

# A STUDY ON WHETHER ACCEPTANCE/NON-ACCEPTANCE OF DIGITAL PAYMENT METHODS IS AFFECTING BUSINESS WITH SPECIAL REFERENCE TO THRISSUR DISTRICT OF KERALA STATE

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## ABSTRACT

*The study under the title "A STUDY ON WHETHER ACCEPTANCE/NON-ACCEPTANCE OF DIGITAL PAYMENT METHODS IS AFFECTING BUSINESS WITH SPECIAL REFERENCE TO THRISSUR DISTRICT OF KERALA STATE" was conducted to find out how vital digital payments have become in the success of a business. The population of the study was all small-scale merchants and retailers in the Thrissur district out of which a sample of 100 units was derived by judgment sampling technique. The research followed a descriptive research design and the primary data was collected through the administration of a questionnaire. The secondary data was collected through journals, newspapers, books, and the internet.*

*The study was conducted on merchants and street vendors from different categories of business. From the data thus collected a chi-squared test was conducted to find if there is any relation between acceptance of digital payments and growth in business. The test resulted in a chi-squared value of 11.949 and p-value of .017734 which implies that the result is significant and that the null hypothesis "H<sub>0</sub>: Acceptance/non-acceptance of digital payment methods has no effect on business" is rejected and the alternative hypothesis "H<sub>1</sub>: Acceptance/non-acceptance of digital payment methods has a significant effect on business" is accepted.*

*The study also found out that UPI is the most popular form of digital payment followed by debit cards. Credit cards are also gaining favour. Due to their complexity bank transfers and mobile banking are not often preferred. It is also noted that commission, initial cost, and susceptibility to fraud are considered as the most important factors driving merchants away from Digital Payments.*

*Another noteworthy finding is that some merchants who favour digital payments are not accepting them because of a lack of digital knowledge alone. The security of digital payment methods should also be ensured. To conclude, payments are well accepted by merchants and customers alike, aside from some minor setbacks, an active involvement of the government and RBI could possibly usher the advancement towards a cashless economy.*

**Keywords:** Digital Payments, Cashless Economy, Debit cards, Credit Cards, Contactless Payments

## INTRODUCTION

Traditionally, liquid currency has been the preferred medium of exchange for the business community in India. The number of merchants offering cashless payment options was largely limited as recent as 2016. The approach was reflective of the fact that only 35% of the Indian population had bank accounts in 201; this has however underwent a sea-change over the past few years when due to the efforts of the government and RBI, the number of bank account holders steadily increased to 80% by 2017. Another note-worthy statistics in this regard is that between 2014 and 2017, 55% of all bank accounts opened across the world in from India. The introduction of Jan-Dhan Yojana by the central government of India is considered as the major driving force behind the increase in bank accounts along with the demonetization drive in 2016.

Post demonetization, a scarcity of liquid currency came into existence and it encouraged people to adopt other methods of payments for their day-to-day purchases. Along with the popularity of bank accounts and different initiatives under the digital India scheme, more financial institutions came forward by offering POS machines at reasonable costs and started offering more credit cards. The introduction of the UPI payment system in August 2016 ushered the shift towards cashless economy and even small-scale merchants and street vendors started accepting digital payments. The evolution of the information technology and internet services in the country provided the back bone for mobile based UPI payment systems..

Even as the popularity of digital payment methods started to rise, there were certain issues that needed to be addressed. Many merchants hesitated from providing digital payment options as card swiping machines often charged a commission from 1.5 to 3 % to add to the fact that service providers that offered zero commission would only process the amount after a certain credit period (10-15 days.). With the popularity of digital payments, attempts at fraud also increased and apps that faked UPI payments success screens came into existence and this caused many merchants to turn away from accepting UPI payments.

Business in the country has reached a point where the acceptance of digital payments has become unavoidable, yet adoption of digital payments poses certain risks as well. This study attempts to understand the customer's preference towards different payment methods from the merchant's point of view. The study also attempts to find out whether the non-acceptance of digital payments methods is affecting sales among small scale merchants and retailers.

