

## A REVIEW OF CHALLENGES IN DIGITAL PAYMENTS

V. Wadajkar, T. Kankekar, S. Deokota

Dr. D. Y. Patil B-School, Pune, MH, India

vishal.wadajkar@dpu.edu.in

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### ABSTRACT

Digital payments in India got a major boost in 2016 when the Government opted for demonetization of its currency. There has been a significant rise both in volume and value of digital payments in the last five years post demonetization. With a thrust on mission "Digital India", the Government has created a robust infrastructure for facilitating digital transactions in the country. The pandemic period due to COVID-19 also saw a preference for digital payments instead of cash given the norms like social distancing. However, there are challenges that have been faced while implementing the digital payment system. This paper presents findings from a survey of 100 bank customers to understand the problems with digital payments. Suggestions have been offered to tackle the challenges in digital payments.

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**Keywords:** Digital payments, Challenges, Bank Customers, Online banking

### Introduction

Digital India program conceives changing India into digital enabled society and information economy. The Digital India vision gives the strengthened impulse to additional force and progress for e-Governance and would advance comprehensive development that covers electronic administrations, items, gadgets, assembling and open positions. Administration and Services on request is a significant part in Digital India program and incorporates projects to offer consistently coordinated, continuous web-based administrations to residents with stages empowered for electronic and credit only financial transactions. Offices are being urged and upheld to completely use the Common and Support ICT Infrastructure laid out by Government of India. Ministry of Electronics and Information Technology (MeitY) has been entrusted with advancing/setting down principles and strategy rules, give specialized and handholding support, embrace limit building, R&D, and so forth and further advance the Digital India vision. The point is that all divisions are in a situation to gather and make payments in an electronic mode. MeitY imagines that various payment channels ought to be accessible to empower electronic transactions, give straightforward entry, and competitive exchange charges for clients.

The total digital payment volume in 2020-21 increased by 88% in comparison to the 2018-19 volume and by 28 in comparison to the

2019-20 volume. However, the total digital payments value in 2020-21 decreased by 14% in comparison to the 2018-19 value and by 13% in comparison to the 2019-20 value (RBI 2021).

Notwithstanding the significant progress in digital payments in the Indian economy, there have been some issues that have cropped up as challenges in implementing digital transactions. This paper aims at highlighting these problems along with plausible suggestions to overcome those.

### Literature Review

Baghla (2018) has stated that the drive of Digital Payments was taken by Government of India after the declaration of demonetization on eighth November 2016. Digital Payments was started to acquire straightforwardness transactions and dispensing with black money. It was really a move towards credit only economy. Further, digital payment was urged to give adequate money accessibility to the banks for giving credit to individuals. Till date, an impressive piece of society has begun utilizing Digital method of Payments, yet individuals feel frightened of utilizing Internet Banking, charge cards, e-cash and so on At first the Government was giving extensive motivators to digital payments yet presently a decay has been found in this push. This paper attempts to distinguish the explanations behind reception of digital payments by individuals in India and it likewise attempts to discover the

issues looked by individuals in making Digital Payments.

Vally and Divya (2018) have written that the demonetization brought about gigantic development in digital transactions. With the public authority drive, for example, Digital India and expanded utilization of portable and web are means to remarkable development being used of digital installment. This change towards digital transactions benefits in more straightforwardness in transactions which enables the country's economy to grow and develop. Lately many changes occurred in the installment framework like digital wallets, UPI and BHIM applications for smooth shift to digital transactions.

Kumari (2017) observes that the digital payment system relies upon to offer types of assistance through the use of mobile innovation and different types of digital innovation. In any case, however there is wide spread expansion of mobile administrations and mobile telephone use in provincial regions, mobile banking has not gotten on because of a few reasons such as money inclination of clients, security concerns, ignorance, absence of information about innovation items and administrations. Instructing and persuading individuals to utilize mobile telephones to access banking administrations could be a difficult undertaking.

Chandrasekhar and Ghosh (2017) have criticized the digital initiative of the Indian Government. They state that the intense demonetization episode in India, which eliminated 86% of the worth of notes available for use at one stroke in November 2016, was incompletely legitimized as far as driving a shift to credit only transactions. Nonetheless, such a shift expects that sufficient framework be set up as far as banking and network, the two of which are right now ailing in India. The article likewise recognizes different worries with digital transactions including greater expenses and the potential outcomes of loss of security, extortion, data fraud and observation. The fixation on digital transactions as a marker of social and material advancement is lost; it might turn out to be one more means by which money extricates wages out of somewhat helpless populaces.

Harikeshav (2019) observes that the unavoidable trend in payment framework in India is acquiring strength by government speeding up financial incorporation, starting new plans of action and giving force to digital payments framework. The framework offers a remarkable chance to individuals, the vast majority of whom lives in rustic India or are transients in large urban communities. Generally, the field of payments has been bank driven however with the constant advancement in the innovation, payment framework is arising as a particular industry. Following the demonetization of high division paper cash takes note of, the Government encouraged little dealers to accept innovation by utilizing digital payment frameworks. It is normal that by accepting innovation, we can achieve a major change as a credit only economy. In any case, the change stage is joined by increased worries around digital wrongdoing, customer security, rivalry, wellbeing and accommodation. The secrecy of money exchange is a non-minor hindrance to digital payments and is a consistent fight among Government and the individuals who dodge taxes.

