

# A Study on Utilisation of Digital Payment System in Small Businesses in Coimbatore

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## ABSTRACT

The rapid growth of digital payment systems has significantly transformed the functioning of small businesses by enhancing financial inclusion, transparency, and operational efficiency. From a human rights perspective, access to digital payment platforms supports the right to equality, livelihood, and participation in economic activities by enabling small business owners to access formal financial services and secure transactions. This study examines the adoption of digital payment systems among small businesses and analyzes their impact on sales growth, customer satisfaction, operational efficiency, and transparent financial record-keeping. It also explores how digital payments contribute to economic security by facilitating access to credit, insurance and government welfare schemes through digital transaction records.

**Keywords:** *Financial inclusion, transparency, operational efficiency, financial record-keeping, Government welfare schemes.*

## 1. INTRODUCTION

Digital payment systems support human rights by promoting financial inclusion and equal economic opportunities for small business owners. They help individual access formal financial services, reducing dependence on cash and informal systems. By enabling transparent transactions, digital payments protect the right to fair trade and reduce exploitation and corruption. Small businesses, including women entrepreneurs and rural vendors, gain better access to markets and income security. Digital records also support the right to social security by helping businesses access loans, insurance, and government benefits. Moreover, safer cashless transactions protect the right to personal safety by reducing theft and fraud risks. However, ensuring digital literacy, data privacy, and cybersecurity is essential to protect users' rights. Overall, digital payment systems contribute positively to economic rights and dignity of small business owners when implemented responsibly.

**Area of study:** *Digital payment System on Financial Inclusion and Economic Empowerment of small business.*

## 2. REVIEW OF LITERATURE

**Subramanyam Neti et al. (2024)**<sup>1</sup> In their title "Impact of Digital Payment on Small and Medium Enterprises" examined the impact of digital payment systems on Small and Medium Enterprises (SMEs). Their study found that businesses using digital payments experienced better financial control, smoother cash flow, and improved customer relationships. The adoption of digital payments reduced late payments and accounting mistakes, making business operations more organized. However, the study also pointed out challenges such as transaction charges, the need for employee training, and reliance on internet connectivity.

**Dr. S. Samundeeswari and Ms. D. Kaviya (2025)**<sup>2</sup> "In their title "Impact of Digital Payment System on Small Business" analyzed how digital payment systems affect small businesses and found that these systems significantly improve operational efficiency and customer satisfaction. Their research highlighted that tools such as mobile wallets, card payments, and online banking help business owners track transactions in real time and make better financial decisions. Although concerns about security and infrastructure were noted, the overall impact of digital payments on small businesses was positive.

**Aniket Manoj Gupta (2024)**<sup>3</sup> In their title "A Study on Impact of Digital payment system with Reference to NPCI" focused on digital payment systems in India with special reference to the National Payments Corporation of India (NPCI). The study emphasized the role of government initiatives like UPI, BHIM, IMPS, and AEPS in encouraging cashless transactions. According to the research, these platforms have made payments faster, safer, and more transparent for small businesses, while also reducing risks associated with cash handling.

**Zhang, Liu, and Li (2025)**<sup>4</sup> In their title “The Impact of Digital Payment on Sports Lottery Consumption decision based on the moderating role of business environment” studied the influence of digital payments on consumer decision-making. Although their research focused on sports lottery consumption, the findings are relevant to small businesses. The study showed that digital payments reduce transaction difficulties and encourage more frequent purchases by making payments easier and more convenient. This indicates that digital payment systems can increase customer spending when supported by a favorable business environment.

**Akalya Devi et al. (2022)**<sup>5</sup> In their title “Consumer Behaviour Analysis” the examined consumer behavior in the digital environment and found that digital technologies strongly affect customer satisfaction and purchasing decisions. The study revealed that businesses using digital tools, including digital payment systems, are better able to understand customer needs, improve service quality, and increase sales. These findings support the view that digital payments enhance customer experience, which is vital for the success of small businesses.

