

United International Journal of Multidisciplinary Research

ISSN: 3048-6726(UIJMR)Impact Factor: 6.934 (SJIF)

An International Peer-Reviewed and Refereed Multidisciplinary Journal

www.ujmr.in Vol-3, SpecialIssue-2,2026

Adoption And Usage Of Digital Payments In India – A Select Study

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Abstract:

The demonetization resulted in tremendous growth in digital payments. With the government initiative such as Digital India and increased use of mobile and internet are means to exponential growth in use of digital payment. This transformation towards digital payments benefits in more transparency in transactions which empowers the country's economy. In recent days many changes took place in the payment system like digital wallets, UPI and BHIM apps for smooth shift to digital payments. The Digital India is the Indian Governments flagship programme with a vision to convert India into a digitally empowered country. Faceless, Paperless, Cashless is one of supposed function of Digital India. as part of government reforms Prime Minister Mr. Narendra Modi demonetized the high value currency of Rs. 500 and 1000 in November 2016 and also launched the digital India initiative in 2015. These initiatives have provided extensive boost up to the dig- ital payment system in the country. Governments other initiatives like BHIM and UPI are supporting in transition and faster adop- tion of digital payments. Electronics Consumer transaction made at point of sale (POS) for services and products either through inter- net banking or mobile banking using smart phone or card payment are called as digital payment.

Keywords: Digital Payments, Demonitisation, E-Payments, Online Payments

Introduction

Digital payment is a way of payment which is made through digital modes. In digital payments, payer and payee both use digital modes to send and receive money. It is also called electronic payment. No hard cash (currency notes) is involved in the digital payments. All the transactions in digital payments are completed. Through online, it is an instant and convenient way to make payments.

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Currently available digital payment systems include Banking cards, Digital wallets, Unified Payment Interface (UPI), Unstructured Supplementary Service Data (USSD), Immediate Payment Service (IMPS), Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT), Aadhar Enabled Payment System (AEPS) and Mobile banking. With recent advances technologies, digital payments is having an impact on our daily lives and beginning to offer interesting and advantageous new services. According to RBI Bulletin cashless transaction in India increasing day by day. The statistics in report shows that in Nov.2016 and Dec. 2016 the total value transaction done using E-Wallet was 50.74 Billion and 97.70 Billion respectively and in Jan. 2017 it is increased up to 108.69 Billion. According to the survey conducted by Cash-Karo India, E-Wallet payment method is more preferred by customers than other payment methods. The users of Smart phone has been increased randomly, this has also paved the way for digital transactions. In 2015-2016, a total of Rs. 4018 billion transacted through mobile banking as compared to Rs. 60 Billion in 2012-2013.

As a part of Digital India movement, government of India also emphasized on digital payment system. To give boost and better settlement of digital payment system government initiated number of new modes of digital payment under National Payments Corporation of India (NPCI). It is an umbrella organization for all retail payments system in India. NPCI was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA) in December 2008 and the Certificate of Commencement of Business was issued in April 2009.

Digital Payment

Digital payments are transactions that take place via digital or online modes, with no physical exchange of money involved. This means that both parties, the payer and the payee, use electronic mediums to exchange money.

The Government of India has been undertaking several measures to promote and encourage digital payments in the country. As part of the 'Digital India' campaign, the government has an aim to create a 'digitally empowered' economy that is 'Faceless, Paperless, Cashless'. There are various types and methods of digital payments.

Different Methods of Digital Payment System

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

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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.

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.

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.

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 smart phone. 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.

Benefits of Digital Payment System

Ease and convenience - One of the most significant advantages of digital payment is the seamless eience they provide to customers. Reduced dependency on cash, fast transfer speed, and the ease of transacting make online payments a preferred option. Traditional payment methods like cash and cheques add to factors like risk, steps, and physical presence. With digital payment, you can send and receive funds from anywhere in the world at the click of a button.

Economic progress - Customers transact more online when they see the ease, convenience, and security of online payments. This means that more and more people feel comfortable buying online, investing digitally, and transferring funds via electronic mediums. The increase in money movement and online business contributes to the progress of the economy. This is why online ventures are being launched every day and even more are making profits daily.

