

Adoption and Usage of Digital Payment Apps

Anukrishna K A ¹,
Anila Mohanan ², Muthulakshmi R ³ & Dibin Sekharan ⁴

Abstract

Digital payment applications have transformed financial transactions in India, driven by rapid technological advancements, government initiatives, and increased smartphone penetration. This study investigates consumer adoption patterns, key benefits, and the challenges faced in using digital payment apps. Using primary data collected from 161 respondents, this research highlights factors such as ease of use, perceived security, transaction costs, and regulatory influence on adoption. While younger, urban users demonstrate high adoption rates, gaps remain in security perception and awareness among certain demographic groups. The findings underscore the need for targeted policies, improved digital literacy, and robust security frameworks to promote equitable digital financial inclusion in India.

The growing shift from traditional cash transactions to digital platforms marks a significant cultural transformation in India's economy. The role of financial literacy, especially among rural populations, plays a critical role in bridging the adoption gap. Digital payment apps now form the backbone of India's rapidly evolving Fintech ecosystem, offering not just payment options but integrated services spanning insurance, savings, and credit facilities.

Keywords: *Digital payments, UPI, consumer behaviour, Fintech, security, financial inclusion*

¹ BBA Students, Department of Commerce, Rajagiri College of Management, Kochi. Email: anuanandharaman@gmail.com

² BBA Students, Department of Commerce, Rajagiri College of Management, Kochi. Email: anilamohanan9@gmail.com

³ Assistant Professor, Department of Commerce, Rajagiri College of Management and Applied Sciences, Kakkanad. Email: smuthulakshmiraman@gmail.com

⁴ Associate Professor, School of Management, De Paul Institute of Science and Technology Angamaly. Email: dibinsekharan@depaul.edu.in

1. Introduction

The landscape of financial transactions in India has undergone a significant transformation, evolving from age-old barter systems to highly sophisticated digital payment ecosystems driven by mobile technology and internet access. This transition has been shaped by a combination of socio-economic reforms, technological innovation, and evolving consumer behaviour. A landmark moment in this journey was the launch of the Unified Payments Interface (UPI) by the National Payments Corporation of India (NPCI) in 2016. