



“SURVEY OF RETAIL PAYMENT HABIT OF AN INDIVIDUAL”

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Abstract: *This study has been undertaken to understand the habits of retail payment users of an individual. This is to understand an individual's perceptions of retail payment habits. Forwarded by recent policy initiatives and technological developments, India's digital payment system is a promising success story in the making. At the same time, the data also points towards an increasing usage of cash. We find compelling evidence that a person's usage of digital payment methods is influenced by her perception of these instruments and her trust in the overall payments framework and banking system in general. Our key findings point towards a significant impact of perception of the payment system on how people choose to pay. The retail payment habits of individuals refer to their preferences and behaviors regarding the payment methods they use when purchasing goods and services in a retail setting. These habits are influenced by a variety of factors, including personal preferences, convenience, availability, and security. In recent years, there has been a shift towards digital payment methods, such as credit and debit cards, mobile payments, and online payments, as consumers increasingly seek out faster and more convenient ways to make purchases. However, cash remains a popular payment option for many individuals, particularly for smaller purchases or in situations where digital payment methods are not accepted. Understanding individual retail payment habits is important for retailers, payment service providers, and policymakers, as it can inform the development of payment technologies and policies that meet the needs and preferences of consumers. In today's world, the retail payment habits of individuals continue to evolve, driven by advances in technology and changing consumer preferences. Digital payment methods, such as mobile payments, contactless cards, and online payments, are becoming increasingly popular due to their convenience, speed, and security features. As a result, many retailers are investing in these payment technologies to meet the growing demand from consumers. However, cash remains a widely used payment option, particularly for small transactions and in certain demographics. Additionally, the COVID-19 pandemic has accelerated the adoption of contactless payments as consumers seek to minimize physical contact and reduce the risk of infection. Understanding the retail payment habits of individuals in today's world is critical for businesses and policymakers to adapt to changing consumer preferences and ensure that payment options are safe, and secure, and meet the needs of a diverse range of customers.*

INTRODUCTION

Retail payments are typically payments between consumers, businesses, and public authorities. They can be everyday consumer transactions, but also include for example; salary and tax payments made by businesses. The most common means of payment are payment cards, credit transfers, direct debits, and cash. Recently, many changes took place in the payment system like digital wallets, UPI, and BHIM apps for the smooth shift to digital payments. Evidently, to suit these needs payment systems are being digitized globally. Cash, however, remains a crucial part of the trade. Therefore, the discourse on the current age payment system revolves around cash VS digital transactions. Our key findings point towards a significant impact of perception of the payment system on how people choose to pay. Not only does a positive perception motivate people to go 'digital', but a relatively negative outlook on cash also has a similar impact. This finding is important in light of increasing cash use at the macroeconomic level in the country. Another significant factor is confidence in the payment system. Respondents who trust the service providers and regulators seem to have a greater likelihood of paying digitally. The Reserve Bank of India (RBI) has launched a survey to understand the "Retail Payment Habits of Individuals" (SRPHi). According to the central bank, the survey will cover a sample of 6,000 individuals from different socio-economic backgrounds across six cities, viz., Delhi, Mumbai Kolkata, Chennai, Bengaluru, and Guwahati. "The survey seeks qualitative responses from individuals on their payment habits. The findings may provide some idea about awareness and usage habits of digital payment products," the RBI said in a statement on Wednesday. The government's other initiatives like BHIM and UPI are supporting in transition and faster adoption of digital payments. Electronics Consumer transactions made at the point of sale (POS) for services and products either through Internet banking or mobile banking using smartphone or card payment are called digital payments. The digital payment system has the following phases,

1. Registration 2. Invoicing 3. Payment selection 4. Payment confirmation. This payment system generally includes 3 electronic payment instruments namely, cash, cheque, and card. Post-demonetization is affecting the e-commerce sector in that Cash on Delivery is gradually getting stopped and other modes of payment are replaced like Card on Delivery, Net Banking, Debit Card, Credit Card, etc.

As part of encouraging cashless transactions and transforming India into a less-cash society, various modes of digital payments are available.

Debit / Credit Card:

Suitable for: Online/offline merchant sales.

Transaction limit: Set by the card issuer

RTGS / NEFT:

Suitable for: High value online transactions.

