

Customer Perception towards Digital Payment Systems in India

V. Subasree^{#1}, Dr. E. Karthikeyan^{*2}, V. Radhakrishnan^{*3}

¹PG student, PG Department of Commerce, K.S.R. College of Arts and Science for Women, Tiruchengode, India

Mail-id: subasree0007@gmail.com

²Head and Assistant Professor of Economics, KSR college of Arts and science for women, Thirucngode, Namakkal.

Mail-id: karthik2sathiya@gmail.com

³Assistant Professor, PG Department of Commerce, K.S.R. College of Arts and Science for Women, Tiruchengode, India

Mail-id: v.radha077@gmail.com

Abstract — The Indian economy is undergoing a rapid digital transformation, significantly propelled by government initiatives like Digital India and demonetization. This shift has placed digital payment systems at the forefront of financial transactions. This study investigates consumer perceptions of these systems to understand the key factors influencing their adoption and sustained usage. Utilizing a descriptive research design, primary data was collected from 100 respondents through a structured questionnaire, focusing on demographics, usage patterns, and perceptions of convenience, security, and usefulness. The findings indicate a high adoption rate (90%), driven primarily by perceived convenience (53% agree/strongly agree) and time-saving benefits (53% agree/strongly agree). While a majority of users show brand loyalty (54% agree/strongly agree on using one app), perceptions on security and absolute usefulness were more varied. The study concludes that while digital payments are widely accepted, enhancing security measures, ensuring system stability, and improving user education are critical for deepening adoption and moving towards a truly cash-lite economy.

Keywords — Digital Payments; Customer Perception; UPI; Cashless Economy; Financial Technology.

1. Introduction

The global financial landscape is witnessing a paradigm shift from cash-based transactions to digital payments, a transition acutely visible in India. A digital payment, or electronic payment, involves the transfer of value from one payment account to another using a digital device such as a mobile phone, computer, or a Point-of-Sale (POS) terminal. The Indian government's flagship "Digital India" programme, launched in 2015, envisions a "Faceless, Paperless, Cashless" society. This vision received a significant impetus from the demonetization exercise in November 2016 and the subsequent promotion of platforms like BHIM (Bharat Interface for Money) and UPI (Unified Payments Interface). These initiatives have dramatically accelerated the adoption of digital payments across the country. Understanding how consumers perceive this shift—what drives adoption, what concerns persist, and what factors influence satisfaction—is crucial for policymakers, financial institutions, and service providers. This study aims to analyze these customer perceptions to provide a clear view of the current digital payment ecosystem in India and its future trajectory.

2. Literature Survey

The evolution of digital payments in India has been a subject of extensive study. A comprehensive review of the payments industry up to 2020 highlights a decade of vibrant

disruption and innovation, fueled by government policy, regulatory support, and technological advancements [1]. The role of the National Payments Corporation of India (NPCI) has been pivotal, as noted in industry analyses, for building robust infrastructure like UPI, IMPS, and FASTags, which collectively manage billions of transactions monthly [1]. This body of work establishes that the infrastructure for a digital economy is not only attainable but is being rapidly realized.

Previous research has consistently identified key themes influencing adoption. Studies indicate that the transformative journey from traditional banking to a mobile-first approach has been spectacular, though the need for an expanded acceptance infrastructure, especially in Tier III-V cities, remains a challenge [1]. The literature suggests that while merchants now recognize the benefits of digital payments, building consumer trust is an ongoing process, often hindered by concerns over data security and the need for system stability after a period of rapid change [1]. This study builds upon this existing foundation by providing empirical data on current user perceptions, focusing on the end-user's experience and trust factors in the contemporary digital payment landscape.

3. Research Methodology

This study employs a descriptive research design aimed at accurately describing the characteristics of the population being studied—specifically, users' perceptions

of digital payment systems. The objective is to gather comprehensive data that reflects current attitudes and usage patterns without manipulating any variables.

3.1 Data Collection

Primary data was the cornerstone of this research. It was collected through a well-structured questionnaire administered to a sample of 100 respondents. The questionnaire was designed to capture demographic information (gender, age, marital status, family type) and gauge perceptions and usage habits related to digital payments. A five-point Likert scale was used for attitudinal questions to measure the degree of agreement or disagreement with specific statements. Secondary data from industry reports, government publications, and academic journals was used to provide context and support the primary findings.

3.2 Sampling

The sampling unit for this research was individuals who use digital payment modes. A sample size of 100 respondents was selected. The intercept interview method was adopted for data collection to efficiently gather responses from a diverse group of users.

3.3 Data Analysis

The data collected was analyzed using statistical tools, primarily percentage analysis. The results are presented in the form of frequency tables and charts to facilitate clear interpretation and discussion of the findings.

4. Results and Discussions

The analysis of the collected data provides significant insights into the profile of digital payment users and their perceptions.

Demographic Profile: The respondent pool was predominantly male (64%) and married (72%). A large majority (69%) belonged to nuclear families. In terms of age, the largest cohort was 26-30 years (38%), followed by 31-35 years (32%), indicating that young and working-age adults are the primary users.

Adoption and Usage: An overwhelming 90% of respondents confirmed they use digital payment wallets or apps. However, the frequency of use varied. Only 14% reported always using digital payments for bills and purchases, while 27% used them often. A significant portion used them only occasionally (21%) or rarely (24%),

suggesting that while adoption is high, it has not yet completely replaced other payment methods for all transactions.

Perception of Key Attributes: Convenience: 53% of respondents (40% Agree + 13% Strongly Agree) found the digital payment mode convenient to use.

Usefulness: 58% of respondents (37% Agree + 21% Strongly Agree) believed mobile wallets are more useful than traditional methods for buying products. *Time-Saving:* 53% of respondents (36% Agree + 17% Strongly Agree) agreed that digital payments save a lot of time. *Brand Loyalty:* 54% of respondents (43% Agree + 11% Strongly Agree) tended to use a particular app or brand for all their digital payments, indicating the formation of habits and preferences.

Table 1: Perception of Digital Payment Attributes

Attribute	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Convenience	13%	40%	19%	22%	6%
Usefulness	21%	37%	20%	17%	5%
Time-Saving	17%	36%	18%	21%	8%
Brand Loyalty	11%	43%	20%	18%	8%

5. Conclusion

This study concludes that digital payment systems in India have achieved remarkable penetration, with a high rate of adoption among the population, particularly young adults. The primary drivers of this adoption are the perceived convenience, usefulness over traditional methods, and the significant time-saving benefits these systems offer. The emergence of brand loyalty suggests that users are finding specific platforms that meet their needs reliably.

However, the study also reveals areas that require attention. The fact that a substantial number of users only engage with digital payments occasionally or rarely indicates that cash still plays a complementary role. Furthermore, the noticeable percentages of respondents who were neutral, disagreed, or strongly disagreed with statements about convenience, usefulness, and time-saving point towards underlying concerns or experiences that hinder full reliance on digital systems. These likely include

perceptions of security, technical glitches, or lack of acceptance at smaller merchants.

Therefore, for India to truly evolve into a cash-lite economy, stakeholders must focus on enhancing the security infrastructure of digital payment platforms, ensuring their reliability and stability, and conducting widespread user education campaigns to build trust and comfort among all segments of the population. The future of digital payments in India is bright, but its foundation must be built on trust, security, and seamless usability.

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