



“ANALYSIS ON THE IMPACT OF DIGITAL PAYMENT TOWARDS BUSINESSES IN VADODARA CITY”

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ABSTRACT:

There is significance of small businesses to any economy from the perspective of employment and contribution to national gross domestic products. This study investigates the factors driving businesses towards adopting digital payment systems in Vadodara City, India. The objective of the study is to identify and analyse the main factors influencing Vadodara city businesses' decisions about implementing digital payment systems. The study examines how Vadodara city companies are impacted by the cost-effectiveness of digital payment services. The term "cost-effectiveness" refers to various elements, including transaction costs, operational effectiveness, and total financial gains from using digital payment systems. Businesses must comprehend the cost-effectiveness factor to evaluate the financial effects of switching to digital payment methods.

Keywords: Digital payments, Fintech, Businesses, Cost-effectiveness

INTRODUCTION:

Today's world is primarily concerned with using more technologically advanced goods to improve their business. This applies similar for the markets' numerous sectors, including the finance sector. Digital payment methods like mobile wallets and online banking are causing a shift in the payment methods used by businesses in India. These modifications are part of a broader trend wherein more people are selecting digital payment options over regular cash payments in India and around the world. The fundamental role that smartphones, tablets, and laptops play in today's world, helping with a variety of chores including booking tickets and shopping. This change in technology has contributed to the growth of digital payment systems in India, where online banking and mobile wallets are becoming more and more popular. These online payment options provide consumers with increased transaction speed in addition to convenience. The remarkable development trajectory of digital payments, with a forecasted market size of \$10.07 trillion by 2026 and a compound annual growth rate (CAGR) of 12.7%. The rapid rise in digital payment accepted locations—which jumped from 1.5 million to 10 million in a short period of time—further illustrates this expansion.

Types of digital transactions

As the several examples above suggest, there are numerous forms of digital transactions available. When it comes to digital payment methods, they are:

- Direct Debit
- Wire transfers
- Online card payments
- Contactless card payments
- Digital wallets
- Peer-to-peer apps

Moreover, the Unified Payments Interface (UPI) proves to be revolutionary, with transaction volumes growing at an impressive CAGR of 246% between 2016–17 and 2018–19. Government measures highlight a coordinated effort to decrease dependency on cash transactions in the middle of this digital transformation. Examples of these initiatives include the approval of actions to promote card and digital payments. The many types of digital transactions, each with unique benefits, from peer-to-peer apps to direct debit. Although there are many advantages to digital payments, like speed, security, and real-time cash flow monitoring, there are also relevant limitations, like associated costs and privacy issues. It goes into further depth on UPI's innovative functions, which allow for easy mobile-centric payments without providing essential bank information. The revolutionary potential of UPI is highlighted by the government's planned deployment of it as a driver for financial inclusion and financial stability. With these initiatives, digital payments have the potential to improve efficiency and transparency in India's developing digital economy while also optimizing financial transactions.

LITERATURE REVIEW:

Naresh sachdev, Kawal Nain Singh(2023)

“Systematic review and implications of fintech instruments in Indian Micro Small and Medium Enterprise”. In their research, the study focuses on micro, small and medium-sized enterprises (MSMEs) perceptions about using Fintech instruments to meet their financial requirements. The study indicates that only a small percentage of business owners know that Fintech instruments can be a source of financing for their companies. In addition, the items utilised in the research led to the generation of three different aspects: banking, MSME and Fintech.

Dr. Ketaki P. Sheth,(2023)

“A study on Digital payment system usage behaviour of customers of Gujarat state.”The digital payments are promoted with the objective of making seamless digital payments available to for customers in a way that is accessible, easy, affordable, rapid, and secure. Therefor this study is an attempt to know the use of digital financial transaction by customers of Gujarat state.This study concludes that majority of customers use digital transactions but still there are some customers who didn't prefer to use it, therefore it is suggested that the digital payment platforms or banks or researchers should identify the reasons for not using the digital financial transaction

Prakash M(2022)

“A Study on Consumer Perception Towards Digital Payment”, In this research it is studied that The digital economy, electronic commerce and electronic banking are now being used by the new technologies and the wider global network, especially internet, within and outwardly. Increasing use of internet, electronic devices and government initiative such as digital India with a vision to transforming India into digital society by cashless transaction. After demonetization in India the digital payment system emerged tremendously. In recent days many changes took place in the payment system like digital wallets, UPI, AEPS, QR code and BHIM apps for smooth shift to digital payments. The study investigates a customer's perception towards Digital payments.