Transaction limit: No upper limit, minimum Rs 2lakh. Up to Rs 10lakh minimum Rs 1

IMPS:

Suitable for: Instant transfer

Transaction limit: Rs 2lakh per day

UPI:*Suitable for: Instant transfer**Transaction limit: Rs1lakh***USSD:***Suitable for: Feature phones without Internet connectivity**Transaction limit: Rs5000***E-WALLET:***Suitable for: Small-ticket transactions.**Transaction limit: Rs 20,000 per month (Rs 1lakh for KYC-compliant wallet holders).*

While cash might seem convenient as it's ingrained in our habits and is still readily accepted in more places, digital payments offer convenience by saving time and labor. There are further issues with cash use. While it provides a suitable alternative to aid the informal or parallel economy, digital payment offers itself as a desirable tool for institutions to fix this problem of traceability. In fact, governments around the world have taken drastic measures at huge costs to clear markets of 'black money'. Research in the behavioral sciences conveys that people experience a higher 'pain of paying' when paying in cash than digitally, and this contributes to deferred payment. While cash may not seem to impose any direct transactional cost like digital money, it is still costly for both governments and end-users.

Despite this progress, cash use still seems to be on the uptick in India. Our paper seeks to highlight the important factors at the individual level, which influence the consumer's decisions to use cash or digital payment. While it is critical to push for technological innovations and policy reforms, it is also imperative to understand the aspects that motivate or hinder the adoption of these technologies by the end user. A recent survey, on the readiness of consumers towards the adoption of newer payment technologies, ranked India second out of 27 economies on the FinTech Adoption Index. Research conducted at the individual consumer level can provide insight to understand how certain aspects are at play while making a payment decision. To this end, we use a comprehensive and multidimensional online survey that addresses many hitherto untouched dimensions of this topic, such as the difference in digital spending over various expenditure categories (groceries, e-commerce, utility bills, etc.), the choice of consumers to go purely digital or exercise a mix of cash and digital options, and the effect of psychological factors like perception and trust.

Our key findings point towards a significant impact of perception of the payment system on how people choose to pay. Not only does a positive perception motivate people to go 'digital', but a relatively negative outlook on cash also has a similar impact. This finding is important in light of increasing cash use at the macroeconomic level in the country. Another significant factor is confidence in the payment system. Respondents who trust the service providers and regulators seem to have a greater likelihood of paying digitally. We find inconsistent behavior when studying the impact of the experience of digital payment fraud on the choice of payment tool. The impact that experiencing such fraud has on the choice to pay digitally differs according to the purpose of the transaction. The remainder of the study is presented in five sections pertaining to existing literature, data and methodology, sample summary statistics, empirical findings, and conclusion and policy implications.

Need of the study

In recent years, the payment landscape has witnessed a dramatic shift towards digital payments. According to a study by the World Bank, digital payments have the potential to help economies grow by reducing transaction costs, increasing transparency, and improving financial inclusion. The study further suggests that the use of digital payments can improve the efficiency and effectiveness of government services, and also help to reduce corruption.

The retail payment industry, which includes the use of cards, mobile payments, and e-wallets, is undergoing significant changes as consumers increasingly shift towards digital payment methods. In this study, we aim to explore the habits of individuals regarding retail payment methods and the factors that influence their choice of payment method. The study also aims to understand the implications of the shift toward digital payments for the retail payment industry.

Literature Review:

The adoption of digital payment methods has been on the rise globally. According to a study by McKinsey, the global payment industry is projected to grow at an annual rate of 5.5% between 2020 and 2025. The study further suggests that digital payments will account for more than 70% of all payment transactions by 2025.

Several factors have been identified as drivers of the shift towards digital payments. These include the increasing use of smartphones, the growth of e-commerce, the rise of contactless payments, and the need for increased security and convenience.

One study found that individuals are more likely to adopt digital payment methods if they perceive them to be more convenient, secure, and reliable than traditional payment methods. The study also found that younger individuals are more likely to adopt digital payment methods than older individuals.

Another study found that trust in digital payment methods is a crucial factor in their adoption. The study suggested that individuals are more likely to trust digital payment methods if they are offered by a reputable provider and if they have a clear understanding of how the payment system works.

