

A STUDY ON CUSTOMER PERCEPTION TOWARDS UPI AND ITS GROWING INFLUENCE IN THE REALM OF DIGITAL PAYMENTS: AN EMPIRICAL STUDY”

* Radhika Arora

Abstract :

The last decade has seen tremendous growth in use of internet and mobile phone in India. UPI has been a trendsetter in our country which is moving towards a digital and a cashless economy especially after the demonetization initiated by our Prime Minister in 2016. Increasing use of internet, mobile penetration and government initiative such as Digital India gave birth to UPI (Unified Payment Interface), an interface which is superior to digital wallets. Unified Payment Interface (UPI) is a system that powers multiple bank accounts onto a single mobile application platform (of any participating bank). It allows seamless fund transfers without CVV numbers hence is more secure.

Several consumer transactions are being made at point of sale (POS) terminals each day. The mode of payment for most of these purchases is either through internet banking or mobile banking using smart phone and a payment mode which is non-cash. The paper attempts understand the workflow of UPI vs Digital wallets and measure the customer perception and acceptance of UPI based applications such as BHIM. It compares UPI mode of payment with other types of digital transactions.

Keywords : *Cashless Transactions, Consumer Perception, Digital Payment, Digital Wallets, Virtual Payment Address (VPA)*

INTRODUCTION

Unified Payments Interface (UPI) is an instant real-time payment system developed by National Payments Corporation of India facilitating inter-bank transactions. It is based on the IMPS (Immediate Payment Service) protocol offered by NPCI. Since the smartphone revolution in India, without about 200 million people having internet access in 2018, there is sharp increase in various digital modes of payment. In digital payments, payer and payee both utilize digital modes to send and receive money. In the

beginning, e-wallets such as Paytm and MobiKwik garnered major market share. There are several digital payment modes in India they are Online or mobile wallets, prepaid credit cards, Debit/RuPay cards, AEPS, USSD and UPI.

The banking industry also has had a variety of payment products like NEFT (National Electronic Funds Transfer), RTGS (Real-Time Gross Settlement system), DD (Demand Drafts), Cheques, IMPS (Immediate Payment Service), Net banking and Mobile banking. Yet it was



I Author:
Radhika Arora
Associate Professor
Centre for Management Studies
Presidency College

found that individuals required an easier and less complex approach to make payments. The inability to address this need has removed individuals from the banking system and pushed them towards digital payment modes, which are progressively getting to be increasingly popular. Here are the different modes of digital payments in India today:

Online or mobile wallets: They are used via the internet and through smartphone applications. Money can be stored on the app via recharge by debit or credit cards or net-banking. Consumer wallet limit is Rs. 20,000 per month and the merchant wallet limit is Rs. 50,000 per month after self-declaration and Rs. 100,000 after KYC verification.

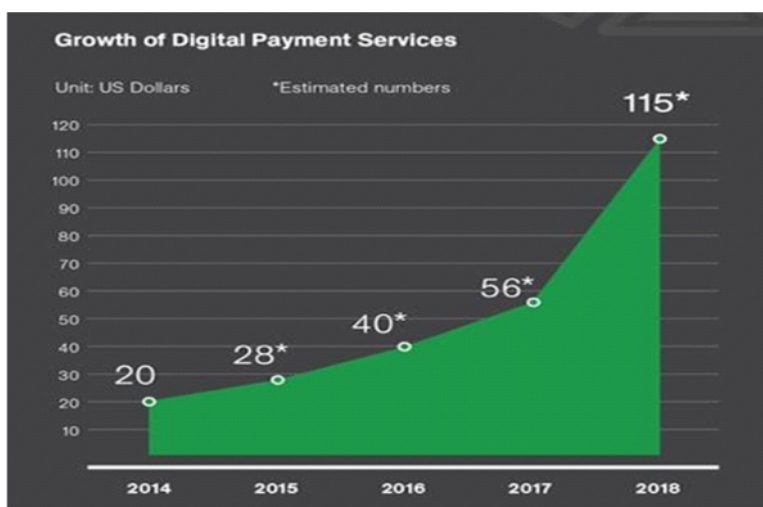
Prepaid credit cards: Pre-loaded to individual's bank account. It is similar to a gift card; customers can make purchases using funds available on the card -and not on borrowed credit from the bank. Can be recharged like a mobile phone recharge, up to a prescribed limit.