Tripathi and Dixit,(2020)

“Adoption of digital payment via mobile payment application in Gujarat state.” In this research,They came to the conclusion that older persons are not at all interested in using mobile payment applications for digital payments, but undergraduate and postgraduate students are. According to them, this study will assist India in developing effective strategies for growing the usage of mobile payment applications and in building stronger relationships with customers.

K. Suma Vally and K. Hema Divya (2016)

“A Study on Digital Payments in India with Perspective of Consumer’s Adoption.” The demonetization resulted in tremendous growth in digital payments. Government initiative such as Digital India and increased use of mobile and the internet are means to exponential growth in the use of digital payment. This transformation towards digital payments benefits more transparency in transactions which empowers the country’s economy.

PROBLEM STATEMENT:

In recent years, India (precisely)Vadodara City has witnessed a growing shift towards a digital payment system, aligning with the broader national push towards a cashless economy. However, despite the apparent advantages of digital payments, there I a need to comprehensively understand the dynamics influencing businesses in adopting and utilising these systems. This research aims to investigate the impact of digital payment systems on Businesses in Vadodara city.

RESEARCH OBJECTIVE:

- To examine the digital payment system of Vadodara.
- To examine the factors influencing businesses towards digital payment systems in Vadodara city.
- To analyse the effect of cost-effectiveness on Business with digital payment services.

HYPOTHESIS:

- Null Hypothesis H0:
The cost-effectiveness of digital payment services has no significant impact on the profitability and cost-efficiency of businesses
- Alternative Hypothesis H1:
The cost-effectiveness of digital payment services positively impacts the profitability and cost-efficiency of businesses

RESEARCH METHODOLOGY:

- **RESEARCH DESIGN:**

To give a thorough picture of the current situation and to concentrate on characterizing the features of digital payment systems in India and their effects on Vadodara city companies, a descriptive research design is employed. Additionally, it will make it possible to fully comprehend the elements that contribute to India's and Vadodara City's digital payment system.

- **SOURCES OF DATA**

Primary data sources: Structured questionnaires for both users and businesses in Vadodara city.

- **DATA COLLECTION METHOD**

To collect qualitative as well as quantitative information from the target audience that is, businesses that use digital payments a structured questionnaire is employed.

- **POPULATION**

This research aims to investigate the demographic of users who make digital payments.

- **SAMPLING METHOD**

Simple random sampling methods will be used for this research.

- **SAMPLING FRAME**

The sampling frame for this research includes a list of digital payment users, and businesses, sourced from census data.

- **DATA COLLECTION INSTRUMENT**

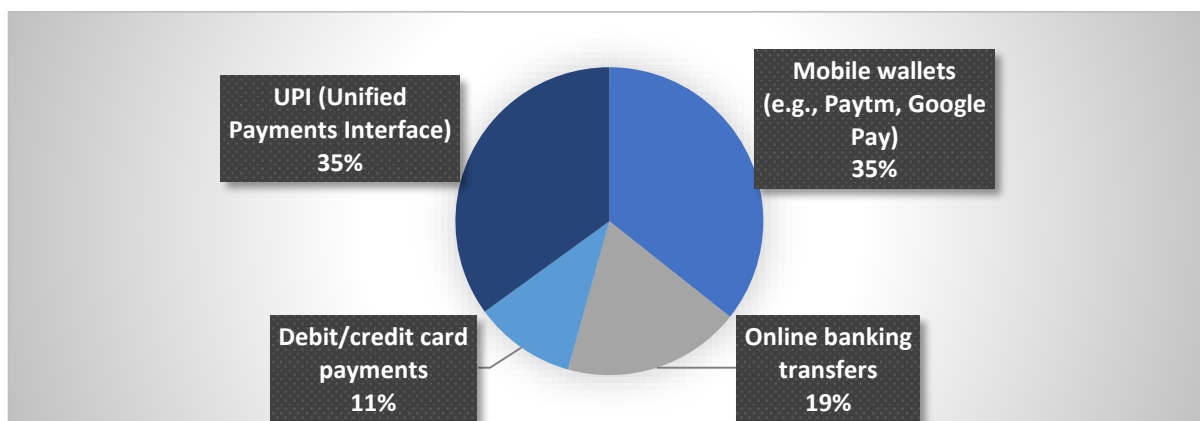
A structured questionnaire is used as a data collection instrument for gathering qualitative and quantitative insights from users and businesses.

