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A study on the impact of digital payment systems on business efficiency and customer satisfaction

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Abstract

This research explores how digital payment systems influence business efficiency and customer satisfaction. With the growth of online transactions, changing customer behavior, and increasing digital literacy, digital payments have revolutionized traditional payment methods across all sectors. Businesses, especially small and medium enterprises (SMEs), are increasingly adopting digital payment solutions due to their speed, transparency, and integration with financial management tools. Simultaneously, customers have shown higher levels of trust and preference toward cashless transactions. The study evaluates the effectiveness, advantages, and challenges of digital payment systems and their impact on overall business operations and customer engagement. A combination of primary data and literature review is used to present a comprehensive analysis of the adoption trends, satisfaction levels, and potential barriers faced during the implementation of digital payment systems. This research also highlights the scope for digital transformation in rural and semi-urban areas, where awareness and access remain limited.

Keywords: Digital payment, business efficiency, customer satisfaction, UPI, mobile wallets, SMES, cashless economy

Introduction

The 21st century has witnessed a remarkable transformation in the way financial transactions are conducted, primarily due to the rise of digital technology. In India, this shift has been further accelerated by proactive government initiatives such as the Digital India campaign, demonetization in 2016, and the widespread implementation of the Unified Payments Interface (UPI). These changes have played a pivotal role in encouraging both consumers and businesses to adopt digital payment systems.

Digital payments refer to cashless transactions made using electronic modes such as UPI, mobile wallets (e.g., PhonePe, Paytm, Google Pay), credit/debit cards, net banking, and QR code scanning. These payment systems have significantly reduced the dependence on physical currency, enhanced transaction speed, and brought transparency to the economy. With the increasing use of smartphones, better internet accessibility, and growing digital awareness among the population, digital transactions have become a vital part of day-to-day business operations.

Businesses especially small and medium enterprises (SMEs) have been quick to adopt digital payment platforms to improve operational efficiency, cash flow management, and customer engagement. Digital payments not only reduce the burden of handling physical cash but also make it easier for businesses to maintain proper records, track sales, and generate real-time financial reports. Moreover, they help build customer trust by offering secure and seamless payment experiences.

From the customer perspective, digital payments offer convenience, speed, and flexibility, especially in urban and semi-urban settings. Customers prefer businesses that provide multiple payment options, and many even consider it a sign of professionalism and modernity. In fact, digital payment availability has become a key factor influencing customer loyalty and repeat purchases.

However, despite the numerous benefits, there are still some challenges that hinder the widespread and inclusive adoption of digital payment systems. These include technical glitches, cybersecurity threats, limited digital literacy, and infrastructure gaps in rural regions. This research paper aims to explore all these aspects in detail by assessing the

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impact of digital payments on business operations and customer satisfaction, and by identifying the barriers and opportunities in this evolving digital ecosystem.

Review of Literature

1. **Ramesh & Lakshmi (2021)** ^[1]: Their study on SMEs revealed that digital payment systems significantly improved transaction speed and reduced cash-handling costs. They also found a positive correlation between digital payment adoption and daily operational efficiency.
2. **Gupta & Arora (2020)** ^[2]: The authors analyzed the shift in consumer behavior post-digitization. They concluded that customers are more likely to revisit businesses offering digital payment options due to convenience and speed of transactions.
3. **Kumar (2019)** ^[3]: This study focused on the cybersecurity challenges of digital payment platforms. It highlighted risks such as phishing, data theft, and system failures, which continue to discourage certain businesses from going fully digital.
4. **Joshi (2022)** ^[4]: Joshi emphasized the importance of digital literacy among small retailers and shopkeepers. According to the research, a lack of awareness and training is one of the primary reasons for resistance to digital adoption in rural and semi-urban India.
5. **Mishra & Nayak (2021)** ^[5]: Their study found that the COVID-19 pandemic acted as a major catalyst for digital payment usage. Consumers and merchants increasingly preferred contactless transactions for hygiene and safety reasons.
6. **Sharma & Mehta (2023)** ^[6]: The authors explored how digital payments integrated with ERP and accounting software have helped businesses maintain better financial control, real-time transaction records, and faster reconciliations.
7. **Rathod & Iyer**: This research highlighted how mobile wallet companies like Paytm and PhonePe penetrated Tier II and Tier III cities. Their cashback and rewards programs played a key role in encouraging users to adopt digital payments.
8. **Saxena & Das**: The study analyzed the role of government schemes and policy support, such as BHIM app promotions and zero MDR charges, in accelerating digital payment usage among micro and small enterprises in India.

Research Methodology

This research employs a descriptive and analytical approach to understand the real-time adoption, usage, and impact of

digital payment systems among businesses and customers.

- **Type of Research:** Descriptive and Analytical
- **Population:** Small and Medium Enterprises (SMEs), and general customers in urban and semi-urban regions.
- **Sampling Technique:** Convenience Sampling
- **Sample Size:** 100 respondents (50 business owners and 50 customers)

Data Collection Method

Primary Data: The primary data for this study was collected through structured questionnaires and in-person interviews. A total of 100 respondents participated in the survey, which included 50 small and medium business owners and 50 customers from urban and semi-urban areas. The questions were designed to gather insights on the adoption, usage, satisfaction, and challenges of digital payment systems. Business owners were asked about efficiency, transaction handling, and record-keeping improvements, while customers were asked about convenience, security, and repeat buying behavior due to digital payments. The responses were recorded using a Likert scale and multiple-choice format for easy quantitative analysis.

