

## **E-Monetization Leads to Adoption of Digital Payment System**

**Dr. Harvinder Singh**

Associate Professor, Lovely Professional University, Jalandhar, India

**Anu Gupta**

PhD Scholar, Lovely Professional University, Jalandhar, India

### **Abstract**

The Indian economy primarily is cash based economy. The announcement made by the Prime Minister on 8<sup>th</sup> November, 2016 hit our economy very badly especially rural economy where people use cash for their daily transactions. The announcement was to make India cashless economy and also to stop the black money through Demonetisation. This decision creates chaos among the people in India. There was long snaking lines outside banks and ATM's. Due to lack of disposable income in the hands of consumers, the way of making payment has been changed. This paper focuses on the buying behavior of consumers that is how the purchasing pattern of consumers changed from physically to electronically. In the cashless economy it is become necessary for a consumer to have the knowledge of digital payment system. The analysis has been done with the help of UTAUT model. The data used in this study is secondary data as well as primary data. The result of this study will reveal that how different attributes related with the consumer intention to adopt the digital payment systems. The purpose of this study is to find out the actual usage of digital payment system in India. The conceptual framework used in this study is based on UTAUT model and other author's research papers. Data collected through questionnaire. This study will be helpful for the researchers, digital payment service providers for getting knowledge about the adoption of digital payments modes in India.

**Keywords:** Digital Payment Methods, UTAUT model, Perceived Risk, Hedonic Motivation

### **1. Introduction**

Demonetization means banning the current currency from circulation or replacing the current currency with a new one. It happens in India when government banned 500 and 1000 rupees notes as a legal tender. The objectives of the government to implement demonetisation are as follows:

1. To stop corruption in the country
2. To control the inflation in the economy
3. To restrain the black money
4. To stop the outflow of funds in illegal activities
5. To make India a cashless country

After demonetisation the payment mechanism through digitization has been increased at a very fast rate. People start using this system because of various reasons like convenience to use, transparency etc. people living in rural and urban areas start using digital payment system. But it is more use in urban India as compared to Rural India. In rural India cash still remain at the highest position as

compared to other digital payment system. After Demonetisation people start using E-Payment system for any transaction

### **Types of E-Payment System**

- **Internet Banking**

Under this system you don't need to have credit or debit card. You can pay the amount from your bank account by just providing bank id and password.

- **Mobile Wallets**

The most popular method of this is M-Wallets. In this method one has to deposit money in the mobile using IMPS. M-Wallet can be downloaded from play store in the smart phone. The examples are: Google pay, Amazon pay, Phone pe etc.

- **NEFT or RTGS**

The third fastest method as compared to Demand Draft and Cheques, for making online payment is NEFT or RTGS. One can without visit the bank make the online payment. It requires internet facility. The minimum limit for making online payment is Approx 50,000 Rs.

- **Credit or Debit Card**

The next method for making payment in the cashless mode is Credit card or debit card. Now a day's people use these cards for doing daily transactions. ATM's are available everywhere. People can withdraw their own money from ATM by using their debit card. The swipe machine should be available at shopkeeper's shop for receiving money through these cards.

- **E-Wallets**

E-Wallet is the most used method of cashless payment. Each and every item from big to small can be purchased with the help of this method. Two things are required for this one is smart phone and the second one is internet connection. Money can also be transferred to other person. One has to link debit or credit card with E-Wallet id. The examples of this method are: Paytm, Mobikwik etc.

