International Journal of Humanities Social Science and Management (IJHSSM)
Volume 5, Issue 3, May-June, 2025, pp: 318-329 ISSN: 3048-6874
www.ijhssm.org

Consumer Perception Towards Digital Payment System and Traditional Payment System in India: A Comparative Study

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Date of Submission: 09-05-2025 Date of Acceptance: 22-05-2025

ABSTRACT: *A cashless society is a situation in which financial transactions are carried out using digital currency rather than actual cash in the form of coins or banknotes. The digital payment system has now taken over as a crucial component of banking transaction. The country adopted digitalization to compete with growing nations and modernise the financial industry in line with modern demands. Black money or money laundering can be progressed by using the digital payment system, which is a component of the mission from the introduction of cashless transactions throughout India. This paper is purely based on secondary data collected from various secondary sources like authentic websites, research papers etc. Data is collected through questionnaire from 100 different respondents and was analysed by applying chi-square test and presented in the form of tables and figures. Thus, a study has been conducted to compare the perceived values of payment methods by the customer to determine whether there is a significant association between two modes of payment. Also, to assess that observed distribution of frequencies in different categories differs significantly from the expected distribution, assuming that there is no association between the both modes of payment. Response is compared with a critical value from the chi-square distribution table based on the degrees of freedom and the chosen significance level (usually 0.05 or 0.01). The results showed that there is a statistically significant association between two categorical variables in terms of awareness, volume, risk, ease, trust , scope and approachability and observed differences in the facility, cost and authenticity are likely due to chance.*

Keywords: *Digital payment, Consumer perception, comparative study, consumer behaviour, dominant payment mode.*

I. INTRODUCTION

India has seen significant growth in digital payments due to the proliferation of mobile connections and smartphones. The increasing availability of high-speed internet and electricity in more remote areas has further facilitated the adoption of digital payment systems in those regions. It is true that with the advancement of technology and the widespread use of smartphones, digital payments have become increasingly popular and are likely to continue to grow in the future.

The benefits of adopting a cashless payment system are numerous, as you mentioned:

- Time and convenience: Digital payments are faster and more convenient than handling cash. Transactions can be completed with just a few taps on a smartphone or other digital device, saving time for both customers and businesses.

- Safety and security: Digital payments offer a higher level of security compared to carrying cash, which can be lost, stolen, or counterfeited. Encryption and authentication measures make it more difficult for unauthorized individuals to access sensitive payment information.

- Transaction tracking: Digital payment systems provide detailed records of transactions, making it easier for individuals and businesses to track their spending and financial activities. This can help with budgeting and financial planning.

- Financial inclusion: Cashless payment systems can bring more people into the formal financial system, especially in areas with limited access to traditional banking services. Mobile banking and digital wallets provide opportunities for financial inclusion, allowing people to participate in the economy more easily.

- Encouraging transparency and reducing corruption: Digital transactions leave a digital trail, making it harder for illegal or unrecorded transactions to occur, thus promoting transparency and reducing corruption.

However, it is important to acknowledge that transitioning to a cashless society also comes with its challenges. Not everyone has access to smartphones or reliable internet connections, and there may be segments of the population that still rely heavily on cash transactions. Ensuring inclusivity and providing adequate education and support for people to adapt to digital payments will be crucial for a successful transition. A cashless society is a situation in which financial transactions are carried out using digital currency rather than actual cash in the form of coins or banknotes. The digital payment system has now taken over as a crucial component of banking transactions. The country needs digitalization to compete with growing nations and modernize the financial industry in line with modern demands.

Payment is now simple, quick, and convenient for both sender and receiver thanks to recent advancements in software and applications. A significant point that needs to be addressed by contrasting the characteristics, problems, and difficulties of both the digital and traditional payment systems is whether we can rely on the digital payment system and whether it will be the only means of settlement in the future. Additionally, authorization by regulatory organisations of various online payment platforms will be considered in order to comprehend the basis for a medium of exchange's legal acceptance as opposed to paper money. The epidemic era encouraged the use of digital payment methods, which are now widely recognised worldwide.