Safety and efficient tracking - Handling and dealing in cash is a cumbersome and tedious task. Along with the risk of losing money, there is the hassle of carrying cash everywhere you go and keeping it safe. With digital payments, one can keep their funds secured in online format effortlessly. Nowadays, your mobile phone alone is enough to make and receive payments – thanks to UPI, netbanking, and

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mobile wallets. Additionally, most digital payment channels provide regulupdates, notifications, and statements for a customer to track his funds.

Review of Literature

Thangajesu Sathish, R. Sermakani, and G. Sudha (2020) this study is revealed that the traditional system of cash transaction cannot completely be replaced by card or e-payment system. People can adopt and use their mobile wallets for the payment transaction, fund transfer, purchasing groceries and paying bills etc. The study has discussed the trust is the main factor affecting users' satisfaction directly and it impacts on many user's intention to adopt mobile wallets.

Sudha G. and Dr.V. Sornaganesh (2019) the article revealed that after demonetization changes in buying behavior are clearly explained. After demonetization the main impact is reduce the paper money and increase the digital cash. Most of the customers used digital cash after the demonetization, used through the mobile applications, Internet Banking, etc., for paying their bills at shopping or at groceries.

Dr. N. Rakesh, Dr. K. Suresh Kumar, Dr. S. Satheesh Kumar (2018), the study has examined the present scenario of electronic payments and to study the range of service facilities that UPIBHIM technologies offer. And found that Electronic transactions have increased. This could happen only with extensive recognition and acceptance of popular instruments such as credit and debit cards, net banking and e-wallets by the Indian population. But surprisingly, UPI came out to be the real distinct advantage.

Dr. M Sumathy and Vipin KP (2017), The research aims to study the determinants of safety perception and the attitude, awareness level of people towards digital payments. There found to be no significant difference between level of awareness towards digital payment systems between male and female. Also, no relationship existed between education of the respondents and their level of awareness towards digital payment systems.

Objectives of Study:

The proposed study will be based on the following objectives:

1. To know the various digital payment modes.
2. To study the problems faced by merchants and consumers while using digital payments.
3. To evaluate the influence of demographic factors on the awareness and use of digital payment systems.
4. To identify the perceptions of customers towards adoption of digital

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payments.

5. To study the perception of merchants towards usage of digital payments in business transactions.

Research Methodology:

As the problem is well known which focuses on procurement of in-depth knowledge and the facts will be used to analyze and evaluate the data. So, the research would be descriptive as well as analytical in nature.

Data Collection:

The data collection will be based on both primary and secondary data.

Primary Data: Primary data for the study will be collected from both customers and merchants in Warangal City using a self-structured questionnaire. Initially, the questionnaire will be administered to a small group of respondents as part of a pilot study to test its clarity, relevance, and reliability. Based on the feedback received, necessary modifications will be incorporated to refine the final questionnaire. The revised questionnaire will then be administered to a sample of 100 respondents, comprising customers and merchants, to gather first-hand information relevant to the objectives of the study.

Secondary Data: It includes Journals, magazines, books, reports and websites, etc.

Table 1: Age Classification

Age	Number of Respondents	Percentage
Below 25 years	20	13.3
25-45 years	90	60
Above 45 years	40	26.7
Total	150	100

Source: Primary Data

Table 1 presents the age-wise classification of the respondents. It is evident that the majority of respondents fall within the 25–45 years age group, accounting for 60 percent of the total sample. This indicates that most participants are from the economically active and technologically engaged segment of the population, which is particularly relevant for a study on digital payment usage. Respondents above 45 years constitute 26.7 percent, reflecting a moderate representation of older individuals who may face comparatively more challenges in adopting digital payment systems. The least represented group is those below 25 years, comprising 13.3 percent of the respondents. Overall, the age distribution suggests that the findings of the study are largely influenced by the perceptions and experiences of middle-aged respondents, while still incorporating views from younger and older

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age groups.

Table 2: Gender Classification

Gender	Number of Respondents	Percentage
Male	98	65.4
Female	52	34.6
Total	150	100

Source: Primary Data

Table 2 shows the gender-wise distribution of the respondents. The data reveals that male respondents constitute a majority, accounting for 65.4 percent of the total sample, while female respondents represent 34.6 percent. This indicates a higher participation of males in the study, which may reflect greater involvement or accessibility in matters related to digital payment usage among men. However, the substantial representation of female respondents also provides valuable insights into their perceptions and experiences with digital payment systems. The gender distribution suggests that while the findings may be somewhat influenced by male perspectives, the inclusion of both genders allows for a balanced analysis of digital payment awareness and adoption patterns.

