



Adoption of Digital Payment System by Consumer: A review of Literature

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Abstract

The advancement of information and communication technology opened the gate way for modern methods of payments. The growth in smartphone and access to internet made life easier for the people and which gave advent to digitalization. Digitalization not only improved trade and commerce but it also made transaction of payment smooth and fast. The entire paper is based on literature review of various authors which talks about various methods of digital payments why they are being adopted, how frequently it's being used, what is the future of digital payment in the coming years, etc. It is also a great way to make the Digital India initiative taken by the government to make it a successful programme and make our country a cashless economy. Post demonetization there has been a hike in digital payment which opened the gate for multiple digital wallet to enter India and have a successful run in the long run. The aim of the study is to see the reasons examined by differed authors for adoption of digital payment by people.

Keywords: Communication, Technology, Internet, Digitalization, Digital Payment.

1. Introduction

The growth of Information and Communication Technology has brought a lot of changes in the lifestyle of the people .ICT and digitalization has brought great advancements in fields of finance, marketing, economics operation, etc. (Slozko & Pelo, 2015).In the period of Digital innovation and ICT there have been a lot of changes in the world where business transactions have shifted from cash to digital once. (Muhamad, Haroon, & Najiran, 2009).The arrival of development in technology in the worldwide business environment had challenged almost all organizations to shift from traditional paper currency to digital payment platforms which is commonly known as digital payment or e-payment system. Digital payment can be defined as platform which is used for making monetary transaction for various goods or services purchased over the internet. (Roy & Sinha, 2014).

With the introduction of digital payment system the payment system in the world had to shift its method of payment to align with the current or latest payment technology for individuals, organizations, businesses, government, etc.(Odi & Richard, 2013).The digitization has forced to change the payment system around the world from paper, coins , people stated to shift towards the digital payment system as it was very fast , convenient, and beneficial for individuals, organization(Premchand & Choudhury,2015).

Digital or E-Payments are very important mode of payments used by the population which is a very secured, fast and convenient mode of making any payment using the internet and it is also an opening for an economy to grow and excel its technological advancement in the world economy (Slozko &

Pelo,2015).Further adding to it at has become a great facilitator to the e-commerce as they are heavily dependent on digital payment. Digital payment not only provides the e-commerce or e-business with advance money but it brings in efficiency ,reduced cheat activities and its adding on to the new innovation in the payment system across the globe (Oladeji,2014).

Furthermore, digital payment system engages many digital or e-payment system which many financial institutions are able to provide easy services to their customers such as debit cards, credit cards, net banking, etc.(Premchand&Choudhury,2015).The rise of this mode of payment system is having a great increment in adoption in today's time (Balogun,2012).As there is so much of convenience and benefits associated with digital payment, there is still a a lot of concern about the security that the ICT knows and they are working to resolve this fear of security which is the only concern about this payment system mong all users and experts (Khairun & Yasmin,2010)

1.1. Definitions

In the past 20 years there has been an evolution of the digital payment which started to get slow attraction from users, researchers as it was bringing change in the modern e-commerce. As it was getting attraction the researcher's started to define it in various ways it focused on various fields namely business, IT, accounts & finance. According to Briggs and Brooks (2011) digital payment is a form of payment which is supported by banks and inter connected between individuals and banks for making monetary transaction digitally. Peter and Babatunde(2012) saw digital payment as a mode of payment ,transaction or transfer of money with the help of internet. In the same context Adeoti and Osotimehin (2012) referred digital payment as an way of making payment online or in any particular place using the digital mean. Kaur and Pathak(2015) suggested that digital payments are payments which are done for e-commerce purpose where money is exchanged through digital mode. Going by the above definition we can conclude that digital payment is a mode of payment which involves various digital platforms or application to make transaction, using digital means.

1.2. Digital Payment

1. Plastic Cards- These are cards issued by banks to their account holder, by using it they can withdraw money from any ATM by using their password. These cards are used for depositing money in banks to so that there is less wastage of paper. There are two type of cards issued by banks i.e. debit and credit card. Debit cards are issued to all account holders whereas credit cards are issued to the once according to their interests.

2. UPI -Unified Payment Interface is a payment mode this is used to make fund transfers through the mobile app. One can transfer funds between two accounts using UPI apps. One should have a registered mobile banking facility to use UPI apps. Currently, this service is only available for android phone users. One can download a UPI app and create a VPA or UPI ID. There are too many good UPI apps available such as BHIM, SBI UPI app, HDFC UPI app, Mobile, PhonePe app etc. It is not mandatory to use the UPI app from a respective bank to enjoy UPI service. One can download and use any UPI app.