#### REVIEW OF LITERATURE

- i. Aakash Mukherjee had published a paper in the Journal of University of Shanghai for Science and Technology in 2020, on "A study on Consumer Preference towards Payment Methods for online shopping in Pune". The study indicates that the preference towards payment option vary widely among people and different sectors of people find different payment options as more convenient.
- ii. Arvind Agrawal published a paper in the Journal of Emerging Technologies and Innovative Research, 2015 on the topic "Do Payment Types Affect Consumer Preferences?" The study concludes that there is a difference in consumer preference and buying behavior based on the method of payment used. The difference was distinct in the case of using Credit Cards and Debit cards for purchase.
- iii. Jayaram Narayanan published an article in International Journal of Emerging Technologies and Innovative Research in 2021 on "a study on growth of UPI apps in India after covid outbreak". In the research it is concluded that the popularity of UPI payments have increased considerably in the past years and that about 2 billion UPI transactions are taking place monthly.
- iv. Gaurav Tyagi Had published an article in the Journal of Management Research and Analysis in 2022 on "A study on digital payment applications in India". The study reveals that digital payments are becoming more popular because of their convenience. The factors considered to be most influencing are security, ease of use and not having to carry changes.
- v. Isha Dave and Raaj Patel had published a paper in the IUP Journal of Management Research,2020 on , "A Study on Customer Preference Towards Usage of Debit Card in Ahmedabad City". The author concludes that debit cards are becoming increasingly popular among customers when compared to cash payments.

#### OBJECTIVES

- To find out which payment method is most preferred by customers.
- To understand if acceptance/non-acceptance of digital payment is affecting business growth.
- To understand the difficulties faced by merchants when implementing digital payments

- To find out the most preferred digital payment method.
- To find out which UPI provider is most popular among merchants.

### RESEARCH HYPOTHESIS

**H0:** Acceptance/non-acceptance of digital payment methods has no effect on business

**H1:** Acceptance/non-acceptance of digital payment methods has a significant effect on business

### RESEARCH METHODOLOGY

**Research Design:** This study is based on the descriptive research design. The descriptive research design analyses and explains or describes the problem and the situation without going into the details as to why it is no. This design attempts to answer the questions “When”, “Where”, “How” and “What” and does not address the question “why”. This design is used because the researcher is attempting to study whether digital payments are having any influence on business growth or decline and does not intend to further study what is causing the said difference if any.

**Primary Data:** A structured, close -ended questionnaire was used to collect primary data and the questionnaire was administered through direct interviews, Google forms and telephonic interviews.

**Secondary data:** The Secondary data was collected from publications, articles, newspapers, and journals. Internet and books were also a source for secondary data.

**Sampling Technique:** The study used judgement sampling where the researcher uses personal experience, knowledge and inference to derive a suitable sample.

**Population:** Population of the study is defined as Small scale businesses and retailers in Thrissur district of the Kerala state.

**Sample Size:** The sample size is taken to be 100 small scale or retail merchants from Thrissur district in Kerala state.

**Sampling Unit:** The sampling unit is one small scale or retail merchant from Thrissur district in Kerala state.

### LIMITATIONS OF THE STUDY

- Shop owners often hesitated to co-operate during busy business hours.
- There are possibilities of bias in the responses.
- Sampling errors may be present.

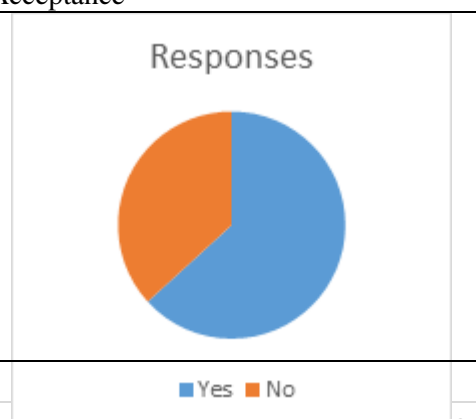
### DATA ANALYSIS

The findings from analysing and interpreting the data collected through the questionnaire is furnished below.