Secondary Data: Secondary data was obtained from various reliable sources such as research journals, government publications, RBI reports, news articles, white papers, and websites of digital payment service providers. Literature from reputed authors and studies from recent years were reviewed to understand the theoretical background, current trends, and challenges related to digital payments in India. Sources such as the National Payments Corporation of India (NPCI), Digital India portal, and industry surveys were also referred to for up-to-date statistical information and policy developments.

Tools for Analysis

- Percentage analysis
- Frequency tables
- Graphical presentation (charts and bar diagrams)
- Interpretive summary for qualitative feedback

This methodology ensures a balanced perspective from both service providers (businesses) and service users (customers), offering a holistic view of digital payment trends and challenges

Data Analysis and Interpretation

Frequency Table

Table 1: Businesses see benefits, face some challenges.

Q. No.	Question Summary	Yes	No	Total	Yes (%)
Q1	Do you accept digital payments?	40	10	50	80%
Q2	Prefer UPI as preferred payment mode	35	15	50	70%
Q3	Digital payments reduce transaction time	38	12	50	76%
Q4	Digital payments reduce cost of cash handling	32	18	50	64%
Q5	Improved customer relationships	37	13	50	74%
Q6	Digital payments increase business efficiency	36	14	50	72%
Q7	Customers are satisfied with digital payments	39	11	50	78%
Q8	Faced technical issues while accepting payments	25	25	50	50%
Q9	Concerned about cybersecurity threats	20	30	50	40%
Q10	Recommend digital payments to other businesses	42	8	50	84%

Interpretation

- **Digital Adoption:** A large majority (80%) of respondents accept digital payments, indicating strong adoption.
- **UPI Dominance:** 70% prefer UPI, making it the most commonly used digital payment method.
- **Time & Cost Savings:** 76% experienced reduced transaction time, while 64% agreed it reduced cash handling costs.
- **Customer Relations:** 74% observed improved customer relationships due to digital transactions.
- **Operational Benefits:** 72% felt that business efficiency increased after adopting digital payments.
- **Customer Satisfaction:** 78% reported that their customers were satisfied using digital payment systems.
- **Technical and Security Challenges:** Half of the respondents faced technical issues, and 40% expressed concern over cybersecurity.
- **Promotion Potential:** 84% of participants said they would recommend digital payments to other businesses, highlighting high overall satisfaction.

Findings

1. A significant number of businesses (80%) have already adopted digital payment systems.
2. UPI stands out as the most preferred digital mode among users, supported by 70% of the respondents.
3. 76% of business owners believe that digital payments save time and improve transaction speed.
4. 64% of respondents agree that digital payments reduce the cost associated with cash handling.
5. A majority of businesses (74%) feel that digital transactions help improve customer relationships.
6. 72% of participants acknowledged that digital payments enhance overall business efficiency.
7. 78% confirmed that their customers are satisfied with the availability and use of digital payment options.
8. Technical issues are common, with 50% of respondents reporting such problems.
9. Cybersecurity remains a concern for 40% of the business owners surveyed.
10. 84% of business owners recommend the adoption of digital payment systems to others, indicating a positive outlook for digital commerce.

Suggestions

1. Conduct awareness programs for small and medium enterprises (SMEs) to promote the benefits and safe usage of digital payment systems.
2. Provide digital training workshops for business owners and staff to improve digital literacy and confidence in handling online payments.
3. Strengthen cybersecurity infrastructure by adopting secure payment gateways, regular software updates, and basic fraud prevention education.
4. Improve internet connectivity and digital infrastructure in semi-urban and rural areas to enable smooth transactions.
5. Encourage integration of digital payment platforms with accounting and inventory software for better record-keeping and business management.
6. Offer financial incentives or tax rebates to businesses that actively adopt and promote digital transactions.

7. Ensure customer education on how to safely use digital payment apps and recognize fraud attempts.
8. Collaborate with fintech companies to design user-friendly and inclusive digital payment solutions tailored to the Indian SME sector.

Conclusion

The adoption of digital payment systems marks a significant transformation in the way businesses conduct financial transactions and engage with customers. Through this study, it is evident that digital payments have brought about substantial operational improvements for businesses, particularly in terms of reducing transaction time, minimizing cash-handling costs, and increasing transparency. These systems have also strengthened customer satisfaction and trust by offering secure, fast, and convenient payment options.

The research findings highlight that a large portion of business owners and customers are not only using but also favoring digital transactions. The preference for UPI and mobile wallet-based payments signifies a shift in both business strategy and consumer behavior. Additionally, businesses reported that digital payments contribute to better financial record-keeping, facilitate faster payment processing, and foster improved customer relationships. These outcomes confirm the overall efficiency and effectiveness of digital financial tools in modern commerce. However, the study also reveals existing barriers to full-scale adoption. Many businesses continue to experience technical glitches, poor digital infrastructure in semi-urban areas, and growing concerns about cybersecurity. Moreover, limited awareness and digital literacy further slow down the momentum in certain sectors and regions. Hence, while digital payments present a positive outlook, these issues must be addressed through supportive policies, infrastructure development, and educational initiatives.

In conclusion, digital payments are not just a trend but a necessity for growth and competitiveness in today's business environment. To realize their full potential, collaborative efforts are needed from the government, financial institutions, fintech companies, and the business community. With focused attention on security, accessibility, and user training, India can move closer to becoming a truly digital and financially inclusive economy.

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