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A Study on How Digital Payments have Revolutionized the Customer Experience

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ABSTRACT

This paper highlights the fact that India is increasingly demonstrating the acceptance of mobile-based payment methods as compared to their global counterparts. Payment through either cash or debit card, could pose a serious challenge to players in the digital payment industry. The traditional payments instruments like cash, cheques are major sources of hassle in terms of processing time, space, paper-related problems; which is why the technology appendix to payments has brought out a revolution. This study was carried out to understand the factors that affect customer satisfaction towards digital payments platforms; whether attractive offers lead the customers to shift from traditional payments to digital platforms and the relation between age and acceptance & usage of digital payments platforms.

Key words: Digital payments, customer satisfaction, age, usage, digital payment platforms.

INTRODUCTION

As per the PriceWaterhouseCooper's total retail survey report of 2015 FICCI-PwC (2016), respondents of the surveys in India are increasingly demonstrating their acceptance of mobile-based payment methods, compared to their global counterparts. A high percentage of respondents like to pay through either cash or debit card, the two of which are closely placed in terms of their preferences, at 66% and 67%, respectively, and this behaviour could pose a serious challenge to players in the digital payment industry. As observed by Mr. Meg Nakamura, co-founder and chief executive of Shift Payments that today, money exists in a variety of

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different forms, not just traditional fiat currency nonetheless there is no easy or convenient way for consumers to pay for everyday goods and services with these alternative stores of value. A shift is solving this problem with the support of i2c. The report also shows that the average debit card adoption and usage globally is rated at 57 percent, where India accounts for 67 percent of it and China transacts to over 35 percent. However, India's credit card consumption is still as low as 46 percent to as high as 62 percent of that of China. For Smartphone services consumption, both the countries stand equally at 25 percent to a global average of 12 percent. However, being major economies of Cash consumption; India still considers cash as safer method of payment than other alternatives, with usage rate of around of 66 percent in the country. The biggest catch of the report is that China accounts to around 71 percent of usage of digital platforms like m-wallets, e-payment, etc., over India's meagre 22 percent. Moreover, the consumers prefer doing shopping and making payments not only by means of cash but also through other cashless options like use of debit cards, credit cards, POS machines and online transactions (Singh et al., 2017). The northern region consumers have the highest percentage of young population (Tech2News, 2016). These consumers prefer wallets and online banking for shopping and booking movie ticket (Bhaskar, 2016)

RESEARCH OBJECTIVES OF THE STUDY

1. To study the factors that affect customer satisfaction towards digital payments platforms.

2. To study whether attractive offers lead the customers to shift from traditional payments to digital platforms.

3. To Study the relation between age and usage of digital payments platforms.

LITERATURE REVIEW

In the past few years, companies, organizations and enterprises across the world have experienced significant changes in their business information system. Huge investments did not work in information system, until they got magical “E” word in front of their business. Placing “E” is never ending story of success and rapid return for business. E-business, E-sales, E-procurement, E-CRM, E-banking, E-payment, E-services are just a few sites Darbar (2018). Within the customer journey, specific phenomena require more attention, especially the phenomena of showrooming and webrooming. Forward-looking models are required to understand customer motivations throughout the journey. For instance, do customers believe that their shopping utility is enhanced when they search offline and finally buy online? What is really driving such consumer behavior? The use of mobile and touch devices and their impact on customer decisions require more attention and should be considered a fruitful area for research, Lemon & Verhouf (2016). In addition, the demographic factors play a significant role in the adoption of digital payments. The higher adoption of m-wallets increases the risk factor and security issues. This new technology creates a huge market share and makes faster growth by giving the consumers the ease of use and convenience (Manikandan and Jayakodi, 2017). A study by Singh and Rana (2017) supported the findings that the education level of the respondents significantly influences the intention to adopt m-wallets. D’souza and Bhadury (2017) provided a base for m-wallet companies to understand the average potential customer and its risk factors. It was observed that the possibility of the acceptance of digital payments is higher in metropolitan cities. Culture and economic factors play a significant role in the adoption of mwallets (Koksal, 2016). Lenhart and Horrigan (2003) point that as teenagers’ use of digital wireless phones expands and they grow up to become the new generation with additional
spending power, there is a great possibility that they will make cellphones their primary payment instrument and m-payments the dominant method of their payments.