3. Mobile Wallet-It's the other way of storing or keeping digital cash and using it for various transactions. A person can download any mobile wallets namely Paytm, GPay, Phone pay, Sbi buddy, Jio money, etc. They just need to link there bank account or their plastics cards number to use the amount required and which is further used for making payments, paying bills etc.

4.Internet banking- There are various types of internet banking which are NEFT(National Electronic Fund Transfer), RTGS(Real Time Gross Settlement),ECS(Electronic Clearing System), IMPS(Immediate Payment Service).These are e-banking system which allows individual or organisations to make transfers using the website of their banks.

5. Mobile banking- It is provided by all banks to their customers where the customers need to download the application of the bank and they cause it for making transactions. For using such application on should have a smartphone.

There are many more types of digital payment available in our country and across the globe we have talked about a few which are known to people.

2. Literature Review

Kevin Foster, Scott Schuh, and Hanbing Zhang (2010) they examined the consumer payment methods with respect to cash holdings and withdrawals which was decreasing since 2010. There was an increase in card payment system with respect to 2009 in the year 2010, which resulted in less usage of paper currency. Since 2010 there was an increase in usage of debit and credit card compare to cash transaction which slowly took a decline giving rise to prepaid payments.

Singh.A et.al (2012) in their study discussed how secure the internet network should be to make smooth transaction for all the parties and the merchants. The systems are made in such a way so that there is no fraudulent activity takes place people can use their card for transaction in a secure way so that no data is shared. People mostly do digital transactions for e-commerce but they find internet I not secure to do so. Therefore some strict protocol should be followed and managed to make transaction secure and the data is also protected.

Oladejo, Morufu et.al (2012) in their study examined the improvement of e-payment system in Nigeria. They explored what initiated the people to adopt the e-payment system. A structured questionnaire and some financial statements were collected to analyse the data. The results were such that when bank adopted e-payment system there was a change in the performance level of the banks. With the advent of e-payment system there was a rise in usage of ATMs.

Nitsure (2014) in his study highlighted the issues that were being faced or observed in developing country like India in using the e-payment system which was due to the low spread of internet and technology. The paper focused on major issues such as security, rules, etc. IN a country like India there is a high risk where the poor's are given a chance to be informed about such facilities neither they are given any such information.

Rakesh H M & Ramya T J (2014), in their study analysed the factors that which was resulting in the adoption of internet banking in our country. It was found out that perceived reliability, Perceived ease of use and Perceived usefulness were the main reason for the adoption or usage of internet banking.

Sanghita Roy, Dr. Indrajit Sinha (2014), discussed in their paper that in India there has been a sudden surge in the usage of digitalised payment. But still there is almost 90% transactions which are done through paper currency. They had used the TAM (Technology Acceptance Model) in this study to find out the factors which are strengthening the e-payment system the factors are innovation, incentives, and legal frame work and customer convenience.

Dennehy & Sammon (2015) has analyzed how in the 21st century the usage of digital payment has increased over the years. The main focus here was to find out how where will in the digital payment system in future stand. Many papers have been examined to find out what are the views regarding the digital payment system. With the passage of time the technology has been shifting very fast so with the innovation of technology the aim was to make people familiar with digital payment. The merchants also got a new platform to invest so as to cater the customers. Data was collected by following empirical method i.e. survey, interviews, etc. Lastly the study was only focused on Google data base that was a limitation about the study.

Sanaz Zarrin Kafsh (2015) made a study on “Developing Consumer Adoption Model on Mobile wallets in Canada”, in her study she did convenience sampling from where 530 respondents were selected and there after the Partial least square model was used to test the data. As per the analysis the result perceived usage, perceived ease of use and perceived security is related to each for forecasting the adoption of digital payment.

Bezhovski (2016) has examined how internet and e-commerce has opened the gateway for digital payment system with the increment in technology people are adopting the new means of payment system and how they will be benefited and is there any pitfall of using it. When e-commerce was launched it was a unique way of trading so the digital payment is also a unique way of transaction which will also emerge as the e-commerce and in near future it will become the backbone of e-commerce. The future of these digital wallets will depend on the security and privacy that are provided by the companies as people are highly security concerns any pros and cons will decide the future of digital wallets. It is not only restricted to make transactions but it be used for booking airlines, movie tickets. Many offers are provide for making bill payments or buying any goods using these platforms. As the smart phones has removed many devices from our daily live and have clubbed in one device only so it is expected that digital wallet will also do the same which will become substitute for many other things.