DATA ANALYSIS:

BUSINESS TYPE	COUNT	PERCENTAGE
RETAIL	50	16.67%
RESTAURANT	20	6.67%
SERVICE	45	15.00%
MANUFACTURING	20	6.67%
E-COMMERCE	35	11.67%
HEALTHCARE	15	5.00%
FINANCIAL SERVICES	30	10.00%
EDUCATION	25	8.33%
IT SERVICES	30	10.00%
OTHER	30	10.00%

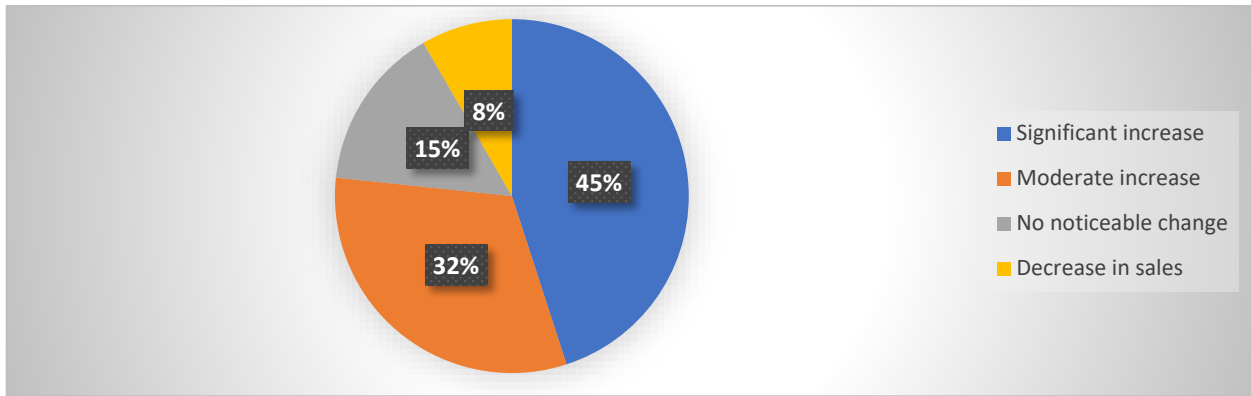
From above collected data about business type, we have analysed that there are higher number of retail business owner who are using digital payment system .

➤ **Currently, Offer Digital Payment Options To Your Customers**



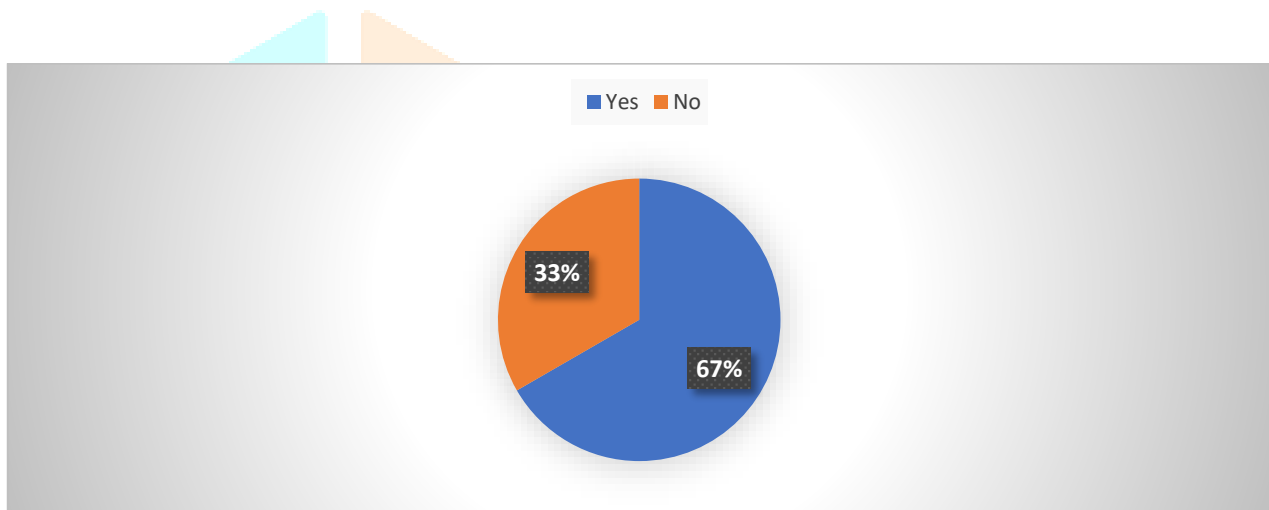
According to above data, it is analysed that UPI(Unified Payment Interface) and Mobile wallets (i.e. Google pay, Paytm,etc) are popular digital payment services which offers significant services to customers in business trade.

