

## A STUDY ON PROBLEMS AND PROSPECTS OF DIGITAL PAYMENT SYSTEM USERS IN TIRUNELVELI CITY

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### Abstract:

Financial transactions carried out digitally minimise the need for traditional documentation like cheques. Debit cards, credit cards, smart cards, e-wallets, e-cash, electronic cheques, and more are examples of digital payments. The use of digital wallets loaded with deals and coupons is leading in a new era of payment systems. The digitization of the payment system has brought about a fundamental shift in our financial system. Cash Less (Transaction) Economy contributes to the fight against terrorism financing, dark money, corruption, and counterfeit cash. The Indian government plans to transition to Cash Less Transactions through Digital India following the demonetization. The Government of India's flagship initiative, Digital India, aims to make India a knowledge economy and a society empowered by technology. Around the world, there are differences in the degree of acceptability of digital payment systems; certain ways are widely used while others are not as much. Although awareness campaigns for digital payments are even though digital payments are being used all over the world, they are still relatively new in India, thus users may encounter some difficulties. In the event that the system has issues, these issues must be resolved. This study aimed to identify the issues and challenges of Digital payment systems and offer some solutions to improve the Digital payment system quality.

**Keywords:** Digital payment, Internet Banking, Mobile banking, E-payment.

### INTRODUCTION:

"Digital payments" are online or digital transactions that don't involve exchanging actual money. In this instance, the money is exchanged electronically between the payer and the payee, respectively. Several initiatives have been put in place by the Indian government to support and encourage digital payments in the country. Government establishment of a "digitally empowered" "Faceless, Paperless, Cashless" economy is the aim of the "Digital India" programme. There are several formats and methods for implementing digital payments. Digital payment is a practical and economical way to make payments. It is safe and practical.

Digital transactions give customers an easy to use, easy option to make payments without requiring a physical credit card, cash, or bank account. It is less expensive, quicker,

and more secure than conventional payment methods like cash or bank transfers. The way we pay for everyday products and services is changing as more individuals use mobile devices for payment purposes. Paying using digital funds is a practical approach to purchase products and services. Digital payment methods such as bank accounts, credit cards, and mobile wallets are used by consumers to make phone, in-person, and online purchases.

Digital payments function in the same way as traditional ones do: when you purchase online, your bank account is automatically debited and your credit card information is retrieved. Since digital payments are so widely accepted worldwide, many retailers are using them. Just taking some time to adjust to this new situation is possible. All parties involved in payments—consumers and companies alike—benefit from the speed and ease of digital payments. Take a free look at digital payments now. Over the next several years, digital payments will become the norm for all of us since they are the way of the future for money. Payments using credit and debit cards are no longer the only options. If you use the right approach, digital is more secure and less expensive. Additionally, a variety of payment methods are available to suit your needs and simplify your online purchasing. Digital payments are an easy, quick, and straightforward approach to cover all of your expenses. Digital payments are accepted at ATMs, in-store, and online retailers. With our digital payment cards, we're paving the path for the future of money—digital payments.

The use of digital money is expanding and taking up more space in your life. Digital payment companies are anticipated to offer a range of easy-to-use options and are growing quickly. A projection from the World Bank states that by 2030, 20% of all transactions would be made online. Compared to 2014, when it was anticipated that 20% of transactions would be made digitally, this is a more than twofold increase in the proportion of cash transactions.

#### **LITERATURE REVIEW:**

- In their study, Pahwa & Raj [2021] listed the digital payment mechanism and the drawbacks associated with its application. For this experimental study, information is collected from Delhi-NCR residents who utilise electronic payment methods. The most frequent complaints from customers utilising electronic payment methods are insufficient internet access, security concerns, and challenging transactions. According to the study's findings, transaction failure, identity theft, and internet connectivity are the three main problems that customers run into while utilising e-payment methods to pay for products and services.
- According to a study by Shobha B.G. [2020], digital payments have given India the opportunity to empower its citizens, promote their usage, and replace the outdated banking system. Understanding and assessing the present status of digital payments is increasingly essential. Utilising secondary data, this study assessed the present status of several digital payment methods and found that, in the last five years, there has been a notable surge in the usage of digital modes. The purpose of the study is to raise policymakers' awareness of the problem so that digitalization can benefit everyone. In many metropolitan locations and most rural areas, cash is still king, despite the growing prevalence of digitalized payments. The study's primary conclusions show that there has been a significant increase in the usage of RTGS, ECS, NEFT, UPI,

NACH, credit cards, debit cards, point of sale, and PPIs, both in terms of quantity and value of transactions.

