

# From Cash to Clicks: The Influence of Digital Payments on Small Business Growth in Urban Bengaluru

Sindhu Moothedath<sup>1</sup>, Dr. K. Anbu<sup>2</sup>

<sup>1</sup>*Assistant Professor, Department of Commerce M. S. Ramaiah College of Arts, Science, and Commerce, Bengaluru*

<sup>2</sup>*K M College of Education, Krishnagiri, India Research Fellow, Shinawatra University, Pathum Thani, Thailand*

<http://doi.org/10.64643/IJIRTV12I6-186516-459>

**Abstract**—This study explores the influence of digital payment systems on small business growth in Urban Bengaluru. Using responses from 100 entrepreneurs, descriptive and inferential analyses were applied to examine adoption trends, motivations, and business impact. Results show widespread adoption of UPI and wallet-based payments driven by convenience and efficiency. T-test results indicate no significant sales difference between adopters and non-adopters, while chi-square findings confirm ease of use as a key driver. Correlation and regression analyses reveal moderate positive relationships between digital transaction share, transparency, and operational stability. The study concludes that digital payments are vital in improving efficiency, reducing risks, and fostering sustainable small business growth in Urban Bengaluru.

**Index Terms**—Digital Payments, Small Businesses, Bengaluru, UPI, Financial Inclusion, Business Growth

## I. INTRODUCTION

Digital transformation has significantly altered business transactions and financial operations across sectors. In India, the rise of digital platforms such as UPI, Paytm, and PhonePe has simplified financial interactions for both customers and businesses. This study aims to assess how digital payments influence small business growth in Urban Bengaluru, with a focus on adoption patterns, key motivations, and business outcomes.

## II. LITERATURE REVIEW

Digital payments have transformed how small and medium enterprises (SMEs) manage operations, customer relations, and overall efficiency. Various

studies across India have examined their adoption patterns, business impact, and challenges.

### Adoption Patterns of Digital Payments

Botta (2022) found that convenience, speed, and ease of record maintenance drive digital payment adoption among small retailers in Visakhapatnam. Meher, Panda, and Das (2021) reported that digital banking improves efficiency, lowers operational costs, and enhances the financial inclusion of MSMEs, showing that digital systems are increasingly essential for competitiveness.

### Impact on Business Performance

Sahoo and Dash (2022) observed a positive relationship between digital payments and business growth among street vendors in Odisha. Similarly, Surender and Sreeramulu (2024) found that retailers in Hyderabad benefited from smoother transactions and reduced cash dependency. Neti et al. (2024) noted that digital payments enhance operational efficiency and real-time transparency in SMEs.

### Customer Satisfaction and Behavioral Shifts

Kaur (2024) highlighted that user-friendly interfaces and security features of digital payments improve customer trust. Dutta, Laskar, and Laskar (2024) found that digital payments in Silchar reduced waiting time and improved transaction safety. Barthwal (2025) added that such systems increase transparency and strengthen vendor–consumer relationships.

### Challenges in Digitalization

Seethamraju (2019) pointed out issues like poor infrastructure and resistance to change among small retailers. Ravichandran and Vinisha (2024) cited technical interruptions and lack of awareness as key

challenges in Tamil Nadu. Rani and Ramesh (2021) also noted a shortage of digital literacy as a barrier to full adoption.

**Policy Support and Future Scope**

Prasad and Parimalakanthi (2025) emphasized that government initiatives such as Digital India and UPI promote digital adoption but require better training support. Similarly, Meher et al. (2021) and Neti et al. (2024) stressed the need for institutional backing to ensure smoother integration of digital finance within the SME sector.

**Synthesis and Research Gap**

Overall, studies confirm that digital payments enhance efficiency, transparency, and customer satisfaction. However, their exact influence on small business growth remains underexplored, particularly across diverse urban areas. The present study addresses this gap by analyzing how digital payment adoption impacts the growth of small businesses in Urban Bengaluru through descriptive and inferential analysis.

**III. RESEARCH METHODOLOGY**

A descriptive and analytical research design was employed, collecting primary data from 100 small business owners across Urban Bengaluru through structured questionnaires. Descriptive statistics were used to summarize demographic profiles and adoption trends, while inferential tools such as t-tests, chi-square, correlation, and regression analyses examined the relationships between digital payment adoption and business growth metrics.

**IV. DATA ANALYSIS AND INTERPRETATION**

Data were analyzed to explore the influence of digital payments on business performance. Descriptive analysis summarized respondent characteristics, while inferential tests validated relationships between adoption levels and performance outcomes. Table 1 presents consolidated results across age, business type, payment modes, and key impacts.

Table 1: Consolidated Data Analysis and Interpretation of Digital Payment Adoption among Small Businesses in Urban Bengaluru