#### Q1. Do you accept digital payments?

**Table 1:** Digital Payments Acceptance

Value	Number of Responses	Percentage
Yes	82	82%



No	18	18%	Figure 1: Digital Payments Acceptance
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82% of respondents are accepting some form of digital payments while 18% does not accept digital payments.

**Q2. What is your Category of business?**

**Table 2: Category of business**

Value	Number of Responses	Percentage	Responses
Fruits & vegetables	8	8%	
Meat, fish & egg	8	8%	
Beauty & fancy Stores	5	5%	
Clothing	8	8%	
Stationary	7	7%	
Food & beverages	13	13%	
Electrical and Plumbing	5	5%	
General stores	14	14%	
Health and Medical	9	9%	
Street vendors	9	9%	
Others	14	14%	

**Figure 2: Category of Business**

Most respondents that participated in the survey were General Stores followed by food and beverages. The least number of respondents were Beauty and fancy stores & Electrical and plumbing supplies. Other un categorised merchants belonged to Accessories and spare parts shops, electronics shops, handicrafts shops and plastic and metal utensil dealer.

**Q3. Do you agree to the statement that “Customers are more demanding towards digital payments”**

**Table 3: Consumer demand towards digital payments**

Value	Number of Responses	Percentage	Responses
Strongly Agree	26	26%	
Agree	38	38%	
Neutral	18	18%	
Disagree	12	12%	
Strongly Disagree	6	6%	

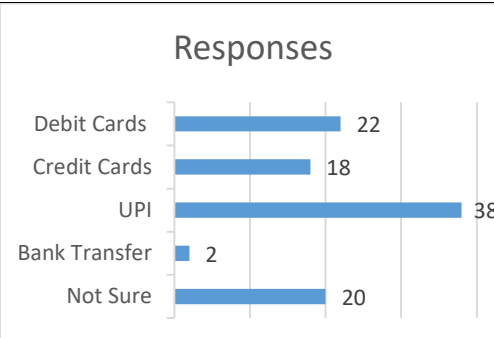
**Figure 3: Consumer demand towards digital payments**

From the data it was found out that 26% of respondents strongly agreed to the statement and 38% agreed. 12% of respondents disagreed and 6% of respondents strongly disagreed to the statement. 18% gave a neutral response that they neither agreed nor disagreed.

**Q4. Which modes of digital payments is most preferred.**

**Table 4: Payment Preferences**

Value	Number of Responses	Percentage
Debit Cards	22	22%
Credit Cards	18	18%
UPI	38	38%
Bank Transfer	2	2%
Not Sure	20	20%



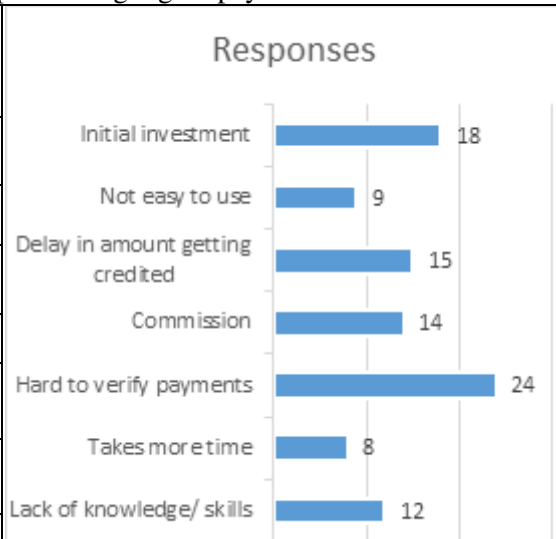
**Figure 4: Payment Preferences**

From the responses, it is clear that UPI is the most preferred form of digital payments with 38% of responses favouring UPI. Debit cards are the next most popular form of payment with 22% responses followed by credit cards at 18%. Bank transfers are the least preferred with only 2% response and 20% of respondents were not sure.

