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Digital Payment Adoption and Business Performance of Small Retailers

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ABSTRACT: There has been rapid advancement in the world of digital technology that has made businesses across the world go digital. Digital payment systems have become necessity for businesses as it enables them to accept digital payment through means like Unified Payments Interface (UPI), mobile wallets, debit or credit cards, internet banking, and QR code-based payment systems now-a-days. More than important here are small retailers, forming a major part of the Indian retail sector, who are embracing digital payments to meet the changing demand of customers as well as being competitive in the market.

This research explores the usage of digital payment system by small retailers and their impact on performance. Research on Impact of Using Digital Payment on Sales Growth, Customer Satisfaction, Operational Efficiency, Profitability and Sustainability of Business. The research paper also contains a study about challenges retailers face in the adoption of digital payment and measures to adoption. Based on the findings, it can be said that digital payments contribute positively towards the performance of business by encouraging transaction convenience. In addition, it also helps in curtailing cash handling costs, improving transparency and customer experience. Nevertheless, problems regarding internet connectivity, cybersecurity, technical glitches and digital literacy keep bothering.

KEYWORDS: Digital Payments, UPI, Small Retailers, Business Performance, Cashless Economy, Financial Technology.

I. INTRODUCTION

The business world has changed drastically thanks to digital advances and the internet revolution. Thanks to technology, businesses are now using electronic payment systems instead of cash transactions. The ease, speed, safety, and efficiency of digital payments have enabled them to become integral to business transactions.

Over the past decade, the growth of digital payments in India has been extraordinary. Government initiatives like Digital India, demonetization in 2016 and promotion of cashless economy are accelerating the adoption of digital payments even faster. The Unified Payments Interface (UPI) component has made it even easier to transfer money digitally.

Small retailers play a vital role in India's economic framework. Jobs being created by local businesses which boost economic development and economic development. In the past, small shops primarily dealt in cash. Yet, changing consumer preferences and technological development have led retailers to go for digital payment.

Consumers expect more from their shopping experience because of the popularity of payment. Customers like the businesses that have multiple payment options. As a result, small retailers are embracing digital payments for customer convenience and a competitive edge.

Adopting digital payment systems can impact business performance in a number of ways. Sales can be increased by attracting customers in large numbers. Moreover, it can also reduce operational costs, and enhance efficiency for transactions, improve record keeping and increase financial transparency. Even with such benefits, many retailers suffer from a poor tech infrastructure, cybersecurity issues, transaction failures, digital skills gap.

Consequently, studying the impact of the adoption of the digital payment system on the small retailers' business performance becomes vital. The objective of this research is to investigate the use of digital payments and their impact on business growth and sustainability.

II. OBJECTIVES OF THE STUDY

The research is performed with following objectives.

1. To assess the extent to which small retailers are using digital payments.
2. To determine the Key elements affecting the utilization of e-payment systems
3. To assess the effect of digital payments on sales and profits
4. To assess end-user satisfaction with digital payment systems used.
5. To identify the difficulties that retailers face in the implementation of digital payments.
6. To give recommendations for enhancing digital payment adoption and business performance.

III. REVIEW OF LITERATURE

The field of commerce, finance and information technology has witnessed increasing research in digital payment system. Numerous investigations have explored their influence on economic development and business function.

Research towards the adoption of digital payment indicates that technological innovation plays a vital role in changing the retail business. Digital payment systems help you deal with cash with ease. Small retailers gain advantages such as quicker payment processing, lower transaction costs, and better customer service.

Research indicates that consumers are gradually shifting towards cashless payment methods for their convenience. Retailers that provide digital modes of payment often see higher customer traffic and higher sales. The provision of diverse payment alternatives elevates customer happiness and fortifies customer loyalty.

The Technology Acceptance Model suggests that perceived usefulness and ease of use are key factors in determining whether a technology will be adopted.

When retailers perceive distinct business benefits and find the technology easy to operate, they are most likely to adopt digital payment systems.

