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CONSUMER PERCEPTION TOWARDS DIGITAL PAYMENT MODE IN BANKING SECTOR

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Abstract

Digital platforms have significantly altered the manner in which consumers interact with financial services. The present study examines consumer perception of digital payment modes in the banking sector, with particular emphasis on usage patterns and satisfaction levels associated with specific digital payment facilities. The research employs a quantitative approach using primary data collected through a structured questionnaire administered to respondents in Coimbatore city. Statistical techniques such as percentage analysis and the chi-square test were applied to analyze the data. The findings reveal that convenience, ease of use, and time efficiency are the primary drivers of digital payment adoption, while concerns related to security and internet connectivity continue to act as barriers. The study provides insights that may assist banks and policymakers in strengthening digital payment infrastructure and improving customer confidence in cashless transactions.

Keywords

Consumer Perception, Digital Payment, Cashless Economy, Banking Services

1. Introduction

Rapid advancements in information and communication technology have reshaped financial transactions across the globe. Digital payment systems are increasingly replacing traditional cash-based transactions by offering speed, accessibility, and operational efficiency. In India, cash has historically dominated daily transactions; however, policy initiatives and technological diffusion have accelerated the transition toward digital modes of payment. The Government of India's Digital India initiative aims to transform the country into a digitally empowered economy by promoting technology-driven governance and financial inclusion. The emphasis on faceless, paperless, and cashless transactions has encouraged individuals and institutions to adopt electronic payment mechanisms.

The widespread availability of smartphones, internet connectivity, mobile applications, and banking technologies such as debit cards, credit cards, mobile banking, and internet banking has simplified financial transactions for consumers. Despite these developments, the adoption of digital payment systems varies across demographic groups due to differences in awareness, accessibility, and perceived risk. Continuous efforts by the government and financial institutions are therefore required to enhance awareness, usability, and trust in digital payment platforms.

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2. Statement of the Problem

The implementation of demonetization and subsequent policy measures significantly altered consumer payment behavior in India. A population that traditionally relied on cash transactions has been compelled to explore and adopt digital payment alternatives. While the removal of certain restrictions on electronic transactions and incentives for cashless payments have encouraged adoption, a section of consumers continues to prefer physical currency due to habit, psychological comfort, and concerns regarding digital security.

Coimbatore, a rapidly developing urban center with diverse socio-economic characteristics, presents an appropriate setting to examine this transition. Although the city is progressively embracing digital technologies, many individuals still associate monetary value with tangible currency. Limited digital literacy and apprehension toward non-cash transactions further hinder adoption. Against this backdrop, the present study seeks to analyze the extent of usage and perception of digital payment modes among consumers in Coimbatore.

3. Objectives of the Study

The objectives of the study are as follows:

- To examine the level of awareness regarding digital payment modes among consumers.
- To analyze the socio-economic and demographic profile of digital payment users.
- To assess consumer satisfaction with various digital payment system facilities.

4. Research Methodology

Research methodology refers to the systematic framework adopted to address the research problem. The present study is based on both primary and secondary data sources. Primary data were collected through a structured questionnaire administered to respondents residing in Coimbatore city. Secondary data were obtained from published journals, reports, and online sources relevant to digital payments and banking services.

The sample size for the study consists of 111 respondents, selected using a convenient sampling technique. The collected data were coded, tabulated, and analyzed using appropriate statistical tools.

4.1 Tools Used for Data Collection

- Percentage analysis and
- Chi square test

4.2 Limitations of the Study

- The sample size is limited to 111 respondents and may not represent the entire population.
- The findings are confined to Coimbatore city and may not be generalizable to other regions.

4.3 Scope of Study

The study provides insights into consumer usage patterns and perceptions of digital payment methods. It also highlights gaps in the implementation of e-banking services and suggests measures for enhancing technology-driven banking practices. In a competitive and technology-oriented environment, understanding customer expectations and convenience requirements is essential for banks to improve service delivery and customer satisfaction.

5. Review of Literature

Patel and Amin (2012) emphasized the role of technological advancements in facilitating a cashless society and highlighted the importance of plastic money in improving financial efficiency and regulatory control. Das and Agarwal (2010) argued that cash-based payment systems impose high operational costs on governments and advocated a shift toward electronic payments to improve transparency and financial inclusion. Bank Net India (2008) reported that limitations in internet accessibility and connectivity issues restrict the effective use of online banking services. Jain (2006) discussed the potential of e-payments in curbing

black money and enhancing the efficiency of financial transactions through technology-enabled systems.