## **2. Literature Review:**

risks.Kulkarni, Choudhary, Sharma, Bahadur and Tiwari suggested 8C model for the adoption of demonetisation in their research paper "Electronic Payment in India: Issues and Challenges". The 8Cmodel for the implementation of Digital Payments are: - Coverage, Confidence, Cost, Compatible, Convenience, Convince, Communicate and Compel.Gaur and Padiya focus in their research paper "From Demonetisation to Digitization of Indian Economy: The Road Ahead" on digital India. Digital system put a great impact on consumer buying behavior. In the short run there may be many hurdles in front of making the country digital but in the long run the result will be positive.Gupta and Chaitanya in their research paper "Factors influencing Customer Satisfaction with usage of shopping apps in India" examined various factors which influence the purchasing behavior of consumers. These factors are: - customer satisfaction, design of digital apps, Information Quality, Image Appealing, privacy, age and gender.Akar and Nasir in their research paper "A review of literature on consumer online purchase intention" examined that technological development has created a new type of consumer "online consumer". The four impacts have been identified by the author. These are

(1) impact of payment type (2) impact of product variability (3) impact of playfulness of websites (4) impact of web navigation. Nasser, Yosuf and Islam in their research paper “Effects of consumer trust and attitude on online shopping” suggested that trust and attitude of consumer put a great impact on online buying decision. Attitude can be positive or negative. Service quality put a significant impact on consumer trust. Mehta, Kumar and Pranjana in their paper “Online Buying Behavior of Customers: A case study of Northern India” examined that reliability is the most relevant factor for online buyers in northern India and it has been followed by security and price. The conclusion from the study is that there is no difference between online buyers and there is difference between online and offline buyers. Singh and Rana examined in their research paper “Study of Consumer Perception of digital payment mode” that there are many ways of digital payment in India. The scale of digital transaction have been seen an exponential growth over a period of time. Ashish Bhagla in his research paper “A study on the future of Digital Payment in India” discussed that after demonetisation the use of digital payment system has been increased at a fast rate. But it will take more time for India to become an utterly cashless country. Tomi Dahlberg, Niina Mallat, Jan Ondrus and Agnieszka Zmijewska in their research paper “**Mobile Payment Market and Research - Past, Present and Future**” stated the five competitive and four contingencies factor related with mobile payment. They discussed about the past era of payment mode. The contingency factors are social, cultural, technological, legal and commercial. The competitive factors are consumers, merchants, role of market, new e payment services and payment solutions. Spyros Kokolakis in his research paper “**Privacy attitudes and privacy behavior: A review of current research on the privacy paradox phenomenon**” discussed about the privacy issue, privacy is the major concern for the people while making payment through digitalized mode. Rakhi agarwal and Ashish Das in their research paper “Cashless Payment system in India-A Roadmap” discussed that earlier the payment system through cash was a costly aspect for the government.. Urvi Amin and Bansri Patel in their paper “Plastic Money: Road may Towards Cash Less Society” discussed that plastic cards changed the life of common man. Robertson suggests that the adoption of online shopping depends upon the convenience and time saving of customers. It has been termed as Perceived advantage. On the other hand risk also involved while doing online shopping. Risk can be financial and privacy risk. Psychological factors also influence buyig behavior. Trust and security and website design also plays an important role in the adotion of digital payment system.

### **2.1.UTAUT2 (Unified theory of acceptance and use of technology 2)**

In the era of digital world, the IT is the most discussed area of research. There are many theories like TAM, UTAUT. After considering these two theories, we have taken UTAUT2 model in consideration which is the extended version of above two theories. UTAUT2 model given by Venkatesh.( Venkatesh, 2012). UTAUT2 consisting six constructs PE, EE, SI, FC, HM and HA. These six constructs use to examine the AU( Actual Usage) of digital payment system. But in this study I tool some of the constructs of UTAUT model. Rest was from my own experience.

During the time of Dmonetisation, when people face cash challenge, at that time digital payment modes comes as a blessings for the people of India. The adoption of digital payment in today’s time is essential rather than luxury.