Research Methodology:

To achieve the objectives of this study, a survey will be conducted among a sample of individuals. The survey will consist of questions regarding the individual's payment habits, their perceptions of digital payment methods, and the factors that influence their choice of payment method.

The sample will be selected using a random sampling technique, and the survey will be administered online. The data collected will be analyzed using statistical software such as SPSS, and the results will be presented using tables and graphs. It is also defined as a study of methods by which knowledge is gained. Its aim is to give the work plan of research.

Sources of Data:

Sources of data can be classified into:

Primary Data:

Primary sources of data are the data which needs the personal effort to collect it and which are not readily available.

Primary source of data was collected while creating a Google form and collecting the information from the retail payment users based on their responses.

Secondary Data:

Secondary sources of data are the important sources through which the data was collected.

These are readily available sources of the data where one need not put much effort to collect, because it has already been collected by some researchers or experts.

Secondary sources of data like the internet websites were made use for the collection of the data.

Sample Design:

Sample design refers to the technique or the procedure and the research would adopt in selecting items from the sample. It also lays down the number of items to be included in the sample that is the size of the sample. Sample design is determined before data are collected.

It also involves identifying the target population and selecting the sample if a census is not desired. The researcher must determine who and how many people to interview, what and how many events to observe, or what and how many records to introspect.

Sampling Method:

The sampling method used in this survey is simple random sampling, where all the customers were selected randomly.

Sample Size:

By using simple random sampling technique, 223 respondents were selected for the purpose of the research study.

Sample Area:

The research was conducted from Google form.

Research Instrument:

The research instrument used in the survey was structured with 19 closed-ended questions

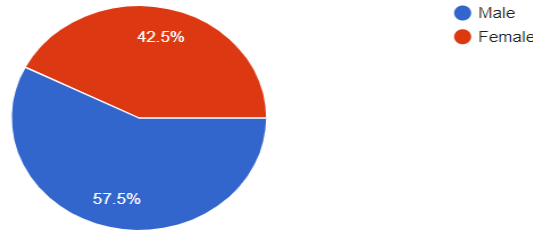
Results:

The results of this study are to provide insights into the habits of individuals regarding retail payment methods and the factors that influence their choice of payment method. The study will also provide insights into the implications of the shift toward digital payments for the retail payment industry. It is expected that convenience, security, and reliability will emerge as significant factors influencing the adoption of digital payment methods. It is also expected that younger individuals will be more likely to adopt digital payment methods than older individuals. According to the data collected from the respondent, we learned that:

Gender

221 responses

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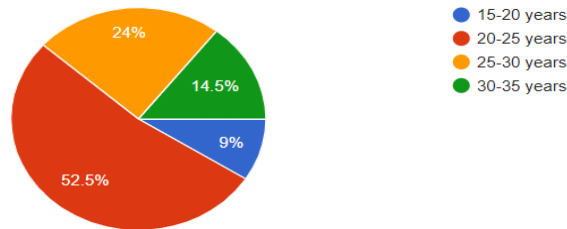


According to the data collected from the respondents we have learned that there are more male retail payment users as compared to female users.

Age

221 responses

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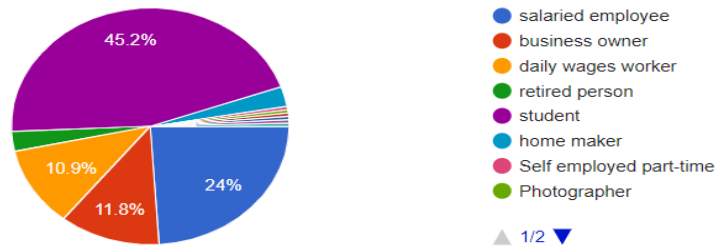


The data collected from the respondents shows that comparatively there are more people in the 20-25 age group using the retail payment system.