The study also finds various obstacles to accepting digital pay. These are imperfect connectivity, cybersecurity risks, transaction failure, lack of digital knowledge and fear of transaction costs. Small rural and semi-urban retailers struggle more because of the technological unavailability having lesser infrastructure.

In general, the literature shows that digital payment adoption improves business performance. Nevertheless, its degree of impact varies depending on business size, technological readiness, customer preferences, and market fault lines.

IV. RESEARCH METHODOLOGY

Research Design

The present study adopts a descriptive and analytical research design. The descriptive approach is used to understand the existing level of digital payment adoption among retailers, while the analytical approach is used to evaluate its impact on business performance.

Sources of Data

Primary Data

Primary data are collected directly from small retailers through structured questionnaires and interviews.

Secondary Data

Secondary data are collected from:

- Research journals
- Government reports

- RBI publications
- NPCI reports
- Books and articles
- Websites and industry reports

Sampling Method

Convenience sampling method is used to select respondents.

Sample Size

A sample of 200 small retailers is considered for the study.

Area of Study

The study focuses on small retail businesses operating in local markets.

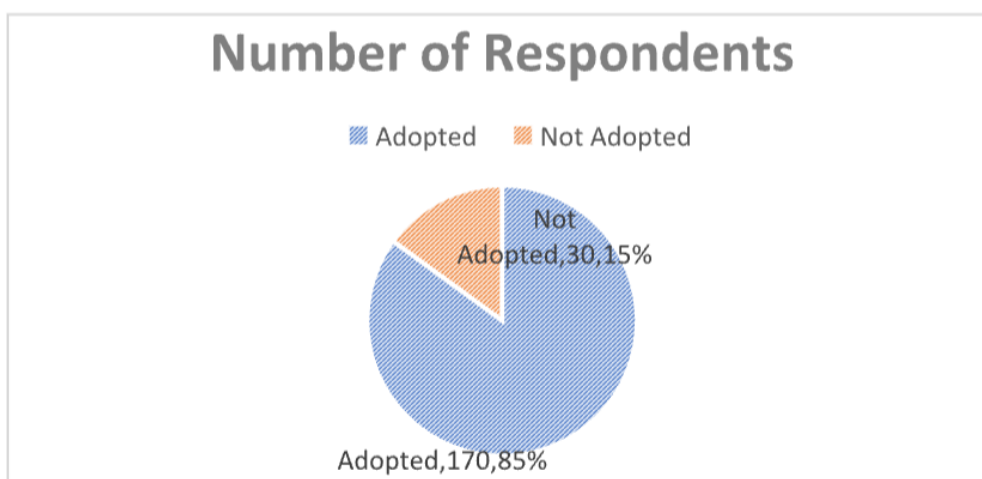
Tools Used for Analysis

- Percentage Analysis
- Frequency Distribution
- Mean Analysis
- Chi-Square Test
- Correlation Analysis
- Graphical Representation

