

“A study on problems and challenges on digital Payment System as an ease of payment mechanism among customers in E-Commerce scenario with special reference to Kottayam District”

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Abstract

Digital payment system is a digital medium that allows customers to make digital commerce transactions for their purchase. Consumers have moderate level of awareness about digital payment and there is still some problems and challenges faced by the customers in the E-Commerce scenario. The aim of this study is to have an eye on the problems and challenges on digital payment system as an ease of payment mechanism among customers in E-Commerce scenario with special reference to Kottayam District. The area of the study is Kottayam district with a sample size of 100 respondents by adopting convenience sampling method. Primary data is collected through interview schedule. Simple percentage analysis and likert scale analysis were used for data analysis and interpretation. The study concluded that , as cash circulation has still major role in transaction, which requires more awareness programs to digital payment among customers as an easy source of payment mechanism. Hope this study will contribute the economy with a positive sign on go India Digital.

Key Words: Digital Payment, Problems and challenges, ease of payment

Introduction

It has been said that every disruption creates opportunities and one such disruption was the announcement of demonetization by Prime Minister Mr. Narendra Modi on 08 November 2016. Demonetization created huge growth opportunity for digital payment in India and the digital wallet companies grabbed the opportunities with both the hands to expand their market share. Demonetization has presented a unique platform for adoption of digital payment, as an alternative to cash for Indian consumers. Cash may not be a king anymore, the adoption of digital payments is picking up at an extreme pace, everyone from vegetable vendor to chai-wala is adopting the digital payment system to move away from the cash crunch. New technologies, players and consumer expectations are changing the payments marketplace more than ever. The opportunity of the new digital payment ecosystem comes with risks. From cyber security and

privacy to the impact of legacy technology and new competitors, it is far from clear sailing for organizations wanting to be a player in the future payments marketplace. In wake of the government initiatives towards transformation towards digital economy, and many private companies, payment bank licenses issued by RBI, witness the transformation. —Faceless, Paperless, Cashless is one of professed role of Digital India. The emphasis is on the different methods of digital payments by considering the challenges and providing solutions according to the existing scenario.

Digital payment includes providing financial services through fixed and wireless computer networks to economic institutes, people, and families. Challenges of payment systems in different countries have led to necessity of existence of effective systems for coherent payment management considering suitable security structures and providing standards, rules and regulations and performing the required supervision for good implementation in the used payment model.

Statement of the Problem

Digital Payment is a financial exchange that takes place online between buyers and sellers. The content of this exchange is usually some form of digital financial instrument (such as encrypted credit card numbers, digital cheque or digital cash) that is backed by a bank or an intermediary, or by a legal tender. E-payment system in India, has shown tremendous growth, but still there has lot to be done to increase its usage. Still 90% of the transactions are cash based. So, there is a need to widen the scope of digital payment. Innovation, incentive, customer convenience and legal framework are the four factors which contribute to strengthen the E-payment system. Studies show that Kerala has 96.97% literacy rate but has this helped in improvement of digital payments and similar transactions.

The aim of this study is to explore the problems, challenges and perception of digital payment system. The study also focuses on the different modes of digital payment system is most preferred by the customers as an easy payment mechanism. Hence the problem is stated as *“A study on problems and challenges on digital Payment System as an ease of payment mechanism among customers in e-commerce scenario with special reference to Kottayam District ”*

Literature Review

Some of the previous researches are:

Singh (2017) concluded that there was significant difference between education of consumers and adoption of digital payment. The perception of consumers for digital payment had positive and significant effect on adoption of digital payment among consumers. Rathore (2016) stated that digital payment using wallet was highly convenient for consumers in purchasing products through online without physical movements across places. Sedhirkumarsharma, Vandanalama and NidheGoyal (2015) In their study digital India concept is motive to build participative transparent and responsive system and provide all services to people to electronically and promote digital knowledge. Piyuth Kumar (2015) Reveals that in his study to assess the behaviour towards cashless transactions system and how for they are adopted to this new world of cashless society. SushanaPatil (2014) In their study customers have showed their preference over the usage of plastic money generally over a period of time in the banking process. Various types of plastic cards provided by banks in India are ATM cards, smart cards etc. Moses Ashike (2011) the functioning of the cashless economy are enhanced by e-finance, e-money, exchange.. These all refers to how transactions and payments are effected in a cashless economy. Roth (2010) Reveals that in his study to a have extent are moving away from paper payment instruments toward electronic ones, especially payment cards. Jain P.M (2006) In this study cashless transaction system taking fullest advantage of technology, quick payments and remittance will ensure optimal use of available funds for banks, financial institutions and common people of India. Further focus on the need for e payment and modes of e- payments and communication networks.