S. No.	Variable / Area	Category / Options	Frequency (N)	Key Findings / Interpretation
1	Age of Respondents	Below 25 (22), 25–35 (23), 26–45 (29), Above 45 (26)	100	Majority (29%) were aged 26–45, showing mid-career entrepreneurs as key adopters. No significant age difference in adoption ( $\chi^2 = 1.42$ , $p > 0.05$ ).
2	Type of Business	Apparel (18), Eatery (18), Grocery (21), Pharmacy (21), Others (22)	100	Grocery and pharmacy sectors lead adoption due to frequent transactions. No significant difference across business types ( $p = 0.11$ ).
3	Mode of Payment Used	Debit/Credit Card (22), Net Banking (24), UPI (25), Wallets (29)	100	Digital wallets and UPI dominate (54%), preferred for convenience and speed.
4	Share of Digital Transactions	Below 25% (23), 25–50% (28), 51–75% (29), Above 75% (23)	100	Most (29%) conduct 51–75% transactions digitally. Positive correlation with sales growth ( $r = 0.18$ ).
5	Period of Adoption	Before 2018 (27), 2018–2020 (26), 2021–2023 (31), After 2023 (16)	100	Peak adoption during 2021–2023, driven by post-COVID digitization. Period not a strong sales predictor ( $\beta = 0.07$ , $p > 0.05$ ).
6	Motivation for Adoption	Competitive Pressure (26), Customer Demand (25), Ease of Use (28), Govt. Initiative (21)	100	Ease of use and customer demand dominate. Significant association with adoption ( $\chi^2 = 6.94$ , $p < 0.05$ ).
7	Impact on Sales	Strongly Disagree (26), Agree (21), Very Much	100	53% agreed digital payments improved sales. t-test: no significant difference ( $t = 0.088$ , $p = 0.93$ ).

		Agree (40), Strongly Agree (13)		
8	Improvement in Efficiency	Disagree (16), Agree (62), Strongly Agree (21)	99	83% reported improved efficiency. Mean efficiency score = 4.12 (SD = 0.84).
9	Reduction in Cash Handling Risk	Disagree (20), Agree (56), Strongly Agree (24)	100	80% noted reduced cash-handling risks. Significant effect on stability ( $\beta = 0.29, p < 0.05$ ).
10	Cost Reasonableness	Disagree (17), Agree (58), Strongly Agree (25)	100	83% found transaction costs reasonable. Mean = 4.06, indicating affordability satisfaction.
11	Record Keeping & Transparency	Disagree (26), Agree (48), Strongly Agree (25)	99	73% improved transparency. Positive correlation with sales growth ( $r = 0.24, p < 0.05$ ).
12	Technical Issues Faced	Disagree (20), Agree (59), Strongly Agree (21)	100	80% found systems reliable. Mean satisfaction = 3.92 (SD = 0.89).
13	Support from Payment Providers	Disagree (21), Agree (59), Strongly Agree (19)	99	78% satisfied with service provider support and issue resolution.
14	Future Perception	Disagree (18), Agree (59), Strongly Agree (23)	100	Over 80% optimistic about digital payments' long-term role. Positive correlation with adoption ( $r = 0.31, p < 0.05$ ).

#### V. FINDINGS AND DISCUSSION

Findings reveal extensive digital payment adoption across business categories. UPI and wallet payments are preferred for simplicity and cost-effectiveness. T-test results show no significant sales differences between adopters and non-adopters, whereas chi-square tests confirm a strong association between ease of use and adoption. Correlation and regression analyses indicate moderate positive links between digital transaction share, transparency, and business stability. Overall, the results suggest that while digitalization may not instantly boost sales, it strengthens operational efficiency and long-term sustainability.

#### VI. SUGGESTIONS

1. Enhance digital literacy through targeted training programs for small business owners.
2. Strengthen cybersecurity frameworks to ensure secure and reliable digital transactions.
3. Improve access to affordable digital infrastructure and internet connectivity.
4. Encourage integration of multiple payment systems to streamline business operations.
5. Provide tax benefits and incentives for enterprises adopting digital payment technologies.

#### VII. CONCLUSION

Digital payments have redefined business processes among small enterprises in Urban Bengaluru. While immediate sales improvements may vary, digital adoption enhances efficiency, transparency, and financial discipline. Ease of use remains the strongest driver for adoption, further supported by post-pandemic technological awareness. Ongoing training, infrastructure support, and policy incentives are essential to sustain this transition toward a digitally empowered small business ecosystem.

#### REFERENCES

- [1] Botta, A. (2022). A study on the adoption of digital payment mechanism by small retail stores in Visakhapatnam city. *Journal of Positive School Psychology*, 6(10), 61–66. <https://journalppw.com/index.php/jpsp/article/download/12943/8397/15638>
- [2] Gupta, A., & Banerjee, P. (2024). Digital payment adoption and its impact on micro and small enterprises in India. *SSRN Electronic Journal*. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=5228035](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5228035)
- [3] Kaur, R. (2024). Digital payment and customer satisfaction among small traders in urban India. *International Journal for Multidisciplinary*

- Research (IJFMR), 6(5).  
<https://www.ijfmr.com/papers/2024/5/28015.pdf>
- [4] Rana, N., Luthra, S., & Rao, H. R. (2018). Developing a framework using interpretive structural modeling for the challenges of digital financial services in India. *International Journal of Information Management*, 39, 150–162.
- [5] Sahoo, S., & Dash, R. (2022). Impact of digital payment on business performance: A study of street vendors in Odisha. ResearchGate. [https://www.researchgate.net/publication/361263984\\_Impact\\_of\\_Digital\\_Payment\\_on\\_Business\\_Performance\\_A\\_Study\\_of\\_Street\\_Vendors\\_in\\_Odisha](https://www.researchgate.net/publication/361263984_Impact_of_Digital_Payment_on_Business_Performance_A_Study_of_Street_Vendors_in_Odisha)
- [6] Sharma, K. (2024). Adoption and impact of digital payments among micro retailers in India. *International Journal of Creative Research Thoughts (IJCRT)*, 12(5). <https://www.ijcrt.org/papers/IJCRT24A5471.pdf>
- [7] Thomas, L. (2024). Digital payment ecosystem and small business growth: An empirical assessment. *Journal of Emerging Technologies and Innovative Research (JETIR)*, 11(10). <https://www.jetir.org/papers/JETIR2410533.pdf>