



DIGITAL PAYMENTS AND CONSUMER BUYING BEHAVIOUR IN INDIA

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ABSTRACT Digital payments are changing the consumers' buying habits and influencing their purchase behaviour. Consumers don't have to carry hard cash or even don't need to have money in their bank accounts to make payments for their purchase. Ease of use in making payments with e-wallets, debit or credit cards or using internet banking has empowered the modern consumers to do anytime anywhere purchase and payments. On one hand digital payments options have offered greater convenience to consumers, on the other hand they have also resulted in increased sales volume for both online as well as offline retailers. The digital revolution and its importance from economic, social, and consumer perspective, provides substantial base for its exploration. Present paper is aimed at bringing out the extant use of digital payments and its influence on consumer buying behaviour.

KEYWORDS : Digital Payments, E-wallets, Consumer Behaviour

INTRODUCTION

Digital payment, also known as electronic payment, is a global phenomenon. Across the world, digital payments are the most popular way of payments in developed nations and rapidly growing in the developing nations as well. In the last few years, a large number of people are resorting to digital payments in India. This phenomenon is observed among people across classes of society. India has witnessed a major transformation in the post demonetization era. We are gradually shifting from Cash Transactions to Cashless transactions. Digital Payments have emerged as one of most effective tools of payments. Government policies and initiatives such as Pradhan Mantri Jan Dhan Yojana, Demonetization, Technological advancements in the area of IT and Telecom, particularly related to Internet and Mobile Telephones, changing banking systems, technology savvy young generation, ease of use, and many other factors have significantly contributed to development of digital payments ecosystem in India.

Digital Payments are changing the buying habits of Indian consumers. There is an increasing use of various types of digital payment options for purchase from Online store or Traditional brick and mortar stores. There are important economic and social implications of shift towards digital payments. At one end it is contributing to economic growth of the nation, whereas, on the other hand it is contributing to the quality of life of citizens. Growing usage of digital payments are also resulting in increased sale for online and offline retailers.

The role of money in transactions is well established in economics. Since centuries, cash has been used as the primary mode of transaction. Development of electronic payment systems has created a large number of other options for transactions for both buyer as well as seller. Changing technology, particularly internet and mobile phones, along with banking and retail revolution are changing buying behaviour of both urban as well as rural buyer. The growing use of digital payments is reshaping buying pattern of consumers. Their awareness, perceptions, attitudes, decisions towards use of different digital payment options are undergoing major changes and also influencing their purchase behaviour.

A report by Accenture (2013) explains that IT and Telecom revolution is driving digital payments transformation – the migration of cash payments and plastic card payments to payments made over digital channels. The Committee on Digital Payments (2016), Ministry of Finance explains that there are four valid reasons for enabling the digital payments revolution - First, cash is expensive. Second, advancements in technology are creating robust, secure and convenient payments solutions. Third, digital payment is characterized by lower costs, greater scalability and ease of access which contributes to economic growth and financial inclusion. Fourthly, the recent Government initiatives have enabled the ecosystem for digital payments. Considering the digital revolution and its importance from economic, social, and consumer perspective, the present study is aimed at understanding the digital payment system and its influence on consumer buying behaviour.

Review of Literature

Digital Payments in India is a relatively new phenomenon. It has

recently drawn the attention and interest of scholars in this area from research perspective. Limited number of studies are carried out related to how digital payments will influence consumer behaviour. In one of the studies, Bolt, Humphrey, and Uittenbogaard (2008) opined that after safety, the efficiency of a nation's payment system is a primary concern of central banks. Since electronic payments are typically cheaper than paper-based or cash payments, pricing these transactions should speed up the shift to electronics. They highlighted the important role attributed to banking system and payment mechanism in any nation. Khan and Craig-Lee (2009) found that when a credit card based payment is used, the volume, value and type of products purchased increase. They further suggested that under conditions of cash, there is awareness that a possession of value transferred and this perception may well have a direct impact on people's purchase behaviour. A report by Accenture (2013) explained about the emergence of digital ecosystems in India which allow consumers and organizations to connect themselves digitally and facilitate easy, safe and hassle free transactions. The main types of digital ecosystem are: Consumer-driven; Retailer-driven; Bank-driven; Organization-driven; Location-driven/dynamic; and Aggregator-driven. All these ecosystems are interconnected and have significant influence on consumer buying behaviour and use of digital payments. Slozko and Pelo (2014) opined that ICT is a major force in transformation of global financial markets. They observed that the development of electronic payments has a positive impact on the financial system and monetization of the economy. They further explained that how digital transactions contribute to well being of financial systems and economic development through growth in consumption.

Mukhopadhyay (2016) suggested that globally, there is a tremendous interest among policy makers, academicians, and commercial enterprises to explore the possibilities of moving towards a cashless economy. He further observed that the movement from cash to cashless economy has two significant benefits on GDP growth: lower costs of storing and processing physical currency and increased tax collection. Batra and Kalra (2016), in their study reported that India is heading on the path of a major digital revolution. They empirically examined the adoption patterns of digital wallets by of the respondents and reported that there exists a huge untapped market for digital wallets both in terms of increasing awareness as well as its usage. Online shopping emerged as the prime purpose for usage of digital wallets. The study observed that respondents preferred using wallets to save time and ease of use and access. The study also indicated about concerns for safety and security in financial transactions. According to the suggestions of a Committee on Digital Payments (2016), Ministry of Finance, Government of India, Digital payments can enable greater economic growth, growth in international e-commerce, and aid in social and financial inclusion. Bagde (2017) observes that growth in Digital Payments in India is triggered by mainly three drivers: Digitally evolved consumers; Concerted Efforts of Government of India (GOI) and Reserve Bank of India (RBI); and Well-equipped players.