Prime Minister Mr. Narender Modi demonetized Indian currency in 2016 with the aim of making the economy cashless to bring transparency in financial transactions and make India a Digital economy. 843.78 million Population out of the total 1418.21 million population of the country is currently using smartphones, almost 1/2 of the total population is part of the digital economy and it is projected that by 2030 the rise in mobile users will reach 1341.21 million users. (Statista 2020) Thus, it can be predicted that it will take another decade to make India a digital economy. But on the other side, the changing habits of carrying less cash and limited social interaction lead to adopting new patterns in both business and social sectors. During the pandemic, people were reluctant to make transactions using banknotes because of fear of transmission of the virus from one person to another person. (Ayatulloh Michael Musyaffi., 2021) At the same time, many entrepreneurs welcome the opportunities by developing alternate methods and ways of making cashless transactions and witness a considerable increase. Many applications and software are exclusively designed for making transactions quick, easy, small purchases, and instant payments. (Liébana-Cabanillas, Francisco J. 2016). Since the word Digital is synonymous with online, so, there may be chances of loss and theft of personal data, hacking, and other security issues. Recent developments in applications and software are making payment easy, convenient, and quick for both sender and receiver. Can we really rely on the digital payment system and will it be the only mode of settlement in the future, this is a big question mark that needs to be answered by comparing the features, issues, and challenges of both digital and traditional payment systems. Moreover, authorization by regulatory bodies of various platforms of the online medium of payment will be taken to understand the basis of legal acceptance of the medium of exchange as against paper money. The pandemic period encourages the digital payment system which is now widely accepted across the nation.

II. REVIEW OF LITERATURE

Kumar & Pankaj (2021) made an attempt to study the shift to a cashless economy being sought, which is one of the justifications for the demonetization operation, which was primarily intended to weed out black money and demolish the parallel shadow market. The traditional barriers that kept Indians from adopting digital payment solutions, such as the dependence on cash, the complexity and unfamiliarity of digital payment systems, the absence of a compelling value proposition, and concerns about fraud and network security, have been somewhat removed by demonetization.

Baghla (2018) tried to study cashless transactions and found that they will need total support from the populace as well as increased awareness and education. To increase the number of digital transactions, it is first necessary to address the issues of education and digital literacy. Additionally, cashback promotions are effective right now, but to accelerate digital transactions in India and achieve transaction transparency, the eradication of black money, and long-term economic growth through a cashless society, it will be necessary for a dedicated, secure, and highly reliable payments network.

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OBJECTIVES OF STUDY

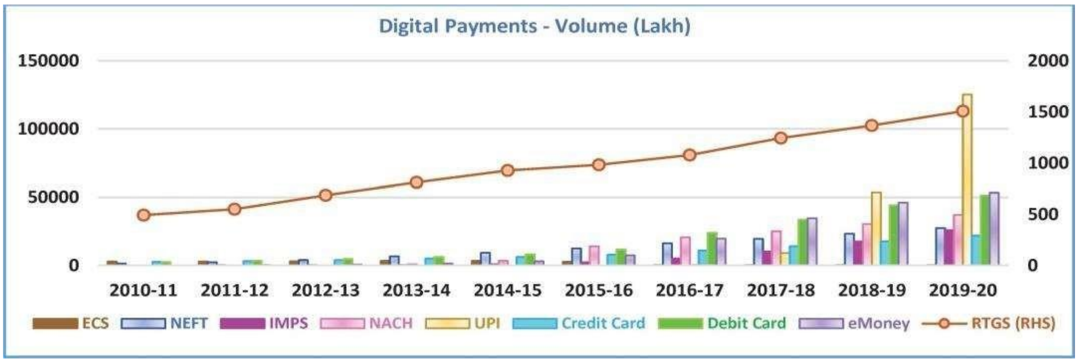
1. To study the variables affecting the behaviour and perception of users towards different payment systems.
2. To know the dominating source of payment among consumers.