- In their research, Dhanya B. K. [2019] identified how consumers see digital mode. The study's goal is to determine consumer knowledge of digital payments and their preferred digital payment method. The research is descriptive in nature and uses both primary and secondary data. secondary data acquired from a variety of public sources. Customers are interviewed in order to obtain primary data. These clients are divided into three age groups: young, adult, and senior. Decision-makers may utilise the study's findings to adapt and enhance the digital payment system and comprehend how user perception and intention are impacted by it. Consumers value digital payments highly and understand how cutting-edge financial services and technology have merged with the modern lifestyle.
- The research conducted by Sujith and Julie (2017) highlights both the advantages and disadvantages of electronic payment methods in India. They employed real secondary data-based research papers from journals, research papers, periodicals, articles, and websites, along with descriptive research techniques. The study aims to elucidate the various e-payment options, as well as the potential, problems, and future prospects of India's digital payment system. The study's primary conclusions are that credit cards, debit cards, smart cards, e-wallets, and other payment methods are used in India instead of hard currency or checks. The main driver behind the growth of online e-commerce has been the use of payment methods, some of which we've looked at in this article. Online payments carry hazards, including identity theft, false client rejection, and theft of payment information.
- According to Mamta et al.'s [2016] study, the investigation aimed to identify the challenges and issues with electronic payment systems and offer some fixes to improve the calibre of e-payment systems. When security and privacy issues are handled in a way that appeals to both consumers and sellers and builds market trust in the system, electronic payment system installations are successful.

## **OBJECTIVES**

- To learn about Indian digital payment systems.
- To analyse the respondents' degree of familiarity with digital payment systems
- To explore the problems of digital payment system

## **RESEARCH METHODOLOGY**

The purpose of the study is to gather information about India's use of digital payment systems. The Tirunelveli area is the study's location. Convenience sampling was used to choose a sample size of 120. Data collection involves the use of structured questionnaire. The Chi square test and basic percentage analysis were used to examine the respondents' replies.

## **THE PROSPECTS FOR DIGITAL PAYMENTS IN INDIA:**

In India, digital payments have a number of advantages for companies, consumers, and the whole economy. These are a few of the major openings.

- **Financial Inclusion:** By giving those who might not have previously had access to traditional banking services access to banking and payment services, digital payments can contribute to a greater degree of financial inclusion.
- **Simpleness:** Customers may easily complete transactions using digital payments instead of cash or physical credit or debit cards. In addition to saving time, this lowers the possibility of theft or cash loss.
- **Economical:** Since digital payments do not need handling cash or incur processing expenses like those connected with traditional payment systems, they may be economical for organisations. This may lead to more efficiency and cheaper transaction costs.
- **Enhanced Security:** Since digital payments do away with the dangers of carrying cash and the potential for counterfeit money, they enhance security. To safeguard financial and personal data, digital payment systems also frequently employ encryption technology and other security precautions.
- **Greater Transparency:** By enhancing transaction transparency, digital payments can reduce the likelihood of fraud and corruption. Digital payment systems enable an auditable record of transactions, which may be used to spot and prevent fraudulent activities.
- **Economic Boost:** By encouraging financial inclusion, decreasing the unofficial cash economy, and raising government tax receipts, digital payments can stimulate the economy.

### **TROUBLE WITH DIGITAL PAYMENTS IN INDIA**

While there are numerous benefits to digital payments in India, there are also a number of issues that need to be resolved. These are a few of the main obstacles:

- **Low levels of digital literacy:** Many Indians, particularly those living in rural regions, are not aware of digital payment systems or possess the necessary digital literacy skills to utilise them successfully.
- **Infrastructure issues:** Digital payments depend on dependable and strong internet and telecommunications infrastructure, which isn't always available in India's rural and isolated locations.
- **Security issues:** The system's credibility may be weakened by hacking, information fraud, and cyber attacks that target digital payments.
- **Limited acceptance:** In order to be effective, digital payment methods must be broadly accepted by merchants and enterprises. However, because of a lack of infrastructure, knowledge, or confidence in these systems, many small businesses and vendors in India still prefer cash transactions.
- **Interoperability:** There are presently a number of digital payment systems available in India, but not all of them are compatible with one another. This can lead to misunderstandings and prevent uptake.
- **Regulatory challenges:** Businesses and consumers may find it difficult to navigate the many rules and regulations that apply to India's digital payment sector.