Occupation of the Respondent

221 responses

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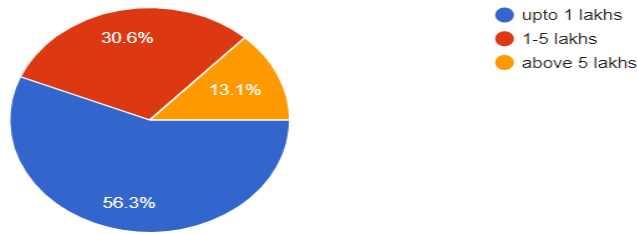
The data collected shows that the retail payment system are mostly used by student and salaried employees

Research Through Innovation

Annual Income

183 responses

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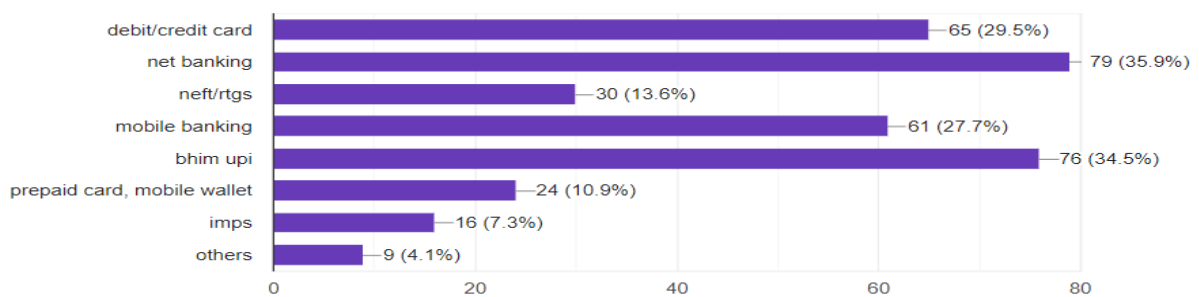


The retail payment users mostly falls under the category of earning an annual income of upto 1 lakh and 1-5 lakhs.

Your awareness on digital payment product

220 responses

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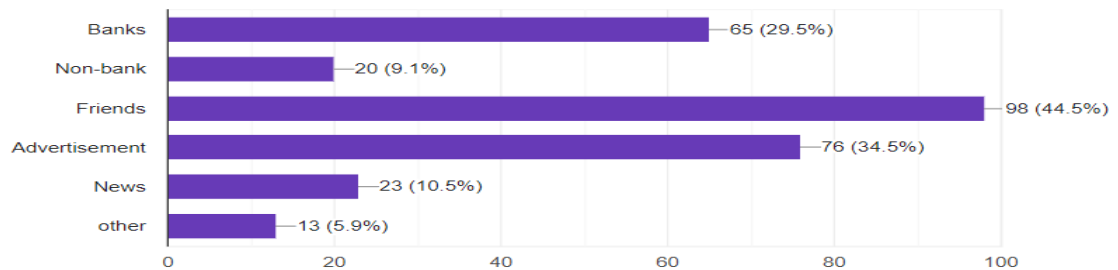


The data shows that most people are aware of digital payment products through the use of debit/credit, net banking, Bhim UPI, etc.

How did you know about the digital payments

220 responses

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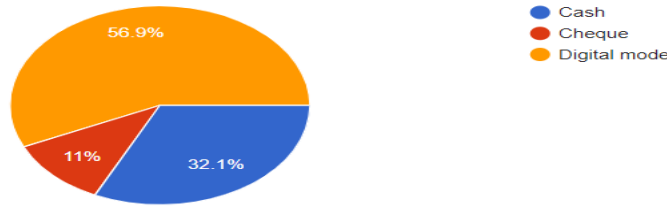


According to the data collected from the respondents the digital payments came to be known mostly through friends, advertisement, banks etc.

In order of preference, which mode have you used in making payments, say in the last one or two months?

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218 responses

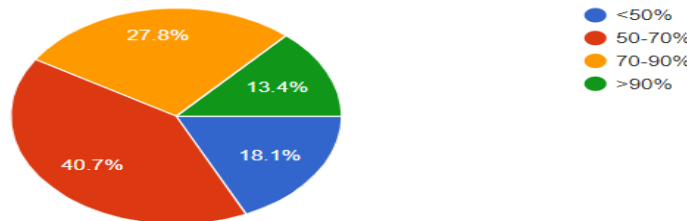


The study shows that in the last one or two months the respondents mostly used the digital and cash mode of payment.

