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# A Study on Consumer Preference towards Selected Digital Payment Mechanisms

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## ABSTRACT

*In today's modern commercial operations, a plethora of payment options are offered for the purchase and sale of goods and services. Several service providers have developed a multitude of apps and wallets over time that allow users to pay and accept payments from each other as well. A user can instantaneously pay from any location at any time without physically being present in a bank branch. The paper makes an effort to pinpoint the methods of payment that have become the most prominent for digital banking - a study in Jaipur city and the researcher has made use of both primary and secondary data. The primary information was gathered through a self-constructed questionnaire distributed to the Digital Banking users of the Jaipur city. Secondary information was collected from various websites, news articles, magazines, and other sources. One of the major changes in economic environment is by demonetizing the high value currency notes of – Rs 500 and Rs 1000 from 8th November 2016 and try to make India as cashless economy. Therefore, the paper highlights the most prominent digital payment method which is used by the digital banking users.*

**Keywords:** *Demonetization, Consumer preferences, Digital payments and Payment methods.*

## I. INTRODUCTION

A system where all transactions are performed using cards or any other digital tools and there is little use of actual cash is referred to as a digital payment mode. Cashless payment is a mechanism for extracting the desired value from the less cashless transactions and preventing tax evasion and corruption. This payment system became more prominent after the announcement of demonetization by the Honorable Prime Minister of India, Narendra Modi on 8<sup>th</sup> November, 2016. Digital payment is also referred to as electronic payment because it does not require real cash and the entire transaction between the payer and the payee is facilitated through digital technologies. Over time, various service providers develop a number of apps and wallets for making the payments to others and accepting payments from others. A user or

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a consumer makes a payment instantly from anywhere and at any time without physically visiting a bank branch. Mobile wallets, plastic money, and net banking are a few examples of cashless modes and payments. However, the cashless payment system has its own challenges. The challenges that have been witnessed in the system's operation include a low level of literacy, poor systems, a lack of awareness, a lack of knowledge of the operating system, high costs, a lack of banking systems, cybercrime, and a language barrier, among many other things. Despite the aforementioned challenges, the government has recently taken several steps to reduce cash transactions. As a result, the purpose of this paper is to ascertain the preferred modes of cashless transactions after the demonetization of high-value currency notes.

## **II. DIGITAL PAYMENT MODES IN INDIA**

A variety of digital payment methods are offered in an effort to encourage cashless transactions and make India a society that uses less cash and these are:

**1. Banking Cards:** Banking cards provide more security, convenience, and regulation to consumers than any other payment method. The variety of cards available, including credit, debit, and prepaid, offers additional flexibility. These cards offer two-factor authentication for secure payments, such as a secure PIN and an OTP. Some examples of card payment systems include RuPay, Visa, and Master Card.

**2. Mobile wallet:** By using this mode we can transfer money to a mobile wallet online or by linking your credit card or debit card details on a mobile device and also can pay with our smartphones, tablets, or smart watch instead of a traditional credit card while making transactions.

**3. Mobile Banking:** Mobile banking is a service offered by a bank or other financial institution that enables consumers to perform various types of financial transactions remotely using a mobile device such as a smartphone or tablet.

**4. Internet Banking:** Internet banking, sometimes referred to as online banking, e-banking, or virtual banking, is a type of electronic payment platform that enables customers of banks and other financial institutions to perform out a variety of financial transactions. Ex: **NEFT National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Immediate Payment Service (IMPS), Electronic Clearing System (ECS).**

### **(A) Review of literature**

**Massilamany and Nadarajan (2017)** investigated the elements affecting Malaysia's adoption of digital banking services. Adoption of digital banking is the dependent variable, whereas trust,

security, knowledge, self-efficacy, and convenience are the independent variables. The findings of this study show that the dependent variable seems to have a significant impact on the independent variables.

**Sharma (2017)** pointed out that India has the greatest and most potential to go cashless and digital.

**Shendge & Shelar (2017)** in their article on “Impact and Importance of Cashless Transaction in India” highlights the country's increasing embrace of digital payment methods. The findings demonstrate that India is modernizing its financial system.

**D. Sudhir Babu, P. Lakshmi Narayanamma (2018)** investigated that electronic payments help in buying products faster and enhance the satisfaction of consumers.

**Vaishnav Kameswaran, Srihari Hulikal Muralidhar (2019)** found that how visually impaired customers used cash and digital systems for payment in metropolitan India.

**Masudul Hasan Adil, Neeraj R. Hatekar (2020)** investigated that factor such as costs, safety of transactions, acceptability of digital payment methods and ability to handle the transactions are found to be the main challenges in adoption of electronic payment in India.

**Wassan Abdullah Alkhowaiter (2020)** pointed out that trust, safety and how much the system helps the user are also found to be factors which help the digital transactions in gulf countries.

**Deepak Gupta, Asha (2020)** also found from a study 384 respondents in Haryana that most respondents face difficulty in digital transactions due to poor infrastructure, poor online literacy, and connectivity)

**Dr. Swati Kulkarni, Dr. Aparna J Varma (2021)** according to their study, UPI has benefited more in the long run from the widespread use of digital payment options.