According to Wang & Jiyan (2017) innovations also suggest that users would only need a payment gesture to replace traditional payment, random verification code input and other hassle-filled process; which not only frees mobile users from remembering a lot of numeric passwords but also avoids potential hazards, such as password disclosure, forgotten, lost and illegal access. While Sriram (2018) sites important factors like usefulness ease of use, offers and cash back and service play a pivotal role in creating a conducive environment for adoption of mobile payment applications. Mobile application is becoming one of the easiest and fastest options for making payments.

Mobile payment (m-payment) refers to one type of electronic payment, performed through mobile devices, such as mobile phones, smartphones, and tablets. To ensure trust and avoid fraudulent situation, stringent security requirements must be imposed. In addition, interoperability coupled with privacy requirements, as well as speed of execution and ease-of-use are some mandatory requirements, too. From the end-users' point of view, the result of an m-payment transaction is just one transfer of money from customer to merchant. The heterogeneity of m-payment systems and economic models is an important challenge for their diffusion in the next years to come says Vatalaro (2016). The advantages of m-wallet are safety and ease of transactions. Moreover, for Consumer to Consumer (C2C) and Consumer to Business (C2B) transactions, there are remote and 10 The IUP Journal of Bank Management, Vol. XVIII, No. 1, 2019 contactless payment devices available in m-wallet. The role of m-wallet has increased in the business transactions due to changes in the needs of the customer, environment, demand of the business changes, etc. Despite the growth of FinTech, the understanding of the sector is still meagre. The services offered by FinTech differ widely but all share some commonalities states Baber (2016). . A study by Singh et al. (2017) explored consumer preference of m-wallets for north India where a conceptual model named UTAUT model was used, with variables like ease of use, trust, security and hedonism, to investigate consumer behavior regarding m-wallets. Moreover, a survey conducted by Riquelme and Rios (2010) explored that north Indian consumers are thrilled to adopt new

things and enjoy paying by means of m-wallets. A study by Bagla and Sancheti (2018) examined the popularity of digital payments in India and the sustainability challenges faced by m-wallet companies in India. They also explored the fact that there is an urgent need to improve the satisfaction level of customers related to security issues, cost of transactions, wide acceptability and interest on amount loaded.

The creation of a digital economy, especially in a developing country like India which is predominantly a cash economy with 98% of all its economic transactions done in cash, is easier said than done, MasterCard Advisors (2013) & Business Today(2016). However, the environment can best be described as just favourable as the chief drivers—increased smartphone penetration, booming e-commerce and expanding banking facilities—which are in place, are all positive indicators for the creation of a digital economy. Many Indian digital payment companies like Pay Through Mobile (PayTM) have ramped up their operations by adopting Quick Response (QR) codes in place of Point of Sale (PoS) machines that take longer time for completing a transaction and are pumping in heavy investments to meet the surge in digital payments triggered by the government's demonetization decision, Economic Times (2016).

METHODOLOGY OF STUDY

The data for this study was collected from the consumers using digital payments across Mumbai city. The sample size for the study was 107 including both from online survey and administered questionnaire survey. The data collected was for three important performance measures, viz., customer satisfaction, shift from traditional payments to digital platforms and relation between age and usage of digital payments platforms. The analysis was conducted using statistical tool SPSS 25.0 version.

Hypotheses

Ho1: There is no relationship between attractive offers and customer's shift to online platform from traditional platform of payments.

Ha1: There is a relationship between attractive offers and customer's shift to online platform form traditional platform. (Ref: Table 3 & 5)

Ho2: There is no difference between age and frequency of usage of digital payments.
Ha2: There is a difference between age and frequency of usage of digital payments. (Ref: Sec 3.5 & table 11)

DATA ANALYSIS

Reliability analysis of research

Table 1 Reliability analysis

Cronbach's Alpha	No. of items
.889	4

To study reliability of the tool, Cronbach's alpha value was examined. From the Table 1 above, it is seen that the score for alpha is 0.889, suggesting the four items have relatively high internal frequency.

