

AN ANALYSIS OF THE IMPACT OF DIGITAL PAYMENTS ON BEHAVIORAL CHANGES IN CONSUMERS AND VENDORS

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Abstract

This study examines the effects of digital transactions on the behaviour of consumers and merchants, aiming to analyze how the adoption of digital payment solutions influences transaction behaviours and operational practices. This study examines three main goals as financial transactions shift more and more from traditional methods to digital platforms: assessing the acceptance and preference levels of digital payments, recognising the difficulties faced by vendors and customers, and offering suggestions for improving digital payment systems. Using a structured survey technique, the study focusses on the experiences of 61 suppliers and 246 customers with digital payments in order to collect primary data. The findings show that a sizable majority of suppliers (85.25%) and customers (72.75%) consider digital payments to be "More Convenient" or "Convenient," with considerable advantages in terms of efficiency and usability. But obstacles still exist: 48.37% of customers and 47.54% of suppliers say they have experienced severe problems, such as technical problems and security concerns. While the results show that consumer behaviour has generally shifted in favour of digital payments, they also highlight the need for focused changes to solve the remaining issues. In order to contribute to a more effective and user-friendly financial ecosystem, recommendations are made to improve user experience and optimise digital payment systems.

Keywords: Digital, Payments, Behavioural, Changes, consumers, Vendors,

1. INTRODUCTION

The financial environment has changed significantly in the digital era as digital payment technologies replace traditional cash and card payments. This change in the way that customers and suppliers interact with financial transactions is a result of technological improvements as well as the need for more convenience and security. Digital payment systems, which include electronic transfers, internet banking, and mobile wallets, provide quicker, more secure, more efficient means to make payments. As a result, there have been noticeable behavioural changes in both vendors and customers, with differences showing up in overall financial management methods as well as transaction habits and preferences. Digital payment methods are becoming more and more popular among customers due to their real-time tracking capabilities, simplicity of use, and convenience compared to traditional payment methods. Features like tools for creating budgets, exclusive deals, and improved security encourage people to use digital payments more.

In a similar vein, vendors have adjusted to the incorporation of digital payment systems, which have expedited corporate processes by minimising cash handling and enabling more rapid and seamless transactions. In addition to raising customer happiness, accepting several digital payment methods has given businesses useful information into consumer preferences and sales patterns, allowing them to make better business decisions and maximise their marketing efforts. Notwithstanding these benefits, there are drawbacks to using digital payments, including the requirement for a strong technology foundation, security issues, and possible system failures. To comprehend these changes, pinpoint areas for development, and resolve any potential problems, studying the effects of digital payments on vendor and customer behaviour is crucial. This will help to create a financial ecosystem that is more efficient and user-friendly.

1.1.Objectives of the study

- To Analyse the Adoption and Preference Levels of Digital Payments
- To Identify the Challenges Faced by Consumers and Vendors
- To Provide Recommendations for Enhancing Digital Payment Systems

2. LITERATURE REVIEW

Patil et al. (2017) investigates the broad acceptance of digital payment systems in a range of industries and geographical areas, identifying and evaluating the critical elements that propel the transition from cash payments to electronic transactions. The research that has already been done is categorised by Patil et al. into categories including user acceptability, adoption issues, security concerns, and the necessity of a strong digital ecosystem. The study emphasises how smart cities provide an ideal environment for the growth of digital payment systems because of their emphasis on innovation and connection. They come to the conclusion that although there are many benefits to digital payments in terms of effectiveness and ease, the shift necessitates tackling important issues including cybersecurity, digital literacy, and the digital divide. This report offers a fundamental overview of the state of digital payments and identifies the areas that require more investigation to boost use, particularly in poorer nations where infrastructure constraints continue.