**DATA ANALYSIS AND INTERPRETATION  
REASONS FOR USAGE OF DIGITAL PAYMENT SYSTEM**

Reasons	Total respondents	Percentage of respondents
Easy Accessibility	72	60
Currency notes are absent	12	10
Rebates and cash discounts	30	25
Simple tracking of expenses	6	5
Total	120	100

Source: Primary data

**USE OF DIGITAL PAYMENT**

Duration	Total respondents	Percentage of respondents
Daily	30	25
Weekly	48	40
Fortnightly	6	5
Monthly	36	30
Total	120	100

Source: Primary data

**MODE OF DIGITAL PAYMENT PREFERED BY RESPONDENTS**

Mode of Digital payment	Total respondents	Percentage of respondents
Net banking	24	20
Credit / Debit cards	66	55
Mobile / E- Wallet	30	25
Total	120	100

Source: Primary data

**MAJOR PROBLEM WITH DIGITAL PAYMENTS**

Problems	Total respondents	Percentage of respondents
Security	72	60
Shopper clearance	30	25
Costs	12	10
Absence of knowledge in technology	6	5
Total	120	100

**ON YOUR LAPTOP OR PHONE, HAVE YOU INSTALLED ANTIVIRUS SOFTWARE OR MALWARE PROTECTION**

Opinion	Total respondents	Percentage of respondents
Maybe	18	15
Yes	54	45
No	72	60
Total	120	100

Source: Primary data

**IF NOTES START TO CIRCULATE AGAIN, WOULD YOU GO BACK TO CASH TRANSACTIONS**

Attitude	Total respondents	Percentage of respondents
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For more transactions	48	40
For some transactions	60	50
For rare transactions	6	5
Never	6	5
Total	120	100

**Source: Primary data**

After reviewing the comments, we have come to the conclusion that most individuals utilise digital payment systems since they are more convenient and no longer need to visit banks for anything. Debit and credit cards are the most popular ways to make digital payments, followed by e-wallets and net-banking. The majority of respondents utilise digital payments on a weekly basis, and security is their top worry. Net banking is the preferred way for high-value transactions, and while a majority of respondents never changed their passwords, others do so once every six months or once a year, 60% of respondents see this as their top issue., Regarding cyber hygiene, such as installing antivirus software on laptops and PCs, the results showed that while some people use antivirus software, others do not, and that most people do not store their bank account information or card details on their phones or laptops. Finally, even as the notes start to circulate again, the majority of respondents supported using digital payments for some transactions.

**DIGITAL PAYMENTS: OBSTACLES TO ADOPTION**

Criteria	Mean Value	Rank
Using cash as a habit	5.05	I
The difficulty of utilising	3.63	III
Insufficiently strong value proposition	3.63	III
Cash-based techniques	3.58	IV
incentives or deals from additional sources	3.43	V
Fraud and unreported allegations	4.33	II

**Source: Primary data**

The aforementioned table makes it clear that consumers believe their habit of using cash to make purchases is the biggest obstacle to embracing digital payments; on a scale of 1 to 6, the average score for this reason is 5.05. Another reason of obstacles to attempting digital payment is Fraud and unreported allegations. That has a mean value of 4.33, received an II rating, and the subsequent the several obstacles to attempting digital payments are: the difficulty of utilising; Cash-based techniques; incentives or deals from additional sources; and insufficiently strong value proposition.

**CHI-SQUARE TEST****HYPOTHESIS**

- I. There is no relationship between age and years of using Digital Payment.
- II. There is no relationship between age and the challenges of the digital payment.

**CHI-SQUARE ANALYSIS**

Hypothesis	Calculated Chi-Square Value	Degree of Freedom	Table value at 5% Level	Result
I	18.699	12	21.026	Not Significant
II	5.418	12	21.026	Not Significant



**Source: Primary data**

It is found from the above table that the calculated Chi – Square value of hypothesis I, 18.699 is less than the table value 21.026. Hence Hypothesis is accepted and concludes that "There is no relationship between the age of the respondents and their use of digital payment"

Chi – Square value of hypothesis II, 5.418 is less than the table value 21.026. Hence Hypothesis is accepted and concludes that "There is no relationship between age and the challenges of the digital payment"

**DISCUSSION AND CONCLUSION**

India's economy is rapidly becoming one of the biggest and most robust in the world. Certain essential elements, such as enhanced transparency and corporate governance, are crucial for long-term development and growth alongside strong economic development. The advancements in the digital world have brought about a transformation in many aspects of human activity. As a result of the policy change, cash is no longer accepted as payment. The nation must switch from a cash-based payment system to a cashless (digital) one. Numerous benefits will result from this, including lower costs for managing currencies, tracking transactions, preventing tax evasion and other fraud, improving financial inclusion, and progressively integrating the parallel economy with the mainstream. One of the fantastic innovations created by the banking industry is the digital payment system. There are now more clients as a result of this. But not all consumers are aware of the majority of digital payment options' programmes. Therefore, all e-banking consumers should receive the same information from bank staff. The survey finds that every one of the 120 respondents said they would prefer to continue using digital payments in the future. However, clients are also aware of every transaction that occurs in their account, and they should notify the bank immediately if something is wrong. In order for the appropriate steps to be done. It is crucial to exercise caution and safety while utilising digital payment methods.

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