Table 3: Do you use digital payment system

Particulars	Number of Respondents	Percentage
Yes	105	70
No	45	30
Total	150	100

Source: Primary Data

Table 3 indicates the usage of digital payment systems among the respondents. The data shows that a majority of respondents, constituting 70 percent, use digital payment systems, suggesting a high level of awareness and acceptance of digital payment methods. This reflects the growing adoption of digital transactions due to factors such as convenience, speed, and increased availability of digital platforms. However, 30 percent of the respondents reported that they do not use digital payment systems, indicating the presence of barriers such as lack of digital literacy, security concerns, or limited access to technology. Overall, the findings suggest that while digital payment systems are widely used, there remains a significant segment of the population that requires greater awareness, support, and confidence-building measures to encourage adoption.

Table 4: Which Digital payment methods do customers prefer

Particulars	Number of Respondents	Percentage
Credit/Debit Cards	70	46.6
UPI(eg., Paytm, Phonepe, Google pay, Bharat pay, etc)	60	40
Bank Transfer (NEFT, RTGS)	12	8
Others	8	5.4
Total	150	100

Source: Primary Data

Table 4 illustrates the preferred digital payment methods among customers. The data reveals that credit and debit cards are the most preferred mode of digital payment, used by 46.6 percent of the respondents. This preference may be attributed to the widespread availability of cards, ease of use, and their acceptance across various platforms and merchants. UPI-based payment methods, such as Paytm, PhonePe, Google Pay, and Bharat Pay, closely follow, with 40 percent of respondents preferring these applications due to their convenience, speed, and ease of transactions through mobile devices. Bank transfers through NEFT and RTGS are preferred by a smaller segment, accounting for 8 percent, possibly because they are perceived as more formal and time-consuming. Other digital payment methods constitute 5.4 percent of the responses. Overall, the findings indicate a strong inclination towards card-based and UPI payments, highlighting their dominance in the digital payment ecosystem.

Table 5: Do you think that digital payments are safe enough

Particulars	Number of Respondents	Percentage
Yes	88	58.7
No	62	41.3
Total	150	100

Source: Primary Data

Table 5 presents respondents' perceptions regarding the safety of digital payment systems. The data shows that 58.7 percent of the respondents believe that digital payments are safe enough, indicating a moderate level of trust in digital transaction platforms and security mechanisms. This suggests that a majority of users have confidence in features such as encryption, authentication processes, and regulatory safeguards. However, a significant proportion of respondents—41.3 percent—

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express concerns about the safety of digital payments. This hesitation may stem from fears of cyber fraud, data breaches, failed transactions, or lack of awareness about security measures.

Table 6: How often do you transact online

Particulars	Number of Respondents	Percentage
Daily	52	34.6
Weekly	45	30
Monthly	35	23.4
Rarely	18	12
Total	150	100

Source: Primary Data

Table 6 shows the frequency of online transactions among the respondents. The data indicates that 34.6 percent of respondents engage in online transactions daily, reflecting a significant portion of users who rely on digital payments for regular purchases and bill payments. Weekly transactions are reported by 30 percent of respondents, showing consistent but less frequent usage. Monthly users account for 23.4 percent, suggesting occasional reliance on digital payments for specific needs. A smaller group, 12 percent, transacts online rarely, which may be due to factors such as lack of comfort with technology, security concerns, or limited need for digital payments.

Table 7: Have you ever encountered any issues or challenge when using digital payments for online transactions

Particulars	Number of Respondents	Percentage
Server Issues	64	42.7
Cyber Frauds	42	28
Lack of awareness	34	22.6
Others	10	6.7
Total	150	100

Source: Primary Data

Table 7 highlights the issues and challenges faced by respondents while using digital payments for online transactions. The data reveals that the most common problem is server issues, reported by 42.7 percent of respondents, indicating that technical glitches and system downtimes are significant barriers to smooth digital transactions. Cyber frauds are the second most reported challenge, affecting 28 percent of respondents, reflecting ongoing concerns about security, unauthorized

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access, and financial losses. Lack of awareness accounts for 22.6 percent, showing that many users still face difficulties due to limited knowledge about how digital payment systems work or how to use them safely. A small portion of respondents, 6.7 percent, reported other challenges, which may include issues such as slow internet connectivity or app malfunctions.