Scope of the study

The scope of this study is very wide because there are so many opportunities for digital transactions in the future. India is among the fast emerging as one of the largest and strong economies. For sustained development and growth with robust economic development, certain integral factors like improved transparency, corporate governance etc, play a major role. All developments could be feasible only when the population embraces the digital payments and digital transactions. Though various studies have been conducted related to digital payment but no such studies have been in customers of Kottayam district. Hence, this study focus on the

problems, challenges and perception of customers regarding e-payment system among customers in Kottayam districts.

Significance of the study

The Reserve Bank of India has placed on its website the “Payment and Settlement Systems in India: Vision-2018”. The Vision-2018 aims at building best of class payment and settlement systems for a ‘less-cash’ India. The broad contours of Vision-2018 revolve around 5 Cs – coverage, convenience, confidence, convergence and cost. To achieve these, Vision-2018 will focus on four strategic initiatives such as responsive regulation, robust infrastructure, effective supervision and customer centricity. The challenges that are discussed are addressed and improved solutions in terms of digital transactions with more secured features, ease of transactions and reduced cost of managing the digital payments could lead to more potential developments and supporting in improved conditions of digital payments processing. This study will hopefully generate some interest and discussions on the issue and will also serve as a basis for further research on this subject.

Objectives of the study

- To understand the awareness of digital payment among customers.
- To evaluate the digital payment preferences by customers.
- To recognize the accessibility and usability of digital payment systems
- To know the factors enhancing the use of digital payment
- To analyze the problems and challenges of growth of digital payment system.in the current marketing scenario.
- To put forward the suggestion for the study

METHODOLOGY OF STUDY

Population: Respondents of Kottayam district.

Nature of study: Primary and secondary data were used for the study. Primary data is collected from 100 customers of Kottayam district. For this, an interview schedule was prepared and collected information from hundred customers. Secondary data was collected through magazines, journals, books and websites.

Sample size: 100 respondents of Kottayam district.

- **Sampling technique:** Convenience Sampling technique is used for selecting appropriate samples of customers for the collection of data.

○ **Tools for analysis**

- Simple tools: For verifying the validity of data formulated in the study, statistical tools like tables, figures, percentage and Likert scale analysis were used.

Digital payment system – an overview

The payment system is the infrastructure which comprised of institutions, instruments, rules, procedures, standards, and technical, established to affect the transfer of monetary value between all the parties. An efficient payment system reduces the cost of exchanging goods and services, and is indispensable to the functioning of the inter-bank, money, and capital markets. However, a weak payment system may severely drag on the stability and developmental capacity of an economy; its failures can result in inefficient use of financial resources, inequitable risk-sharing among agents, actual losses for participants, and loss of confidence in the financial system and in the very use of money. The tasks to design payment system infrastructures become ever more complex as competition and innovation push constantly to the limit the search for better combinations of efficiency, reliability, safety, and system stability in the provision of payment services to larger numbers of individual users and institutions.

Financial infrastructure in India

For three decades financial inclusion and financial literacy have been important policy goals on the government’s and RBI’s agenda. Numerous digital payment system have been taken by the government, RBI along with National Payments Corporation of India (NPCI) such as opening of no frills accounts, relaxation of KYC norms, PradhanMantri Jan DhanYojna, Aadhaar-enabled payment system, e-wallets and National Financial Switch (NFS) and now, payments banks to leverage technology and introduced newer avenues for banking with the overall objective of improving customer experience, security and ease of transactions. The evolution of India’s financial infrastructure can be divided into three phases:

First Phase	Second Phase	Third Phase
1984- introduction of Magnetic Ink Character Recognition (MICR) technology	2001:Internet banking	2010:Immediate Payment Service (IMPS)
1987:First ATM installed in	2004:National Financial	2012:Adoption ofISO 20022

