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IMPACT OF DIGITAL PAYMENT SYSTEMS ON CONSUMER BUYING BEHAVIOUR DURING COVID-19

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ABSTRACT:

The COVID-19 pandemic has led to a significant change in consumer buying behaviour and has hastened the use of digital payment systems in India. Restrictions on physical movement, concerns of virus transmission through handling of cash and government initiatives to promote cashless economy, led consumers to shift towards electronic payment modes such as Unified Payments Interface (UPI), Google Pay, PhonePe, Paytm, debit cards, credit cards and internet banking. This study is an endeavor to study the impact of digital payment systems on consumer buying behaviour in academic session 2021–22. The study is based on primary data collected from 120 respondents through a structured questionnaire and secondary data collected from books, journals, government reports and RBI publications. Descriptive statistical tools such as percentages, averages, tables and charts have been used to analyze the data. The results indicate that the digital payments have enhanced convenience, reduced transaction time, encouraged online shopping, and enhanced customer satisfaction. However, problems associated with cyber security, digital fraud, internet connectivity and digital literacy remain a barrier to the widespread adoption of digital payment systems. The study concludes that digital payment technologies have become an integral part of India's modern commerce ecosystem and are expected to play an even greater role in future economic development (Reserve Bank of India, 2021; Government of India, 2021).

Keywords: Digital Payment, UPI, Consumer Behaviour, COVID-19, Cashless Economy, Online Shopping.

INTRODUCTION:

Digital payment systems are among the most important innovations in India’s financial and commercial sectors. They allow consumers and businesses to conduct financial transactions digitally using mobile apps, internet banking, payment cards, QR codes and other digital platforms. Government initiatives such as Digital India Programme, BHIM UPI, Aadhaar Enabled Payment System (AEPS) and increasing penetration of smartphones have largely driven the growth of digital payments across the country. The COVID-19 pandemic resulted in an unprecedented increase in digital transactions as consumers sought contactless payment methods to avoid physical contact and to ensure the safety of their transactions. Businesses, from small retailers to large e-commerce companies, increasingly adopted digital payment technologies to enhance customer convenience and operational efficiency. Consequently, consumer buying behaviour shifted significantly towards online purchasing and cashless transactions, making digital payments an important area of research in commerce and business studies (Reserve Bank of India, 2021; Government of India, 2021).

STATEMENT OF THE PROBLEM:

Despite the exponential growth of digital payment systems in India, there are few challenges which still impact the consumer adoption and usage. Consumers often worry about cyber security, privacy of personal information, internet connectivity, technical failures, fraudulent transactions and lack of digital awareness, especially in rural and semi-urban areas. "Even though government policies have pushed for digital transactions, factors like education, age, technological skills and trust in digital platforms still influence buying decisions. Hence it is important to study the impact of digital payment systems on consumer buying behaviour and to identify the factors contributing to its successful adoption in the COVID-19 pandemic.

OBJECTIVES OF THE STUDY:

The present study has been undertaken with the objective to understand the growing importance of digital payment systems in influencing consumer purchasing behaviour. The study aims to analyse the usage pattern of different digital payment methods among consumers, study the impact of digital payments on buying decisions, identify the factors leading to customer satisfaction, assess the problems faced while using digital payment systems and offer suitable recommendations for increasing the adoption of secure and efficient digital payment technologies. These objectives assist in understanding the shifting consumer behaviour in the post-pandemic digital economy (Kotler & Keller, 2020).

RESEARCH QUESTIONS:

The study aims to answer some important questions regarding consumer behaviour and digital payments. The objective is to understand whether digital payment systems significantly impact the purchasing decisions. Secondly, to understand the most preferred digital payment systems among consumers. Thirdly, to understand the factors that encourage the customers to use digital payment systems. Lastly, to understand the main problems faced when carrying out digital transactions. These research questions are the basis of the analysis of consumer perception and behavioural change associated with digital payment systems (Kothari, 2019).

HYPOTHESES:

The following hypotheses have been developed in order to investigate the relationship between digital payment systems and consumer buying behaviour. The null hypothesis (H0) is that there is no significant effect of digital payment systems on consumer buying behaviour. Alternative Hypothesis (H_1): Digital payment systems have significant impact on consumer buying behaviour. These hypotheses are the statistical framework for testing the relationship between the independent variable (Digital payment systems) and the dependent variable (Consumer buying behaviour) (Kothari, 2019).