While total nation level information can demonstrate in general inclinations of residents, authors utilize a smart internet based overview based dataset to see how factors, for example, 'insight' and 'confidence' in digital payments, and involvement in web-based cheats, influence the payment conduct of buyers. While demographic factors like age, orientation and pay are applicable variables which decide this decision, authors observe indisputable proof that an individual's use of digital payment techniques is impacted by her impression of these instruments, as well as her confidence in the general payments structure and banking framework overall. Authors see that how much previous involvement in web-based extortion prevents utilization of digital payments differs with the motivation behind the exchange (Shree et al. 2021).

Studies investigating the problems with digital payments are relatively less as compared to those which highlight the benefits and growth in digital payments. Hence, this study was undertaken to understand the problems in digital payments.

**Research Methodology**

Following methodology was adopted:

1. A survey questionnaire was administered to 100 online banking customers from Pune.
2. The selection of the 100 customers was based on the judgment of the writer of getting an adequate response in a reasonable time. Judgmental sampling was used.
3. The survey questionnaire was divided into two parts: Problems in digital payments and Evaluation of effectiveness of suggestions by authors.
4. 10 questions (items) each for the two sections were framed and responses were sought on Likert-scales.
5. Responses were obtained on a scale of 0-4: 0-Can't say, 1-Somewhat agree, 2-Strongly agree, 3-Somewhat disagree, 4-Strongly disagree
6. To distinguish the somewhat responses from the strong responses, a weight of 2 was assigned to each of the strong responses while doing the analysis.
7. T-test was used at 95% confidence level and the sample mean (higher of agreement or disagreement) was tested for statistical significance by comparing it with a hypothesized population mean taken at 50% agreement or disagreement connoting an event by chance.

**Statement of Hypotheses**

Ho1: There are no significant problems or challenges in digital payments

Ha1: There are significant problems or challenges in digital payments

Ho2: Suggested solutions would not be effective

Ha2: Suggested solutions would be effective

The survey instrument returned a Cronbach's alpha of 0.857 that is better than 0.70 (the standard) and hence was considered as reliable.

**Data Analysis and Interpretation**

The sample constituted a marginally higher number of males (54) as compared to the female customers (46). 25 respondents were < 40 years of age, 35 were in the age-group 40-50, while another 40 were >50 years of age. 32 respondents had banking experience of 10-15 years, 26 had banking experience of 15-20 years, and 42 had banking experience of >20 years. 42 respondents were doing a job, 18 were carrying business, 32 were homemaker, and 8 were retired.

**Table 1: Descriptive analysis:**

Gender		No. of Respondents (N=100)
1	Male	54
2	Female	46
Age Groups		
Group 1	< 40years	25
Group 2	40-50years	35
Group 3	>50 years	40
Banking Experience		
Group 1	10-15 years	32
Group 2	15-20 years	26
Group 3	>20 years	42
Occupation		
1	Job	42
2	Business	18
3	Homemaker	32
4	Retired	8

**Inferential analysis**

The null hypotheses were set as the sample mean ( $\bar{x}$ ) equals the hypothesized population mean ( $\mu$ ). Summary of the responses for agreement to the arguments for the concept given in Table 2 below:

**Table 2: Summary of responses for agreement to the problems in digital payments**

Problems	1	2	3	4	5	6	7	8	9	10	Average
Agreement %	84%	91%	85%	95%	77%	80%	85%	91%	84%	86%	86%

Summary of the ratings for the agreement to the effectiveness of proposed solutions is given in Table 3 below:

**Table 3: Summary of responses for the disagreement to the arguments against the concept**

Solutions	1	2	3	4	5	6	7	8	9	10	Total
Agreement %	82%	73%	89%	78%	89%	84%	72%	82%	85%	83%	82%

Table 4 shows the testing of the two hypotheses at a 95% confidence level.

**Table 4: Testing of the hypotheses**

Parameter	H1 value	H2 value
Sample Mean ( $\bar{x}$ )	86%	82%
Hypothesized population mean ( $\mu$ )	50%	50%
SD of sample	0.94264	0.91263
n (sample size)	100	100
t-value= $\frac{abs((\bar{x} - \mu) / (s/\sqrt{n}))}{1}$	3.797844	3.473478
p-value = $t_{dist}(t, (n-1), 1)$	0.00013	0.00038
Decision	Reject Null	Reject Null

Both the null hypotheses were rejected in favor of the alternate that the sample means are significantly different from the hypothesized population mean ( $\mu$ ) @50% levels of agreement connoting an event by chance.

### Conclusion

The respondent customers registered their wide agreement to the ten problems in digital payments. These are – Small merchants are still not a part of the system, problems due to poor internet connectivity, cyber frauds, non-availability of smart phones with the poor, fear in using technology especially with the elderly

people, high transaction costs, preference for cash by certain classes of people, non-resolution of technical issues, poor response from banks in case of complains, and lower digital literacy rate. These problems are hindering the growth of digital payment system in India especially in the rural and remote places. Even in the urban area where some sections of the society are still obsessed with cash transactions, digital payments are facing a challenge in adoption. Suggested solutions were rated as highly effective by the respondents. These included increasing awareness about digital payments especially in rural and remote areas, increasing the digital literacy, resolving technical issues, increasing speed of internet, penetrating remote areas for internet connectivity, making smart phones affordable, reducing the cash obsession of the public, and others. If these recommendations are implemented, digital payments will see a mammoth growth due to inclusion of large pockets of users from the rural and remote areas. This is highly desirable from the view point of increasing the financial inclusion which is an important tool to fight poverty.

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