



Impact of Digital Payment System in Small Business

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Digital payment systems also provide small business with valuable insights into customer behaviour, enabling better decision –making and targeted marketing strategies. Digital payment, including mobile wallets, online banking and card transaction, offer small business owners a more efficient, secure, and scalable way to handle payments. Systems also enable small business to track transaction in real-time, providing better financial insights and enhancing decision-making. While challenges such as transaction fees, security concerns, and infrastructure requirements exist, the overall impact of digital payment systems is largely positive. By adopting these systems, small businesses can boost customer satisfaction, increase efficiency, and stay competitive in an increasingly digital world.

Keywords: *Mobile Wallets, Online Banking, Card Transaction, Track Transaction, Real Time, Enhancing Decision Making.*



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1. INTRODUCTION

The digital payment system is a transformative impact on small businesses, reshaping how they operate, interact with customers, and manage transactions. Digital payments, including mobile wallets, online banking, and card transactions, offer small business owners a more efficient, secure, and scalable way to handle payments. By adopting these systems, small businesses can streamline their financial operations, reduce the risk of

handling cash, and expand their customer base by offering more convenient payment methods. The impact of digital payments is multifaceted businesses can now enjoy faster cash flow, improved record- keeping, and increased customer satisfaction due to the ease of making payments. It offers to small businesses the ability to process payments quickly, securely, and efficiently. This shift away from cash-based transactions has not only enhanced convenience for customers but also opened up new

opportunities for businesses to reach a broader audience, both locally and globally. These systems enhance customer convenience and satisfaction by offering flexible payment options and faster checkout experiences. Systems also enable small businesses to track transactions in real-time, providing better financial insights and enhancing decision-making. While challenges such as transaction fees, security concerns, and infrastructure requirements exist, the overall impact of digital payment systems is largely positive. By adopting these systems, small businesses can boost customer satisfaction, increase efficiency, and stay competitive in an increasingly digital world.

Digital payment systems have become essential tools for small businesses to remain competitive and meet the changing demands of modern consumers. As the digital economy continues to grow, the adoption of these payment methods will likely become even more critical for the survival and expansion of small enterprises. Digital payment systems offer several advantages: quicker transaction times, reduced dependency on cash handling, and the ability to serve a larger, more diverse customer base. Additionally, these systems provide better tracking of finances, offering improved transparency and accuracy in financial management. These systems have made it easier for small businesses to accept payments from a wider range of customers, reducing the reliance on cash and improving overall business operations. As the digital economy continues to expand, these payment solutions are becoming an essential component for small businesses to stay competitive and meet the demands of modern consumers.

2. OBJECTIVES OF THE STUDY

- Understand the level of satisfaction of digital payment in small business
- Examine the problems impact of digital payment and small business
- Understanding the advantages like improved efficiency and customer satisfaction.
- Analyzing how small businesses adopt and use digital payment solutions.

3. REVIEW OF LITERATURE

Vasanthi et.al (2024) in their study “The study on impact of digital payment system on small Traders”. A survey of 150 small traders was conducted to gather data. By analyzing both qualitative and quantitative data, this research aims to uncover the effects on sales, customer satisfaction, operational efficiency, and financial inclusion among these traders. The research focuses on understanding how digital payments influence business operations, customer satisfaction, and overall sales. The analysis includes percentage analysis, rank analysis, and chi-square tests to evaluate the relationships between variables.

Sanjeev Kumar et.al (2014) in their study “Evaluating the Impact of Digital Payment Adoption on Small Businesses: A Case Study Approach ” The study found a 46.7% increase in average annual revenue and a 62.1% rise in customer acquisition postadoption of digital payments. Additionally, operational efficiency improved by 40.2%, as businesses were able to process transactions faster and more accurately. Qualitative insights revealed that customer demand was the primary motivation for adopting digital payments, but challenges such as technical issues, employee training, and security concerns were significant. This study provides empirical evidence from a previously underexplored geographical context and highlights the need for policymakers and financial institutions to support the digital transformation of small businesses.

Ms. B. Poornima et.al (2024) their study “Exploring the Impact of Digital Payment Methods: Awareness and Adoption Trends” The digital age has ushered factors, assessing awareness levels, and examining various digital payment methods.

Nandini Sujit Phatak et.al (2023) their study “Impact of Digital Payment Adoption on Small Businesses in India: A Comprehensive Survey ” Key findings reveal a significant positive impact of digital payment adoption on sales volume and customer satisfaction. A notable percentage of businesses reported a reduction in transaction costs and an improvement in operational efficiency. However, challenges such as technical issues and security concerns were also highlighted. The study also found a strong correlation between the type of business and the extent of benefits gained from digital payment

systems. This research fills a critical gap in understanding the specific impacts of digital payment systems on small businesses in a non-metropolitan Indian context. The findings provide valuable insights for policymakers, financial institutions, and business owners, highlighting the need for tailored strategies to promote the effective adoption of digital payment systems in the small business sector.

