

INSIGHTS INTO RURAL CONSUMERS' PERCEPTIONS ON DIGITAL PAYMENT SYSTEMS

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Abstract. This study uses structured questionnaires to determine the factors that affect rural Indian consumers' adoption of bank-launched electronic payments products. The paper aims to identify certain demographic characteristics that influence digital payment and to uncover dimensions of factors that influence digital payments in the rural set up. Data was collected from 200 respondents from the rural districts of Assam and Nagaland. Descriptive statistics were used to analyze the demographic variables. To uncover factors influencing the digital payment system, a factor analysis of variables identified was used and three factors literacy, technology and reliability and perception and concerns were identified and tested for reliability of the items to be measured. We propose future research in the identified variables using the tested measurement scales.

1 INTRODUCTION AND BACKGROUND OF THE STUDY

The financial services sector has seen a huge transformation, especially since the covid pandemic in the form of digital payment system, more so in India. This is also true in the rural areas where access to traditional banking itself was scarce. The Indian government's drive for a cashless economy coupled with enhancing mobile phone usage makes India ready for Digital financial services even in rural regions. Mobile banking, Internet banking, and the Unified Payments Interface (UPI) have brought a new change in the banking services. Nevertheless, payment platforms show critical issues and limitations that need to be considered in order to include the rural consumers into the digital economy. But one of the most significant obstacles is the lack of knowledge about digital payments among rural customers. With the easy access to cheap android mobile phones, the rural consumers including the household and businesses alone have supposedly increased the use of digital payment systems. However, the entire ecosystem is not without its shortcomings. There seems to be a lot of reluctance and skepticism, when it comes to adopting newer technologies. Studies of Aggarwal and Eikenberry (2012), have pointed out the security concerns the rural consumers have in using digital payment systems. Issues of unauthorized use of disclosure of information and other frauds related to payment systems which are widely disseminated, creates further panic amongst users. The rural consumers where the population is relatively illiterate or sometimes the lack of awareness compared to their counterparts in urban areas, often fall prey to these unfortunate scams and frauds. The urban

population, due to its diverse socio-economic and cultural factors seem to carry a different attitude towards adopting digital technology. This is in sharp contrast to the rural consumers. Amongst the urban population, research shows that factors like education, standard of living, age etc., also seem to influence embracing the digital ecosystem. For example, the millennials and younger lot seem to be highly motivated to reap the benefit of the services through the digital space. The elderly seem to need more patience and sometimes repeated reminders when it comes to online transactions. Acceptance of the digital payment systems in the rural areas comes with its own challenges. Availability of smartphones is a boon but, access to internet in remote areas is still a challenge and the government has a lot to do in widening the coverage and reaching the last person. With this weak link, it becomes difficult to have access to mobile banking applications and other digital platforms which facilitate payments. The cost of having access to internet is also high depending on the income levels of individuals, and so becomes expensive to rural consumers. There are problems and concerns associated with the use of intermediaries in the promotion of digital payments in rural districts, including the initial hurdles they help to overcome. Nonetheless, the digital payments have great potential for the development of rural sectors in India. Through enabling increased control over money and access to savings and credit, consumers, especially the previously excluded such as women, can benefit from digital payments. Women in rural areas stand to benefit from broader social and economical empowerment if can increase their financial independence through digital platforms. Additionally, digital payment is likely to lower the cost of transactions, improve efficiency, and increase the efficiency of the payment system, which is

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central to economic growth in rural economies. Thus, digital payments appear to have the potential to revolutionize financial services in rural India; however, several challenges ranging from awareness to trust, technology to socio-economic characteristics need to be overcome.

2 REVIEW

Yuvaraj & Eveline (2018) emphasized the importance of digitalization in business transactions from purchase to mode of payments [1]. Tatineni and Balaji (2020) in their article on digital payments emphasized that rural customers are slower in embracing newer technology compared to urban customers. One of the reason could be the lack of awareness on digital payment systems, thereby raising their concerns specifically when it comes to online transactions [2]. Similarly studies of Kumar & Kumar (2020) observed that the rural consumers found the device attractive but was hesitant to use and had security concerns. The survey also revealed that the customers in the rural areas made higher and less frequent 'chunky' electronic transactions than their urban counterparts. They include various small, recurrent business transactions that were facilitated through computers and the internet. M. Kavitha and K Sampath Kumar(2018) discuss the demographic variables that influence consumer adoption [3].