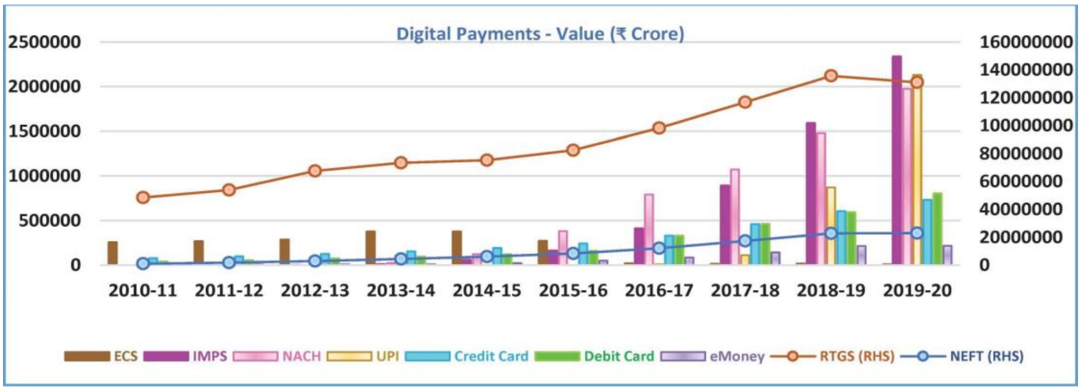
III. RESEARCH METHODOLOGY

This paper is purely based on secondary data collected from various secondary sources like authentic websites, research papers etc. Data is collected through questionnaire from 100 different respondents and was analysed by applying chi-square test and presented in the form of tables and figures.

DIGITAL PAYMENT SYSTEMS IN INDIA

Digital Payment System in India operates through various sources such as ECS, NEFT, IMPS, NACH, UPI, Credit Card, Debit Card, eMoney, RTGS etc. The volume of transactions and value of such transactions through different modes are clearly depicted below.





Source: RBI

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Though there is an increasing trend being followed in the different years but transactions via UPI mode is gaining popularity over the years. Another digital mode of payment is gaining recognition from consumers as they understand the benefits and ease of making transactions. E-money is ahead and equivalent to the debit card being used for making transactions. NEFT and IMPS are emerging sources of payment**.**

IV. Data analysis and interpretation

Table1: Most Convenient Method of Payment: Traditional or Digital

Gender	Respondents	Digital	Traditional
Male	64	36	28
Female	36	18	18
Total	100	54	46

Source: Self Computed

Figure1

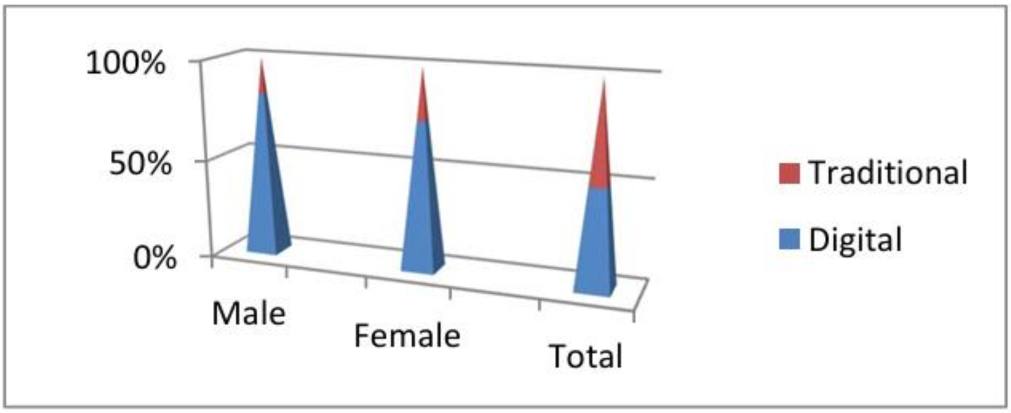

Table 2: Variables affecting the behaviour and perception of users towards different payment systems.

Variables	Factors	Digital %	Traditional %
Awareness	Formal education	22	33
	Society	45	28
	other	33	39
	Total	100	100
Volume or Capacity while making payment	Nominal transaction	38	50
	Volume Transaction	44	22
	All Transactions	19	28

	Total	100	100
Ease and convenience while using technology	Easy	38	39
	Average	27	11
	Difficult	36	50
	Total	100	100
Facility	Yes	67	61
	No	33	39
	Total	100	100
Risk/Security	High	28	56
	Average	22	28
	Low	50	17
	Total	100	100
Trust/ Reliability	High	33	78
	Average	38	11
	Low	30	11
	Total	100	100
Cost	High	30	19
	Average	33	31
	Low	38	50
	Total	100	100
Scope	Yes	81	22
	No	19	78
	Total	100	100
Authenticity/ Availability	Yes	73	83
	No	27	17
	Total	100	100
Approachable/C onvenience	Yes	88	67
	No	13	33
	Total	100	100

Source: Self Computed

Table 2.1: Awareness

	Formal education	**Society**	**other**	***Totals***
Digital	**22 (27.50) [1.10]**	**45 (36.50) [1.98]**	**33 (36.00) [0.25]**	**100**
Traditional	**33 (27.50) [1.10]**	**28 (36.50) [1.98]**	**39 (36.00) [0.25]**	**100**
Totals	**55**	**73**	**72**	**200**

X2 (1, N = 100) = 6.6589, p = 0.035813. The result is significant at $p < .05$. Education and society are the source of awareness for using convenient payment system.

