

A Study on the Effect of Electronic Payment Systems on Small Business in Urban Bengaluru

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Abstract

The development of the Internet and the arrival of e-commerce fostered digitalization in the payment processes by providing a variety of electronic payment options including payment cards (credit and debit), digital and mobile wallets, electronic cash, contactless payment methods etc. electronic payment services with their increasing popularity are presently under the phase of transition, heading towards a promising future of tentative possibilities along with the innovation in technology. In this paper, we will evaluate Effect of Electronic Payment Systems on Small Business. In Bengaluru there has been a rapidly increasing adoption of electronic payment by large enterprises but not by small and medium enterprises. The purpose of this study was to investigate on the factors that influence adoption of electronic payment among the small business in Bengaluru. A Survey design was conducted to each business of the 300 small businesses using an open ended questionnaire. It is found that the Ease of use, Security, Saves time from the long queue, Convenience, Awareness and Flexibility has significant impact on the Electronic Payment Systems. On the basis of the findings it was concluded that entrepreneur background characteristic and ease of use of electronic gadgets are the main factors that influence adoption of electronic payments.

Keywords: Small business, factor influencing, electronic payment, digitalization

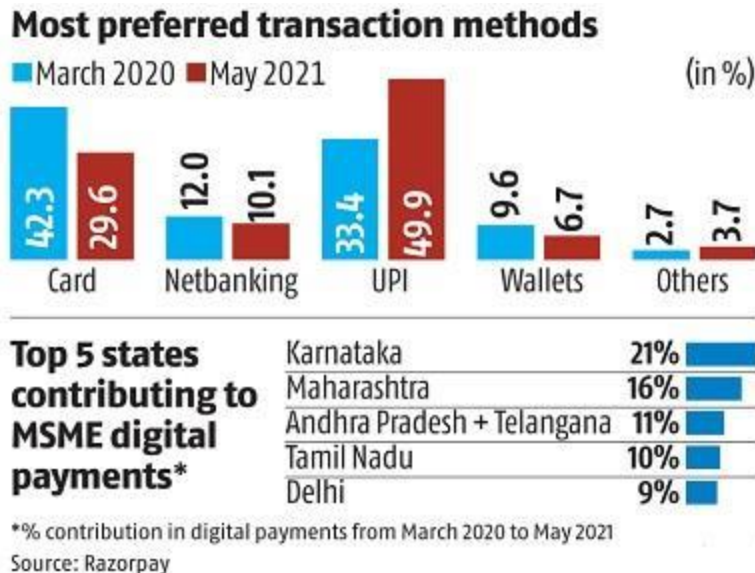
Introduction

Information and Communication Technology (ICT) has gone into facet of everything in today's world. As such technology adoption has become commonplace in both individual well-being and organizational operations through the use of Communication gadgets and other digital technologies. It is through these mechanisms that world's economics and finances were revolutionized in terms of operational costs

minimization and enhancement of organizational performance (Slozko and Pelo, 2015). The era of ICT revolution and the proliferation of the internet and the World Wide Web have resulted in dynamic change in world's payment system. This is evident from the fact that financial transactions have now moved from cash-based systems to electronic forms (Mohamad et al., 2009). As such business organizations and other non-profit organizations continue to adopt the use of electronic-based systems in their payment methods so as to move along with the current global trend of technological change. In addition, increased access to internet and the availability of computers and other Communication facilities have immensely contributed in facilitating commerce in electronic forms which is widely known as electronic commerce (Fernandes, 2013). Electronic commerce (e-Commerce) is the application of electronic systems in facilitating trade and/or business transactions. Businesses have now a days left no other option than to market and sell their product via the internet and as such payments are equally made electronically. Therefore, the utilization of electronic systems in facilitating online payments is termed as the Electronic Payment System (EPS). Therefore, EPS could be seen as a helping mechanism that enhances e-Commerce transactions across national boundaries with no or little restrictions.

Digital payments are a source of sending and receiving monetary payments in economy which acts as an economic booster as this encourages money flow with more ease. Digital payment applications allow an individual to make their transaction happen round the clock across the world without making their pockets heavy. There was an use of digital payment services post pandemic by Indian people such as businessman's as well as by households but the wave of Covid-19 has increased the use of digital applications in economy especially at towns and village level. Now-a-days most of the small businessman's, shopkeepers even those who earn their livelihood through selling of their items using hand carts or hawkers. Every citizen is now conscious about their health and safety hence prefers digital transaction instead of cash payments. Having trade through digital applications is much safer than physical exchange of money which involves touch to notes by numerous hands in circular. The people at towns and villages carry their QR code of their digital wallet at their shops or on their carts which makes easy to pay the amount of money in exchange of items purchased or services consumed. This on the other hand attracts more customers to pay right from their bank accounts or digital wallets while making any kind of purchase not having stress of cash crunch in market. For small businessman's digital payment simultaneously acts as a direct deposit into their bank accounts by not standing in a long queue at deposit desk in bank which saves their time and enhances their scope of business.

