

Perception of customers towards the online payment methods with special reference to Madurai City

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Abstract

The rapid advancement of digital technology and the Indian Government's push towards a cashless economy have significantly transformed the payment landscape. Online payment methods such as UPI, mobile wallets, internet banking, and card payments have become increasingly popular, especially in urban centres like Madurai City. Mobile payment apps, also known as digital payment apps, are widely used for quick and convenient transactions. These apps were introduced to enhance the customer experience by simplifying payments. Popular platforms such as Google Pay, PhonePe, and Paytm have become common tools for Unified Payments Interface (UPI) transactions. In recent years, the usage of these online payment apps has increased dramatically, with their presence expanding across local markets. This study focuses on understanding the usage patterns of online payment methods and measuring customer satisfaction. The research adopts a descriptive research design and is based on primary data collected from a sample of 50 customers. The findings show that, the preferred method of online payment is UPI. Online payments makes transactions easier and convenient. But it makes customers overspend, which increases their financial burden. This research provides practical insights for online payment service providers to approach customers.

Keywords: *Online payment methods, Unified Payment Interface (UPI), Digital payments*

Introduction

The "Digital India" initiative is the flagship program of the Government of India, aimed at transforming the country into a digitally empowered society and knowledge economy. One of the core objectives of this program is to promote a "Faceless, Paperless, Cashless" economy, highlighting the government's strong push toward digital financial transactions. The digital payment system has gained substantial momentum, particularly after the demonetization move in 2016, which encouraged both businesses and individuals to adopt cashless methods of transaction. To further accelerate this digital transition, the government has launched several supportive measures:

- Introduction of Unified Payments Interface (UPI) - an app-based platform enabling seamless transactions across multiple banks.
- Launch of BHIM (Bharat Interface for Money) app to simplify mobile transactions.
- Promotion of USSD (Unstructured Supplementary Service Data), a mobile-based platform allowing financial transactions without the need for internet connectivity.
- Incentives such as discounts on digital purchases of certain goods and services.

These initiatives have collectively given a significant boost to the digital payment infrastructure in India. Point of Sale (POS) transactions, whether through internet banking, mobile apps, debit/credit cards, or QR codes, are now common in both urban and semi-urban regions. In today's digital age, the usage of the internet and smartphones has increased significantly. Consumers prefer digital devices to reduce the time and complexity involved in traditional banking. Digital payments are not only secure and efficient, but also easy to use and manage, making them highly appealing to the general public.

While the adoption rate in urban areas has been high, there is still a digital divide. A relatively smaller section of the population in rural areas remains unaware of the full potential and benefits of digital payment platforms. Bridging this gap requires continued awareness campaigns and infrastructure development to bring the benefits of digital finance to every corner of the country.

Review of Literature

(P.Kumar, 2025) Customers favour digital payments because they are convenient, secure, and provide a variety of payment options. Compared to traditional cash transactions, digital payments are faster and more efficient, making them a highly attractive choice. Additionally, their growing popularity can be attributed to the enhanced control and convenience they offer customers in managing their finances.

(Saurabh V Singh, 2023) Most respondents expect digital payments to grow, a trend accelerated by demonetization and COVID-19. Customers value ease of use, 24/7 access, low fees, and quick transfers, with the majority expressing a positive attitude toward these features. Google Pay is the most widely used platform for electronic payments.

(Dr Mayur Rao, 2022) Most people prefer online payments and UPI is preferred by many. Payments are made through UPI almost every day, but they face network issues. Customers are able to track their transactions and retrieve bank statements easily which helps them manage expenses.

(Omkar Poudel, 2022) Customers' trust in e-payment platforms largely depends on security and privacy, which strongly influence their confidence in the system. Trust, in turn, positively affects

customers' perception of the platform's quality. As the use of e-payment platforms grows, security and privacy concerns are becoming more prominent, making them critical factors to address.

(Swamynathan C., 2018) Digital payment methods are accepted by youngsters, urban residents and educated individuals due to its convenience and speed. Due to its ease of use and low-cost structure, it is widely used and its popularity is ever increasing.

Industry Profile

Digital payments include various payment methods which uses the internet as a payment platform. A mobile payment application securely stores a user's debit card, credit card, or bank account information, allowing them to make payments for goods and services using their smartphones or other mobile devices. Internet banking and E-Wallets also play crucial roles in this field. These eliminate the need for carrying physical cash or cards and have become an integral part of India's digital payment ecosystem. With the rise of digital transactions, especially post-demonetization and under the influence of the Digital India initiative, several e-payment apps have become widely popular across the country.

Online payment system in India

The online payment system in India has undergone a remarkable transformation over the past decade, driven by technological innovation, government initiatives, and increasing internet penetration. The push toward a cashless economy, especially after the demonetization in 2016, has accelerated the adoption of digital payment methods across the country.

Online Payment Platforms

- **Unified Payments Interface (UPI):**

It was developed by the National Payments Corporation of India (NPCI). Facilitates instant bank-to-bank transactions via mobile phones. Widely adopted through apps like Google Pay, PhonePe, Paytm, and BHIM.

- **Mobile Wallets / E-Wallets:**

These are apps that store money digitally and allow easy payments. Examples: Paytm, MobiKwik, Freecharge, Amazon Pay, JioMoney.

- **Internet Banking:**

It is a traditional online banking process through banks' websites or apps. Allows fund transfers (NEFT, RTGS, IMPS), bill payments, and more.

- **Debit/Credit Card Payments:**

Card-based payments are still widely used at online checkout and POS machines. Supported by VISA, Mastercard, RuPay, etc.

- **QR Code Payments:**

It is an easy scan-and-pay system using UPI or wallets. Common at local stores, street vendors, and markets.

