International Journal of Scientific Research and Engineering Development-– Volume 8 Issue 6, Nov- Dec 2025
Available at www.ijsred.com

RESEARCH ARTICLE OPEN ACCESS

Determinants of Digital Payment Adoption in Everyday Transactions: An Empirical Study

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Abstract:

India's digital payment system is booming due to the policies made by governments and the adaptation of the latest technologies. This has made people go cashless. This activity has made people feel less threatened. These payments are made using mobiles/smartphones, computers, laptops, etc., which has decreased the use of physical currency. This has created an overall impact in e-commerce, retail, and banking, which has transformed the whole economy. In the last six years, the country has almost gone cashless. From small street vendors to big mall owners, everyone promotes cashless transactions. Currently, the Unified Payments Interface (UPI) has made it accessible for everyone to accept the payment through any medium, from anywhere and anytime.

The examination of the macroeconomic effects of digital transactions, with empirical evidence of digital payments and GDP growth, is shown in the paper. These effects are seen due to the rise in household consumption and the strengthening of financial intermediaries, which reveals a bidirectional relationship, suggesting mutual reinforcement. Besides, fast payment systems are shown to reduce costs and improve financial inclusion. This technology has promised greater efficiency but requires skilled manpower and infrastructure. So, the government should make the policies regarding digital systems strong, which supports sustainable economic growth.

Keywords — Digital Payments, Cashless Economy, Unified Payments Interface (UPI), Financial Inclusion, Mobile Wallets, Technological Adaptation, Macroeconomic Impact, Financial Intermediaries, Sustainable Economic Growth.

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1. INTRODUCTION

In the last six years, the financial outlook has seen a quick transformation with the adaptation of digital payment systems both nationally and internationally. Modern-day transactions are constantly shifting from cash-based transactions to electronic-based ones. The trend towards digitalization and the use of the internet has brought about major changes in the ways the global economy functions. The emergence of a broad range of financial technology (FinTech) applications enables consumers to move beyond the conventional cash-based payment system. Digital payments are becoming the norm in people's daily lives. Digital payments are payments done through digital or online modes, with no exchange of tangible cash being involved, such as UPI, Paytm and Google Pay. In India, the government policies, innovation, and accessibility to the internet have played a crucial role in the growth of digital transactions. Campaigns like Digital India, demonetization, and the initiation of UPI have acted as major factors in escalating the transition from cash to cashless transactions.

Digital transactions are gaining popularity due to their convenience, speed and efficiency in making the payments. They have almost dissolved the use of physical currency and reduced the risk of handling it. Additionally, the acceptance of payments digitally from small vendors to big businessmen shows their alliance in daily life. This has not only enhanced financial inclusion but also helped in financial transparency and reduced corruption and

costs. Digital payments have become an inseparable part of everyday life, which is influencing trade, commerce and finance at both national and international levels. Regardless of their several benefits, different challenges like digital frauds, cyber risks and digital illiteracy come along with them. Underdeveloped and developing nations face problems in ensuring digital payment systems in every sector of the economy. Therefore, it becomes important to study the role of digital payments in everyday transactions.

2. LITERATURE REVIEW

Digital payment refers to financial transactions carried out electronically without using physical cash. Both the payer and the receiver depend upon digital platforms to complete the transactions, such as paying for goods or services through a smartphone using wireless or internet-based technologies (Dahlberg, Mallat, Ondrus, & Zmijewska, 2008). Digital payment also refers to electronic transactions that take place via the internet, e.g., payment by credit or debit card, whether online or in person at a supermarket or another shop (Adeoti & Osotimehin, 2012). Asfirah, Erawati, and Hidayati (2024) discuss how digital payments are growing along with technological developments and trends among millennials. Many conveniences and advantages are experienced by businesspeople and the government, but there is still rejection from various groups, especially the elderly. This is still new, and they are not used to using technology, which they consider complicated, and they still view cash as more effective. It is a challenge for the government to actively conduct literacy initiatives about digital payments so that their use becomes more evenly distributed, as they are undoubtedly a transaction solution in this modern era. Stamatis Karnouskos (2009) highlights a significant research gap by noting that "social and cultural factors are scarcely studied in the mobile payment context," emphasizing the need for more comprehensive studies on how these factors influence the development and adoption of mobile payments.