The review of literature suggests that the digital revolution is building digital payment system in India. IT and Telecom revolution have

created a new type of digital ecosystem thereby creating major financial transformation. Government and RBI support to the newly emerging modes of payments is further fuelling growth of digital payments in India. It is also observed that digital payments are likely to influence economic growth and consumer behaviour. Not many studies are conducted in this area as Digital Payments is a recent phenomenon in India; however, it has created interest of scholars and emerged as a potential area of research.

Drivers for adoption of Digital Payments

The past studies establish that use of digital payments among Indian consumers can be primarily attributed to government initiatives; technological innovations and adoption, demographic shifts and marketing initiatives. Some of the drivers are mentioned below:

Government Initiatives: As part of post demonetization initiatives and financial inclusion policy, government is aggressively promoting use of cashless transaction in e-governance as well commercial transactions. Bharat Interface for Money (BHIM) app based on United Payments Interface (UPI) is major initiative followed by encouraging private players by licensing them to operate as payment banks. Airtel and Paytm are among the pioneers in creating mobile app based payments.

Demographic Shift: More than half of the Indian population is young and there is a migration from rural areas to urban areas. They are adopting modern lifestyle and buying habits as popular in urban areas. They are also techno savvy and the largest mobile and internet users in the country. This generation has emerged as the largest user of digital payments for their various transactions.

Technology Innovation and Adoption: With the launch of a wide range of online and mobile payment options, including e-wallets and mobile apps, digital payments have become simple to understand, easy to operate, and safe and risk free. Most of the consumers, particularly youth, are less resistant to change and ready to adopt new technology. They are the most frequent user of digital payments systems in India.

Marketing Initiatives: A large number of digital payments service providers have tied up with many retailers and service providers, and are providing discounts, cash backs, coupons and other offers on making payments to their linked partners thorough digital payments mode. This kind of incentivization to the consumers is further fuelling the purchase of products/services as well as digital payments.

Influences on Consumer Buying Behaviour

Digital payments have brought a major shift in consumers' thought process, decision making and purchase patterns. Modern consumers find it much easier to make an online purchase or make digital payments. Consumers don't have to stand in long queues to make payments for many essential services and purchase of goods. Some of the significant influences observed on consumer buying behaviour are mentioned below:

Social Influence: Growing usage among people across all classes of society is creating wider acceptability and influence for use of digital payments by all. Using credit/debit card or making digital payments is no longer a privilege of only a few people in the society. Making payments through mobile, online, cards, or e-wallets is commonly performed by all types of people in the society. Even a cab driver or tea vendor or veggie hawker also accepts online payment.

Psychological Influence: Earlier digital payments were perceived to be very complicated, risky and only for the select few individuals. In the recent past, large scale awareness has been created by both the government and the industry about its simplicity, ease of use, safety and other benefits, which has changed the perceptions of masses and developed a positive attitude towards digital payments. This is also reflected in their buying behaviour.

Behavioural – Increased purchases and Usage of digital payments:

Digital payments have not only contributed to convenience in buying, but also resulted in the increase in consumption of goods and services. Some of the important areas of influence include:

- Payments for everyday routine purchases of goods/services such as food and grocery, transportation, saloon and grooming etc.
- Payments for essential services such as electricity bills, property tax, water tax, income tax, education fee, telephone bills etc.

- Payments for consumer services such as transportation (rail, road, airways), hospitality and entertainment (hotel, restaurant, movies, events etc.), healthcare (hospitals, diagnostics etc.), banking, insurance, investments etc.
- Payments for on-line / mobile app purchases from online store using credit cards, debit cards, internet banking, e-wallets etc.
- Payments for off-line purchases from brick and mortar stores such as traditional stores or malls, using credit cards, debit cards, internet banking, e-wallets etc.

It has been observed that the frequency and pattern of usage may be different for different age, gender, income, occupation, living area, rural versus urban, and other types of individuals, which may be explored in forthcoming studies. As reported in earlier studies, simple and short process, ease of use, safety and security, and speed of response in transactions should be integrated in all types of digital payment system to make them effective and popular.

CONCLUSION AND IMPLICATIONS

The present study has attempted to explore the government policy and initiatives for digital payments ecosystem in India. It has tried to assess the evolution of digital payments in India, and its influence on consumer buying behaviour. Empirical researches in this area can be carried out to study the impact of digital payments in rural versus urban areas. Moderating effect of demographic variables such as age, gender, education, occupation etc can also be studied in future researches. The present study has contributed significantly by exploring the potentially important area from national growth perspective and bringing out suitable dimensions for policy makers and industry. The study also brings out implications for e-commerce and m-commerce players and other organizations involved in the digital payments system, for developing strategies to improve their growth and effectiveness.

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