to curb corruption and the flow of unaccounted money. The carrying cost of currency can be reduced. Government and financial institutions need to address the infrastructure, legal and security issues to promote digitalization. Government bodies like SEBI and banks need to take initiatives to improve financial education among people.

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