As mentioned above, the previously published literature reviews were mostly focused on the adoption of digital payment technologies, such as the adoption of e-payment systems and mobile e-wallet payment methods in developing countries. The previous reviews also focused on particular technologies used for digital payments, such as blockchain-based applications, mobile money, e-wallets, and mobile payments.

3. CONCEPTUAL METHODOLOGY

The conceptual methodology of this study is based on a structured framework that links the independent variables, mediating variables, and the dependent variable to explain how different factors influence the use of digital payments in everyday transactions.

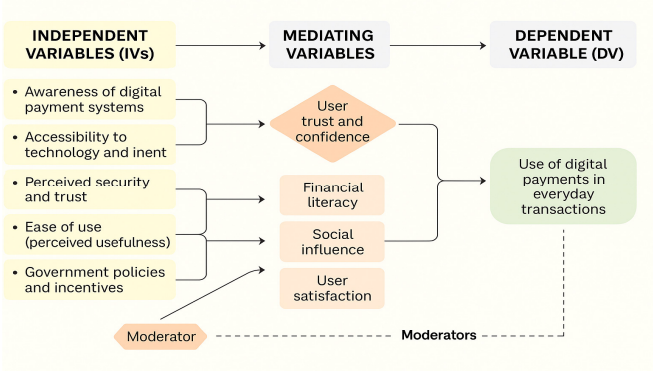
4. PROBLEM STATEMENT

More and more people are using digital payments like mobile and online wallets to meet their everyday transactions, but still, it is not happening equally for every individual. The main problem with it is that many people are left behind, such as older adults, people living in rural areas, small street vendors, etc. Barriers such as digital literacy, lack of access to technology, internet connectivity, distrust, etc., hamper meaningful participation. Because of this, the tool made to make everyone's life easier has actually created a gap between users and non-users. The result also means that a huge part of the population is left behind.

5. RESEARCH OBJECTIVES

1. To examine the influence of awareness, accessibility, and perceived security on user trust and confidence in digital payment systems.
2. To analyse the effect of ease of use and government incentives on user convenience and satisfaction.
3. To evaluate the contribution of financial literacy and social influence to the adoption and continued use of digital payments.
4. To investigate the mediating role of user trust, convenience, and satisfaction between digital payment determinants and actual usage behaviour.
5. To determine the overall impact of digital payment determinants on the use of digital payments in everyday transactions.

5. HYPOTHESIS



H1 Awareness of digital payment systems, accessibility to technology and internet, and perceived security and trust positively influence user trust and confidence in digital payment usage.

H2 Ease of use (perceived usefulness) and government policies and incentives have a significant positive effect on perceived convenience and user satisfaction with digital payments.

H3 Financial literacy and social influence positively affect the adoption and continued use of digital payment systems in everyday transactions.

H4 User trust, perceived convenience, and user satisfaction mediate the relationship between digital payment determinants and the actual use of digital payments.

H5 The combined influence of technological, behavioural, and policy-related factors significantly impacts the use of digital payments in everyday transactions.

6. DATA ANALYSIS

Table 1. Consolidated Demographic Profile of Respondents

Category	Variable	Frequency	Percent (%)
Age	Below 18	10	11.4
	18–25	55	62.5
	26–35	19	21.6
	36–50	4	4.5
Gender	Female	36	40.9
	Male	52	59.1
Occupation	Student	62	70.5
	Professional	17	19.3
	Self-Employed	9	10.2
Place of Residence	Urban	72	81.8
	Rural	16	18.2
Frequency of Digital Payment Usage	Daily	48	54.5
	Rarely	35	39.8
	Never	5	5.7

Interpretation:

The demographic data shows that most of the respondents who responded (62.5%) are between the ages of 18 and 25. This means that the sample is young and technologically proficient. The next largest group (21.6%) is between the ages of 26 and 35, and the smallest group (11.4%) is under 18 years old. Only 4.5% of the people are between the ages of 36 and 50. There are slightly more men than women who participate, with 59.1% being men and 40.9% being women. Most of the people who answered (70.5%) are students, followed by professionals (19.3%) and self-employed people (10.2%). This shows that the study is mostly about younger people who are still learning. In terms of where they live, 81.8% of participants live in cities and 18.2% live in rural areas. This means that most of them have better access to digital infrastructure. Lastly, when it comes to how often people use digital payments, 54.5% do so every day, 39.8% do so only sometimes, and only 5.7% do not at all. This shows that young, urban users are very likely to use digital payments.