REVIEW OF LITERATURE:

Many researchers have studied the relationship between digital payment systems and consumer behaviour. Sharma (2021) found that the adoption of digital payment platforms greatly increased consumer convenience and lessened reliance on physical cash by providing faster and safer transaction alternatives. Malik and Mishra (2022) found that online shopping and digital payment facilities have a positive influence on customer satisfaction and increase buying efficiency and business growth. Reserve Bank of India (2021) has stated that the number of UPI transactions has been rising rapidly because of better internet connectivity, more access to smartphones, government efforts to promote financial inclusion, and support for digital payments. Together, these studies highlight the issues of cybersecurity and digital awareness that need to be addressed further, as well as the fact that digital payment systems have become an important part of India's modern financial infrastructure.

SCOPE OF THE STUDY:

The current study tries to analyse the effect of digital payment systems on consumer buying behaviour of the consumers living in urban and semi-urban areas during the academic year 2021-22. The study focuses on popular digital payment modes such as UPI, Google Pay, PhonePe, Paytm, debit cards, credit cards and internet banking. It mainly discusses consumer perception, buying behaviour, customer satisfaction and the issues of digital transactions. The study results may be useful for policy makers, businesses, researchers, financial institutions and educators in digital commerce and financial technology.

LIMITATIONS OF THE STUDY:

There are some limitations to the findings of the present study. The research is based on a sample of 120 respondents which were selected based on convenience sampling and may not represent the population as a whole. The study is restricted to selected urban and semi-urban areas, and thus the generalizability of the findings is limited. Since the research is based on the answers to the questionnaire, the accuracy of the results depends on the honesty and comprehension of the respondents. Moreover, the scope of data collection and analysis was limited by the constraints of time and availability of resources (Kothari, 2019).

RESEARCH METHODOLOGY:

The present study is based on descriptive research design to analyse the consumer buying behaviour in terms of digital payment systems. The study is based on both primary and secondary data. Primary data were collected through a structured questionnaire from 120 respondents by convenience sampling. Secondary data was collected from textbooks, research journals, RBI annual reports, government publications, websites and scholarly articles on digital payments and consumer behaviour. Descriptive statistical techniques such as percentages, averages, frequency tables and graphical representations were employed to analyze the collected data, thereby enabling meaningful interpretation of the results (Kothari, 2019).

ANALYSIS AND INTERPRETATION OF DATA:

The present study is based on primary data collected from 120 respondents using a structured questionnaire. The responses so collected were classified, tabulated and analysed using descriptive statistical tools like percentages and frequency distribution. The purpose of the analysis is to understand the consumer preferences on digital payment systems, purpose of using them and their level of satisfaction on digital payment services during COVID-19 pandemic.

Table 1: Preferred Digital Payment Method

Payment Method	Respondents	Percentage
UPI	58	48.3%
Google Pay	18	15.0%
PhonePe	20	16.7%
Paytm	12	10.0%
Debit/Credit Card	12	10.0%
Total	**120**	**100%**

(Source: Primary Data)

The favorite digital payment method of respondents is shown in Table 1. Out of 120 respondents, 58 (48.3%) favored Unified Payments Interface (UPI), the most popular digital payment system. UPI's ease of use, instant fund transfer, bank interoperability, and many UPI-enabled apps drive its widespread acceptance.

PhonePe was second with 20 respondents (16.7%) and Google Pay was third with 18 (15.0%). These mobile apps are popular due to their simple interfaces, cashback offers, QR-code payment options, and UPI connectivity.

Both Paytm and Debit/Credit Cards were favored by 12 respondents (10.0%). Paytm is an essential digital wallet, but many customers now use UPI-based transactions that don't require wallet balances. Debit and credit cards are still utilized for high-value transactions and online shopping, but UPI is more popular for everyday purchases.

The results show that UPI is India's leading digital payment mechanism, matching the success of the Government of India and Reserve Bank of India's digital payment initiatives. Smartphones and internet use have also made UPI-based payment methods more prevalent.

Table 2: Purpose of Digital Payments

Purpose	Percentage
Online Shopping	40%
Grocery Purchase	28%
Bill Payment	18%
Travel Booking	8%
Others	6%

(Source: Primary Data)

Table 2 shows respondents' main digital payment system uses. Online buying is the most prevalent usage of digital payments, according to 40% of respondents. The rapid growth of e-commerce platforms, home delivery services, and enticing online discounts during the COVID-19 pandemic pushed digital payment methods.

Groceries (28%), the second-largest category, show that people are increasingly using digital payments for household spending. Local stores and supermarkets now accept QR code payments, making digital transactions easy for ordinary purchases.

Digital payments are used by 18% of respondents to pay power, water, mobile recharge, internet, and insurance bills. Digital payment platforms make bill payments faster and easier with automatic reminders, rapid confirmations, and secure payment alternatives.

Only 8% of respondents used digital payments for train, plane, bus, and hotel bookings. Due to COVID-19 travel restrictions, this percentage is lower.