V. DATA ANALYSIS AND INTERPRETATION

Table 1: Adoption of Digital Payment Systems

	NUMBER OF RESPONDENTS	PERCENTAGE
ADOPTED	170	85%
NOT ADOPTED	30	15%
TOTAL	200	100%

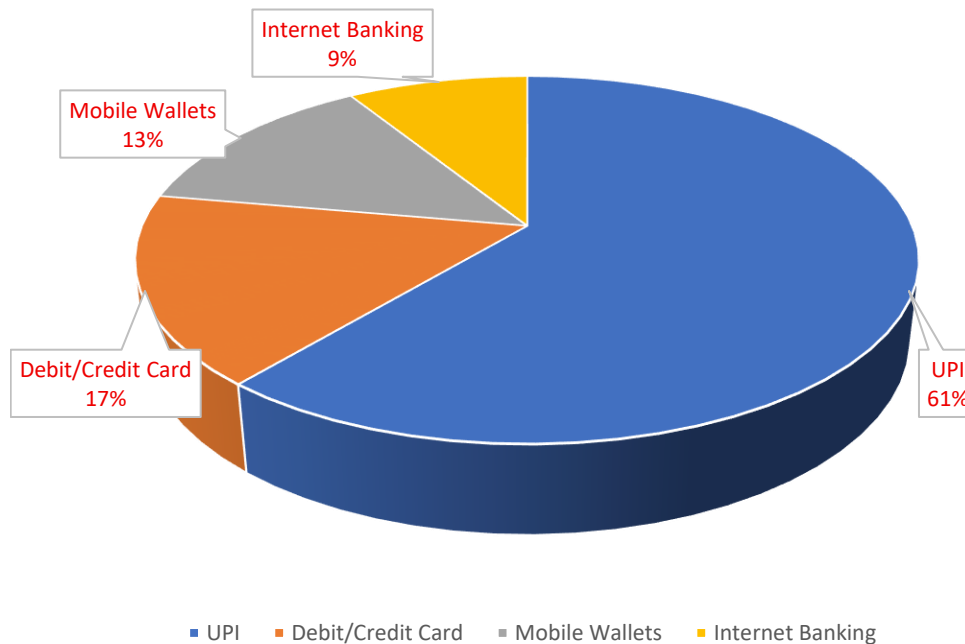


Interpretation

Most retailers have adopted digital payment systems, the data reveals. This shows that most small businesses accept digital transactions.

Table 2: Preferred Digital Payment Method

PAYMENT METHOD	PERCENTAGE
UPI	55%
DEBIT/CREDIT CARD	15%
MOBILE WALLETS	12%
INTERNET BANKING	8%
MULTIPLE METHODS	10%

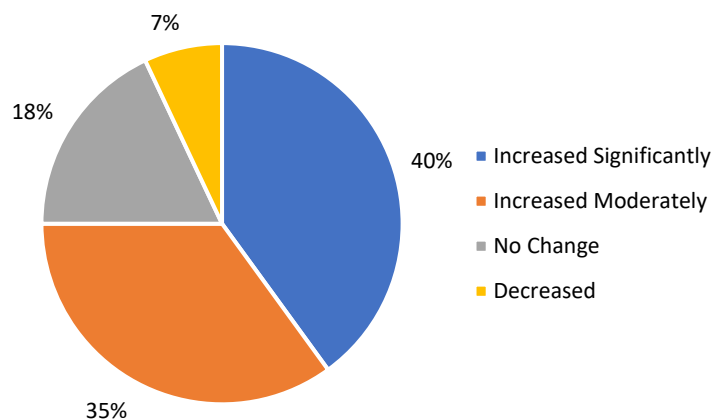


Interpretation

People prefer UPI the most because it is easy to use, readily available, and has lower transaction costs.

Table 3: Impact on Sales Performance

RESPONSE	PERCENTAGE
INCREASED SIGNIFICANTLY	40%
INCREASED MODERATELY	35%
NO CHANGE	18%
DECREASED	7%

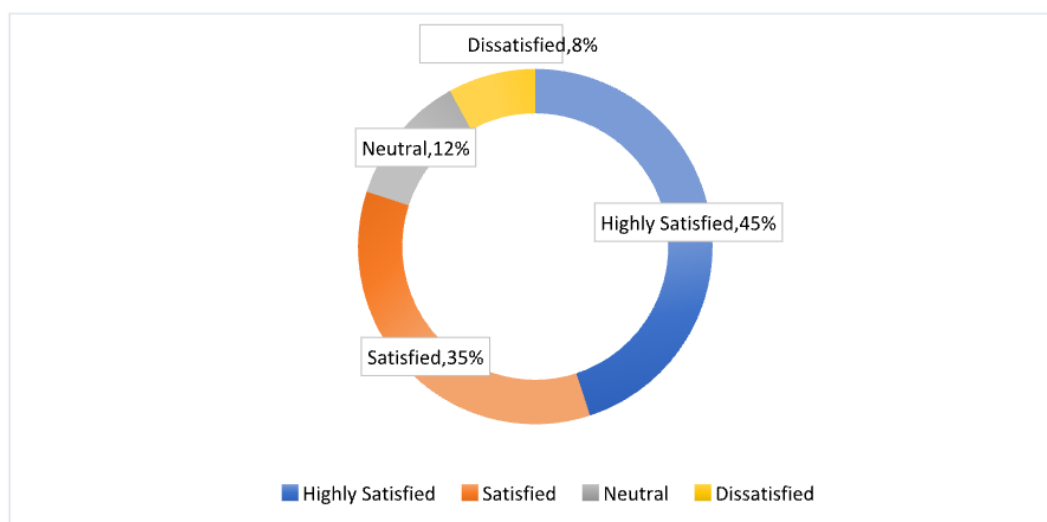


Interpretation

Retailers mostly report an increase in sales after shifting to digital payments.