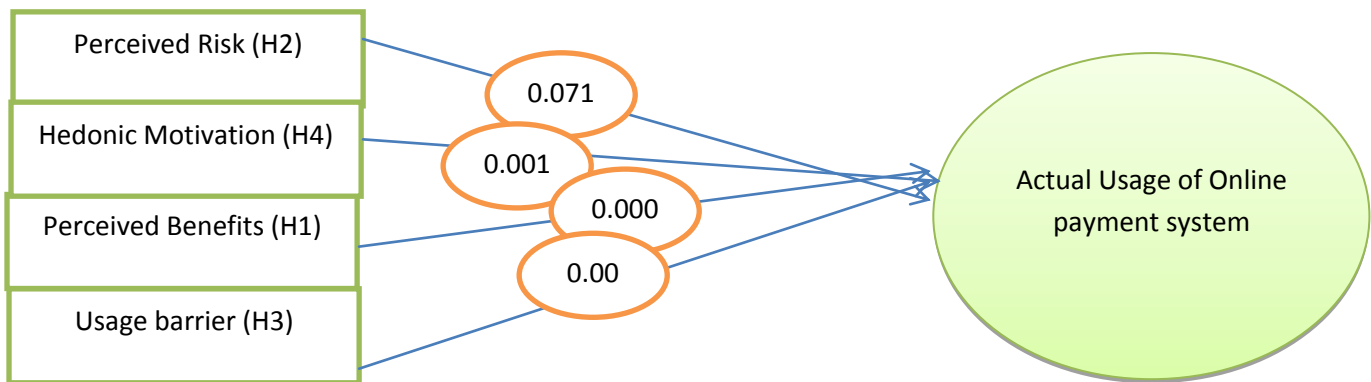
### 3. **Objectives of the study:**

1. To construct a conceptual model linking AU to different construct of adopting digital payment system.
2. To know the relationship of different construct on the adoption of digital payment systems.

### 4. **Research Methodology**

The data used in this study is primary as well as secondary data. The secondary data include articles, research paper and newspaper. For collecting primary data, a structured survey has been conducted with the help of questionnaire. Exploratory research has been taken into consideration. The target respondents for this study were the consumers using digital payment system. The convenience sampling has been used in this study.

#### 4.1. Conceptual Framework



#### 4.2. Research Hypothesis

Based on the above conceptual framework the following are the hypothesis of the study:

H1: Perceived benefits of online payment system are positively related to adoption of online payment systems.

H2: Perceived risk of online payment system is negatively related to adoption of online payment systems.

H3: Usage Barrier of online payment system is positively related to adoption of online payment systems.

H4: Hedonic Motivation of online payment system are positively related to adoption of online payment systems

### 5. Method

#### 5.1. Data Type, Data Collection and Research type

Quantitative research has been conducted to get the information from the consumers in terms of adoption of digital systems. The means of collection of data is primary as well as secondary in

nature. The instrument used to collect primary data is questionnaire and for secondary data research papers and internet sources used.

**5.2.Variables Studied**

Independent variables in this study are:

- Perceived Benefits
- Perceived Risk
- Usage Barrier
- Hedonic Motivation

Dependent Variable is:

- Actual Usage by the consumer

**5.3.Target Population and Sampling Procedure**

The target population for this research is the individuals who use online payment modes. Questionnaire was send through Google form. A total of 232 responses were received. All the responses are complete, nothing was missing. The demographic summary of respondents is shown in the table below:

**1. Table Demographic Summary**

	Category	Frequency
<b>Gender</b>	Male	139
	Female	93
	Total	232
<b>Age</b>	Below 18	3
	19-40	209
	41-60	18
	Total	232
<b>Education</b>	12 <sup>th</sup>	11
	Graduate	148
	Post-Graduate	73
	Total	232

**6. Results**

As we can see from the above table that total 232 respondents response have been received. The maximum number of respondents are from 19-40 years, Male and Graduates.

### 6.1. Correlation and Hypothesis Testing

**H1: Perceived benefits of online payment system are positively related to adoption of online payment systems.**

Accept alternate Hypothesis (H1) because p value is 0.000 which is less than the thumb value 0.05. The positive correlation shows that there is positive correlation between perceived benefits and actual usage of online payment systems. Hence, the Pearson correlation value is 0.428 that shows a moderate correlation between the two variables.

Correlations between Perceived benefits and Actual Usage of Online payment systems			
		Perceived_Benefits_Mean	Actual_Usage_Mean
Perceived_Benefits_Mean	Pearson Correlation	1	.428**
	Sig. (2-tailed)		.000
	N	232	232

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**H2: Perceived risk of online payment system is negatively related to adoption of online payment systems**

Reject alternate Hypothesis (H2) because the p value is 0.071 which is more than 0.05.