- **Point of Sale (POS) Terminals:**

Specific devices are used to swipe or tap cards at retail locations. Many are now integrated with UPI and contactless payment systems.

Objectives

- i. To analyze the awareness about online payment system among customers.
- ii. To assess the preference of customers towards online payment system.
- iii. To find out the problems faced by the customers' in using online payment system.

Methodology

The sample size taken for this study is 50. The sampling design adopted for the study is Convenience sampling. Questionnaire was prepared to obtain the required primary data. The data collected through questionnaire was transferred to a master table from which various tables were prepared from further analysis. The secondary data was collected from the internet.

Framework of analysis

To analyse the primary data, the researcher has used the following tools:

- Percentage analysis
- Chi-Square test
- Garrett's Ranking

Hypothesis

- There is no significant relationship between the occupation of the respondents and their preference towards online payment system.

Limitations of the study

- The study was restricted only to the respondents in Madurai city.
- The sample size is 50, it does not represent the whole population in the city.

Findings

➤ Results of Percentage Analysis

Table 1: Demographic Characteristics of Sample Respondents		
Demographics	No. of Respondents (N = 50)	% of Respondents
A. Gender		
Male	30	60
Female	20	40
B. Age		
Below 25 years	22	44
25 years – 50 years	16	32
50 years – 75 years	10	20
Above 75 years	2	4
C. Educational Qualification		
HSC	10	20
UG	25	50
PG	9	18
Professional course	6	12
D. Occupation		
Student	27	54
Homemakers	3	6
Agriculturist	2	4
Self-Employed	10	20
Professional	8	16
E. Family's monthly income		
Below ₹25,000	5	10
₹25,000 - ₹50,000	29	58
₹50,000 - ₹75,000	10	20
₹75,000 - ₹1,00,000	3	6
Above ₹1,00,000	3	6

Table 1 shows the demographic characteristics of the sample respondents. 60% of the respondents are male; 44% of them are below 25 years of age; A majority of 50% of the respondents have completed

Under graduate courses; 54% of the respondents are students and 58% of them are between the ₹25,000 - ₹50,000 income category.

Table 2: Awareness and Consumer behaviour towards online payment system

Particulars	No. of Respondents	% of Respondents
A. Source of Awareness		
Word-of-mouth	35	70
Shopping Websites / Apps	5	10
Advertisements	3	6
Others	7	14
B. Preferred online payment system		
Internet Banking	15	30
Mobile wallet	10	20
UPI	17	34
POS Terminal	1	2
Debit/Credit cards	1	2
QR Code payments	6	12
C. Maximum amount spent through online payment system per month		
Below ₹20,000	29	58
₹20,000 - ₹40,000	10	20
₹40,000 - ₹60,000	8	16
Above ₹60,000	3	6
D. Duration of usage		
Less than 1 year	8	16
1 to 5 years	35	70
More than 5 years	7	14
E. Problems faced		
Security Concerns	3	6
Temptation to overspend	28	56
Dependency on Technology	8	16
Transaction Failures	7	14
Others	4	8

Table 2 interprets the awareness and consumer behaviour of the sample respondents towards online payment system. A majority of 70% of the respondents have come to know about the online payment systems through Word-of-mouth; 34% of the respondents prefer payment through UPI; 58% have spent only Below ₹20,000 through online payment systems; 70% of the respondents have been using online payment systems from 1 to 5 years; 56% of the respondents opine that online payment systems creates a Temptation to overspend.

➤ Results of Chi-Square test

Hyp: There is no significant relationship between the occupation of the respondents and their preference towards online payment systems.

Table 3: Chi-Square Tests (Occupation & preference towards online payment systems)		
Calculated value	Degrees of freedom	Table value at 5% significance level
22.56	20	31.41

Since the Table value is greater than the calculated value of Chi-Square, the null hypothesis is accepted. Hence there is no significant relationship between the occupation of the respondents and their preference towards online payment systems.

➤ Results of Garrett's Ranking

Table 4: Factors considered before choosing an online payment system		
Factors	Mean Scores	Rank
Security	66.35	I
User experience	58.42	III
Discounts & offers	44.17	VII
Length of procedure	61.65	II
Fees and costs	54.95	IV
Integrity	40.47	VIII
Geographical support	50.12	V
Compatibility	47.77	VI

The factors considered by the customers before choosing an online payment system was ranked using Garrett's Ranking. The Factor, "Security" was ranked first and the last rank was given to the factor "Integrity".

Suggestions

- A majority of the respondents using have got to know about the online payment systems through word-of-mouth. This shows that there are no proper advertisements to create awareness about the available payment methods. The service providers must create awareness about their service availability and accessibility to increase the usage.
- Only 2% of the respondents prefer making payments through Debit/Credit cards. This signals a down trend for card payments. The service providers must take appropriate actions like offers and discounts to extend the usage of cards in making payments.
- Security is the first factor considered before choosing an online payment method. The service providers must pay attention in providing maximum security to the confidential data and the other details given in by the customers in order to make a financial transaction, as this creates loyalty in customers.

Conclusion

The study on the perception of customers towards online payment methods in Madurai City reveals that digital transactions have become an integral part of the economy, especially among the urban population. Most respondents are aware of and actively use online payment platforms such as Google Pay, PhonePe, Paytm, and BHIM, primarily due to their convenience, speed, and ease of access. While customers appreciate the time-saving nature, user-friendly interfaces, and promotional benefits offered by these platforms, concerns related to security, technical glitches, and lack of digital literacy persist among certain groups.

In conclusion, online payment methods have positively reshaped customer experiences in Madurai City, and with the right support from the government, service providers, and local stakeholders, digital payments have the potential to become the primary mode of transaction for all segments of the population.

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