Kolkata	Switch (NFS)	messaging standard in the Next Generation RTGS (NG-RTGS) system
1988:Computerized settlement operations at clearing houses of RBI	2004–2005:Real Time Gross Settlement (RTGS), National Digital Funds Transfer (NEFT)	2014:Jan DhanYojana, National Unified USSD Platform, RuPay Card, Bharat Bill Payment System (BBPS)
1998 –2000:Core banking software	2007 :Mobile banking, ,2008: Cheque truncation	2016:Unified Payment Interface (UPI), payment banks, mobile wallets

Source: ASSOCHAM report 2017

Methods of Payment

Banking Cards- Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available – including credit, debit and prepaid. These cards provide 2 factor authentications for secure payments e.g. secure PIN and OTP. RuPay, Visa, MasterCard are some of the example of card payment systems.

Internet banking- Internet banking or e-banking is the latest series of technological wonders in the recent past which involves use of internet for delivery of banking products and services. It is the service being utilized intensively by most of the consumers of the digital world. It enables customers of a bank or other financial institution to conduct different financial transactions through the financial institution's website.

Mobile banking- Mobile banking is a service provided by a bank or other financial institution which allows its customers to conduct different types of financial transactions using a mobile device through software called an app. It fulfills the ability and the increasing demand of consumers, to perform more and more sophisticated financial transactions on a smartphone or tablet with one or two taps of a finger. Examples: Axis mobile, ICICI mobile, state bank anywhere, state bank buddy, kotak bank and many more.

Unstructured Supplementary Service Data (USSD)- It is a service which allows mobile banking transactions using basic feature mobile phone, without having mobile internet data

facility. This innovative payment service *99# works on National Unified USSD Platform (NUUP) channel. The key services offered under this service include, interbank account to account fund transfer, balance enquiry, mini statement besides other services. Account in a bank and any mobile phone on GSM network are required for activation. There is a transaction limit of Rs 5000 per day per customer. Registered mobile number with any phone, Mobile Money Identifier (MMID) and Mobile PIN (MPIN) will pave way for transactions.

Aadhaar Enabled Payment System(AEPS)-it is a bank led model which allows online interoperable financial transaction at Point of Sale / Micro ATM through the Business Correspondent /Bank Mitra of any bank using the Aadhaar authentication without any pin or password. There is no limit on transactions. Only linkage of Aadhaar with bank account is needed for transactions. It enables Serviceslike Balance Enquiry, Cash Withdrawal, Cash Deposit, Aadhaar to Aadhaar Funds Transfer.

UPI-unified payments interface- UPI is a system that combines multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. A Smartphone with internet facility and Bank Account details, are required for registration. Virtual payment address and UPI pin enables transactions. Example: Phone pay, Google Tez, and BHIM etc.

Mobile Wallets- Mobile wallet is a path to carry digital cash. This can be done by linking credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. The Basic Requirements to Start Using a Wallet are Bank Account, Smartphone, internet Connection and A Free Wallet App. For Consumer the Wallet Limitsare: Rs.20,000/month for all. Rs.1 lakh/month with KYC(know your customer) and for Merchants the Wallet Limits are Rs.50,000/month with Self Declaration and Rs.1 lakh/month with KYC. e.g. Paytm, Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money.

Data Analysis and Interpretation

The sampling was taken from 100 people in Kottayam District. All these 100 people include men and women who are employed and unemployed.

Demographic factors for the study in Percentage
Table No: 1

Gender	Male	56 %
	Female	44 %
	Total	100%
Age	Below 25	32 %
	25- 50	58 %
	Above 50	10 %
	Total	100 %
Income	Upto 2.5 lakhs	42 %
	2.5 to 5 lakhs	51 %
	Above 5 lakhs	7 %
	Total	100 %
Status	Employed	50 %
	Business	9 %
	Households	17 %
	Professionals	5 %
	Students	19 %
	Total	100 %

Awareness of Digital payment services in percentage

Table No: 2

E-Payment Services	%	Ranking
Credit Cards/Debit Cards	100%	1
USSD	0%	6
AEPS	0%	6
UPI	30%	5
Mobile Wallets	34%	4
Internet Banking	62%	3
Mobile Banking	76%	2

Interpretation

100% of the total respondents are aware about debit and credit cards, 76% of the total respondents are aware about Mobile banking 62% of the total respondents are aware about Internet banking 34% of the total respondents are aware about Mobile Wallet 30% of the total respondents are aware about UPI While none of the respondents were aware of Aadhar linked payments and USSD.