How much proportion of major payment is done by your preference

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216 responses

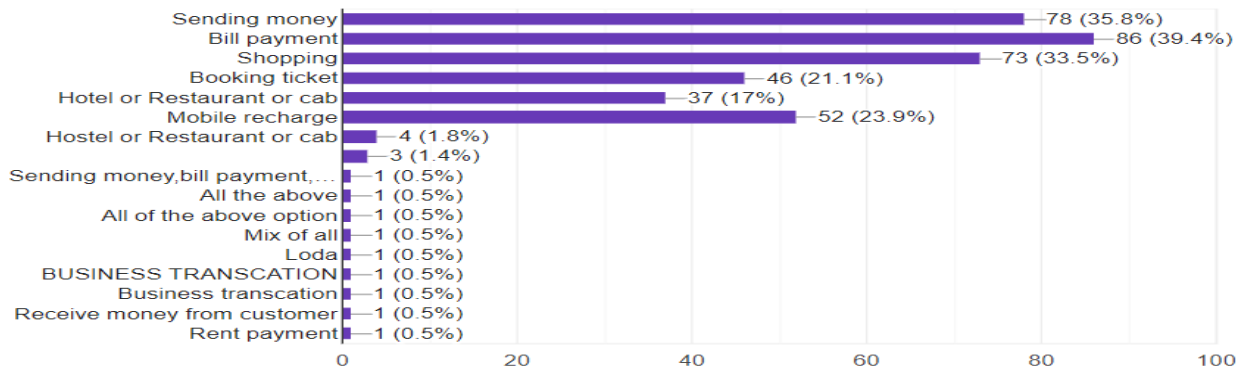


The data shows that mostly people are preferring to use 50-70%, 70-90%, 50% of the digital payment.

Purpose of digital transactions done by you

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218 responses

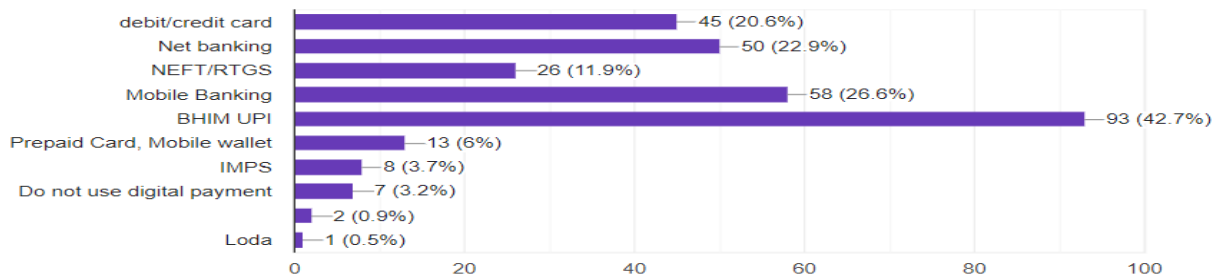


The data collected from the respondent shows that the people mostly uses the digital payment transactions for bill payment, sending money, shopping, mobile recharge, booking tickets, etc.

Preferred mode of digital payment

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218 responses

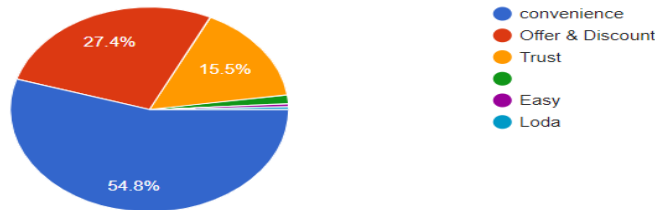


The data shows that people preferably uses the Bhim UPI for digital payment mode.

What is the reason for using above mode of digital payment

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219 responses

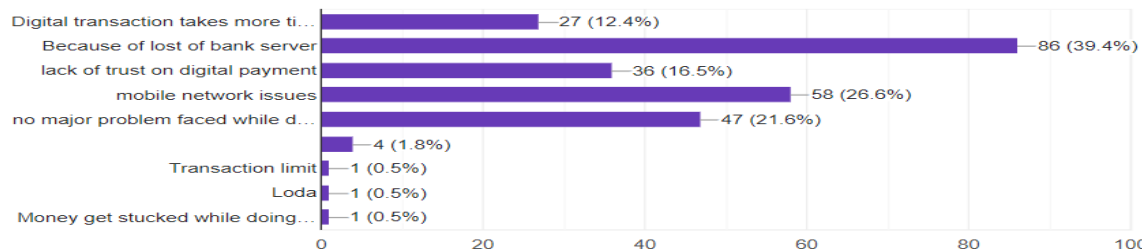


The data shows that the reason why retail payment is mostly used is due to its convenience and its offer and discounts.