Liu et al. (2019) compile and analyses a variety of research that investigate the variables impacting consumers' behaviour towards the adoption of mobile payments. The report also emphasises how important users view simplicity of use, with users preferring payment systems that are simple to use and don't take much effort to run. The meta-analysis also highlights the importance of social impact, since peer behaviours and societal trends frequently affect consumers' adoption decisions. According to Liu et al., adoption of mobile payments is more common in settings like metropolitan regions with greater degrees of digital infrastructure where technology is easily incorporated into daily life. Policymakers, companies, and developers hoping to increase mobile payment acceptance rates by tackling the obstacles noted in the research will find this meta-analysis to be helpful.

Singh and Rana (2017) investigate how consumers see digital payment methods, emphasising how attitudes and experiences shape users' adoption of these platforms. The study does, however, also bring to light worries about security and privacy, as many customers are leery of possible threats including fraud and data breaches. The study also finds that consumers' confidence in digital payment systems is greatly aided by trust, as seen by customers' preference for platforms with robust security measures and clear privacy practices. The study also covers the impact of incentives and promotional offers on customer adoption, especially

in areas with high competition and a variety of payment alternatives. In order to increase the acceptance and ongoing usage of digital payment systems, businesses and service providers need to take note of the important insights that this research offers.

Kumar and Chaubey (2017), who also look at the possibilities, problems, and difficulties that emerged during this time. Consumers and companies were compelled to switch to digital payment methods almost immediately when high-value currency notes were abruptly demonetised. The transition necessitated significant technological expenditures and a challenging learning curve for vendors, particularly small enterprises. The authors contend that although demonetisation generated a strong push for digital payments, tackling the digital divide, guaranteeing strong cybersecurity, and encouraging public faith in technology are necessary for sustained adoption. Their research offers insightful information about the immediate consequences of policy-driven adoption as well as the long-term difficulties in sustaining an inclusive digital economy.

Sivathanu (2019). The study looks at the main causes and obstacles for consumers' and vendors' adoption of digital payments, giving readers a thorough grasp of the variables affecting this change. The study also notes that there are important obstacles to adoption, such as lack of infrastructure in remote regions, privacy concerns, and cybersecurity concerns. Sivathanu highlights that although demonetisation provided a rare opportunity for the quick acceptance of digital payments, ongoing efforts by the government and service providers to remove these obstacles are necessary for continued use. The study comes to the conclusion that creating safe and user-friendly payment platforms, increasing digital literacy, and fostering trust are all necessary for digital payments to become a long-term solution.

3. RESEARCH METHODOLOGY

3.1. Research Design

This study incorporates both quantitative and descriptive approaches to explore the effect, adoption, and difficulties associated with digital payments among suppliers and customers. Surveys that are organised are used to gather primary data.

3.2. Method of Data Collection

- **Primary Data:** It is collected through structured surveys administered to 246 consumers and 61 vendors.
- **Secondary Data:** Literature, journals, and online resources on digital payments and technology adoption were reviewed for support.

3.3.Sampling Design

- **Sample Size:** 246 consumers and 61 vendors.
- **Sampling Technique:** Convenience sampling targeting regular users of digital payment systems.

3.4.Data Analysis Techniques

Descriptive statistics were used to analyse adoption, preferences, impacts, and challenges of digital payments using percentages, frequencies, and distributions.

4. ANALYSIS AND INTERPRETATION

Table 1: Consumer Adoption and Preferences in Digital Payment Methods

Serial No.	Level of Adoption and Preference	Number of Consumers	Percentage (%)
1	In-convenient	67	27.23
2	Convenient	76	30.89
3	More Convenient	103	41.86
	Total	246	100

The preference and acceptance levels of digital payments among customers are shown in Table 1. Out of the 246 participants, 27.23% considered digital payments to be inconvenient, suggesting a degree of discontent or challenges with these platforms. On the other hand, 30.89% of respondents thought digital payments were convenient, indicating a favourable impression of their use. When compared to traditional methods, digital payments significantly increase convenience for many customers, as indicated by the considerable majority (41.86%)

who felt them to be more convenient. The majority of customers recognise the enhanced convenience of digital payments, and the data overall shows a generally positive perspective towards them.