6. Overview of Topic

A digital payment system refers to a mechanism in which financial transactions are executed through electronic means rather than physical currency. Such systems include card-based payments, mobile wallets, internet banking, and application-based transfers. Digital payments are conducted through internet-enabled devices such as smartphones, computers, and tablets. The transition toward a cashless economy is gradual and aims to minimize dependence on physical currency while enhancing transaction efficiency and traceability.

7. Data Analysis and Interpretation

Table 1. Showing Demographic Factors

Factors	*No. of. Consumer*	*Percentage*
GENDER		
Male	60	54.1
Female	51	45.9
AGE		
Below 18	19	17.1
18 – 25	69	62.2
26 – 35	14	12.6
Above 35	09	8.1
EDUCATION QUALIFICATION		
SSLC	09	8.1
Higher secondary	12	10.8
UG	72	64.9
PG	18	16.2
PLACE OF LIVING		
Rural	61	55
Urban	50	45
OCCUPATION		
Business	12	10.9
Profession	26	23.6
Student	65	59.1
Others	06	05.5
OCCUPATIONAL PERSONAL INCOME		
Below Rs.1,50,000	74	70.5
Rs.1,50,000-3,00,000	17	16.2
Rs.3,00,000-4,50,000	08	7.6
Rs.4,50,000-6,00,000	06	5.7
FREQUENCY OF USING CASH		
Everyday	61	55
1-2 times a week	18	16.2
3-6 times a week	22	19.8

Once a fortnight	06	5.4
Once every few month	04	3.6
Total	**111**	**100**

Source: Primary Data

From the above table 1, it is analyzed that that a majority of respondents are young adults, students, and individuals with undergraduate-level education. A significant proportion of respondents continue to use cash frequently, although digital payment modes are increasingly preferred for convenience and ease of tracking expenses.

Table 2. Socio-Economic Factors

VARIABLES	***NO. OF RESPONDENTS***	***PERCENTAGE***
ADOPTION TOWARDS DIGITAL PAYMENT SYSTEM		
Convenience	45	40.5
Discount or cash back rewards	26	23.4
Easy tracking of spends	29	26.1
Shortage of currency	11	9.9
RESPONDENT BIGGEST CONCERN AROUND DIGITAL PAYMENT		
Lack of securities	36	32.4
Poor internet connectivity	33	29.7
Merchant acceptance	25	22.5
Cost	11	9.9
Lack of tech knowhow	06	5.4
FOR HIGH VALUE TRANSACTION WHAT IS YOUR PREFERRED MODE OF PAYMENT		
Net banking	42	37.8
Credit/debit cards	26	23.4
Cash	33	29.7
Mobile app	10	09
WHICH PAYMENT APP YOU PREFERRED FOR MONEY TRANSACTION		
Pay tm	08	7.2
Google pay	53	47.7
Phonepe	15	13.5
All the above	35	31.5
INSTRUMENT USED FOR SAFELY SHARING WHEN DOING CASHLESS TRANSACTION		
Aadhaar cards	37	33.3
PAN	13	11.7
Credit/debit cards	33	29.7
All the factors	28	25.2
USING E-WALLET FOR FINACIAL TRANSACTIONS		
Yes	86	77.5
No	25	22.5
PREFERRED TOWARDS E-WALLET OVER MODES OF PAYMENT		
Time saving	47	42.3
Easy to use	54	48.6

Security	10	9
Total	**111**	**100**

Source: Primary Data

In the above table 2, it is observed that most (40%) most the respondent's adoption towards digital payment are convenience. (32%) of the respondents biggest concern around digital payment of lack of securities. (38%) of respondents prefer net banking. (31%) of the respondents are app preferred for money transaction all d above.(33%) of the respondents are doing cashless transaction Aadhar card. (77%) of the respondents are using e-wallet for financial transaction says yes and (48%) preferred towards E- wallet over models of payment are easy to use.