➤ **Have you observed an increase in sales or revenue since adopting digital payment options?**



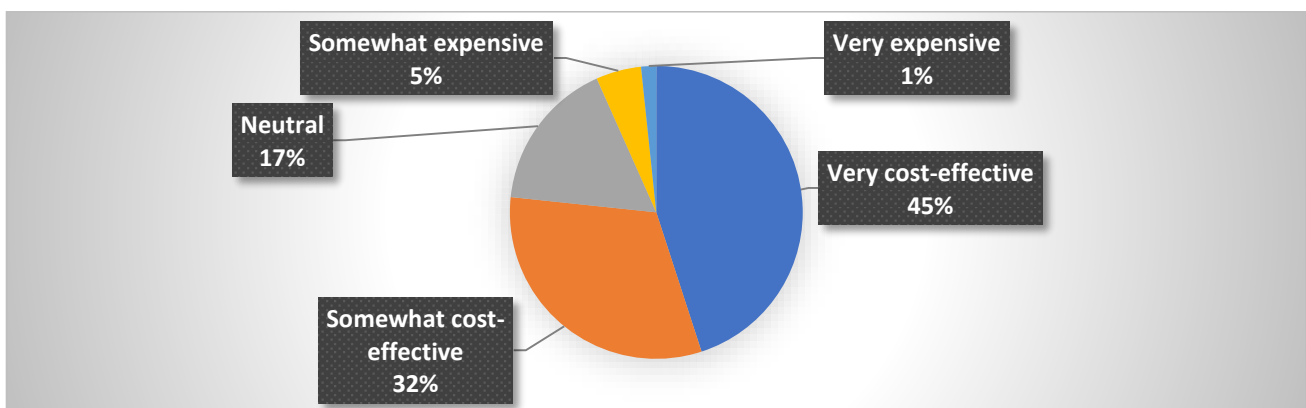
From above data, 45% businesses have observed significant increase in sales or revenue since adopting digital payment options .32% have observed moderate increase, 15% have observed no changes after adopting digital payment services.

➤ **Has the availability of digital payments influenced your business's plans for growth or expansion**



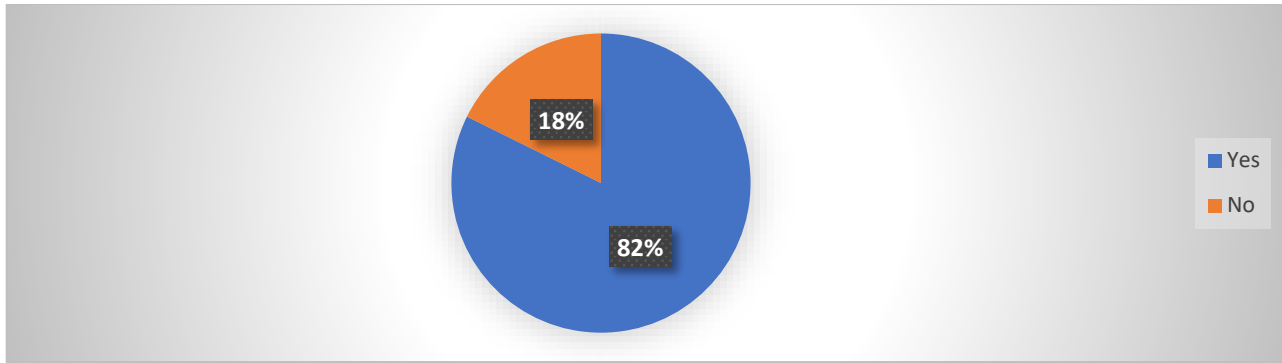
Over 67% businesses thinks that the availability of digital payment services have influenced their business’s plans for growth or expansion

➤ **How would you rate the cost-effectiveness of the payment services in terms of transaction fees compared to alternative payment methods?**



According to the above data, 45% businesses rates that digital payment services are very cost effective in terms of transaction fees compared to alternative methods.

➤ **Have digital payment systems helped in reducing operational expenses in your business?**



From above data, it is analysed that 82% businesses think that digital payment systems helped in reducing operational expenses in their businesses.