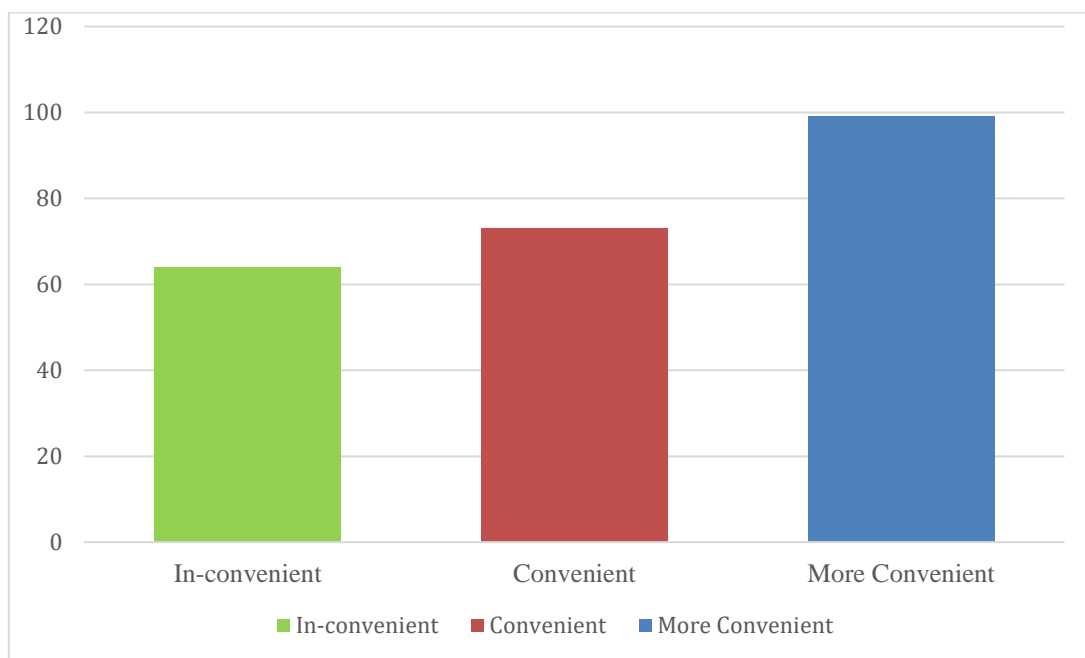


Figure 1: Adoption and Preference of Digital Payment – Consumers

Table 2: Adoption and Preference of Digital Payment Systems – Vendors

Sl. No.	Level of Adoption and Preference	Number of Vendors	Percentage (%)
1	In-convenient	9	14.75
2	Convenient	25	40.98
3	More Convenient	27	44.27
	Total	61	100

Vendor adoption and preference levels for digital payments are shown in Table 2. Of the 61 vendors, 14.75% said that digital payments were cumbersome, indicating problems or discontent. On the other hand, 40.98% of respondents said digital payments were convenient, which is a somewhat favourable but not very strong opinion. Notably, 44.27% of vendors said

that digital payments were easier, indicating that a sizable percentage thinks these solutions are very helpful. The research indicates a largely good reaction among sellers, with the majority viewing digital payments as either convenient or much more convenient, while a tiny minority of them encounter challenges.