### **3. STATEMENT OF PROBLEM**

Despite the rapid growth of fintech, we don't fully understand the "why" behind the "what." While 66% of users juggle multiple payment channels, it is unclear if this versatility stems from necessity or simple convenience. Furthermore, there is a gap in knowledge regarding how the duration of usage translates into a meaningful impact on a user's financial lifestyle. This study addresses whether long-term retention actually leads to higher perceived utility or if users remain at a surface level of engagement, ultimately helping providers bridge the gap between simple adoption and deep financial integration.

### **4. OBJECTIVES OF STUDY**

1. To examine the adoption of digital payment systems among small business.
2. To analyse period of using digital payment system.
3. To understand how financial transparency through digital payments support better financial management.

### **5. RESEARCH METHODOLOGY**

The data collected will focus on access to digital payments, sales growth, customer satisfaction, operational efficiency, and inclusion in formal financial services as part of the right to livelihood. Statistical tools such as percentage analysis, mean scores, and correlation analysis will be used for data interpretation. The study will also examine benefits and challenges related to digital literacy, data privacy, cybersecurity, and protection from financial exclusion as key human rights concerns. Finally, the findings will be interpreted in terms of how digital payment systems support equality, dignity, economic security, and the right to participate in economic activities.

#### **5.1 Research design**

The study adopts a descriptive and analytical research design to examine the adoption of digital payment systems among small businesses from a human rights perspective.

#### **5.2 Data collection**

Primary data will be collected through a structured questionnaire administered to small business owners, while secondary data will be gathered from journals, government reports, RBI publications, and previous studies related to financial inclusion and economic rights.

#### **5.3 Sampling design**

A random sampling method will be used to select respondents. Totally 50 respondents were collected for the study.

#### **5.4 Period of study**

A study on impact of digital payment system on small business should be November 2025 to January 2026.

#### **5.5 Tools used**

- Simple percentage
  1. Digital payment system used in business.
  2. Duration of using digital payment system.
  3. Extent of financial Transparency experienced by small business.

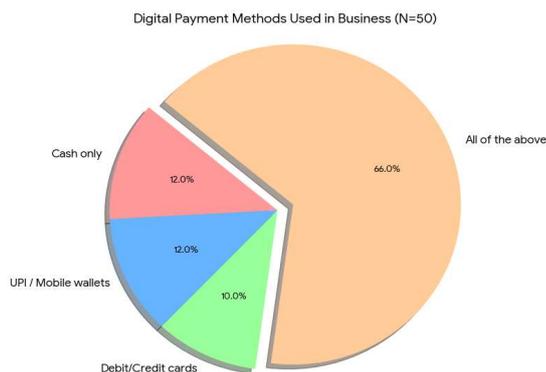
## 6. ANALYSIS AND INTERPRETATION

### 1. Digital payment methods are used in business.

**Table no 1 Digital payment system used in business**

Particulars	Responders	Percentage%
Mobile wallet	6	12.0%
Upi	6	12.0%
Debit/Credit cards	5	10.0%
All the above	33	66.0%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Chart 1**



### Interpretation

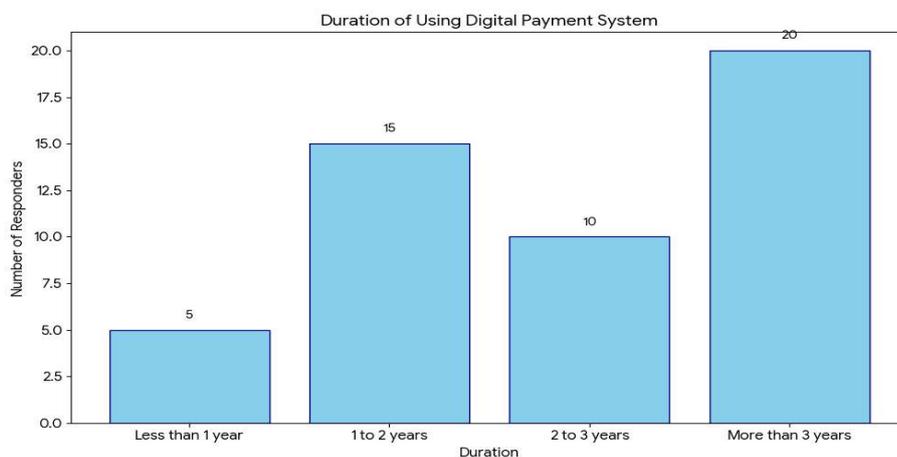
This chart clearly shows that the majority of responders (66.7%) prefer using "All of the above" methods, indicating a high versatility in payment adoption, while single-method usage is evenly split among the other categories.