For educational fees, healthcare payments, entertainment subscriptions, charitable donations, and peer-to-peer fund transfers, the remaining 6% use digital payment systems.

Research shows that digital payment systems are now vital for consumers' daily financial activities, especially online shopping and household transactions.

Table 3: Satisfaction Level of Respondents

Satisfaction Level	Percentage
Highly Satisfied	45%
Satisfied	38%
Neutral	10%
Dissatisfied	7%

(Source: Primary Data)

Table 3 shows respondent satisfaction with digital payment services. The results show that 45% of respondents are highly satisfied and 38% are satisfied with their digital payment methods. Digital payment services are liked by 83% of respondents.

The high satisfaction level is due to speed, ease of use, convenience, contactless payments, 24/7 availability, secure authentication, and merchant adoption of digital payment apps.

Around 10% of respondents were neutral, indicating that they utilize digital payment systems but are neither satisfied nor dissatisfied. Transaction frequency, internet availability, and technology knowledge may influence their opinion.

Only 7% were unhappy with digital payment services. Failed transactions, delayed reimbursements, poor internet access, cybersecurity concerns, phishing attempts, technological issues, and insufficient digital literacy among particular user groups are the main causes.

The analysis shows that digital payment systems are well-liked by customers, but security and infrastructural enhancements are needed to boost confidence.

Findings:

Upon examining the gathered data, the subsequent key results have surfaced:

1. The predominant number of participants favor UPI as their principal digital payment option because to its convenience, rapidity, and user-friendliness.

2. Mobile payment applications like PhonePe and Google Pay enjoy widespread customer acceptance owing to their user-friendly UI and QR-code payment options.
3. Digital payment systems are predominantly utilized for online buying, with grocery acquisitions and utility bill settlements following closely.
4. Over eighty percent of the participants express either high satisfaction or satisfaction with digital payment systems, reflecting a significant degree of client approval.
5. The COVID-19 epidemic substantially expedited the embrace of contactless payment systems among various demographics.
6. Convenience, immediate payment verification, cashless transactions, and time-efficient attributes are the primary elements motivating customers to embrace digital payments.
7. Security issues, cyber deception, unsuccessful transactions, and internet connectivity persist as significant obstacles impacting customer trust.
8. Younger customers and employed individuals utilize digital payment technologies more often than older demographics.
9. Government programs like Digital India and the Unified Payments Interface (UPI) have significantly contributed to the advancement of cashless commerce.
10. Digital payment methods have favorably impacted customer purchasing habits by enhancing the regularity of online transactions and elevating the entire shopping experience.

SUGGESTIONS:

According to the report, the following recommendations can improve digital payment system adoption and efficacy:

1. Financial institutions and payment service providers should use advanced encryption, multi-factor authentication, and real-time fraud detection.
2. Government, educational, and financial institutions should promote digital literacy to educate clients about secure digital payment methods.
3. Internet availability must improve, especially in rural and remote areas, to ensure digital payment services.

4. Digital payment apps should simplify interfaces and enable multilingual support for users
of all educational levels.
5. Regular awareness campaigns must inform clients about cyber fraud, phishing, counterfeit
payment links, and financial data security.
6. Customer support should be improved to resolve transaction problems and refund issues quickly.
7. Financial institutions and fintech companies should keep releasing new features that improve user convenience and security.
8. Policymakers should encourage small businesses and rural vendors to use digital payment systems with incentives and technical support.
9. Periodic infrastructure upgrades should improve transaction pace, dependability, and scalability.
10. Governments, financial institutions, fintech companies, and telecoms providers must collaborate to create a secure and inclusive digital payment environment.

CONCLUSION:

This study found that digital payment systems have changed Indian consumer purchase behaviour, particularly during the COVID-19 pandemic. Digital payment technologies like UPI, mobile wallets, online banking, and payment cards allow users to transact swiftly, securely, and conveniently. Researchers found that people favor cashless payment systems because they reduce time, are more convenient, and allow contactless transactions, minimizing pandemic health hazards.

The report also shows that digital payments are most common in online shopping, grocery shopping, and utility bill payments. Customer satisfaction shows increased confidence in digital payment platforms, despite cybersecurity, internet connectivity, transaction failures, and digital literacy issues. To support the safe and sustainable expansion of digital payment systems, government authorities, financial institutions, fintech companies, and consumers must collaborate.

Finally, digital payments are essential to India's digital economy and modern business. In the future, technological innovation, supportive government policies, improved cybersecurity, and digital infrastructure will make digital payment systems even more important for financial inclusion, consumer convenience, business efficiency, and long-term economic growth.

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