Das and Das (2020) found that technology-based payment systems can greatly improve financial accessibility in rural India, on the other hand, they did point out that there are a lot of obstacles, like people not knowing how to use or understand smartphones or the internet [4]. In their literature analysis, Das and Dash (2021) discuss rural India's digital payment issues: It further revealed that the younger, well-educated and high-income customers' segments adopted use of digital payment methods. The control results also showed how socioeconomic factors affected rural digital payment uptake. Similarly studies of Gokilavani et al (2018) find that the socio economic status influence the consumers perception and attitude towards digital payments [5]. Shamsher Singh(2017) stresses the importance of demographic factors like education level [6]. So also is the studies of Kamatchi Eswaran (2019) [7] and Valli & Divya (2018) [8], which confirms the influence of education.

The importance of intermediaries in rural India is highlighted in the works of Das and Mishra (2021). Das and Mohanty (2021) identify cost, trust, convenience and awareness as the four factors that influence the digital payment systems in rural India. Other influencing factors include wealth, age and experience. Digital payment systems could help the informal economy in India (De and Nayak, 2021) [9]. Das and Panda (2021) find that digital payment systems affect rural women positively by having access to financial services, feel secure and find financial freedom.

Lastly, Das and Pradhan (2021) discussed the opportunities and challenges of digital payments in India's rural regions. Some challenges were ignorance, illiteracy, use of cell phone and internet only, and security aspects. However, the study did not overlook the opportunities that new

digital payments bring, including trade efficiency, banking development, and credit for economic inclusion. According to Kumar and Chaubey (2017), the process of digitalization is slow sometimes due to no alternative choices. However, this study has been before COVID-19 pandemic and the scenario now appears to be different. Altogether, these studies provide control over the rural Indian current acceptance of the digital payments and highlight the barriers, India has to fix these to provide digital financial services to all its residents [10].

The studies above have demonstrated that there are some factors critical to adoption of digital payments like security concerns, usability, some demographic factors like age, income and wealth. With this backdrop, our study is an attempt to get insights on rural customers opinion and experience on using digital payment systems and any other information that can be observed in the digital ecosystem. The paper aims to

1. Identify certain demographic characteristics that influence digital payment
2. To uncover dimensions of factors that influence digital payments in the rural set up and
3. To propose a measuring scale for the same and recommend areas of further research

3 METHODOLOGY

To investigate how rural customers felt about the digital payment, the researchers designed a questionnaire with two sections, one to elicit information on the demographics of the respondents and the second, questions on the identified variables from the review. The scales used had categorical and Likert scales used. The intent of this paper was to identify influencing demographic variables and so descriptive statistics was used to analyse the demographic variables. To uncover factors influencing the digital payment system, a factor analysis of variables identified was used and three factors Literacy, Technology and Reliability and perception and concerns were identified and tested for reliability of the items to be measured.

4 DATA AND SAMPLE RESPONDENTS

To capture as many respondents' perspectives and opinions about digital payments the subgroup of respondents the was made as diverse as possible by considering rural population The respondents were from some of the rural districts of Assam and Nagaland who the researchers could have easy access to given the limited time frame. Questionnaires were administered through google forms and direct in some cases. 217 responses were received and 200 was chosen as the sample size based on the questionnaires filled in complete by the respondents. Finding allocation zones with different populations was achieved by the use of purposeful sampling in this study.

Table 1. Demographic details

Demographic Variable	Option	Frequency	Percentage (%)	Cumulative Percentage (%)	
Age	Under 18	12	6	6	
	18-30	122	61	67	
	31-45	28	14	81	
	46-60	24	12	93	
	over 60	14	7	100	
Gender	Male	110	55%	55	
	Female	88	44%	99	
	Other	2	1%	100	
Education	less than high school	7	4%	4	
	high school graduate	46	23%	27	
	bechelors degree	121	61%	88	
	post gradutae degree	26	13%	100	
Occupation	Student	31	16%	16	
	salierd employeed	112	56%	71	
	self employeed	46	23%	94	
	homemaker	7	4%	98	
	Reitred	2	1%	99	
	unemployed	2	1%	100	
house hold income	Less than ₹1,00,000	8	4%	4	
	₹1,00,000 - ₹3,00,001	54	27%	31	
	₹3,00,001 - ₹5,00,000	76	38%	69	
	₹5,00,001 - ₹10,00,00	20	10%	79	
	More than ₹10,00,00	42	21%	100	
Location	Rural Area	183	91%	91	
	Urban Area	12	6%	97	
	Suburban Area	5	3%	100	