Table 2 Descriptive Statistics for Digital Payment Determinants

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Adoption and Usage of Digital Payments	88	5	25	20.07	4.94
Trust, Security and Confidence	88	9	25	18.35	3.97
Policy, Social and Economic Influence	88	10	25	19.13	3.49
Challenges and Contextual Barriers	88	9	25	20.09	3.57

Interpretation:

The descriptive statistics show the overall trends and consistency among the variables studied. The data covers four main variables measured from 88 respondents. The variable Adoption and Usage of Digital Payments has a mean score of 20.07, with values ranging from 5.00 to 25.00 and a standard deviation of 4.94. This means that most respondents show a high level of adoption, but their responses differ moderately. The Trust, Security, and Confidence variable has an average of 18.35 which ranges from 9.00 to 25.00, and has a standard deviation of 3.97 which shows that respondents have good confidence in digital payment systems, though their opinions differ. The Policy, Social, and Economic Influence variable has an average of 19.13 and a standard

deviation of 3.49 which suggests that government, social, and economic factors have a mild effect on users' adoption behaviour, with fairly consistent responses. Furthermore, the Challenges and Contextual Barriers variable has an average of 20.09 and a standard deviation of 3.57, which indicates that while users face some barriers, their experiences do not differ much across the sample. Summing up, the findings show that respondents have a high level of engagement with digital payments, balanced trust in the system, and manageable challenges.

Table 3 Correlation Matrix for Major Research Constructs

Factors	Adoption and Usage of Digital Payments	Trust, Security and Confidence	Policy, Social and Economic Influence	Challenges and Contextual Barriers
Adoption and Usage of Digital Payments	1	.566**	.445**	.475**
		0.000	0.000	0.000
		88	88	88
Trust, Security and Confidence		1	.517**	.428**
			0.000	0.000
			88	88
Policy, Social and Economic Influence			1	.453**
				0.000
				88
Challenges and Contextual Barriers				1

*Correlation is significant at the 0.01 level (2-tailed).

Interpretation:

The bivariate correlation results show strong positive relationships among all variables. The Adoption and Usage of Digital Payments is positively related to Trust, Security, and Confidence ($r = .566$, $p < .01$), Policy, Social and Economic Influence ($r = .445$, $p < .01$), and Challenges and Contextual Barriers ($r = .475$, $p < .01$). This shows that higher trust and favourable policies lead to greater use of digital payments, fewer barriers make people more willing to use them. Trust, Security, and Confidence also have positive links with Policy, Social and Economic Influence ($r = .517$, $p < .01$) and Challenges and Contextual Barriers ($r = .428$, $p < .01$). This highlights the need for trust and supportive policies to make digital payments safer and more dependable. Policy, Social and Economic Influence also relates positively with Challenges and Contextual Barriers ($r = .453$, $p < .01$). This proves that governmental policies and environmental factors work hand in hand and influence how people use digital payments. Overall, there are strong positive connections between all variables which shows that trust, good policies, and flexibility are important for increasing digital payment use.

Table 4 Analysis of Variance (ANOVA) for the Regression Model

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	843.969	3	281.323	18.525	.000b
Residual	1275.622	84	15.186		
Total	2119.591	87			

Interpretation:

The ANOVA test results show that the regression model is quite important. So, the independent variables affect the use and adoption of digital payments by individuals. The F-value of 18.525 is less than 0.05, and the significance threshold is $p = 0.000$. This indicates that the hypothesis has solid support and that a true correlation exists between the predictor factors and the dependent variable. It also indicates that the factors that were chosen together explain a lot of the variation in how many people use digital payments.

Table 5 Regression Coefficients for Predictors of Digital Payment Adoption

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (β)	t	Sig.
(Constant)	0.706	2.801		0.252	0.802
Trust, Security and Confidence	0.489	0.127	0.393	3.843	0
Policy, Social and Economic Influence	0.183	0.147	0.129	1.248	0.216
Challenges and Contextual Barriers	0.343	0.136	0.248	2.53	0.013

The coefficient analysis shows how each independent variable affects the use of digital payments. The Trust, Security, and Confidence variable has a positive and strong effect, with a coefficient of 0.489 and a p-value of 0.000. This indicates that when trust and security levels increase, people use more digital payments. The Policy, Social, and Economic Influence variable has a coefficient of 0.183 but is not significant ($p = 0.216$).