**Ghosh (2021)** studied several publications and concluded that using digital payment methods is much more time- and space-efficient than using traditional methods of paper money.

### **(B) Objectives of the study**

1. To find out the preferred mode of payment on cashless transaction.
2. To study the importance of Digital Payment in consumer daily life.
3. To find out the problems which stand in the way of India becoming a cashless society.

### **(C) Research Methodology**

Sources of data collected:

- **Primary Data:** The primary research is conducted through a self-constructed questionnaire which is to be furnished through the google form that includes digital banking services users of Private sector banks in Jaipur city.
- **Secondary Data:** The secondary data has been collected from different books, journals, newspapers and relevant websites.
- **Techniques of Data Analysis:** The responses from the respondents were analyzed using Simple Percentage and Average score.
- **Sample Size:** Total 150 digital banking users were surveyed by using a self-constructed questionnaire based on Purposive sampling method.

### III. DATA ANALYSIS AND INTERPRETATION

The Demographic profile of sample respondents is presented below:

TABLE 1

S.NO	DEMOGRAPHIC FACTORS		NUMBER	PERCENTAGE
1.	GENDER	MALE	52	35%
		FEMALE	98	65%
2.	AGE GROUP	Below 18-20	10	6%
		21-30	50	33%
		31-40	44	29%
		41-50	46	30%
3.	EDUCATIONAL QUALIFICATION	SCHOOL	08	5%
		GRADUATE	20	13%
		POST GRADUATE	65	43%
		OTHERS	57	38%
		SALARIED	72	48%

4.	OCCUPATION	BUSINESSMAN	25	16%
		PROFESSIONAL	32	21%
		OTHERS	21	14%
5.	MARITAL STATUS	UNMARRIED	65	43%
		MARRIED	85	56%
6.	BANKING EXPERIENCE	1	30	20%
		2	60	40%
		3	20	13%
		4	22	14%
		MORE THAN 4	18	12%

**From the above Table it could be understood that:**

- 1) Majority of 65% of the sample respondents were female and 53% of the sample respondents were male. Hence it could be observed that internet banking is highly preferred by female customers than male customers.
- 2) 33% of the sample respondents belonged to the age group of 21 - 30years, another 29% of respondents belonged to the age group 31 – 40 years. Hence it could be stated that young customers aged below 40 years have higher degree of usage of Internet Banking.
- 3) Out of total respondents, 43% of the sample respondents were post graduates, 13% of the sample respondents were graduates. Therefore, the majority of Internet Banking customers' have PG level educational qualification.
- 4) Majority of 48%of the sample respondents were salaried, 21% of the respondents were professionals, 16% of respondents were businessmen, and 14% of the respondents were

engaged in other occupations. Hence Salaried class, Professional and Businessmen are highly using Internet Banking than others.

- 5) Majority of 56% of sample respondents are married and rest 43 % are unmarried.
- 6) Out of total respondents' majority of respondents were using Internet Banking services for the past 2 years.

**TABLE 2. Which payment mode do you prefer the most.**

Which Digital Payment mode do you prefer the most.	RANKING OF CHOICE				AVERAGE SCORE	RANK
	1	2	3	4		
1. Banking Cards	35	10	11	10	16.5	II
2. Internet Banking	25	12	13	10	15	IV
3. Mobile Banking	50	15	24	7	24	I
5. Point of Sale	14	15	20	6	13.75	V
6. Mobile wallets	26	13	15	7	15.25	III

Table 2 shows that: Total of 50 respondents expressed their opinion as Mobile Banking is the first choice of digital payment system since it occupies first ranked among the selected modes of cashless transaction for the present study. Banking Cards occupied second rank and Mobile Wallets occupied as third in case of preferred modes of payments for any business transactions.

**TABLE 3. Do you agree that Digital Payment is important in our daily life.**

Do you agree that Digital Payment is important in our daily life.	Total
Agree	40
Disagree	30
Neutral	20
Strongly Agree	60
Grand Total	150

Table 3 shows that, Out of total 150 respondents, 60 respondents strongly agree that Digital Payment is important in our daily life.

**Table 4: What are the problems which stand in the way of India becoming a cashless society.**

Problems stands for becoming India as cashless society							
Types of Problems Stand	1	2	3	4	5	Average score	Rank
1. Network Connectivity	18	15	40	15	8	19.2	III
2. Security Issues	11	50	30	18	12	24.2	I
3. Internet cost	16	10	20	50	15	22.2	II

Table no 4 shows about the average score of selected problems faced by the consumers while they intent to use Cashless Transactions. From the calculated average score the Cyber Security emerges as a major problem while using cashless transactions. The other problems which have been shown in Table 3 such as Network Connectivity and internet cost are rated as second and third by the sample respondents.

#### IV. FINDINGS & CONCLUSIONS

The government has made some strides in recent years towards its goals of a cashless society and increased financial participation, it has not yet made major strides. Customer perspective of internet banking services is significantly influenced by demographic parameters including age, income, gender, and educational attainment of sample respondents, while some of us support the goals of the cashless economy and the vast majority of us continue to oppose it. It is apparent that Mobile Banking are currently the most widely used digital payment choice among all the digital and online methods of payment.

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