Table 3. Chi-Square Test - Comparison between Frequencies of Using Cash

	Value	*Df*	*Asymp. Sig.*
Pearson Chi-Square	10.885	16	.817
Likelihood Ratio	10.788	16	.822

Source: Primary Data

Since the calculated significance value is higher than the table value the H0 is being rejected and the alternate hypothesis is accepted. Therefore, there is a significant difference between gender and the type of retail store preferred by the respondents.

Table 4. Chi-Square Test - Comparison between Occupation and Respondents Biggest Concern around Digital Payment

	Value	*Df*	*Asymp. Sig.*
Pearson Chi-Square	14.192	20	.821
Likelihood Ratio	15.519	20	.746

Source: Primary Data

Since the calculated significance value is lesser than the table value, H0 is accepted and the alternative hypothesis is rejected. Therefore, there is no significant relationship between income and the amount spend on shopping

.

Table 5. Chi-Square Test Comparison between Age and Level of Satisfaction towards Digital Payment System in Recharge Purpose

	Value	*Df*	*Asymp. Sig.*
Pearson Chi-Square	12.057	9	.210
Likelihood Ratio	11.887	9	.220

Source: Primary Data

Since the calculated significance value is higher than the table value, H0 is rejected and the alternative hypothesis is accepted. Therefore, there is a significant relationship between age and frequency of shopping.

8. Findings

- A majority of respondents fall within the 18–25 age group, indicating higher digital payment adoption among younger consumers.

- Most respondents possess undergraduate-level educational qualifications, suggesting that educational attainment influences awareness and usage of digital payment systems.
- A significant proportion of respondents reside in rural areas, reflecting the gradual penetration of digital payment modes beyond urban centers.
- Students constitute the largest occupational group among users, highlighting the role of youth in driving cashless transactions.
- Convenience, speed, and ease of use are the primary reasons for adopting digital payment systems.
- Security-related concerns remain the most prominent barrier to wider adoption of digital payment modes.
- Poor internet connectivity continues to limit effective usage, particularly during high-value or frequent transactions.
- Net banking and card-based payments are preferred for high-value transactions due to perceived reliability.
- Mobile payment applications are widely used for routine transactions, with Google Pay emerging as the most preferred platform.
- E-wallet usage is high among respondents, primarily due to time-saving benefits and user-friendly interfaces.
- Despite increased adoption, cash usage remains prevalent for daily transactions, indicating partial rather than complete digital transition.

9. Suggestions

- Banks should enhance digital security mechanisms and clearly communicate safety features to build customer trust.
- Regular awareness programs and digital literacy campaigns should be conducted to educate users on safe and efficient usage of digital payment systems.
- Improving internet infrastructure, especially in semi-urban and rural areas, is essential to ensure uninterrupted digital transactions.
- Banks should simplify digital interfaces to cater to users with limited technological proficiency.
- Incentives such as cashback offers and rewards can further motivate consumers to shift from cash to digital payments.
- Customer support services related to digital payments should be strengthened to resolve technical issues promptly.
- Collaboration between banks, payment service providers, and government agencies can accelerate the adoption of cashless transactions.
- Periodic feedback from customers should be collected to improve existing digital payment facilities.

10. Conclusion

The study offers a detailed examination of consumer perception toward digital payment modes in the banking sector and highlights a clear shift from traditional cash-based transactions to digital alternatives. The findings reveal that convenience, ease of use, and time efficiency are the primary factors driving the adoption of digital payment systems, particularly among younger and educated consumers. Increased access to smartphones, internet connectivity, and digital banking services has further accelerated this transition. However, the study also indicates that the transformation toward a fully cashless economy is gradual, as security concerns, privacy issues, and inconsistent internet connectivity continue to influence consumer hesitation and sustained cash usage for routine transactions.

From a practical standpoint, the results emphasize the need for banks to strengthen digital infrastructure, enhance cybersecurity measures, and provide reliable customer support to build con-

sumer trust. Simplified digital platforms and targeted awareness programs can improve adoption across diverse demographic groups. Additionally, government initiatives focused on digital literacy and technological accessibility are essential for fostering inclusive financial participation. Overall, while digital payment systems have significantly improved efficiency in the banking sector, addressing existing challenges remains crucial for achieving long-term sustainability and widespread acceptance of cashless transactions.

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