Prabu Vengatesh et.al (2019) their study “Effects of the digital payment system on SMES performance in developing countries; A case of Ghana ” . The advancement in technology encourages payment paradigm form paper-based payment systems to the digital payment system. This paper initiate with a literature-based on the use of the digital payment system and its effects on SMEs’ performance. It then includes the methodology and results analysis, research limitation, and future studies. This paper initiate with a literature-based on the use of the digital payment system and its effects on SMEs’ performance. It then includes the methodology and results analysis, research limitation, and future studies.

Dr. A. Sandhya Rani et.al (2022) their study “Impact of COVID 19 on digital payment” The study purpose is to examine the effect of Covid-19 on Digital payments and to compare the respondent’s buying behavior before lockdown and during the lockdown, to study the acceptance level of Paytm and Google pay in India as an alternative to the cash transactions, to analyze the problems faced by them during online payment, for this, Primary data and secondary data are collected. The primary data is obtained from survey questionnaires using convenience sampling method.

The contribution of this study is an attempt to comparatively analyze the switch to digital payments from cash payments and how covid-19 outbreak has made its contribution towards the contactless digital payments. The study basically helps us by to understand the major sector of

people who are aware and adopted the mode of transactions of digital payments through e-wallets.

4. RESEARCH METHODOLOGY

- Data collection: This research id based on primary data. This data was collected through Questionnaire distributed via college students. This survey is used to measure consumer preference towards instant food products.
- Sample size: Sample is selected on the basis of consumer preference towards instant food product .A total of 25 respondents at college student for this study.
- Sample: Samples are collected from the consumers in college students. These samples are picked out through convenience sampling method.
- Tool of analysis: Simple percentage analysis using descriptive statistics and frequencies analysis. Factor analysis and rank analysis also tools for analysis of consumer preference towards instant food products.

5. DATA ANALYSIS AND INTERPRETATION

The descriptive analysis and percentage analysis is used to evaluate the association between demographic variable and the buying behaviour of consumers. In this analysis, demographic variables of age, gender, education qualification, family members and income were compared with the factors of buying behaviour (price, quality, Brand Reputation, Availability, and Advertising/Promotions). The detailed description of the analysis is the sequent.

6. PERSONAL DETAILS OF THE RESPONDENTS

The personal details of the respondents include factors such Age, Gender, Status, Education and Occupation. The following Table.1 presents the personal details of the respondents.

Table-1: Personal Details of the Respondents

Particulars		Total users	
		No .of Respondents	Percentage
Age	Below20years	11	44.0
	20-30years	14	56.0
	Total	25	100.0
Gender	Male	14	56.0
	Female	11	44.0
	Total	25	100.0
Qualification	Post graduate	16	64.0
	Under graduate	9	36.0
	Total	25	100.0
Occupation	Profession	3	12.0
	House wife	6	24.0
	Employed	3	12.0
	Business	6	24.0
	Student	7	28.0
	Total	25	100.0
Maritial	Married	3	12.0
	Unmarried	22	88.0
	Total	25	100.0

Source: primary data

From the above Table.1 it is clear that out of 25 respondents, 14(56.0 per cent) respondents under the middle age group of 20-30 years, 14 (56.0 per cent) respondents are male, 16 (64.0 per cent) respondents have PG qualification, 7(28.0 per cent) respondents are students, and 22(88.0 per cent) respondents are unmarried.

7. FAMILY DETAILS OF THE RESPONDENTS

Table-2: Family Details of the Respondents

Particulars		Total Users	
		No .of. Respondents	Percentage
Family Income	Below 20000	8	32.0
	20001-30000	11	44.0
	30001-40000	4	16.0
	40001-50000	2	8.0
	Total	25	100.0
Family Size	UP to 3	3	12.0
	UP to 3-5	21	84.0
	UP to 5-8	1	4.0
	Total	25	100.0
Family Nature	Nuclear family	8	32.0
	Joint family	17	68.0
	Total	25	100.0
No.of dependents	UP to 3	22	88.0
	UP to 3-5	3	12.0
	Total	25	100.0

Source: Primary data

Interpretation: It is divulged from the above Table.2 that 25 respondents, 11(44.0 per cent) respondents family income (monthly income), 21(84.0 per cent) respondents family as consist of up to 3-5 members. 17(68.0 per cent) respondents are joint family. 22(88.0 per cent) respondents are up to 3 as their dependents.