Ravi (2017), has examined that India’s two third population are residing rural areas so they play a very important role in the development of the economy, with the emergence of IT and Communication it is predicted that rural areas will have 50% of India’s Internet users by 2020. Digital wallets should be used in rural places so that the people know the significance of using it and what benefit they will be getting by using it. The Government of India has also taken up the initiative of making rural people aware about Digitization. Adoption of technology has always been low in India compare to other countries but in case of Digital wallet our country is going with the pace of other countries to become a cashless economy. As the two third population of India is in rural part so if the rural people with time adopt the digital payment system then in the coming years India will become a cashless economy. The government of India has taken up various initiatives to make the rural people become familiar with digital wallet. The urban people have adopted the digital system of payment, now it’s time for the rural people too. If the rural people are made aware about digitalization soon it will roll out all over India. The best step that the National Payments Corporation of India has taken is that digital wallet will work on all mobiles with or without internet.

Singh (2017) in his study showed that how digital payment and digital wallet in India was get popularized due to demonetization. As there was a tremendous growth in the usage of internet and the no. of smart phone users were also increasing so people found it convenient to use as an alternative for cash. In this study he also pointed out that how different digital wallet companies were having competition to enter and expand the Indian market as it was the best opportunity for them to establish their company. It was also predicted that in future India will become a cashless economy and with digitalization people will surely adopt the digital mode of payment. ANOVA was used in this study to show that there is no significant variance in the consumer perception with respect to its demographic factors.

Baghla . A (2018) in his study identified the trends for adopting the digital payment system India. Further the paper talks about how after demonetization people started to use the digital platforms for transactions. How the government initiative to make our economy a cashless one and how consumer will be adopting such system are further discussed. A structured questionnaire was used to collect data and find out the future of digital payment system in India.

Pandey and Rathore (2018) in their study discussed the impact of digital payment system. Due to modernisation and globalisation it was very important for the people to accept the modern method of payment. The study is based on secondary data and various literatures from past papers and government data. All data collected has been analysed and used to find the impact and adoption of digital payments by the people.

Pushpa S. Abbigeri and Rajeshwari M. Shettar (2018) talked about how the Digital India flagship program attracted large number of people to start using digital wallets , which people started to use as there was lots of cash back offers and coupons. After the digital India flagship program a lot of mobile wallet companies entered India and other methods such as UPI, NEFT to a surge. The initiative taken by the government and RBI was being accepted by the people as they were using such methods.

Shivathanu B. (2019) in his study adoption of digital payment system in the era of demonetization emphasised on how the digital payment system was used by the people or accepted by the people during demonetization. It was based on a conceptual framework where the sample size was 766 .The data analysed suggested that behavioural intentions and innovation resistance had an impact on the actual usage.

3. Discussion

The literature reviewed from various papers suggests that digital payment is far more convenient compare to traditional medium of paper currency. This method of payment is 24x7 available from anywhere. Such payment transaction can be done by any individual who possess internet connection and they don't need to wait in queue or visit banks.

As we know how important time is, in everyone's life, so the most important part played by the digital payment system is that saves a lot of time and it's far safer compare to cash handling. If we look at this type of payment it helps us to pay the exact amount to the person whom we are paying sometimes we are short of change as well as the person whom we are supposed to pay so maybe in the long run if that change is not exchanged either of the person is benefiting but if digital payment is used nothing as such will take place.

So the paper reviewed is from all across the world where the authors have put their opinion and most of the paper are analysed through data collected from customers, businessmen, organisation, etc. As per the data collected by the authors they have analysed the result and interpreted using various tests. Most of the paper suggests that the people are using and accepting the digital payment system due to convenience in handling it, some suggest as they get rewards or cash back, they save time and it's a faster mode of transaction and so on.

It has also been seen that post demonetization it had made a great impact in a country like India where huge share of the population starting using the digital payment system sue to shortage in paper currency and to save time. As we know the government took an initiative to make India a cashless country which post demonetization should some positivity and we can also see during this crisis i.e. due to Covid-19 we all are making most use of the digital payment system, all e-commerce or all online grocery or other necessity online commerce are not accepting cash, all are accepting prepaid payment which can be done through various digital payment system.

4. Conclusion

Digital payments not only helps individual to payments or receive money it also performs multiple functions such as giving reminder about dues of any kind of payments to be made, it gives various offers to the user and its saves a lot of time, as per the initiative taken by the government of India to make a digital India and due to the increase in smartphone selling and availability of internet at a high speed and at an affordable price this is one of the core factors for consumers to adopt the digital payment system as everything can be done at our finger tips and we don't need to go anywhere to use it. In the near future there will b more increment in the usage of digital payment system and definitely the digital India mission will be highly successful.

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