Figure 2 A: Awareness

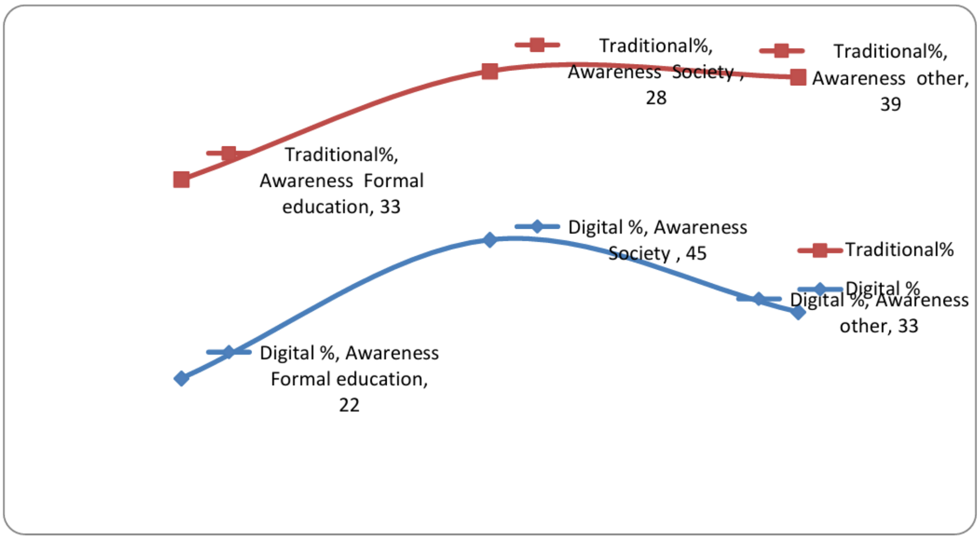

Table 2.2 Volume or Capacity

	Nominal transaction	Volume Transaction	All Transactions	Totals
Digital	38 (44.00) [0.82]	43 (32.50) [3.39]	19 (23.50) [0.86]	100
Traditional	50 (44.00) [0.82]	22 (32.50) [3.39]	28 (23.50) [0.86]	100
Totals	88	65	47	200

X2 (1, N = 100) = 10.1444, p = .006269. The result is significant at *p* < .05. Amount of transaction do have impact on accepting suitable mode of payment.

Figure 2 B: Volume or Capacity

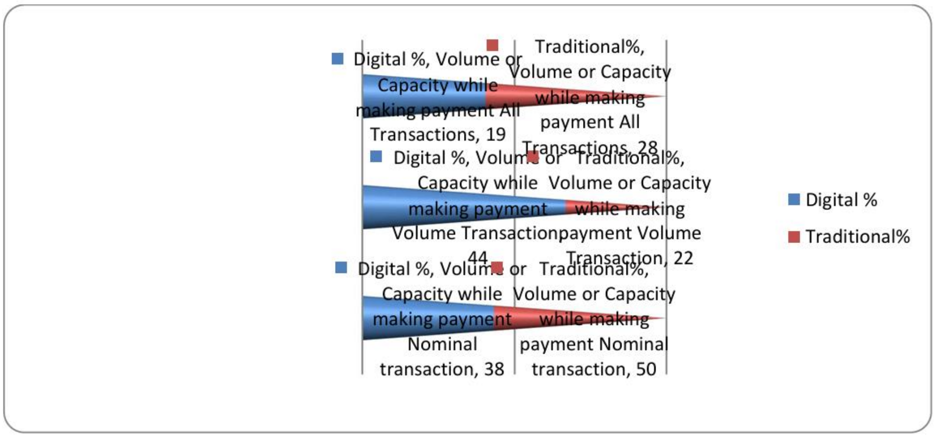

Table 2.3 Ease and Convenience

	Easy	Average	Difficult	*Totals*
Digital	37 (38.00) [0.03]	27 (19.00) [3.37]	36 (43.00) [1.14]	100
Traditional	39 (38.00) [0.03]	11 (19.00) [3.37]	50 (43.00) [1.14]	100
Totals	76	38	86	200

X2 (1, N = 100) = 9.0685, p = .010735**.** The result is significant at *p* < .05. People prefer ease and handiness while making payments.