Table 8: Digital payments as convenient mode than cash payment

Particulars	Number of Respondents	Percentage
Yes	120	80
No	30	20
Total	150	100

Source: Primary Data

Table 8 reflects respondents' views on the convenience of digital payments compared to cash payments. The data shows that a large majority, 80 percent of respondents, consider digital payments to be more convenient than cash transactions. This indicates a strong preference for digital modes due to factors such as ease of use, faster transactions, reduced need for physical handling of money, and better record-keeping. On the other hand, 20 percent of respondents still prefer cash, which may be due to habits, lack of trust in digital systems, limited digital literacy, or concerns over security.

Table 9: Problems faced by merchants and consumers while using digital payments

Problems	Number of Respondents	Percentage
High transaction charges and service fees imposed by payment platforms	28	18.7
Lack of digital literacy and training, especially among small traders	54	36
Security and privacy concerns related to personal and financial data	46	30.6
Lack of awareness and digital payment skills	22	14.7
Total	150	100

Source: Primary Data

Table 9 presents the problems faced by merchants and consumers while using digital payment systems. The data shows that the most significant challenge is the lack of digital literacy and training, reported by 36 percent of respondents, indicating that many users—especially small traders—struggle to navigate digital payment platforms effectively. Security and privacy concerns are the second most

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common issue, affecting 30.6 percent of respondents, reflecting fears of data breaches, cyber fraud, and unauthorized transactions. High transaction charges and service fees imposed by payment platforms are cited by 18.7 percent, highlighting the financial burden associated with using digital payments. Finally, 14.7 percent of respondents face challenges due to lack of awareness and digital payment skills, showing that knowledge gaps still exist among some users.

Table 10: Customers' Perceptions Toward Adoption of Digital Payment Systems

Problems	Number of Respondents	Percentage
Speed of Transactions	62	41.3
Cost Effectiveness	36	24
Trust in Technology	32	21.3
Social Influence	20	13.4
Total	150	100

Source: Primary Data

Table 10 highlights customers' perceptions regarding the adoption of digital payment systems. The data shows that the speed of transactions is the most influential factor, cited by 41.3 percent of respondents, indicating that users highly value the quick and convenient nature of digital payments. Cost effectiveness is the second most important consideration, reported by 24 percent of respondents, suggesting that affordability and minimal transaction fees encourage adoption. Trust in technology is noted by 21.3 percent, reflecting the importance of confidence in the security and reliability of digital payment platforms. Finally, social influence accounts for 13.4 percent, indicating that recommendations from peers or societal trends play a relatively smaller role in driving adoption.

Table 11: Merchants' Perceptions Toward Usage of Digital Payments in Business Transactions

Problems	Number of Respondents	Percentage
Ease of Transaction	58	38.6
Speed of Payment	52	34.7
Security and Fraud Risk	30	20
Government Incentives	10	6.7
Total	150	100

Source: Primary Data

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Table 11 presents the perceptions of merchants regarding the usage of digital payments in business transactions. The data shows that the majority of merchants, 38.6 percent, consider ease of transaction as the most important factor, highlighting that simplicity and convenience in processing payments encourage them to adopt digital methods. Speed of payment is the next significant factor, cited by 34.7 percent, indicating that quick settlement of transactions enhances business efficiency and cash flow management. Security and fraud risk is a concern for 20 percent of merchants, reflecting apprehensions about cyber fraud, data breaches, and potential financial losses. Finally, only 6.7 percent of respondents identified government incentives as a motivating factor, suggesting that while helpful, incentives are less influential than practical benefits such as convenience, speed, and security.

Conclusion

The study examines the effect of adopting digital payments impact on consumers of the banking sector of India. The result put together gives us an important policy direction towards what can enable the country to increase cashless payments .The results indicate that the deployment of technology for digital payments have improved the performance of banking sector and able to achieve the motive cash less country. The study gives emphasis to the percentage of awareness on maximum utilization of technology. Banks should take effective measures in creating awareness towards the effective usage of technology and security.

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