5 DATA ANALYSIS AND RESULTS

5.1 DEMOGRAPHIC DETAILS

The largest percentage of the participants is between 18- and 30-years representing around 60 percent of the participants. The rest of age groups: Under 18, 31-45, 46-60, and over 60 include the rest. Accumulated percentages reveals that the primary demographic variables are reasonably well distributed with slight male bias and a relatively stronger representation of the 18 to 30 years of age group. The dominance of the younger group could be simply because of the easy access and availability of the sample respondents at the time of data collection. The education level distribution is also informative, pointing to a well-educated sample, 61.1% of whom hold a bachelor's degree or higher. The data obtained from the income information shows that majority of the respondents earn mid-level income, and thus the socio-economic status of the respondents is also socially diverse. The results also indicate 91 % of the respondents hailed from rural areas which gives the study a rural bias that is paramount when examining the rural consumer attitudes.

5.2 DESCRIPTIVE STATISTICS

Overall Positive Perception: The mean scores obtained for most of the statement indicated are ranged between 4.0 and 4.5 out of on a 5 point Likert scale which can be interpreted as a moderate to a highly the use of digital payments.

High Confidence and Satisfaction: Security and usage confidence as well as trust in digital payment modes is captured with high confidence by the respondents.

Positive Impact of Mobile Banking: Appearing in the responses was a positive disposition on the mobile banking especially in respect to the convenience, ease and impact on their purse strings.

Areas for Improvement: Where respondent is less enthusiastic is Area of trainings and education on digital payments has slightly low mean score Overall perception is positive mean. *Consistency in Perceptions:* Inclusive of the fact that the of the statements it shows that the variability in the responses of the participants is small.

A dataset that is better appropriate for factor analysis has a KMO value that is closer to 1. The data is well suitable for factor analysis, as indicated by the good value of 0.923. Bartlett test of sphericity is the test that determines if the variables in the given set of data are related. The significant p- value (0.000) highlights that the correlation matrix differs from an identity matrix, therefore, it has substantial correlations of your variables. This is another positive condition for factor analysis.

5.3 ROTATED COMPONENT MATRIX

The Rotated Component Matrix, we could group the components into different factor names/variables. The following are the Factors which were formed:

Factor-1: Literacy is essential for making digital payment and mobile banking

Factor-2: Technology Access & Reliability

Factor-3: Perception & Concerns

Table 2. Descriptive Statistics

	Mean	Std. Deviation	Analysis N
I feel confident about the security of my personal information when using digital payments.	4.22	0.722	200
Digital payments are easy to use.	4.32	0.775	200
I trust of digital payment transactions.	4.13	0.783	200
I prefer using digital payments over cash for everyday transactions.	4.19	0.833	200
I find digital payments to be more convenient than traditional payment methods.	4.35	0.830	200
Mobile banking has made accessing financial services like (banking, payments,) etc. Is easier for me.	4.16	0.666	200
I find mobile banking applications user-friendly.	4.25	0.781	200
Mobile banking has improved my overall Budgeting.	4.08	0.921	200
I hardly face any technical challenges in using payment platforms.	4.14	0.851	200
I can recommend others to use mobile banking.	4.42	0.772	200
I am aware of UPI, credit cards, debit cards, RTGS, NEFT etc.,	4.18	0.719	200
I have attended educational sessions / workshops /training/ using digital payments.	3.97	0.969	200
I regularly seek out information to stay updated on digital payment methods.	4.37	0.771	200
I feel knowledgeable enough to use digital payments without assistance.	4.36	0.743	200
My awareness of digital payment benefits encourages me to use them more frequently.	4.33	0.803	200
I have reliable access to the internet for using digital payments.	4.25	0.714	200
Using my mobile phone is comfortable for financial transactions.	4.31	0.758	200
I hardly face any technical challenges in using payment platforms.	4.28	0.738	200
I confidently troubleshoot most issues that I face while making digital payments	4.32	0.787	200
I would benefit from additional training to improve my digital literacy skills.	4.34	0.835	200