Preferred to use of digital payment

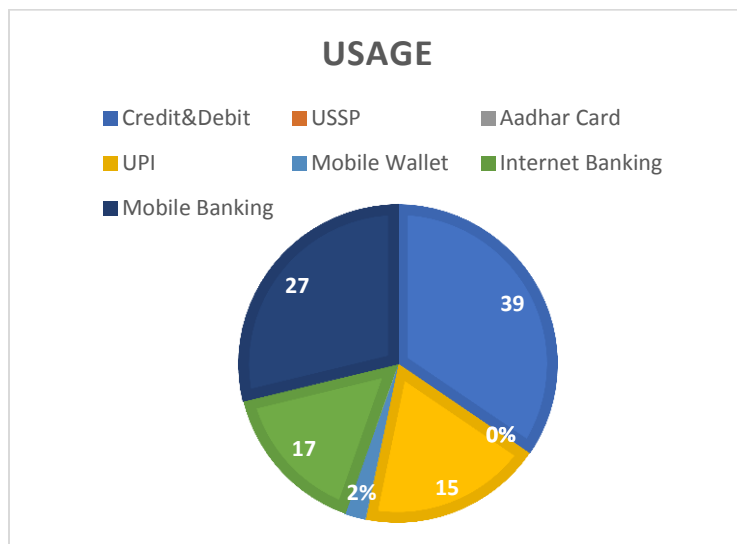
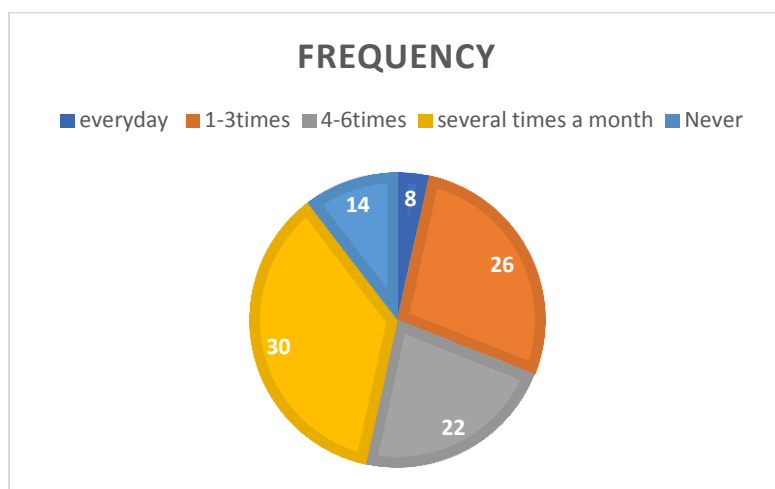


Figure 1

Interpretations

39% of respondents has used Credit and Debit cards ,27% of the respondents has used Mobile banking,17% of the respondents have used Internet Banking,15% of the respondents have used UPI,2% has used Mobile Wallets while none of the respondents have used Aadhar Cards.



Frequency of usage of digital platform for payments

Figure 2

Interpretation

14% of the respondent have never used digital payment methods, while 8% of them use digital payment daily and 26% and 22% uses it 2-3 times a month and 4-6 times respectively. And 30% uses several times a month.