**Q5. What are the major difficulties faced while implementing and using digital payments.**

**Table 5: Difficulties in implementing digital payment**

Value	Number of Responses	Percentage
Initial investment	18	18%
Not easy to use	9	9%
Delay in amount getting credited	15	15%
Commission	14	14%
Hard to verify payments	24	24%
Takes more time	8	8%
Lack of knowledge/ skills	12	12%

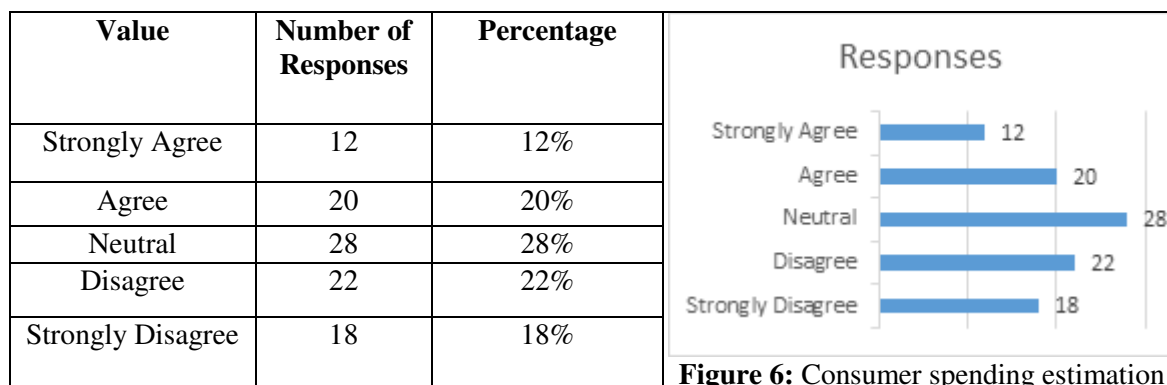


**Figure 5: Difficulties in implementing digital payment**

Most merchants believe that verifying if payment was successful is the hardest part in accepting digital payments, especially in the case of UPI payments, in busy hours it is hard to verify each payment and that is causing hardship to 24% of respondents, 18% are finding the initial cost to be too much while 9% believe it is not easy to accept digital payments. Commission is a problem for 14% of respondents and the delay in crediting is an issue for 15%. 8% think it takes more time and 12% does not know how to operate or doesn't have enough awareness.

**Q6. Do you believe that digital payments make customers spend more?**

**Table 6: Consumer spending estimation**

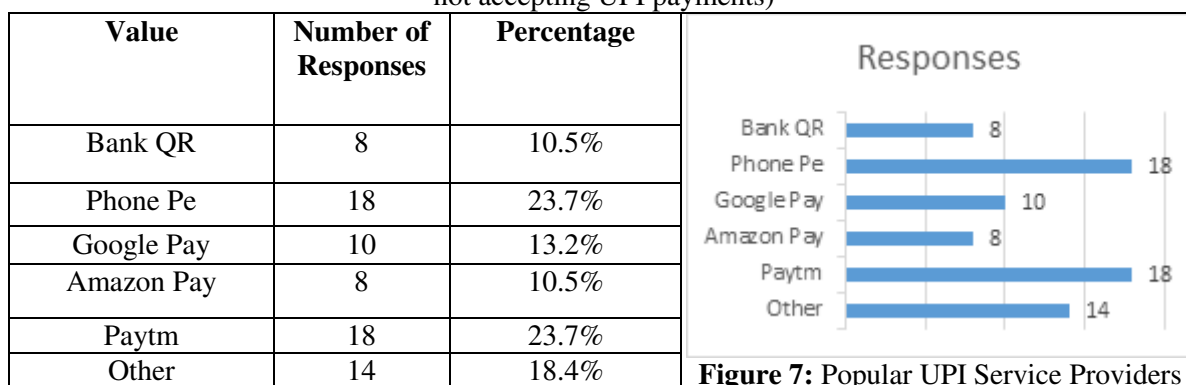


Most respondents does not believe that digital payments are making customers spend more. 22% of respondents disagreed while 18% strongly disagreed to the statement. 20% respondents believe the customers spend more through digital payment options and 12% strongly agree. 28% neither agreed nor disagreed.