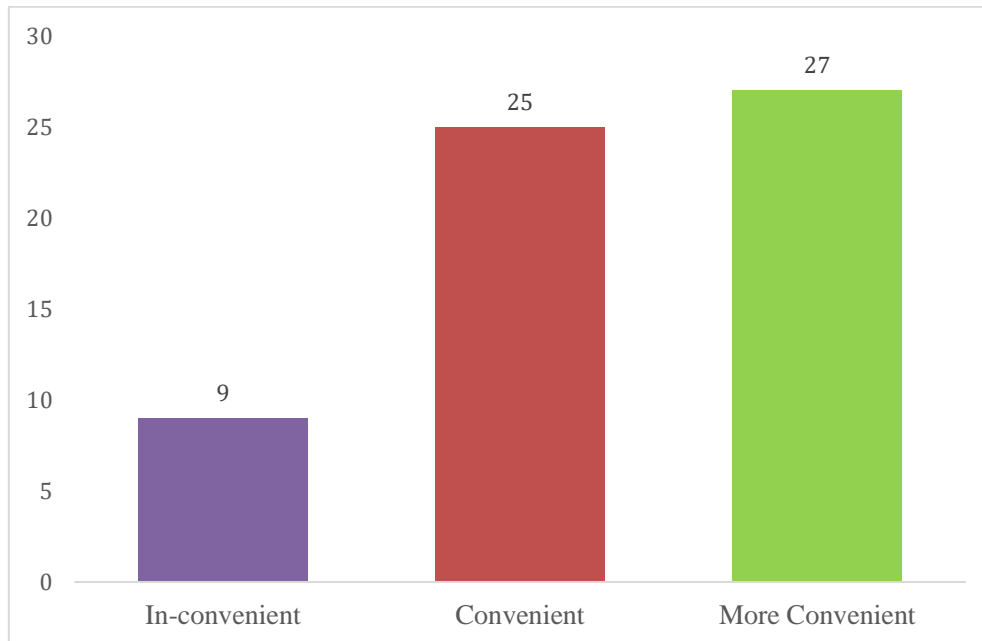


Figure 2: Adoption and Preference of Digital Payment – Vendors

Table 3: Consumers' Level of Impact from Digital Payment Systems

Sl. No.	Level of Impact of Digital Payment	Number of Consumers	Percentage (%)
1	Not much Useful	27	10.98
2	Useful	127	51.62
3	More Useful	92	37.40
	Total	246	100

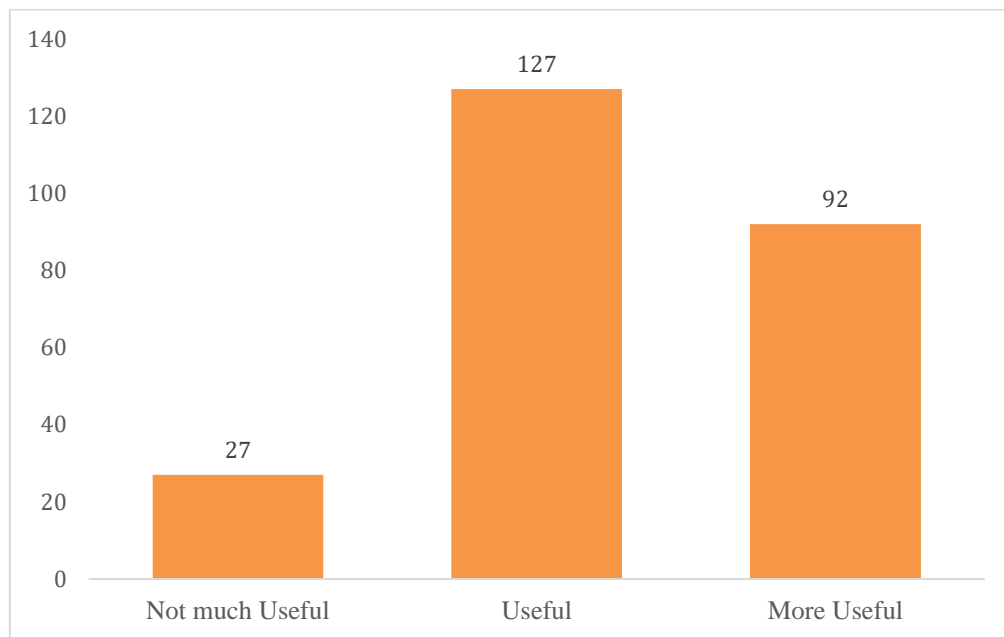


Figure 3: Level of Impact of Digital Payment – Consumers

The influence that customers experience from digital payments is summed up in Table 3. 10.98% of the 246 respondents said digital payments were not very helpful, showing a smaller group that did not see many advantages from these systems. Conversely, 51.62% of respondents said digital payments were helpful, indicating that most of them saw real advantages from using them. Furthermore, 37.40% of customers said digital payments were more helpful, indicating that a sizable majority believes these systems offer considerable benefits. The majority of customers view digital payments to be either beneficial or more useful overall, according to the research, underscoring the overall favourable influence of these payments on consumer experiences.