### 2. How long have you been using digital payment system?

**Table no 2 Duration of using digital payment system**

Particular	Responders	Percentage%
Lessthan 1 year	5	2.2%
1 to 2 years	15	42.4%
2 to 3 years	10	11.1%
More than 3 years	20	44.1%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Chart 2**



### Interpretation

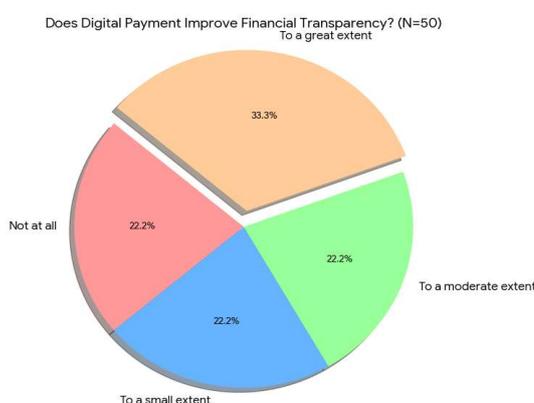
There are no businesses in the "Less than 1 year" category, indicating that everyone surveyed is an experienced user of digital payments. A significant portion (44.4%) has been using digital payments for more than 3 years, showing that this technology is well-established in their business operations. With 88.8% of responders having used the system for at least a year (combining 1-2 years and >3 years), digital payments are clearly a standard operating procedure for this group.

### 3. Digital payment records improve financial transparency.

**Table no 3 Extent of financial Transparency experienced by small business**

Particulars	Responder	Percentage%
Not all	12	22.2%
To a small extent	10	22.2%
To a moderate extent	11	22.2%
To a greate exent	17	33.3%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Chart 3**



### Interpretation

The opinions are quite divided. While the largest single group of responders (33.3%) strongly agrees that digital payments improve transparency to a "Great Extent," there is no overwhelming consensus. The remaining responders are evenly split (22.2% each) across the other three categories.

### 7. FINDINGS

The research is limited in scope to selected regions and may not reflect broader national trends. Self-reported data could introduce bias, and the fast-changing nature of digital technologies may make some insights time-sensitive. The study finds that digital payment Systems have been widely adopted by small business owners, mainly due to customer demand, ease of transactions, and government initiatives. The use of UPI, mobile wallet, and card payments has improved sales performance and increased customer satisfaction by offering faster and more convenient payment options. Digital payments have also enhanced access to formal financial services such as banking, loans, and government benefits through transparent transaction records. Additionally, reduced cash handling has improved security and accountability. However, challenges such as limited digital literacy and concerns about data security still affect a few users, indicating the need for better awarness and support.

### 8. CONCLUSION

Digital payment systems play an important role in promoting equality, financial inclusion, and the right to livelihood for small business owners. By enabling access to secure and transparent financial services, digital payments allow small businesses to participate more fully in economic activities and reduce dependence on cash-based systems that often limit growth and security. They support economic dignity by improving income opportunities, customer satisfaction, and access to formal financial institutions. Digital payments also strengthen the right to economic security and social protection by improving financial record-keeping and enabling access

to credit, insurance, and government welfare schemes. At the same time, challenges such as digital illiteracy, cybersecurity risks, and unequal access to infrastructure threaten the principle of equal participation. Addressing these issues through inclusive policies, digital education, and strong data protection is essential to ensure that digital payment systems truly uphold human rights and promote inclusive and sustainable development for all small business owners.

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