Debit/RuPay cards: These are linked to an individual's bank account. It can be used at shops, ATMs, online wallets, micro-ATMs, and for e-commerce purchases. Debit cards have overtaken credit cards in India. The number of debit cards in December 2015 increased to 630 million compared to 22.75 in 2014.

AEPS: The Aadhaar Enabled Payment System uses the 12-digit unique Aadhaar identification number to allow bank-to-bank transactions at PoS. AEPS services include balance enquiry, cash withdrawal, cash deposit, and Aadhaar to Aadhaar fund transfers.

USSD: Stands for Unstructured Supplementary Service Data based mobile banking. It is linked to merchant's bank account and used via mobile phone on GSM network for payments up to Rs. 5,000 per day per customer.

As of December 2017 the UPI has grown from 0.9 billion in December 2016 to 96.4 billion in December 2017, this shows the incremental growth of UPI in India. Unified Payment Interface (UPI) transactions had shot up to 620.17 million in December 2018, up 18% from 524.94 million in the preceding month. The total count for 2018 reportedly stands at 3 billion. It has grown in value seven times over the corresponding month in 2017. Also, there is an impressive 25% month to month increase in transactions and we have crossed the 1 lakh crore transactions milestone as of 2018 for the first time. Below is a graph 1 on how exponentially the digital payments have grown post demonetization.



Graph 1

However, with government's introduction of the BHIM app, a UPI based application, transactions are increasing as compared to other electronic modes.

So what is UPI and why is it superior to e-wallets? The United Payments Interface (UPI) envisages being a system that powers multiple bank accounts onto a single mobile application platform (of any participating bank). It merges multiple banking features, ensures seamless fund routing, and merchant payments. It facilitates P2P fund transfers. UPI is Open Source, Secure, Cheap, Simple to use and Adaptable. UPI has a versatile framework which permits moving cash in a simple hassle free manner, 24 X 7, 365 days a year including bank holidays. It is also faster than e-wallet transactions.

LITERATURE REVIEW

In recent years, tremendous changes have taken place in the financial sector in India which has led to the transformation from cash transactions to cashless transaction (Singh & Verma, 2016). The consumer's awareness is growing day-by-day towards mobile payments due to the potential of digital-payment methods (Woodward, 2016).

With UPI, the distinctive feature is that a customer can make the amount transferrable between banks, not to the wallet and can use multiple bank accounts (Rajawat, 2017). Doing payments via mobile phones has been in use for many years and is now set to explode (Dalberg, 2008). Digital wallet offers many benefits while transferring money such as convenience, security and affordability [8].

However, there is a study by (Dorothy Sagayarani 2017) which says that large part of population of India does not use this digital systems as they don't know how to use it, so there should be programs organized to help people mostly in rural area and the old people

to help them to understand the payment system along with this creating awareness about the system. The infrastructure of UPI will provide low-cost acquisition infrastructure by allowing smart phones to substitute costlier point of sale (PoS) devices (Rajiv Anand, 2016). The USSD support system allows non-smart phone users to do transactions (Harshit, 2017). Even without an internet connection also UPI payments are supported via USSD protocol which is useful for rural and non-smart-phone customers.

OBJECTIVES OF THE STUDY

- To understand both UPI system and other payment modes.
- To assess the consumer perception towards digital payment applications.
- To analyze the factors that influences the use of various digital payment modes.
- To compare the UPI system with other payment modes.

RESEARCH METHODOLOGY

The study was conducted in Bangalore City in May/June 2018 with a sample size of 100. The study tries to assess the customer attitude and perception towards digital payments and UPI interface and identify the security gaps in the different modes of payments.

ANALYSIS AND RESULTS

The study's most important finding is that about 45% of the respondents believe that UPI based digital transactions are safer and more secure than other forms of digital payments. This clearly substantiates the growing perception that UPI based apps are superior to e-wallets.

The study also shows that about 35% of the respondents are most concerned about security while doing digit transactions while the least concern is for merchant acceptance which is

only 8%. The poor internet connection accounts for 23% while lack of technical knowledge is also 23 %. Secondary data reveals that the last two reasons that have been cited i.e. poor internet connection and lack of technical knowledge is more specific to Indian respondents.