The Profile of the Respondents

Table 2: Profile of Respondents

Respondents Profile		**Frequency N= 107**	**Percentage (%)**
Age	less than 18 years	9	8.4
	18 - 30 years	61	57
	31 - 50 years	21	19.6
	Above 50 years	16	15
Income	Less than 200000	53	49.5
	200001 - 500000	28	26.2
	500001 -1500000	19	17.8
	1500001 and above	7	6.5
Education	SSC or lower	4	3.7
	HSC	10	9.3
	Graduate	60	56.1
	Post Graduate	24	22.4
	Ph.D	1	0.9
	Professional	8	7.5

The respondents belonged to various areas of City of Mumbai, with 57 percent of respondents within age group of 18 to 30 years of age, 20 percent of people within age group of 31 to 50 years. Also, the annual income of respondents comes as having less than 2 lacs rupees (49.5%) and between 200001 to 5 lacs (26.2 %). The percentage of male respondents is 67 % and female respondents are 33%.

Factors contributing to maximum satisfaction of respondents towards online platforms of payments

Table 3: Factor analysis amongst factors leading to shift and satisfaction over digital payments platform

Correlation	**offers as factor for shift**	**Discounts as a factor for shift**	**Cashback as factor for shift**	**Added benefits coupons as factor for shift**
offers as factor for shift	1	0.816	0.649	0.639
Discounts as a factor for shift	0.816	1	0.644	0.704
Cashback as factor for shift	0.649	0.644	1	0.572
Added benefits coupons as factor for shift	0.639	0.704	0.572	1

From Table 3 as analysed the factors like “attractive offers”, along with “discounts” and “discounts” along with “Added benefits like coupons” make and bring maximum satisfaction amongst respondents, with values as 0.816 and 0.704 respectively.

Also, relevance and adequacy of data is justified by KMO value 0.814 (Table 4); which is higher than 0.6. Apart from these factors, certain ancillary factors were collected as Digital payments instigate quicker delivery of the products ordered online and hassle free delivery was also identified.

Table 4: KMO analysis and Bartlett's test

KMO and Bartlett's Test[a]		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.814
Bartlett's Test of Sphericity	Approx. Chi-Square	254.991
	df	6
	Sig.	0.000

Factors which lead to a Shift from Traditional Payments to Online Payments Platforms

Table 5: Communalities of the factors affecting shift from traditional to online payments options

Communalities	Initial	Extraction
Offers as factor for shift	1.119	0.884
Discounts as a factor for shift	1.183	0.979
Cashback as factor for shift	1.37	0.951
Added benefits coupons as factor for shift	1.269	0.893

Extraction: Principal Component analysis

Table 6: Total variances between the various factors

Component	Initial Eigen values[a]			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.71	75.019	75.019	3.71	75.019	75.019
2	0.58	11.727	86.746			
3	0.45	9.129	95.874			
4	0.2	4.126	100			

Table 7: Component Matrix for factors affecting shift

	Component 1
Offers as factor for shift	0.889
Discounts as a factor for shift	0.910
Cashback as factor for shift	0.833
Added benefits coupons as factor for shift	0.839

From Table 6, we see that Eigen value for the first factor (offers) is bit larger than Eigen value in the next factor (3.7 versus 0.57). Additionally, the first factor accounts to 75% of the total variance. This suggests that scale is unidimensional. Apart from that, the component matrix shows maximum acceptance of discounts and offers as major factors in shift from traditional to online payments, with values of 0.910 and 0.889 respectively.

Also in Table 9 below represents mean values for likelihood of acceptance of digital platforms over traditional platforms. The factors were weighed on a 5 point Likert scale, where values moving towards 4 are supposed to be attractive factors. So, offers form most attractive factor for a possible shift towards digital platforms from traditional platforms. Apart from that, when asked for offers making them shift from traditional to online, around 90.7 percent of respondents replied as "yes" against a handful of "no" (9.3). So, we can reject null hypothesis and accept the alternate hypothesis as offers does make customers shift from traditional to online payments.