In this case we can say that perceived risk and actual usage of online payment modes are positively related to each other. The correlation value is 0.119 which is very weak correlation.

Correlations between Perceived Risk and Actual Usage of Online payment systems			
		Actual_Usage_Mean	Perceived_Risk_Mean
Actual_Usage_Mean	Pearson Correlation	1	.119
	Sig. (2-tailed)		.071
	N	232	232

**H3: Usage Barrier of online payment system is negatively related to adoption of online payment systems.**

Accept alternate Hypothesis (H3) because the P value is 0.000 which is less than 0.05. The Pearson correlation value is come as -0.379 which shows a negative correlation between the two variables.

It means both variables do not move in same direction. If there is barrier in terms of use of online payment system then person will not use these systems

Correlations between Usage Barrier and Actual Usage of Online payment systems			
		Actual_Usage_Mean	Usage_Barrier_Mean
Actual_Usage_Mean	Pearson Correlation	1	-.379**
	Sig. (2-tailed)		.000
	N	232	232

**\*\* . Correlation is significant at the 0.01 level (2-tailed).**

**H4: Hedonic Motivation of online payment system are positively related to adoption of online payment systems**

Accept alternate Hypothesis (H4) as the P value is less than 0.05. The Pearson correlation is also positive between the two variables but it is weak correlation.

Correlations between Hedonic Motivation and Actual Usage of Online payment systems			
		Actual_Usage_Mean	Hedonic_Motivation_Mean
Actual_Usage_Mean	Pearson Correlation	1	.224**
	Sig. (2-tailed)		.001
	N	232	232

**\*\* . Correlation is significant at the 0.01 level (2-tailed).**

**7. Discussion**

Hypothesis 1 is accepted which shows that there is positive relationship between perceived benefits and actual usage of online payment methods. This finding is same with the findings of Adnan, 2014, Iqbal, Hunjra 2012. The perceived benefits include 24/7 shopping, faster payments, more options for online payments and online payment methods are easy to operate and convenient. Hypothesis 2 is rejected. There is positive but very weak correlation between perceived risk and actual usage of online payment systems. Due to risk factor consumers feared to use online payment system. Although it is positive but it is not strong or moderate one.

The trust factor is low among the consumers. So there is need to build trust and security in the mind of consumers in relation to online payment system. The perceived risk include difficulty in settling disputes, loss of personal information and loss of internet while making payments. Hypothesis 3 is accepted which shows that there is negative relationship between usage and online payment system. The usage barrier includes complex methods of payment, not quick, frequent change of PIN code. Due to these terms consumers are hesitate to use online payment systems. Hypothesis 4 is accepted as p value is less than thumb value 0.05. It has also showed Positive and moderate correlation between hedonic motivation and actual usage of online payment systems. It includes digital payment a fun filled activity, enjoyable activity, entertained methods of payments.

The findings showed that perceived benefits, usage barrier and hedonic motivation were the significant variables. Whereas perceived risk found as an insignificant variable. Perceived benefits have the highest correlation with the actual usage of online payment methods. This analysis is similar to Adnan, 2014. Perceived risk showed that security and trust are the main factors in the adoption of online payment methods by the consumers.

The managerial implication of this study would be that seller should concentrate on perceived risk and usage barrier for the consumers. Online retailers should provide insurance to online consumers so that they feel secure.

## 8. Conclusion

This study contributes to the adoption of online payment systems by the consumers. First of all this study has used 232 respondents as a sample from Ludhiana. The convenience sampling was used in this study as data collected with the help of online mode. After that this research incorporates only 4 variables. Other factors which may affect adoption of online payment system need to be included. This will help in future research. The findings if this research may help business and e-retailers. They can understand how to provide security and risk free environment to the consumers. Also usage barrier should be removed. However, the results of this study might not be complete and further research can be done to validate the findings.

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