Figure 2C: Ease and Convenience

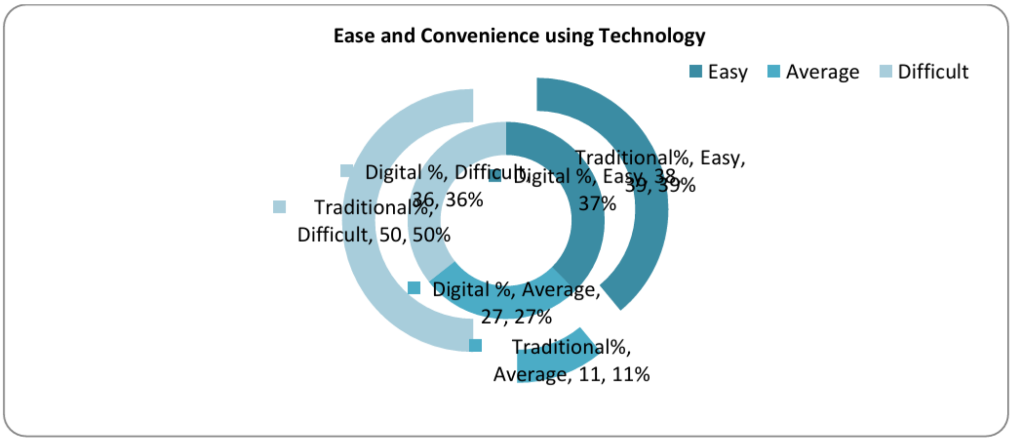

Table 2.4 Facility

	Yes	No	Totals
Digital	**67 (64.00) [0.14]**	**33 (36.00) [0.25]**	**100**
Traditional	**61 (64.00) [0.14]**	**39 (36.00) [0.25]**	**100**
Totals	**128**	**72**	**200**

X^2 (1, N = 100) = 0.7812, p = .376759. The result is *not* significant at $p < .05$. Facility and services in terms of resources does not put any significant impact in choosing payment mode.

Figure 2 D: Facility

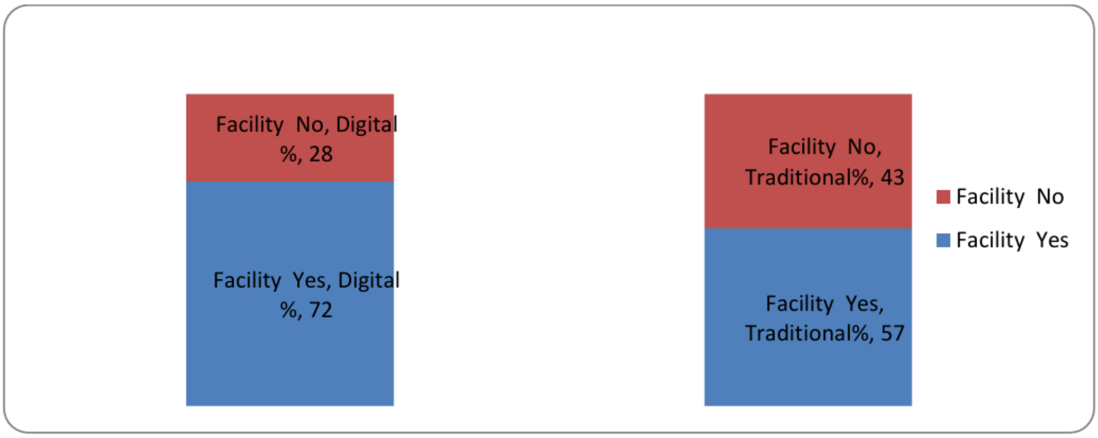

Table 2.5 Risk/ Security

	High	Average	low	*Totals*
Digital	**28 (36.50) [1.98]**	**22 (25.00) [0.36]**	**50 (38.50) [3.44]**	**100**
Traditional	**45 (36.50) [1.98]**	**28 (25.00) [0.36]**	**27 (38.50) [3.44]**	**100**
Totals	**73**	**50**	**77**	**200**

X^2 (1, N = 100) =11.549, p = .003106. The result is significant at $p < .05$. Risk and security are the main points taken as decision maker for using most reliable method of payment.