Preference of digital payments over conventional payment methods

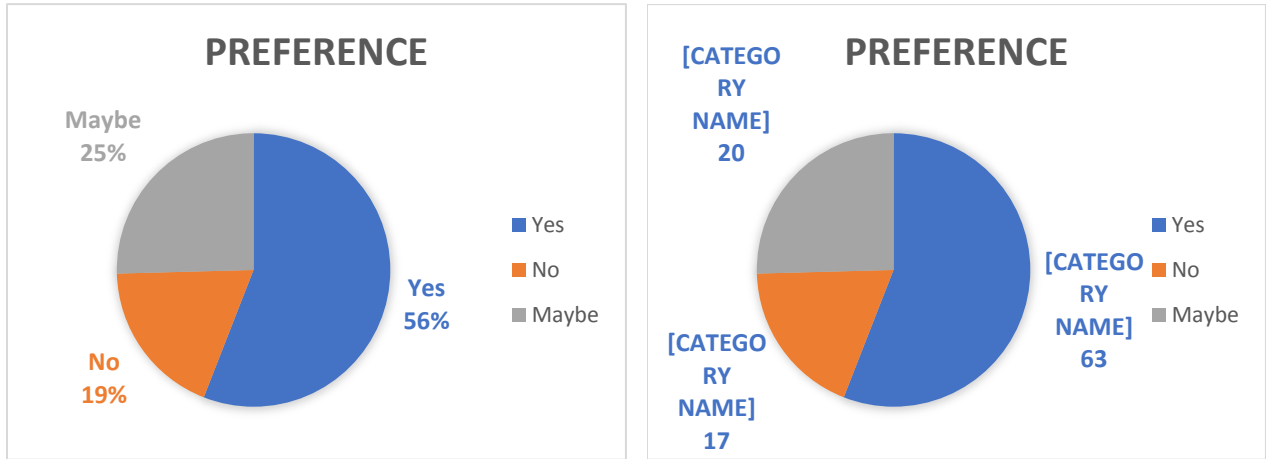
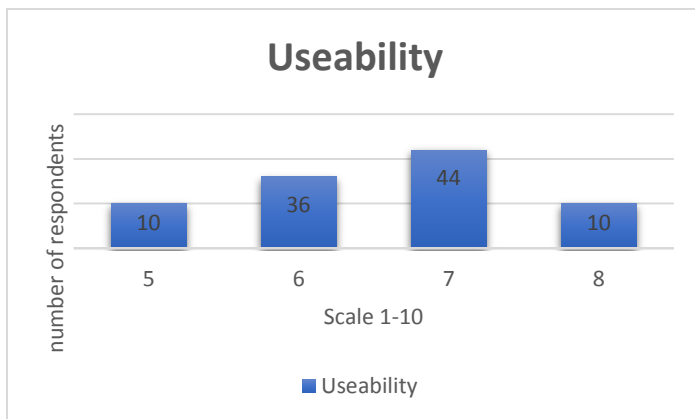


Figure 3

Interpretation

While 63% preferred digital payment over conventional payment methods 20% have no opinion and 17% of the respondents were not bothered.

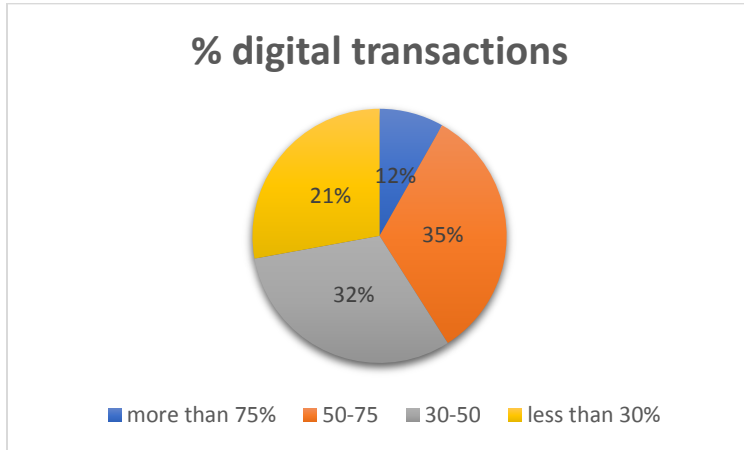


Ease of usage in terms of digital payment according to respondents

Figure 4

Interpretation

It’s clear that respondents scaled from 5 to 8. 44% rated 7points,36% for 6 points. The rest two points (5 & 8) rated 10% each. Only an average people says e- payment is ease for use.



Comparison of total transactions to digital transactions

Figure 5

Interpretation

12% of them did more than 75% of their transaction digitally, 35% did 50 to 75%, 32% did 30 to 50 % and 21% of the respondents did less than 30% transactions in digital way.

Factors enhancing the use of digital payments

Table No: 3

Factors	%	Ranks
Ease of doing orders/purchases/ payments	41%	1
Friendly user interface and navigation	33%	2
Tracking of all payments	16%	3
Easy refunds on cancellation	10%	4
Total	100%	

Interpretation:

From the above table, it is found that ease of doing payment is the most preferred factor for enhancing the customers for the use of digital payment.