According to Government of India the cashless policy will increase employment, reduce cash related robbery thereby reducing risk of carrying cash. Cashless policies also reduce cash related corruption and attract more foreign investors to the country. In many countries introduction of cashless economy can be seen as steps in the right direction. It is expected that its impact will be felt in modernization of payment system Reduction in the cost of banking service, Reduction in high security and safety risk and also curb corruption. Electronic banking will be made banking transaction to be easier by bringing services closer to its customers hence improving banking industry performance. The financial safety over the digital payment channel is important for pushing the cashless economy idea. A major obstacle for the quick adoption of alternate mode of payment is mobile internet penetration, which is crucial because point of sale terminal works over mobile internet connection, while banks have been charging money on card based system. which is seen in hurdle. India has been using electronic payment system for many year now, However the retail sector still has predominance of cash transaction and payment through cash is yet to pick up card is the one of the m secure, convenient mode of cashless payment in retail market.



Source: Business Standard

Small and medium enterprises are increasingly seeing the benefits arising from e-commerce as expanded geographical coverage giving them a larger potential market into which they can sell their products and services (Rastogi, 2002). In this research, endeavors and efforts have been made in order to study the relationship between electronic commerce and organizational performance in small and medium enterprises. The purpose of this research is to study the components affecting electronic commerce and organizational performance from the perspective of electronic business and also provide a comprehensive model for building proposed strategies in various industrial sectors.

Review of Literature

Long Zong (2020) Mobile payments have gradually displaced traditional cash payments and taken over as the predominant payment method as a result of technological advancement and payment method variety. When their physical disparities are controlled, mobile payment is faster than cash payment even though it is more convenient. Does it influence how consumers behave.

GirishJeswani (2021) - Online purchases have increased significantly as a result of the ongoing COVID-19 Pandemic. The present wallet payment architecture necessitates constant online connectivity. It has been noted that there is a chance of losing Internet connectivity for a number of reasons. In the event of an internet outage, developing a mechanism to permit offline transactions and distinguish three key situations where totally offline transaction capability is thought to be advantageous for both customers and businesses.

Prasanna (2020) Online and offline commerce are fundamentally distinct in terms of boundaries and business structures when conducting traditional transactions. O2O commerce, on the other hand, blurs the lines and strengthens the connections between online and offline trade. The development of the emerging O2O business model is still in its early stages, despite the fact that O2O-related technologies like Near Field Communication (NFC), Location-Based Services (LBS), or Beacons have grown significantly over the previous 20 years

Xu (2017) It's not easy to use technology to quickly find a successful O2O business model. Organizations must comprehend what consumers want from the O2O channel and how a vendor of O2O services may meet those needs.

Pal et al, (2019) despite the success of mobile money solutions such as M-Pesa in Kenya and G-Cash in the Philippines, India has been lagging behind. With the introduction of "demonetization" in November

2016, the Indian government invalidated 86% of the banknotes already in use, resulting in a brief cash shortage. The use of mobile payments increased immediately afterward and then decreased again within six months after banknotes resumed being in use.

Kouame (2022) argued that FinTech and mobile money in Africa has brought positive development in financial inclusion. RedSeer Consulting claims that India is an emerging MoMo market with an estimate of 800 million unique payment users by 2025 from 160 million in 2020.

Hema (2018) mentioned in their study on “digital payments in India with perspective of consumer adoption” that digital payments services got hike after the happening of demonetization which gave rise to use of BHIM and UPI applications with a presence of full transparency. The researches have conducted a primary survey for 183 people from Hyderabad region of India and analysed their data through application of a technique that is Chi-square. They founded that technological deployment in case of digital payments has raised banking performances that is competent to attain objective of cash less economy. They further analysed that banks are required to bring some measures that are effective in order to create awareness while using security or technology.

Vijaykumar (2019) analyzed the concept of “Diffusion of Digital payment system in Rural India” and mentioned the significance of cashless country in context to Southern Indian economy through application of a specific research tool that is Structural Equation Modelling. The researchers have collected some data from people who belong to rural areas of South India and founded that there are some people who are still unaware about the economy which is moving towards cashless country and were very much reactive while mentioning for their responses. On the other hand they founded that digitalization is now a priority of survival, the economy of digitalization has a significance impact on social lives of people. The adoption of digital payment services by rural community will enhance south India and contributes in installing computerized systems in areas.