Table 4: Level of Challenges – Consumers

Sl. No.	Level of Challenges	Number of Consumers	Percentage (%)
1	High level challenges	119	48.37
2	Moderate level Challenges	73	29.68
3	Very Less challenges	54	21.95
	Total	246	100

According to the statistics, a considerable proportion of customers (48.37%) report experiencing high degrees of difficulty while utilising digital payment methods. Another

29.68% report having to deal with moderate obstacles, indicating that even with fewer serious problems, they still have an effect on their entire experience. On the other hand, 21.95% of customers say they have had very few difficulties, indicating a more seamless use of digital payment methods. All things considered, even if most users have varied degrees of trouble, a sizable percentage still uses digital payments with just minimal problems. This distribution emphasises the necessity of making focused changes to address the issues encountered by people with more problems.

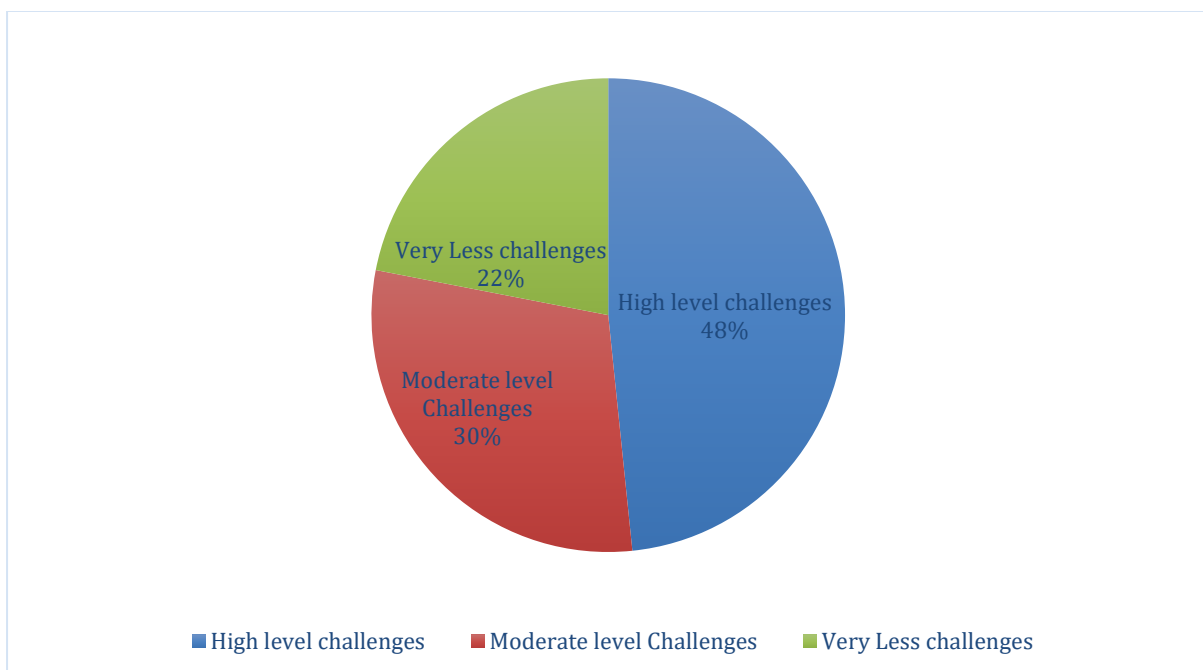


Figure 4: Level of Challenges – Consumers

Table 5: Level of Challenges – Vendors

Sl. No.	Level of Challenges	Number of Vendors	Percentage (%)
1	More challenges	29	47.54