Problems and challenges to growth of digital payments

Five point Likert scale

Table No: 4

Problems & Challenges	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Weighted score	Rank
Non Availability of point of sale system	8	24	42	14	12	3.02	7
Lack of strong eco system for cashless payments	32	41	17	10	0	3.95	2
Lack of awareness	24	22	25	21	8	3.33	6
Security concerns	36	34	19	7	4	3.91	3
Instability of the mobile network	26	25	29	12	8	3.49	5
Cash is still the king	62	32	4	2	0	4.54	1
Additional charges	11	13	36	24	16	2.79	9
Law regulations	21	18	14	31	16	2.97	8
Lack of effective complaints and redressal mechanism	32	34	10	15	9	3.65	4

Interpretation:

The major problem and challenges for the growth of digital payment is still cash is the king in the transaction aspects which follows lack of strong ecosystem for cashless payments.

Findings and Conclusion

After conducting the survey, the following were the findings:

➤ **Demographic factors**

Majority of the customer belongs to Male, age group lies between 25- 50, income level belongs to 2.5 lakhs to 5 lakhs and 50% of the respondents belongs to employed group either in government and private sector.

➤ **Awareness of Digital Payments**

The population has adequate awareness about Credit & Debit Cards and also have awareness about Mobile Banking methods for digital payment followed by Internet banking. While only considerable number of them were aware of other methods such as Mobile Wallet and UPI. As none of the respondents were aware of Aadhar linked payment methods, we can assume that people in Kottayam district are not aware of Aadhaar linked payment methods therefore more

programs is to be implemented in order to raise awareness of such methods of payments among public.

➤ **Preference of usage of digital payment**

The commonly used digital payment method is credit and debit cards. But other forms of payments such as Internet, mobile banking and UPI are also used by the customers of Kottayam. While only 2% of the population has used Mobile wallets, due to lack of awareness of Aadhar card payments it is not used among customers. There is a need to increase the usage of mobile wallet payment among public by creating more awareness.

➤ **Frequency of usage**

Only 8% of the population uses digital payment methods Daily. This is a very small figure when India is moving towards a cashless society while others use 2-6 times a month., majority of them i.e. 30% use several times a month.

➤ **Preference of digital payments over conventional payment method**

Majority of the populations prefer digital transactions over conventional methods as per this study.

➤ **Ease of usage in terms of digital payment**

Majority rated 7 point out of 10 point as in the ease of usage in terms of digital payment. As per this study minimum point given is 5 and maximum point given is 8.

➤ **Percentage of digital transactions**

When comparing the total; transaction to that of digital only 12% of the population use digital payments for more than 75% of their transactions and only 32% of the population uses 30-50% of their transactions digitally. This shows that majority of the population does not use much digital payments for their day today transactions and mostly uses for not frequently occurring transactions

➤ **Factors enhancing the current use of digital payments**

It is found that the main reasons for increased use among existing users are ease of doing payments and Friendly user interface navigation.

➤ **Problems and challenges to digital payments**

The main problems and challenges to digital payment system is the circulation of paper money and also lack of strong ecosystem for cashless payments.. Awareness can be given through new programs by the government to customers to overcome these barriers.

Conclusion

This study was conducted to understand the problems and challenges of Digital Payment System as India aims towards a cashless society. This study, conclude that there is an urgent need to implement programs that raises awareness of digital payment system among customers. People in general still uses credit and debit cards commonly for digital transactions, there is an need to increase the usage of other more convenient methods as well. The fact that more people prefer digital payments over conventional methods is a positive sign. Some of the ways to improve the digital payment system are:

- Reducing the cost of transaction and making it completely transparent to end users.
- Availability of high speed internet to all the strata of the society
- Reduce the complexity to execute certain types of payment systems.
- Increase the security of digital payment methods and establishing strong regulations.
- Framework for grievance redressal.
- Develop an ecosystem to accommodate customer need

It can be said as we are progressing towards digital India there are various hurdles to be faced. These needs to be overcome by combined efforts of government and citizens of the country. The government can make efforts in expediting the procedure develop a strong security set up which can built trust among the people. Every citizen should make efforts in understanding and learning new developments and try to not misuse the technology. These efforts will help in solving the problems and building trust.

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