Table 8: Respondents finding attractive offers as factor to shift from traditional to online platforms for payments

Respondents opinions	**Frequency N= (107)**	**Percentage (%)**	**Valid Percentage (%)**	**Cumulative Percentage (%)**
No	10	9.3	9.3	9.3
Yes	97	90.7	90.7	100

Table 9: Descriptive Statistics

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
offers as factor for shift	107	1	5	3.89	1.058	1.119
Discounts as a factor for shift	107	1	5	3.88	1.088	1.183
Cashback as factor for shift	107	1	5	3.68	1.17	1.37
Added benefits coupons as factor for shift	107	1	5	3.64	1.126	1.269

3.5 The Relation between Age and Frequency of usage of Digital platforms

Table 11: Cross tabulation between Age and Frequency of usage of Digital Payments Platforms

		Daily	**Once in a week**	**Once in a month**	**One in a Year**
Less than 18 years	Count	3	2	4	0
	% within Age	33%	22.20%	44.40%	0.00%
	% within Frequency of usage	16.70%	4.40%	10.30%	0.00%
18 – 30 years	Count	12	26	20	3
	% within Age	19.70%	42.60%	32.80%	4.90%
	% within Frequency of usage	66.70%	57.80%	51.30%	60.00%
31 – 50 years	Count	2	7	11	1
	% within Age	9.50%	33.30%	52.40%	4.80%
	% within Frequency of usage	11.10%	15.60%	28.20%	20.00%
Above 50 years	Count	1	10	4	1
	% within Age	6.30%	62.50%	25.00%	6.30%
	% within Frequency of usage	5.60%	22.20%	10.30%	20.00%

From Table 11, it is seen that respondents in age group of “less than 18 years old” have a daily usage rate of 16.7 percent. Within age group of “18 – 30 years old”, the frequency of usage is maximum on “daily” basis as 66.7 percent. While in age group of 31 to 50 years old, the maximum usage rate is once in a month: 28.2 percent. Further, frequency of usage amongst customers of age above 50 years was 22.5 percent, who did once in a week.

Table 12: Cross tabulation of income against frequency of usage of digital payments platforms

		Daily	**Once in a week**	**Once in a month**	**One in a Year**
Less 200000	Count	8	19	24	2
	% within Annual Income	15.10%	35.80%	45.30%	3.80%
	% within Frequency of usage	44.40%	42.2	61.50%	40.00%
200001-500000	Count	2	14	10	2
	% within Annual Income	7.10%	50.00%	35.70%	7.10%
	% within Frequency of usage	11.10%	31.10%	25.60%	40.00%
500001 - 1500000	Count	7	6	5	1
	% within Annual Income	36.80%	31.60%	26.30%	5.30%
	% within Frequency of usage	38.90%	13.30%	12.80%	20.00%
1500001 and Above	Count	1	6	0	0
	% within Annual Income	14.30%	85.70%	0.00%	0.00%
	% within Frequency of usage	5.6%	13.30%	0.00%	0.00%

From table 12, the respondents in income bracket of "less than 200000" have a frequency usage rate of 61.5 percent of "once in a month". It is seen in the income group of "200001 to 500000" that frequency usage is maximum once in a month at 26.5 percent. Further, in the income group 500001 – 1500000, the frequency usage rate is at 13.3 % once in a week and same is true for income group 1500001 and above.

CONCLUSION

1. The study reveals that factors like "attractive offers" and "discounts" form the underlying elements of customer satisfaction, amongst many others.
2. Also, quicker delivery, as a result of choosing digital payments over traditional payments and hassle free delivery; are the other factors.
3. Attractive offers do lead to shift from traditional to online digital payments solutions (gateways).
4. Also, the demographics of 18 to 30 years of age form the best targets of influencers to attractive offers.
5. Apart from that, it was clearly found out that age and usage are independent of each other; thereby stating that the digital platforms is a success without hassle of age.

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