This indicates that policy and social factors exert a minimal or indirect influence on adoption. The Challenges and Contextual Barriers variable has a positive and clear impact, with a coefficient of 0.343 and a p-value of 0.013. This indicates that reducing obstacles can strongly increase digital payment adoption. Overall, the results show that trust, security, and lower challenges are the key factors that encourage people to use digital payments.

7. KEY FINDINGS

1. **Rapid policy-enabled growth:** India's digital payments surged due to initiatives like Digital India, demonetization, and UPI, shifting everyday transactions from cash to electronic modes across both small vendors and large retailers.
   → **Supports H2**, as government policies and incentives positively influence convenience and usage.

2. **Macroeconomic linkage:** Digital payments correlate with GDP growth via higher household consumption and stronger financial intermediation, indicating a bidirectional, mutually reinforcing relationship with the broader economy.
   → **Indirectly supports H5**, showing the combined impact of technological, behavioural, and policy-related factors on overall digital payment usage.

3. **Inclusion with gaps:** Digital payments advance financial inclusion and transparency, yet adoption remains uneven—rural populations, elderly users, and small vendors face barriers including access, literacy, trust, and connectivity constraints.
   → **Relates to H1 and H3**, as awareness, accessibility, financial literacy, and social influence affect user trust and adoption.

4. **Determinant framework:** Awareness, accessibility, perceived security, ease of use, financial literacy, social influence, and government incentives jointly shape trust, convenience, satisfaction, and ultimately adoption and continued usage, with mediating roles for trust and satisfaction.
   → **Strongly supports H1, H2, H3, and H4**, demonstrating the influence of determinants and the mediating effects of trust, convenience, and satisfaction.

5. **Risk and confidence dynamics:** Security features (PIN/OTP), government-recognized platforms (e.g., UPI/BHIM), and reliable data protection bolster confidence, but fears of fraud, glitches, and transaction failures still suppress usage for some cohorts.
   → **Supports H1**, as perceived security and trust significantly influence user confidence in digital payments.

8. RECOMMENDATIONS

1. **Targeted literacy and onboarding:** Launch segmented digital literacy programs for rural users and elderly cohorts, combining hands-on training, vernacular content, and peer ambassador models to close the awareness–ability gap and build sustained confidence.

2. **Connectivity and device access:** Prioritize last-mile bandwidth upgrades and affordable smartphone/device schemes in low-coverage areas, pairing network improvements with offline-capable and low-bandwidth app modes to ensure reliable everyday usage.

3. **Trust-by-design enhancements:** Standardize visible security nudges (real-time fraud alerts, risk scoring prompts), strengthen dispute resolution SLAs, and expand zero-liability protections to mitigate perceived risk and reinforce platform credibility.

4. **Incentive-aligned adoption:** Use time-bound government and ecosystem incentives (cashbacks, fee waivers, GST credits for small and medium enterprises) tied to verified active usage to convert first-time trials into habitual behaviour, leveraging social influence through local merchants.

5. **Evidence-led policy loop:** Establish a continuous monitoring dashboard linking adoption metrics to outcomes (SMALL AND MEDIUM ENTERPRISES sales, household spend, inclusion indices) and iterate policy/tooling based on measured effects on trust, convenience, and satisfaction mediators identified in the study.

9. CONCLUSION

India's everyday transactions have undergone a structural shift toward digital modes, propelled by government initiatives (Digital India, demonetization), UPI's real-time rails, and strengthened payment infrastructure, which together improved convenience, transparency, and financial inclusion across consumers

and small and medium enterprises while mediating adoption through trust, perceived security, and ease of use.

At the same time, uneven adoption persists due to digital literacy gaps, rural connectivity constraints, perceived fraud risks, and cohort-specific barriers (notably elderly users), indicating that sustained growth requires trust-by-design, last-mile connectivity, and targeted literacy to convert policy momentum into inclusive, durable usage outcomes with measurable macroeconomic linkages.

10. SCOPE FOR FUTURE STUDY

Future studies can examine the mediation effects of trust, convenience, and user satisfaction on actual digital payment usage across different demographic groups. Researchers may also explore the causal impact of UPI incentives and merchant acceptance on small and medium enterprises' revenues and household consumption. Longitudinal studies can provide deeper insights into how fraud experiences, security nudges, and zero-liability policies shape users' risk perceptions over time. Further research is needed to assess how rural last-mile connectivity and low-bandwidth app designs influence sustained daily digital payment usage. Additionally, a comparative evaluation of Pearson and Spearman correlation methods for ordinal Likert-scale data can enhance the accuracy of adoption models in future analyses.

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