

# A Study on Impact of Digital Payment on the Small Scale Business in Tiruppur District

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**Abstract**—Digital payment systems have become an essential part of modern business operations, especially for small scale businesses. The research focuses on understanding the level of awareness, adoption, and usage of digital payment systems such as UPI, mobile wallets, debit cards, and internet banking among small scale business owners.

The study also examines how digital payments influence business performance in terms of sales growth, customer convenience, accounting accuracy, and operational efficiency. Primary data were collected from small scale business owners in Tiruppur District using a structured questionnaire, while secondary data were gathered from journals, reports, and websites. Simple percentage analysis and tables were used for data interpretation.

The findings reveal that digital payments have significantly improved transaction speed, reduced cash handling risks, and enhanced customer satisfaction. However, challenges such as security concerns, technical issues, and lack of digital literacy still affect full adoption. The study concludes that digital payments play a crucial role in strengthening small scale businesses and suggests the need for proper training, awareness programs, and improved digital infrastructure to maximize their benefits.

**Index Terms**—Payments, Business, Internet banking , Customer satisfaction.

## I. INTRODUCTION

In a world increasingly driven by technology, digital payments have emerged as a revolutionary force, fundamentally changing how individuals and businesses conduct financial transactions. A digital payment, also known as an electronic payment, is the transfer of value from one payment account to another using a digital device or channel. This concept goes beyond simply using a credit or debit card; it

encompasses a vast and growing ecosystem of technologies, including mobile wallets (e.g., Apple Pay, Google Pay), mobile payment apps (e.g., PayPal, Venmo), QR code payments, and online banking transfers.

This shift from physical cash to digital currency is driven by a desire for greater convenience, security, and efficiency. For consumers, digital payments offer a faster, more seamless checkout experience, whether they are shopping online or at a physical store. They eliminate the need to carry wads of cash and often come with enhanced security features like biometric authentication and tokenization, which protect sensitive financial data.

For businesses, the adoption of digital payments is a critical step toward modernization and growth. It streamlines operations, reduces the risks associated with handling cash, and provides a clear, traceable record of all transactions, which simplifies accounting and tax preparation. Furthermore, by accepting a wider range of payment methods, businesses can appeal to a broader customer base and expand their market reach. As technology continues to evolve, the digital payment landscape is also constantly changing, with new innovations like cryptocurrencies and blockchain-based solutions continuing to push the boundaries of what is possible in the world of finance.

## II. STATEMENT OF THE PROBLEM

While digital payment systems offer significant benefits, such as increased efficiency and expanded market reach, small-scale businesses often face unique and substantial challenges that hinder their adoption and effective use. Many of these businesses lack the financial resources and technical expertise to invest in

and integrate digital payment infrastructure. Furthermore, they are often burdened by high transaction fees, which can significantly cut into their already slim profit margins, making the perceived costs outweigh the potential benefits.

Additionally, concerns over security and fraud are prevalent among both business owners and their customers, leading to a lack of trust in these new systems. Poor or unreliable internet connectivity in many areas also creates a major barrier, as it can disrupt payment processing and result in lost sales. The lack of digital literacy among some small business owners and their customers further complicates the transition, creating a steep learning curve and resistance to change. Therefore, a comprehensive understanding of these specific barriers—including financial, technological, and behavioral factors—is crucial to fully assess how digital payments impact the overall sustainability, competitiveness, and financial performance of small-scale businesses.

### III. SCOPE OF THE STUDY

This study will focus on the impact of digital payments on small-scale businesses within a specific geographical area, for example, a city or a region, to ensure a manageable and contextually relevant analysis. The research will primarily investigate businesses that fall under the category of small-scale enterprises, defined by criteria such as annual turnover, number of employees, and type of business operation (e.g., retail stores, restaurants, service providers).

The study will analyse the impact of various digital payment methods, including but not limited to, mobile wallets, QR code payments, online banking transfers, and point-of-sale (POS) systems that accept digital cards.

### IV. OBJECTIVES OF THE STUDY

1. To analyze the impact of digital payments on the financial performance of small-scale businesses.
2. To evaluate the effect of digital payment adoption on the operational efficiency and cost management of small-scale businesses.
3. To identify the key challenges and barriers faced by small-scale businesses during the

transition to and use of digital payment systems.

4. To assess the relationship between the use of digital payments and customer satisfaction and loyalty for small-scale businesses.

### V. RESEARCH METHODOLOGY

The word “method” simply means “the mode a way of accomplishing an end”. Research Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. The process used to collect information and data for the purpose of making business decision. The methodology may include publication research interviews, surveys and other research techniques, and include both present and historical information. Any specific approach should have a method or an outline to be followed to attain goals.