Objectives

1. To analyse how the Electronic Payment Systems contribute towards the growth of Small Business in Urban Bengaluru
2. Study was to assess impact of Electronic Payment Systems on Small Business in Urban Bengaluru

Hypothesis

H₁: There is no impact on electronic payment systems on small businesses

Research Methodology

Descriptive and analytical research design has been used for this study. For this study purpose total of 300 small businesses respondents of primary data collected through open ended questionnaire. The questionnaire involves the nature of business, size of business and opinion of the owners regarding the various benefits of electronic payments to the small businesses of Bengaluru rural of Karnataka on a likert scale of 1 to 5 rating with a sample of 300 respondents. The study has been conducted during September, 2022 to December, 2022. Data analyzed using SPSS and statistical tools like percentage analysis and ANOVA.

Data Analysis and Interpretation

Table 1: Different Sizes of Business with different Nature covered in the Study

Nature of Business	Size of Business
	Small
Books & Stationery	8
Electronics	36
Food Centres (including hotels)	28

Furniture	25
Garments/Footwear	36
Generalstore	27
Grocery/Cosmetics	35
Grocery/Cosmetics	16
Hardware	27
Jewellery	16
Medicines	18
Providinganykindofservices	26
Total	300

Table 2: Impactof Electronic Payment Systems on Small Businesses in Urban Bengaluru

ANOVA							
		Sumof Squares	Df	Mean Square	F	Sig.	Remarks
Ease of use	Between Groups	2.983	1	.709	9.801	.001	Rejected
	Within Groups	46.882	298	.618			
	Total	49.865	299				
Security	Between Groups	1.833	1	.711	2.785	.000	Rejected
	Within Groups	49.909	298	.873			
	Total	51.742	299				
Saves time from the long queue	Between Groups	2.913	1	.588	2.983	.000	Rejected
	Within Groups	32.819	298	.916			
	Total	35.732	299				
Convenience	Between Groups	.393	1	.393	.331	.000	Rejected
	Within Groups	568.355	298	1.189			
	Total	568.748	299				
Awareness	Between Groups	293.294	1	199.714	117.873	0.000	Rejected
	Within Groups	177.561	298	2.913			
	Total	470.855	299				

Flexibility	Between Groups	1518.44	1	303.689	42.227	.000	Rejected
	Within Groups	1071.59	298	7.192			
	Total	2590.03	299				

As per the results of the ANOVA test applied on each statement of impact on Electronic Payment Systems on Small Business in Urban Bengaluru the null hypothesis rejected on the basis of Ease of use, Security, Saves time from the long queue, Convenience, Awareness and Flexibility has significant impact on the Electronic Payment Systems.

Table 3: ANOVA Table based on various factors affecting Electronic Payment Systems on Small Businesses in Urban Bengaluru

	Sum of Squares	Df	Mean Square	F	Sig.	Remarks
Various factors affecting Electronic Payment and Ease of use	Between Groups (Combined)	1	2.025	3.254	.003	Rejected
	Within Groups	13376.927	298	.622		
	Total	13420.364	299			
Various factors affecting Electronic Payment and Security	Between Groups (Combined)	1	.292	.462	.001	Rejected
	Within Groups	6901.996	298	.632		
	Total	6969.258	299			
Various factors affecting Electronic Payment and Saves time from the long queue	Between Groups (Combined)	1	1.791	2.884	.003	Rejected
	Within Groups	7518.633	298	.621		
	Total	7529.258	299			
Various factors affecting Electronic Payment and Convenience	Between Groups (Combined)	1	.953	1.523	.000	Rejected
	Within Groups	7157.037	298	.625		
	Total	7169.939	299			
Various factors affecting Electronic Payment and	Between Groups (Combined)	1	1.371	2.199	.000	Rejected
	Within Groups	7312.178	298			

Awareness	Total	7338.485	299				
Various factors affecting Electronic Payment and Flexibility	Between Groups (Combined)	1	1	1.788	.199	.000	Rejected
	Within Groups	7233.789	298				
	Total	7247.24	299				

As per the results of the ANOVA test depicted from the above table 3 the null hypothesis is rejected on the basis of Ease of use, Security, Saves time from the long queue, Convenience, Awareness and Flexibility has significant impact on the Electronic Payment Systems in small businesses in urban Bengaluru.

Conclusion

The COVID-19 pandemic is expected to have a significant effect on the payment card market. Contactless payment is tagged as a more hygienic and safer way of making payments. This issue promotes mobile payment. The COVID-19 pushes people to look for alternative payments in shopping and seeking to avoid handling cash and other materials to safely and quickly check out. However, as the COVID-19 enhances electronic payments, it is important to secure online and digital transactions. The study had critically reviewed previous studies on electronic payment system studies across the world. The study had also analyzed them based on six distinct elements. i.e., ease of use, Security, Saves time from the long queue, Convenience, Awareness and Flexibility. The findings of this study show that there is an impact of factors on Electronic Payment Systems on Small Businesses in Urban Bengaluru.

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