Table 3. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.923
Bartlett's Test of Sphericity	Approx. Chi-Square
	Df
	Sig.
	1961.546
	190
	0.000

5.4 RELIABILITY ANALYSIS FOR FACTORS

The Cronbach Alpha of 0.860 for 6 items used in the scale for measuring Mobile Banking And Digital Payment Literacy, shows a high degree of reliability as 0.7 is considered relatively acceptable. Similarly, a measure of 0.786 for Technology Access and Reliability for 4 items also falls within the acceptable level. A Cronbach Alpha of 0.829 for Perception concerns with 5 items is also highly reliable. This indicates that the scale employed in the research is very reliable and can, therefore, be regarded as a dependable assessment of the constructs being measured.

6 DISCUSSIONS AND CONCLUSION

The analysis of the demographic variables clearly shows a positive overall perception as interpreted by the mean score. The respondents showed a higher mean score when it comes to security concerns and trust issues in digital payments. They seem to be more willing to embrace the mobile banking system. The overall positive impact could be because the majority of the respondents we had access to were in the age group of 18 to 30 and also the number of graduates were high. The only area of improvement seemed to be the need for training and education. This study shows that digital payments can improve financial access and convenience in rural areas.

General awareness creations for older and low-literate people help improve financial literacy. If managed, these challenges could bring about the transformation that will make digital payments a financial liberator, an economic enabler, and a harbinger for uplifting the rural growth. The factor analysis revealed three factors: literacy which is essential for making digital payment and mobile banking , second factor Technology Access & Reliability and the third, Perception & Concerns.

7 IMPLICATIONS AND FUTURE SCOPE OF STUDY

As already stated, the three factors identified in this study, literacy which is essential for making digital payment and mobile banking, second factor, technology access & reliability and the third, perception & concerns gives scope for further research. Further studies testing several hypotheses on these dimensions, can give better insights on the digital payment systems and challenges posed. Research may focus on how the stated benefits can enlighten people by making digital payments more successful for rural consumers, study long-term consumer perception trends,

Table 4. Rotated Component Matrix^a

		Component		
		1	2	3
Mobile Banking and Digital Payment Literacy	I rarely face issues when using mobile banking services.	0.795		
	Mobile banking has improved my overall Budgeting.	0.718		
	I have attended educational sessions / workshops /training/ using digital payments.	0.716		
	I would benefit from additional training to improve my digital literacy skills.	0.600		
	I regularly seek out information to stay updated on digital payment methods.	0.582		
	I find mobile banking applications user-friendly.	0.522		
Technology and Access & Literacy	I have reliable access to the internet for using digital payments.		0.789	
	Using my mobile phone is comfortable for financial transactions.		0.754	
	I hardly face any technical challenges in using payment platforms.		0.670	
	I can recommend others to use mobile banking.		0.622	
	I confidently troubleshoot most issues that I face while making digital payments.		0.518	
	I am aware of UPI, credit cards, debit cards, RTGS, NEFT etc.,		0.501	
	I do not need assistance while making digital payments. .		0.489	
	I frequently use the payment platforms because of my awareness.		0.460	
Perception and Concerns	Mobile banking has made accessing financial services like (banking, payments,) etc. Is easier for me.		0.458	
	I trust of digital payment transactions.		0.742	
	Digital payments are easy to use.		0.729	
	I feel confident about the security of my personal information when using digital payments.		0.717	
	I find digital payments to be more convenient than traditional payment methods.		0.627	
	I prefer using digital payments over cash for everyday transactions.		0.620	

Table 5. Reliability Statistics

Factor	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Mobile Banking And Digital Payment Literacy	0.860	0.861	6
Technology Access And Reliability	0.786	0.786	4
Perception Concerns	0.829	0.828	5

and consider cultural and societal influences on consumer choices. Future studies may look at the wider effects of the use of digital payments on the rural economy and the players involved such as businesspersons and employment and the functions of middlemen, and mobile monetary value to the increased usage of digital payments as well as among some classes of people such as women, elders, and businesspersons.

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