**Q7. Which UPI service provider are you using?**

**Table 7: Popular UPI Service Providers**

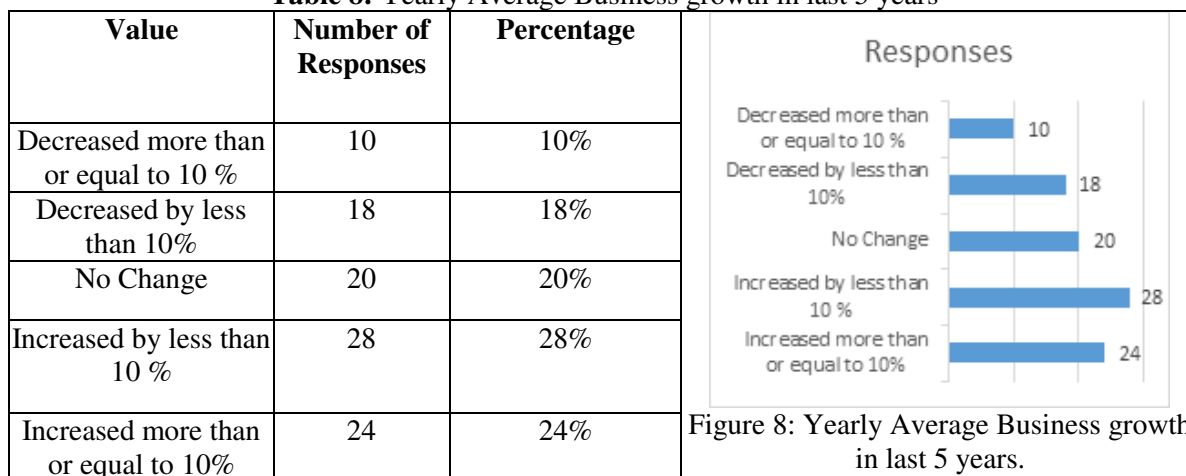
(Note: Total Number of respondents for this question are considered to be 76 as 24 respondents are not accepting UPI payments)



The most popular UPI service providers are Paytm and Phone Pe with 23.7% responses each followed by google pay with 13.2% response. Amazon pay and Bank QR has 10.5% responses while all others share 18.4% of responses.