n

Figure 2E: Risk/ Security

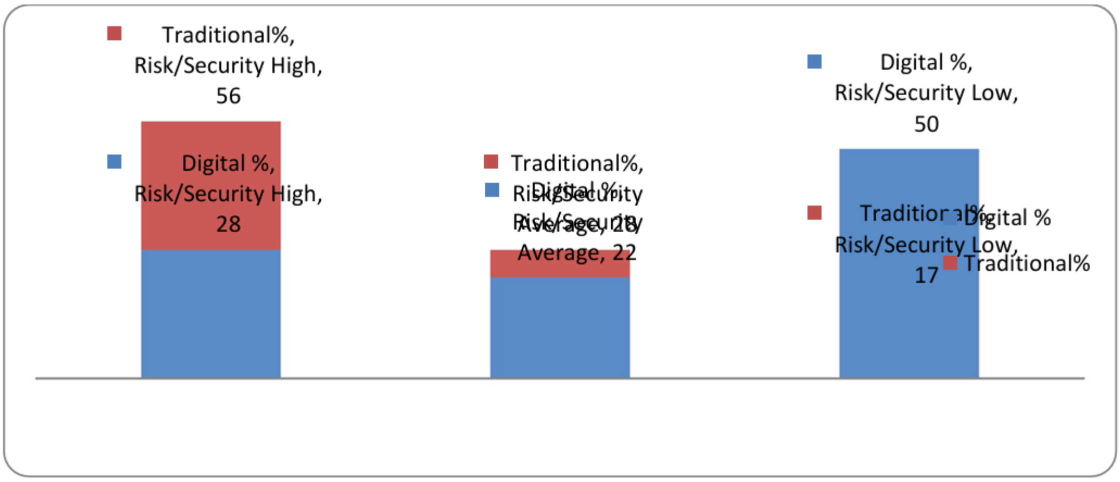

Table 2.6 Trust/Reliability

	High	Average	low	***Totals***
Digital	33 (55.50) [9.12]	37 (24.00) [7.04]	30 (20.50) [4.40]	100
Traditional	78 (55.50) [9.12]	11 (24.00) [7.04]	11 (20.50) [4.40]	100
Totals	111	48	41	**200**

The chi-square statistic is 41.1315. The *p*-value is < 0.00001. The result is significant at $p <$ .05. Trust is the most dominating factor while dealing in financial transactions.

Figure 2F: Trust/Reliability

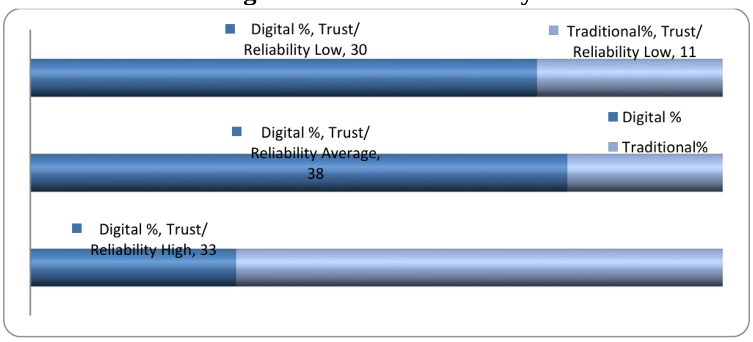

Table 2.7 Cost

	High	**Average**	**low**	***Totals***
digital	**30 (24.50) [1.23]**	**33 (32.00) [0.03]**	**37 (43.50) [0.97]**	**100**
traditional	**19 (24.50) [1.23]**	**31 (32.00) [0.03]**	**50 (43.50) [0.97]**	**100**
Totals	**49**	**64**	**87**	**200**

X^2 (1, N = 100) =4.4744, p = .106756. The result is not significant at p < .05. Cost of payment is less likely to impact on payment methods.

