

# The Impact of Mobile Payment Adoption on Consumer Spending Habits

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## EXECUTIVE SUMMARY

My project's objective is to look into how customers behave when using digital payment options. To bolster the case for e-payments, this study looks at the current inefficiencies in government payment systems and estimates the potential strategic and financial benefits of switching to electronic government payment flows. Since digital payment methods are more widely used and effective, impoverished rural residents are probably going to engage more. This will also help the central government achieve its long-standing goal of reducing poverty and hunger through its food subsidy, housing, and welfare programs.

As a result of new business models and technological improvements, they now have a powerful tool in the shape of digital payments, also referred to as electronic payments or "e-payment" systems. Thanks to digital payments, every poor household in India—roughly 80 to 100 million—may have unparalleled access to safe and useful aid directly from the government, bypassing intermediaries. A digital payment infrastructure enables further expansion into rural India, where traditional payment methods remain inadequate in terms of convenience, accessibility, and reliability.

Implementing digital payment systems has both direct and indirect benefits, such as improved government service delivery, decreased corruption, potential improvements in government service consumption, and a 15%–20% boost in low-income households' per capita income. This degree of connectivity is driving the move away from cash payments made through digital channels, whether from dematerialized cards kept in digital wallets or the cloud or from new digital payment systems.

## 1. INTRODUCTION

### 1.1 INTRODUCTION TO DIGITAL PAYMENT-

Peer-to-peer transfers among private users, online payments for products and services, and mobile payments at the point-of-sale (PoS) through smartphone applications (apps) are all examples of digital payments.

A digital payment is one that is made via digital methods. When employing digital payments, money is sent and received digitally by both the payer and the payee. Another name for it is electronic payment. Digital payments don't use actual currency. Every transaction involving electronic payments is finished online. It's a quick and easy method of payment.

Money must initially be removed from your account in order to make a cash payment. After that, you utilize this money to buy things from stores. The shopkeeper deposits the money he received from you at the bank. Both you and the storekeeper must invest a great deal of time in this procedure. However, when you make a digital payment, funds move straight from your account to the storekeeper's account. The merchant and you don't need to go to the bank because this process is automated.

With digital payment methods, which are frequently simpler and more convenient, customers can pay whenever and wherever they choose. These expedite transaction cycles and are a good substitute for conventional payment methods. People gradually began taking digital payments after demonetization, and even small business and store owners began to take online payments.

## **ADVANTAGES OF ONLINE PAYMENTS**

In the Age of High Technology, cash aims to remain competitive with electronic money as more and more individuals choose for virtual wallets. It is evident that electronic payment methods have certain benefits over conventional banking services.

### **1. Time savings**

Money transfers between virtual accounts usually only take a few minutes, whereas mail or wire transactions can take days. You won't waste time waiting in line at the bank or post office either.

### **2. Expense control**

Even if someone is eager to reduce his outflows, it requires work to keep track of all the small expenses, which often make up a large chunk of the total amount of disbursements. The virtual account retains the history of each transaction, including the store and the total amount spent. Furthermore, you can check it whenever you like. Selecting an electronic payment method in this case has several advantages.

### **3. A decreased likelihood of loss and theft**

You cannot leave your virtual wallet alone, nor can it be stolen. We went into great detail in one of our previous posts on how to protect your e-currency account, despite the fact that there are many scammers on the internet.

## **DISADVANTAGES OF ONLINE PAYMENTS**

### **1. Restrictions**

Every payment system has restrictions on the daily transaction volume, account maximum, and output volume.

### **2. The potential for hacking**

According to the security requirements, the threat is minimal and similar to the likelihood of a robbery. The worst situation is when the system of the processing company is breached, revealing the personal data of users and cards. Even if the electronic payment method doesn't employ plastic cards, it could still be linked to identity theft issues.

### **3. The difficulty of transferring funds between multiple payment methods**

In general, the majority of electronic payment methods are incompatible with one another. In this case, you'll need to use e-currency conversion services, which may take some time if you don't have a trustworthy source already. With our help, finding the best e-currency exchanger is lot simpler.