2	Moderate Challenges	17	27.87
3	Less challenges	15	24.59
	Total	61	100

According to the data, 47.54% of the vendors report having major problems with digital payment systems, which may have a substantial effect on their business operations. Even if they are less severe, moderate issues still impact 27.87% of people when it comes to using digital payments. Conversely, 24.59% of suppliers report fewer difficulties, suggesting a generally more seamless experience. This distribution shows that a sizeable minority finds the digital payment methods less onerous, even if a sizable fraction of sellers have issues of varying degrees. Taking care of the problems that people with more difficulties are facing might improve vendor satisfaction in general and operational effectiveness.

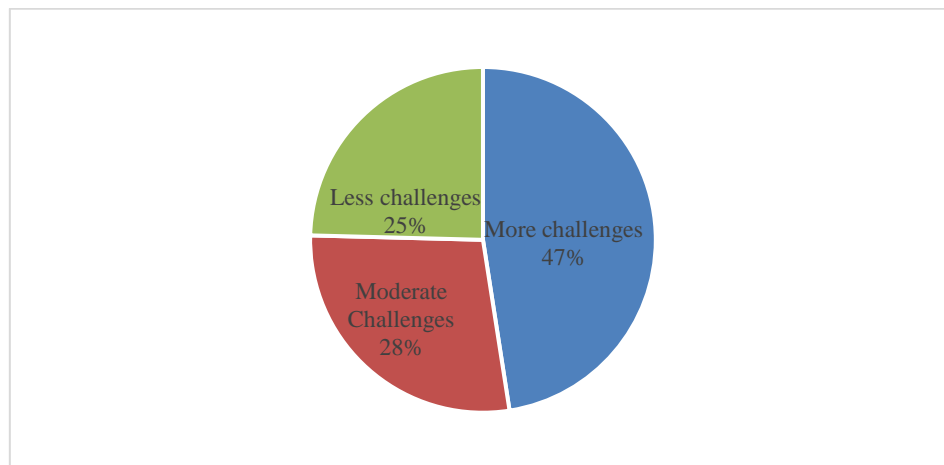


Figure 5: Level of Challenges – Vendors

5. RESULT

The data shows that digital payments have a largely positive influence on vendor and customer behaviour. According to 72.75% of customers, digital payments are either "convenient" or "more convenient," and 89.02% of consumers think they are "useful" or "more useful," indicating the considerable advantages that this group sees in them. In a similar vein, 85.25% of suppliers say that accepting digital payments is "convenient" or "more convenient," indicating that they are generally satisfied. Even said, there are still several issues in spite of the generally favourable response. It is noteworthy that 14.75% of suppliers and 27.23% of customers report problems with digital payments, indicating room for improvement in these systems. The findings highlight that although digital payments are generally improving user experiences and encouraging positive behavioural changes, resolving the outstanding issues might increase adoption and satisfaction and result in even more flexibility and efficiency in financial transactions.

6. CONCLUSION

A research of how digital payments affect vendor and customer behaviour finds a largely favourable shift in attitudes towards these systems. Most suppliers and customers agree that digital payments are helpful and easy, with a sizable majority of them expressing this opinion. To be more precise, 85.25% of suppliers and 72.75% of customers agree that digital payments are "convenient" or "more convenient," indicating that these methods are widely accepted. Furthermore, the perceived value of digital payments is further supported by the fact that 89.02% of customers view them as "Useful" or "More Useful." Even with these encouraging developments, there are still certain difficulties, as shown by the fact that 14.75% of vendors and 27.23% of customers still regard digital payments to be inconvenient. These results imply that although digital payments are improving user experiences and encouraging positive behavioural changes, resolving the outstanding problems might increase adoption rates and user happiness. In general, digital payments are causing a change in financial transactions that are more flexible and efficient, but ongoing improvements are required to allay the worries of a small percentage of consumers.

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