Any hindrance faced while doing digital payments

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218 responses

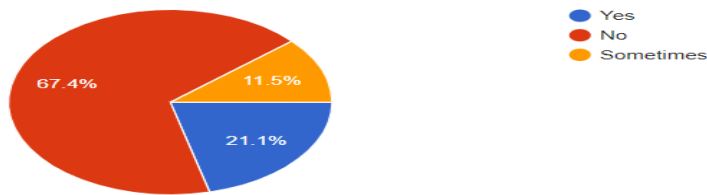


The data shows that while using the retail payment mode the hindrance faced may be because of loss of bank server, mobile network issues, lack of trust, etc.

Do you share password/pin/OTP for card, bank account etc. with other person?

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218 responses

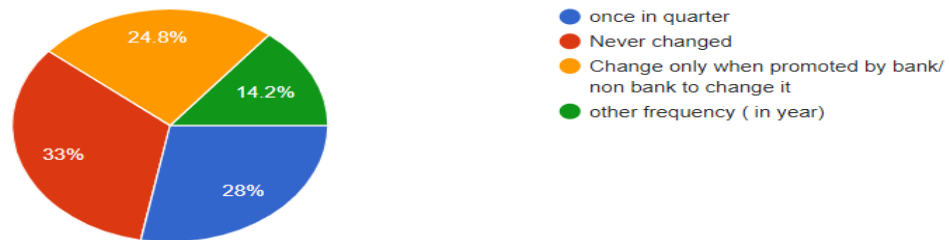


The data shows that most people does not share their password/pin/OTP for card, bank account with other people. While some other does share it with other people.

How often do you change pin for your debit/ credit card/mobile banking

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218 responses



The data shows that there is not much difference between changing and not changing the password at all. As the people who never change their password and who change quarterly has the same number of data accepting by the people.

Your opinion about using PIN/OTP for small transactions (up to 2000)

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216 responses



Most people agrees that having /using a pin /OTP for small transactions keeps or makes the transaction safe.

Discussion:

- **Adapting to the digital world:**

Here, according to the study we came to learn that the habits of the retail payment are mostly adapted by the Gen Z and are used mostly by used by them only. In today's world technology has mostly been taken all over the world by the use of digital systems. Not only the Gen Z people even Gen X&Y are adopting it as well but according to the study the people of Gen Z are mostly preferring the digital payment mode as it is more convenient and trustworthy while doing the transaction.

- **Security purpose:**

The retail payment mode also provides every individual with a PIN/OTP/ password for security purposes so the data shows that the digital mode of payment is trustworthy as compared to carrying cash. Even if an individual does not carry cash while he/she goes shopping, digital payment is convenient for him in this kind of situation.

- **Problems faced:**

The study also shows that the only hindrance faced by the users is due to network issues/ due to no bank servers etc. So, as we can see that there is not much of a problem faced by the users while using the digital payment mode.

- **Satisfied customers:**

We can say the users of retail payment are quite happy with the services of the digital payment mode provided to them. While collecting information from people they suggested that they will promote digital payment to friends and families as it is safe and trustworthy and also it is convenient to use.

Conclusion:

The retail payment industry is undergoing significant changes as consumers increasingly shift towards digital payment methods. The adoption of digital payment methods has been on the rise globally, driven by factors such as the increasing use of smartphones, the growth of e-commerce, the rise of contactless payments, and the need for increased security and convenience.

This study aims to explore the habits of individuals regarding retail payment methods and the factors that influence their choice of payment method. The study is expected to provide insights into the implications of the shift toward digital payments for the retail payment industry. The results of this study will be of significant value to policymakers, regulators, and industry stakeholders as they navigate the changing payment landscape.

The study shows that they are very much happy/satisfied with the services of the digital payment /retail payment mode. Not only does the system provides services of sending or receiving money from others but it also provides services like keeping a password or security PIN/OTP for security purposes. Lastly, the one thing which the customers are very much happy about is that it provides services like offers & discounts for sending money, can also shop and recharge phones/electricity at the same time so it is easy to use as well.