From the study it is clear that after demonetization, in Nov 2016, the number of people using digital transactions has increased sharply and now up to 80% of the respondents are using it regularly while only 20% of the respondents are not using the digital mode. Among the popularity survey of digital payment methods the highest number of respondents have given UPI rank 1, rank 2 to e-wallets, rank 3 to netbanking and the least number respondents have given rank 1 to e-wallets. So the inference is that while e-wallets are currently being used by respondents, they recognize the fact that UPI based payments systems are more secure and easier to use. Also, e-wallets have a limit to how much you can transfer into it but UPI based applications such as BHIM are directly linked to your bank account and uses a virtual payment address (VPA) to do the monetary transfers. Among all the digital payments apps we can see that MobiKwik, Paytm and GoogleTez are leading.

Study also shows that 33% of respondents use digital payments monthly and this number is on the rise since 2016. This can be interpreted as the rising popularity of digital payments in the Indian economy. What started as a necessity post demonetization has now become a regular trend. The study also shows that 7% of the respondents use digital payment mode daily while others use in fortnightly or monthly.

40% of the respondents believe that the most important reason they use digital payments is convenience. The second factor is “cash rewards” from using digital apps instead of

cash or credit card and it is interesting to note that the least important is “shortage of cash”. So it can be inferred that unavailability of cash is not the major factor for using digital payments but it has definitely been a trigger since the number of transactions went up drastically post demonetization as you can see from the graph 1.

Study shows that the merchants and even the banks are giving incentives and rewards for doing digital transactions. This has contributed to the increase in volume these transactions especially among the millennials who are quite online savvy usually so for them it is a win-win situation.

The study shows that as far as awareness regarding digital payments is concerned, Net-banking has the highest awareness level with about 68% followed by respondents and the least aware mode is RTGS which is only 26% of respondents followed by other modes Net banking is more popular because it has been in existence from a long period.

The study shows that 50% of respondents are satisfied with the digital payments while only 15% of respondents are unsatisfied. From this we can infer that digital payments are gaining in popularity and there is a positive perception about them. The respondents who are not comfortable with digital payments are respondents who are older and find the digital apps tedious and also those who have low digital literacy.

From the study it is clear that the use of digital modes by the respondents for their transactions are very similar. There is no difference in terms of the amount of transactions they do. It is all counts to 1/4th of the respondents using different amount of transactions. This consistency will be based on the income of the respondents and also the spending patterns of the respondents.

It can be inferred from the above data that the highest percentage of respondents that is 26% use digital payments for all the stated reasons and least percentage that is 11% uses it for grocery stores as a reason. This could be because the digital modes provides all this options available to the customers which motivates them to use it as an all-rounder.

It can be inferred that most of the respondents (54%) feel the difference in using the UPI based payment apps versus and other digital modes of payments. This is the most important information which tells us that the customers' are increasingly more comfortable with using UPI based applications because of the security reasons and also the ease of transaction without entering credit card/debit card details, CVV numbers etc. This is further substantiated by the fact that 45% of respondents have stated that UPI transaction are more secure and reliable and only 17% disagrees with the statement. This is the primary factor that differentiates the UPI based apps from with other modes of payment such as e-wallets.

MANAGERIAL IMPLICATIONS

Based on the findings from the study it can be concluded that digital payments are here to stay since the number of smartphone users in India is steadily increasing. With increasing number of young users using only digital payments, the number of digital transactions, especially UPI based transactions are increasing. The advantage of UPI in comparison to e-wallets is that UPI uses VPA (Virtual Payment Address) technology which allows you to transfer money without giving out your account details.

However all the digital payment systems should work towards creating a customer centric product that helps increase customer awareness on how to use the application securely and save time and get rewards. The legal system has to create strict rules and

regulations to govern these transactions so that more users/customers feel secure enough to use them.

At the present time there is a considerable lack of digital literacy, even among the older urban respondents who expressed hesitation in using these applications to make digital payments. If India has to progress towards an increased digital economy this lacuna has to be addressed going forward. There is still a lot of the population that does not use these digital payment systems and programs should be organized to help people mostly in rural areas and the old people to help them to understand the payment system along with this creating awareness about the system.

Limitations of the Study and Scope for Future Research

This study has made an attempt to understand the customer perception towards digital payments particularly UPI based applications such as BHIM. A possible weakness of this study is that only 100 respondents were surveyed. Also, the respondents considered were educated and from the urban area of Bangalore city. Further studies can be conducted on a rural sample where the respondents are not so highly educated or computer savvy and there may be additional infrastructural problems of lack of smart phones and poor internet connectivity. These factors may give a new focus to this research.

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