## **1.2 INTRODUCTION TO INDIAN DIGITAL PAYMENT SECTOR**

The Payment and Settlement Systems Act, 2007 (PSS Act), passed in December 2007, governs India's payment and settlement systems. The Reserve Bank of India and the Board for Regulation and Supervision of Payment and Settlement Systems are in charge of overseeing the PSS Act.

In India, there are numerous payment and settlement options, including net and gross settlement. Credit cards, debit cards, the National Electronic Fund Transfer (NEFT) system, Electronic Clearing Services (ECS Credit), and Instant Payment Service are examples of net settlement systems in India. For gross settlement, the country uses a technique known as Real Time Gross Settlement (RTGS). The Reserve Bank of India is putting a lot of effort into promoting alternate payment options that would improve system security and efficiency while streamlining the banking process.

### **1.**

## 2. LITERATURE REVIEW

- In June 2017, the paper "Demonetization and its effects on digital payment adoption: prospects, problems, and obstacles" by Dr. Dhani Shanker Chaubey and Mr. Piyush Kumar was published.

Identifying the factors that influenced digital payments after demonetization, assessing public confidence and trust in the digital payment system after demonetization, assessing the types of transactions and usage patterns of individuals after demonetization, and determining public opinion regarding the importance of digital payments after demonetization were the goals of this study.

After being given a reprieve after demonetization, the authors of this paper concluded that consumers were compelled to learn how to use digital payments. People were slow to adopt technology, but they didn't want to pay more for things they bought online. However, the currency scarcity brought on by demonetization causes financial hardships for Indians. They gain from this PayTM-like medium as well.

- "Impact of demonetisation on cashless transaction," a research by Ananya Mitra, Sonali Rath, and Jayant Kumar Nayak, was released in July 2017.

The paper's objectives were to examine the use of various electronic payment methods, the impact of demonetization on cashless transactions in India, and potential initiatives to encourage cashless India.

The study's conclusions indicate that the decline in digital transactions over the past two months is inconsistent with the government's objective of a "less cash" economy. Although credit and debit cards should be used right away, when money was short, people tended to utilize them at mobile banking and point-of-sale terminals. Following demonetization, the use of paper vouchers and RTGS drastically decreased in comparison to the pre-demonetization era. The overall value of digital transactions in January and February was greater than that in September and October before the demonetization announcement. In an attempt to lessen the negative effects and encourage digital transactions, several private banks have restored penalties for cash deposits and withdrawals that surpass the amount of free transactions allowed in March. The action had a positive outcome.

- "Demonetization: impact on cashless payment system" was published in January 2017 by Mr. Manpreet Kaur, an assistant professor at SGTB Khalsa College in Anandpur Sahib.

Examining the existing state of the electronic payment system and the consequences of demonetization were the goals of the study.

According to the study's findings, the number of cashless transaction methods is growing every day, and more and more individuals are moving from cash to cashless systems as the market gets more globalized and the financial sector grows. The cashless system is not only necessary but also demanded by today's society. The entire online economy is built on the cashless transaction mechanism. Cashless transactions are not only faster and less likely to break than paper money, but they are also safer. Additionally, it facilitates the process of documenting each completed transaction. Therefore, the widespread use of cashless payment methods in the future is unavoidable.

- In December 2017, Mr. Shamsher Singh and Mr. Ravish Rana released "Study of Consumer Perception of Digital Payment Mode."

The study's goal was to learn how consumers perceive digital payment systems and how demographic traits influence their adoption. The purpose of this study is to find out how people feel about digital payments.

### 3. RESEARCH METHODOLOGY

#### 3.1 RESEARCH PROBLEM

to gain knowledge of and familiarity with the several digital payment methods now in use in India, as well as their role in the sector. to investigate how well digital payments work in rural India. should investigate how digital payment companies have been impacted by demonetization. to comprehend the challenges and drawbacks facing India's digital payment sector.

##### 3.1.1 SAMPLE SIZE:

The process of deciding how many observations or replicates to include in a statistical sample is known as sample size determination. Any empirical study that aims to deduce population characteristics from a sample must consider the sample size. Five digital payment businesses have been selected for this project's study. The sample size is therefore the first.