Table 4: Customer Satisfaction

SATISFACTION LEVEL	PERCENTAGE
HIGHLY SATISFIED	45%
SATISFIED	35%
NEUTRAL	12%
DISSATISFIED	8%



Interpretation

Customers are happy with the digital payment facilities due to convenience and speed.

Table 5: Challenges Faced by Retailers

CHALLENGE	PERCENTAGE
INTERNET CONNECTIVITY	30%
TECHNICAL ERRORS	25%
SECURITY CONCERNS	20%
LACK OF KNOWLEDGE	15%
TRANSACTION CHARGES	10%

Interpretation

The most serious barriers to digital payments are limited internet connectivity and technical difficulties.

VI. DISCUSSION OF FINDINGS

The results show that small retailers in India have taken to digital payment instruments in a big way. UPI is the most popular payment mode due to the ease of its usage and its acceptance from customers.

Digital payment systems enhance business performance, especially in increased sales opportunities and customer convenience, according to the study. Retailers can serve customers more effectively and reduce the risk of handling cash through the use of digital payment methods.

When customers have a wide variety of choices for payment options, satisfaction increases. Consumers value the convenience and flexibility that cashless methods afford.

Even after these benefits, retailers face operational issues. Disruption of internet service, cybersecurity concerns and technical glitches. In addition, some shops do not have digital skills to use the payment technology.

The interrelationship of digital payment and the business performance demonstrated positive impact based on the findings.

SMEs are adopting the Digital Adoption Payment scheme in huge numbers.

VII. FINDINGS OF THE STUDY

The major findings of the study are:

1. Most small retailers have become digitally enabled now.
2. UPI is most common digital payments method as per report
3. Adoption of digital payment leads to sales growth.
4. When digital payment options are available, customer satisfaction is increased.
5. Digital payments minimize cash-related problem while improving transparency.
6. Retailers are getting better records in management and finance.
7. Internet connectivity continues to be a major issue.
8. Retailer confidence is influenced by security issues.
9. Digital literacy influences the effectiveness of using payment systems.
10. The general performance of the business improves after the adoption of digital payments

VIII. SUGGESTIONS

Based on the findings, the following suggestions are proposed:

1. Government agencies must organise digital literacy programs for small retailers.
2. Training on scams should be provided by a financial institution.
3. Improving internet infrastructure for the rural and semi-urban is the need of the hour.
4. Retailers should offer more than one manner of payment.
5. Banks must ease the process of onboarding merchants.
6. There is a need for implementing strong measures for cybersecurity.

7. Technical support services should be easily accessible.
8. Ensure the benefits of digital transaction is communicated through campaign
9. Through improved technology, we must minimize transaction failures.
10. Retailers must keep their online payment mechanisms up to date.

IX. CONCLUSION

Electronic payment systems have become a necessary part of the modern retail business. The rapid adoption of digital payment technology by small retailers shows how consumer behaviour and technology is changing. The study found that business performance is positively impacted by the adoption of digital payment such as the increased sales, customer satisfaction, efficient transaction processes, and financial transparency.

According to the findings, those retailers that adopt digital payment technologies will benefit from a competitive edge. Despite issues like internet connectivity problems, cyber-security threats, and digital literacy challenges, the gains outweigh the shortcomings overall.

Technological innovation and digital transformation are the future of the retail business. Small retailers must continue to adopt the rapidly changing payment technology to sharpen their competitiveness for sustainable growth.

Policymakers, financial institutions, and technology providers should work together and establish an ecosystem that supports the use of digital payments and improves business.

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