### VI. LIMITATIONS OF THE STUDY

- The major limitation of the study is that the data are collected from a large geographic area, which may affect the accuracy.
- The result of analysis in the study depends fully on the accuracy and reliability on information given by the respondents.
- The sampling size has been restricted to 100 samples due to time constraints.
- The period for survey is limited to a period of 6 month.

### VII. OPERATIONAL AND CUSTOMER – RELATED CHALLENGES

- Digital Literacy Gap: Both business owners and their employees may lack the digital literacy to effectively use new payment technologies, leading to operational inefficiency and a slow transition away from cash-based methods.
- Customer Resistance: A segment of the customer base, particularly older demographics, may still prefer using cash and be hesitant to adopt new payment methods, which can limit the business's reach and potential for growth.
- Lack of Timely Support: When a digital payment system fails, small businesses often rely on

customer support from their service provider. A lack of timely and effective support can lead to prolonged outages, lost sales, and customer frustration.

#### VIII. FINDINGS OF THE ANALYSIS

- 36% of the respondents belong to the age group of 31-40 years
- 34% of the respondents are undergraduates
- 29% of the respondents earn a monthly income between Rs. 1,00,000 and Rs. 2,00,000
- 61% of the respondents operate their businesses in urban areas
- 30% of the respondents are engaged in the tiny sector
- 30% of the respondents have been operating their business for 5–10 years
- 34% of the respondents make 100–300 digital transactions per month
- 42% of the respondents offer UPI as a digital payment method
- 40% of the respondents have been using digital payment systems for more than two years
- 35% of the respondents adopted digital payments due to customer demand
- 38% of the respondents reported a moderate increase in sales
- 4% of the respondents face technical issues
- 40% of the respondents have not faced any security issues
- 36% of the respondents stated that most customers prefer digital payments
- 34% of the respondents stated that digital payments have highly improved their business.
- 32% of the respondents promote digital payments through digital platforms.
- 38% of the respondents manage on-the-spot digital payment failure by accepting cash

#### IX. CHI-SQUARE ANALYSIS

- ❖ There is significant relationship between age and level of satisfaction of the respondents towards digital payments.
- ❖ There is no significant relationship between educational qualification and the level of

satisfaction towards the Digital payments.

- ❖ There is significant relationship between Income and the level of satisfaction regarding the digital payments
- ❖ There is significant relationship between area of the business and level of satisfaction of towards digital payments.

#### X. WEIGHTED AVERAGE SCORE ANALYSIS

- ✓ It is found from the analysis that the use of Google pay in business was ranked first by the respondent with the weighted average score of 23.47 points.
- ✓ It is found from the analysis that the use of Paytm in business was ranked second by the respondent with the weighted average score of 19.73 points.
- ✓ It is found from the analysis that the use of Phone pay in business was ranked third by the respondent with the weighted average score of 19.40 points.
- ✓ It is found from the analysis that the use of Payee in business was ranked fourth by the respondent with the weighted average score of 19.07 points.
- ✓ It is found from the analysis that the use of Amazon Pay in business was ranked fifth by the respondent with the weighted average score of 18.33 points.

#### XI. SUGGESTIONS

1. Small-scale businesses should be provided with better internet connectivity to avoid technical issues during digital transactions.
2. Transaction charges should be reduced by banks and payment service providers to encourage more usage of digital payments.
3. Training and awareness programs should be conducted to improve digital literacy among business owners and employees.
4. Digital payment companies should strengthen security measures to reduce fraud and increase user confidence.
5. Businesses should display clear digital payment instructions and QR codes to guide customers easily.
6. Awareness campaigns should be conducted to encourage customers to use digital payments instead of cash.

7. Regular system updates and maintenance should be ensured to improve reliability of digital payment platforms.

## XII. CONCLUSION

This study examined the impact of digital payment systems on small-scale businesses in Tiruppur District. The findings reveal that digital payments have become an integral part of business operations, with UPI-based platforms being the most widely adopted. A majority of the respondents reported improved sales performance and operational efficiency after adopting digital payment systems. Digital payments have enhanced customer convenience, reduced cash handling risks, and improved transaction speed. The study also shows that customer demand and convenience are the key factors driving adoption. However, small businesses continue to face challenges such as technical issues, security concerns, and operational difficulties. Despite these challenges, most respondents perceive digital payment systems as safe and reliable. Overall, digital payments have positively contributed to business growth and customer satisfaction. This study concludes that improved infrastructure, awareness, and technical support, digital payment systems can further strengthen the sustainability and competitiveness of small-scale business for future development.

## REFERENCE

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