##### 3.1.2 QUANTITATIVE RESEARCH DESIGN

Quantitative research design is the formal, objective, systematic process of collecting quantifiable information about the world, presenting it numerically, and analyzing it with statistics. The primary subjects of quantitative research are numbers, statistics, and the relationships between events and numbers.

##### 3.1.3 DATA COLLECTION:

In order to test ideas, assess findings, and answer research questions, data collection is the planned, methodical process of obtaining and measuring information on a variable of interest. The following techniques for gathering data have been applied in this project:

1. Original information
2. Secondary information

Primary data includes information gathered through surveys, physical examinations, observations, mail-delivered questionnaires, questionnaires filled out and sent by enumerators, focus groups, telephone interviews, in-person interviews, case studies, etc.

Secondary data is information that has already been collected and documented by a party other than the user for a reason unrelated to the subject of the current study. Data is given in an easily readable manner from a variety of sources, including government publications, censuses, internal company records, reports, books, journal articles, websites, and so forth. This study examined current trends, opportunities, and difficulties in the digital payment sector using primary and secondary data from the following sources:

1. Surveys
2. Research reports, articles, charts, journals, and research papers that have been published.

##### 3.2.2 CONSUMER PERCEPTION TOWARDS DIGITAL PAYMENT MODES

I used Google questionnaire forms to conduct an online survey on "Consumer Perception towards Digital Payment Modes," and 87 people responded. These are the questionnaire's inquiries.

1. Name
2. Gender
3. Age
4. Professional
5. What is your usual method of payment?
6. What aspects of internet banking do you find appealing?
7. How frequently do you make purchases and payments online using digital payment methods?
8. Which of these purchases would you rather make with a digital payment method?

9. How handy do you think using digital payment methods is?
  10. How secure do you think electronic payment systems are?
  11. Given that some people continue to use outdated techniques, do you believe security is a significant concern?
  12. Since the demonetization, have you used digital payment methods more frequently?
  13. Do you believe that the marketing and adoption of digital payment systems have been made easier by demonetization?
  14. Rural areas continue to have a low adoption rate of digital payment methods. Please let me know your thoughts on this.
- Your comment is about "India taking a stride on the road to cashless economy."

#### 4. CONSOLIDATED RESULTS

The use of digital payment methods increased dramatically as a result of demonetization. Since demonetization, digital payment methods have attracted a lot of interest. The Reserve Bank and the Indian government have started a number of short- and long-term programs to promote the transition from cash to non-cash transactions. These include: (i) reducing point of sale (POS) fees and merchant discount rate (MDR); (ii) providing discounts and prizes as financial incentives; (iii) eliminating service tax on MDR for small transactions under the \*99# platform, which is based on Unified Payment Interface (UPI), Immediate Payment Service (IMPS), and Unstructured Supplementary Service Data (USSD); (iv) increasing the limits of PPIs; (vii) permitting banks to issue ppis to a broader range of entities; and (viii) permitting the National Payments Corporation of India (NPCI) to implement (a) the common app for UPI; and (b) the National Electronic Toll Collection (NETC) system.

#### 5. CONCLUSION

Digital payments can be quite useful for people who believe that cash is the best medium. If this technology progressed to the point where all retailers accepted wallet payments, there would be no need to carry cash or credit cards. In India, the top three digital wallets are MobiKwik, Paytm, and PayU.

In addition to private companies like Paytm, Mobikwik, and FreeCharge, the Indian government has been aggressively promoting a number of digital payment apps, including the Aadhaar Payment app, the UPI app, and the Bharat Interface for Money (BHIM) app developed by the National Payments Corporation of India (NPCI).

More importantly, by facilitating money transfers throughout India, especially in rural regions, the new applications want to promote a mentality change toward more use of cashless services. As a result, foreign investors are increasingly interested in opening offices in India's digital payments sector.

A number of factors, together with related institutional and behavioral changes, seem to be responsible for India's transition to a less cash economy. The rapid uptake of smartphones and the expansion of internet connectivity on mobile devices, the growth of the fintech sector, the expansion of digital payment services provided by non-banking institutions, consumer expectations of one-touch payments, regulatory governance improvements, and tax breaks are some of the factors that have influenced India's payments landscape in favor of digital solutions.

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