Figure 2G: Cost

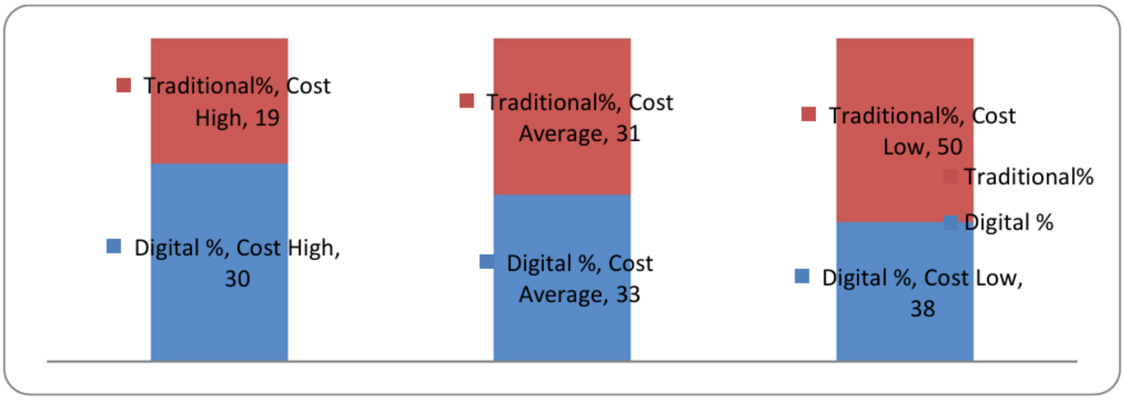

Table 2.8 Scope

	yes	No	***Totals***
Digital	81 (51.50) [16.90]	19 (48.50) [17.94]	100
Traditional	22 (51.50) [16.90]	78 (48.50) [17.94]	100
Totals	103	97	**200**

X^2 (1, N = 100) =69.6827, p = **.**00001. The result is significant at $p < .05$. Both systems of payment will remain existing parallel.

Figure 2H: Scope

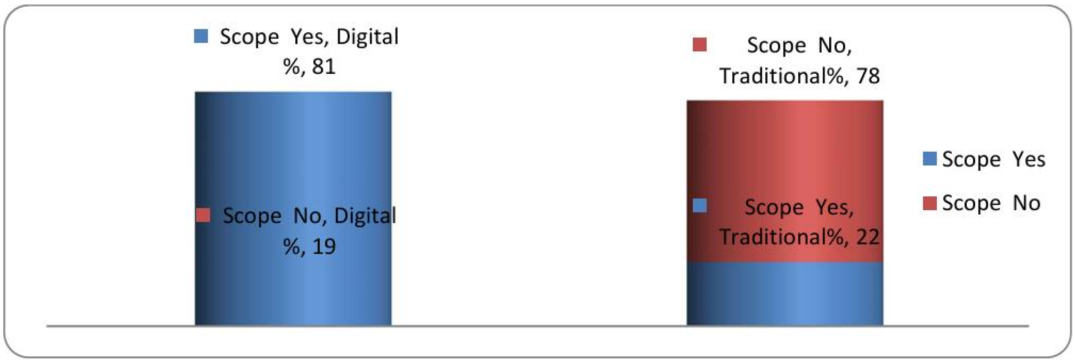

Table 2.9 Authenticity

	Yes	No	***Totals***
Digital	73 (78.00) [0.32]	27 (22.00) [1.14]	100
Traditional	83 (78.00) [0.32]	17 (22.00) [1.14]	100
Totals	156	44	**200**

X^2 (1, N = 100) =2.9138 p = .087827. The result is *not* significant at $p < .05$. There are more likely chances of occurring mistakes in both of method.

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Figure 2I: Authencity/Availability

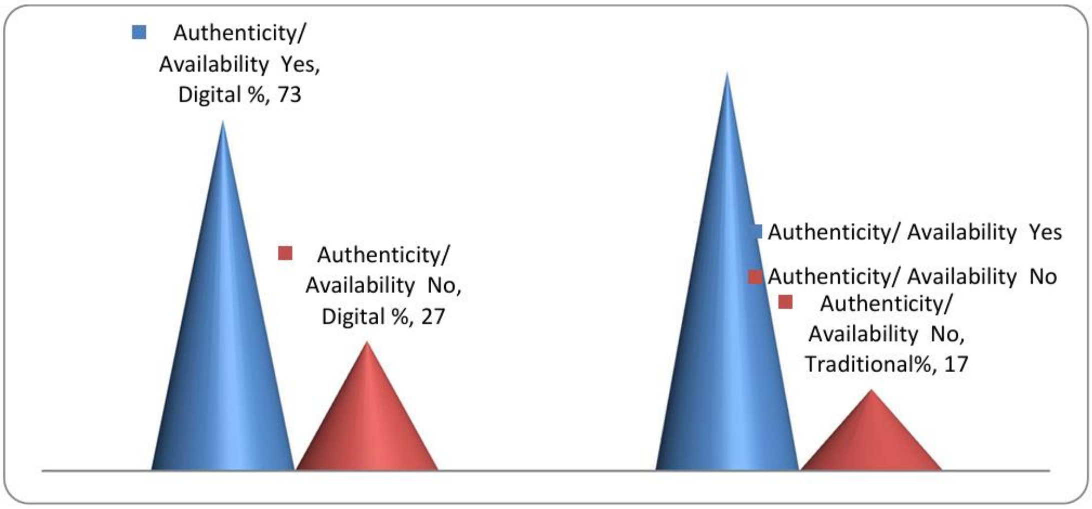
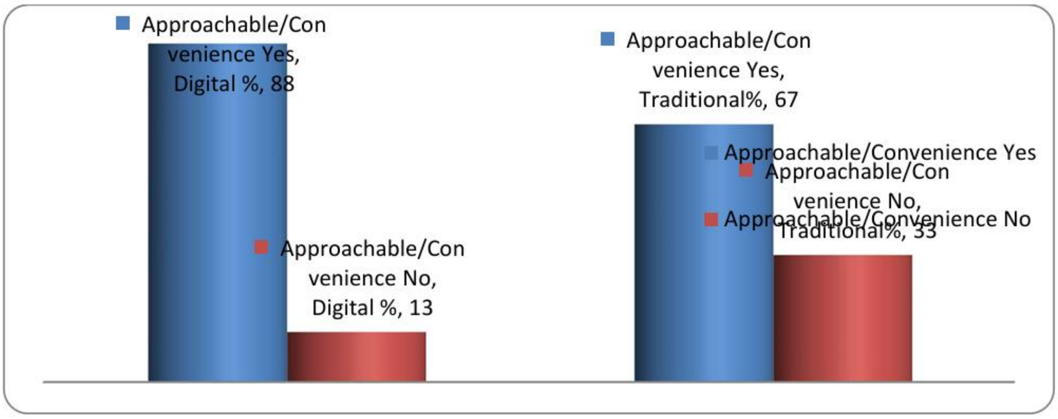