**Q8. How do you describe your business growth in the last 5 years?**

**Table 8: Yearly Average Business growth in last 5 years**

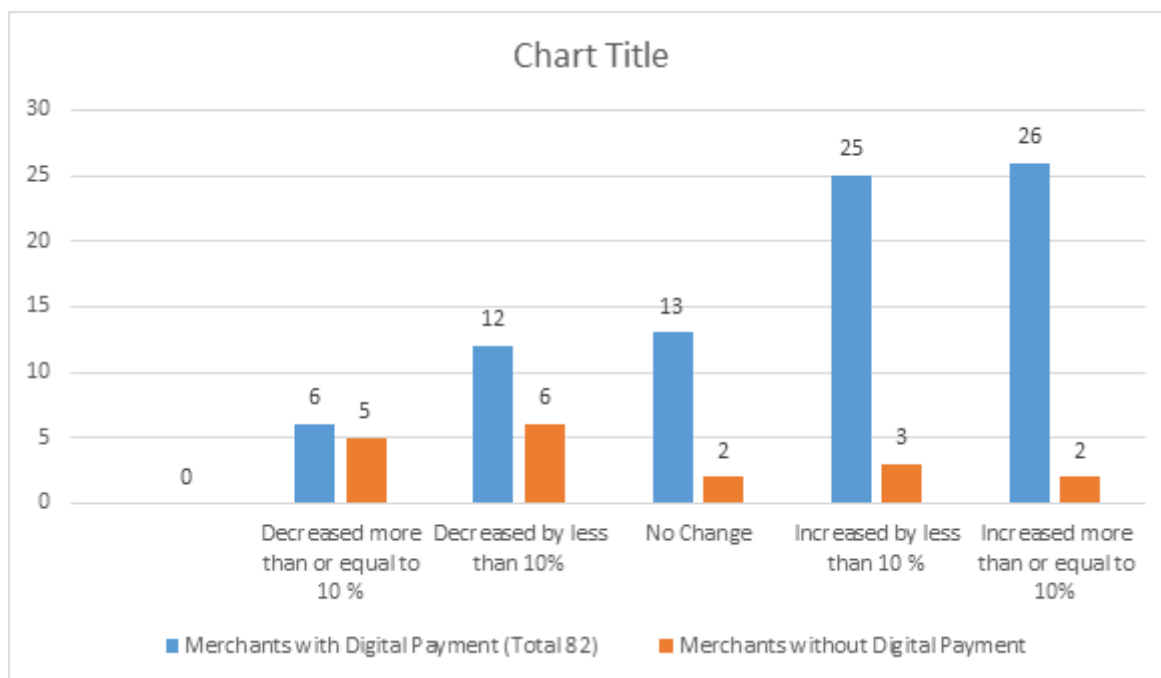


Most respondents are recording a growth in the last 5 years. 24% showed an average growth of more than or equal to 10% PA and 28% showed a growth of less than 10% PA. 20% of respondents mentioned that their business has neither increased nor decreased. 18% of respondents reported a decrease of less than 10% PA and 10% reported a decrease of more than or equal to 10%.

**Chi-square Distribution Table (Based on data collected from question 8)**

**Table 9:** Chi-Squared Distribution Table

	Merchants with Digital Payment (Total 82)	Merchants without Digital Payment (Total 18)	
Decreased more than or equal to 10 %	6	5	11
Decreased by less than 10%	12	6	18
No Change	13	2	15
Increased by less than 10 %	25	3	28
Increased more than or equal to 10%	26	2	28
	82	18	100



The calculated chi-squared statistics is 11.949 and the p-value is .017734. So, the result is significant at  $P < 0.05$ . So the null hypothesis that  $H_0$ : Acceptance/non-acceptance of digital payment methods has no effect on business is rejected. Acceptance of digital payment has a significant effect on business growth or decline.

**FINDINGS**

- Most Respondents are already accepting digital payments.
- Digital payments are being accepted by merchants irrespective of their business category.
- UPI is the most popular digital payment method.
- Customers are more demanding towards digital payments than cash.
- Debit cards and credit cards are gaining more popularity.

- The difficulty in confirming digital payments, especially UPI payments is considered as the most difficult part in accepting digital payments.
- Commissions charged on digital payments by service providers is discouraging their use and popularity
- Phone Pe and Paytm are the most popular UPI service provides
- Acceptance of digital payments have a significant impact on business as more customers are preferring stores that accept digital payments.
- A small portion of shops prefer digital payments but are not able to provide it because of lack of technical knowledge and awareness.
- Street vendors are resorting to UPI payment methods to increase sale.
- Bank transfer is preferred only in the case of large purchases and only very few retailers prefer bank transfers.

### CONCLUSION

Digital payments are already being accepted widely and most customers prefer digital payments above cash payments. The advantages of digital payment are that it is easier to carry out, easier to carry, safe and reliable. Most merchants find it easy to accept digital payments. UPI has grown fast and became the most preferred payment system for both customers as well as merchants. The fact that UPI does not require extensive paper works and cash investments makes it easier to implement.

Businesses that accept digital payments are showing better growth than those that don't accept digital payments. From the study it is clear that acceptance of digital payment is a significant factor in deciding business growth.

### SUGGESTIONS

- Awareness programs should be conducted among merchants to promote digital payments
- Strict actions should be taken against fraud UPI applications and users
- Commission on digital payment systems should be revised in the context of increased popularity
- Installation of voice confirmation machines would help less technically sound people to effectively use UPI payments
- Special charges on credit transaction should be revised

### REFERENCES IN APA STYLE

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**FOOT NOTES**

1. Source: statista.com
2. Source: World Bank Global Findex Report
3. Source: Indian Express – January 12, 2022