➤ **CHI-SQUARE ANALYSIS**

Chi-Square	very cost-effective	somewhat cost-effective	neutral	somewhat expensive	very expensive
RETAIL	0.707596372	1.314733262	0.003401361	0.980612245	0.816666667
RESTAURANT	0.069157088	0.072625529	0.143678161	0.139655172	0.483333333
SERVICE	0.089057239	0.201196172	0.045454545	0.074242424	0.55
MANUFACTURING	1.25952381	0.018421053	3.5	1.05	1.207142857
E-COMMERCE	0.45	0.548245614	0.806666667	1.25	0.416666667
HEALTHCARE	0.025	0.074122807	0.020833333	1.6	0.408333333
FINANCIAL SERVICES	0.110457516	0.00505676	0.490196078	6.405882353	0.566666667
EDUCATION	0.007692308	0.071390013	0.025641026	0.069230769	0.433333333
IT SERVICES	0.040821256	0.011022121	0.007246377	0.019565217	0.383333333
OTHER	0.028571429	0.144862155	1.523809524	0.114285714	13.75238095

Chi-square stat	42.5378106
Degree of freedom	36
Chi-square cv	50.9984602
P-value	0.21018244

From above analysis, the p-value is near to zero, indicating that the results are statistically significant at standard significance level. Because the p-values are so low, you would reject the null hypothesis for each question and accept the alternative hypothesis. And hence, through this Chi-Test we have analysed that the cost-effectiveness of digital payment services positively impacts the profitability and cost efficiency of businesses.

FINDINGS:

- Digital Payments' Effect on Businesses
- Impact of Growth and Expansion
The availability of digital payments has a direct impact on growth plans, based on the majority of businesses (66.67%).
- Payment Preferences for the Customer
There has been a significant change (85.67%) in customer preferences for digital payment methods, showing that the payment landscape is evolving.
- Efficiency in Operating Costs
For numerous businesses (82.33%), digital payment methods have shown to be economical, which has led to lower operating costs.
- Variations in Transaction Volume:
Different levels of transaction have changed as a result of the use of digital payment systems: 61.67% of transactions have risen, 16.67% have decreased, and 21.67% have not changed significantly.
- Effects of Cash Handling
There has been a noticeable decrease in the need to handle currency (92.67%), highlighting the way that digital payments have revolutionized traditional approaches.
- Effect of Ranking on Development
Different opinions can be seen in the rating of the influence of digital payments on business growth; 40.00% of the participants gave this impact the highest rank, while 6.67% gave it the lowest.
- Score for Cost-Effectiveness
Opinions about the cost-effectiveness of digital payments are divided; 45% believe they are highly cost-effective, yet 1.67% believe they are very expensive.
- Move in Customer Payment Preferences
: Of those who are certain about the move in customer payment preferences towards digital methods, 85.67% are certain, while 6.00% are not sure.
- Cash Handling Stability:
A major move towards cashless transactions is shown by the overwhelming majority (92.67%) reporting less dependence on cash handling.

CONCLUSION & SUGGESTIONS :

Fintech is currently viewed by the industry as a disruptive technique that affects how different firms operate. The purpose of this review was to determine how the usage of two very distinct Fintech instruments like crowd funding and peer-to-peer lending—can affect the overall performance of these entities. According to the analysis, after using fintech, firms' performance metrics—particularly CAGR—saw a rise in efficiency. Additionally, the study concentrates on making recommendations regarding whether it would be advantageous for MSMEs to pursue these two sources of funding in the future. The findings indicate that both Fintech tools were quite beneficial when employed. Therefore, it would be advantageous for MSMEs to fund their initiatives via Fintech-based financing so they can easily continue operating their operations. According to statistics from MSMeS Businesses located in Vadodara, a lot of business owners are happy with Fintech tools since they improve their company's efficiency and cost-effectiveness while also having a favourable effect on sales. Continuous Monitoring: To guarantee continued adaptability to the changing digital payments the environment, businesses need to stay up to date on technology developments, industry trends, and regulatory changes. Additionally, getting into effect educational programs is essential to improving consumers' and businesses' understanding of digital payment systems and enabling a more smooth shift to cashless transactions. Furthermore, it is advised to tailor methods to the needs of the particular industry. Research focused on a particular industry could identify possibilities, problems, and best practices related to specific functioning dynamics. The most crucial thing to remember is to prioritize security. Businesses should prioritize strong security measures in light of their increasing dependence on digital transactions in order to establish and sustain confidence among stakeholders.

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