Table 2.10 Approachable

	yes	No	*Totals*
Digital	**88 (77.50) [1.42]**	**12 (22.50) [4.90]**	**100**
Traditional	**67 (77.50) [1.42]**	**33 (22.50) [4.90]**	**100**
Totals	**155**	**45**	**200**

X2 (1, N = 100) =12.6452 p =.000377. The result is significant at $p < .05$. Digital and traditional are available at the reach of users.

Figure 2J: Approachable



Dominating source of payment among customers

Factors	IMPACT TERM	Remarks
Banking Cards	**Medium impact**	Digital payments are becoming more widely used by customers and small businesses.
USSD (Unstructured Supplementary Service Data)	**High impact**	May have a long-term positive impact on digital payments.

UPI (United Payment Interface)	**High impact**	A successful rollout during COVID-19 may encourage small businesses to firmly develop themselves online and have a positive impact on UPI's long-term growth.
AEPS (Aadhaar enabled Payment System)	**Medium impact**	AEPS is widely used by customers of all scales of business as the Aadhar card is available to everyone & can be connected to AEPS conveniently as it allows six types of transactions.
Mobile wallets Internet Banking.	**High impact**	Growing adoption of digital payments by small, medium-sized, and micro businesses (MSMEs). Bill payment service, Recharging the prepaid phone, Shopping, Fund transfer such as National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS) , Immediate Payment Service (IMPS), Electronic Clearing System (ECS).
Payment Cards	**Moderate impact**	Government efforts should face less pushback from small businesses, and digital payments should be more widely accepted. There is a chance that other state governments will follow.

V. SUMMARY AND CONCLUSION

There are many options accessible in India's financial system, and the digital payment system is simple for bank employees and customers to utilize. Yet, a sizable portion of the population in India is unaware of how to use the system. Many people have a low degree of digital literacy; hence the country does not yet have a fully established and widespread digital payment system. The use of digital payment systems is influenced by societal and infrastructure barriers. Yet, due to its accessibility and ease of use, mobile banking is now popular in India. In the future, it will be necessary to accept digital payments, which means that people's behaviours will also need to change. Cashless requires less time and is safer than using cash in a transaction. It also helps to maintain track of all transactions that have been performed. Now that digital payment operations are free of transaction costs, customers of various transactions can make purchases online. Giving online retailers, merchants, and other suppliers discounts will encourage all merchants to switch to an online-only business model (or "e-merchants") To teach everyone how to use digital payments, the government should set up training programs.

Newspapers, journals, radio, TV news, and social media regularly discuss the benefits of digital payments to society and to the individual. Customers must be able to follow the guidelines for using digital payment methods and notify the issuer of any loss or theft of funds. This requirement is part of the government's drive to encourage the use of digital payments among small businesses and to lessen their opposition to them. Therefore, a cashless payment system is essential for the future.

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