8. IMPACT OF DIGITAL PAYMENT SYSTEM

Table-3: Impact of Digital Payment System

Particular		Total Users	
		No. of Respondents	Percentage
Dgital payment systems are currently use for business	Mobile wallets	6	24.0
	Credit card	4	16.0
	Debit card	3	12.0
	Online payment	12	48.0
	Total	25	100.0
Improvements like to digital payment system benefits small business	Google pays	20	80.0
	Apply pay	1	4.0
	Payment	4	16.0
	Total	25	100.0
Digital payment methods are offer to customer	Credit card	4	16.0
	Mobile wallets	7	28.0
	Bank transfer	10	40.0
	Debit card	4	16.0
	Total	25	100.0
Payment methods are currently accept from customer	Cash	18	72.0
	Credit card	1	4.0
	Debit card	2	8.0
	Digital wallets	5	20.0
	Total	25	100.0
Benefits are observed from accenting digital payment	Whatsapp upi	2	8.0
	Google pay	20	80.0
	Payment	3	12.0
	Total	25	100.0

Source: primary data

Interpretation: From the above table.3. It is clear out of 25 respondents, 12(48.0 per cent) respondents are currently use for business (Online payment), 10(40.0 per cent) respondents improvements like to digital payment system (Google pays), 10 (40.0 per cent) respondents offer to customer (Bank transfer), 18(74.0 per cent) respondents accept from customer (Cash), 20(80.0) respondents observed from accenting digital payment (Google pay).

9. FACTOR ANALYSIS

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.335
Bartlett's Test of Sphericity	Approx. Chi-Square	12.348
	Df	10
	Sig.	.262

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% Variance	of Cumulative %	Total	% Variance	of Cumulative %
1.	1.537	30.736	30.736	1.537	30.736	30.736
2.	1.219	24.388	55.124	1.219	24.388	55.124
3.	1.090	21.791	76.915	1.090	21.791	76.915
4.	.816	16.329	93.244			
5.	.338	6.756	100.000			

10. PROBLEMS IMPACT OF DIGITAL PAYMENT SYSTEM IN SMALL BUSINES

Table-5: Problems Impact of Digital Payment System in Small Busines

Particulars		Total users	
		No. of Respondents	Percentage
High transaction fees	Strongly agree	12	48.0
	Agree	6	24.0
	Neutral	9	36.0
	Disagree	3	12.0
	Strongly disagree	1	4.0
	Total	25	100.0
Leading to delayed or failed transactions	Strongly agree	7	28.0
	Agree	14	56.0
	Neutral	1	4.0
	Disagree	3	12.0
	Strongly disagree	1	4.0
	Total	25	100.0
Complexity in managing multiple payment system	Strongly agree	12	48.0
	Agree	6	24.0
	Neutral	9	36.0
	Disagree	3	12.0
	Strongly disagree	1	4.0
	Total	25	100.0
Improved the customer experience business	Strongly agree	7	28.0
	Agree	14	56.0
	Neutral	1	4.0
	Disagree	3	12.0
	Strongly disagree	1	4.0
	Total	25	100.0
Limited access to advanced payment solution	Strongly agree	9	36.0
	Agree	11	44.0
	Neutral	8	32.0
	Disagree	1	1.0
	Strongly disagree	5	20.0
	Total	25	100.0

Source: primary data

Interpretation: From the above table.5 ,it is clear that out 25 respondents, prolems impact of digital payment system in small business, 12(48.0 per cent) respondents high transaction fees are Strong agree, 14(56.0) respondents delayed or faild transaction are Agree ,12(48.0 per cent) respondents multible payment system are strongly agree, 14(56.0) respondents customer experience business are agree, 11(44.0) respondents advanced payment solution are agree digital payments.

11. RANK ANALYSIS

It is observed that analysis of the overall opinion of the respondents regarding problem of using digital payment system in small business, "high transaction fees" has a source 13(52%) holder a first rank, the next problem is "Leading to delayed or failed transaction" has a source of 10(40%) holder a second rank, the next problem is "Improved the customer experience business" has a source 14(46%) holder a third rank, the next problem is "Complexity in managing payment system" has a source 12(48%) holder a fourth rank, "Limited access to advanced payment solutions" has a source 11(44%) holder a fifth rank with total source of respondents.

12. SUGGESTIONS

- Encourage customers to use bank transfers, which often have lower fees
- Technical problems with the payment gateway or server can cause delays or failures
- Enables to manage online and offline payments through a single platform
- Provide easy-to-understand payment instruction and guidelines.
- Integrate digital wallets like Apply pay, Goole pay, or Samsung pay to offer customers more payment options.

13. COUCLUSION

Digital payment systems have transformed small businesses by increasing operational efficiency, enhancing customer experiences, and offering greater flexibility, making them essential tools in the modern business landscape. Digital payment systems also provide small businesses with valuable insights into customer behaviour, enabling better decision-making and targeted

marketing strategies. Provide easy-to-understand payment instruction and guidelines .While challenges such as transaction fees, security concerns, and infrastructure requirements exist, the overall impact of digital payment systems is largely positive.

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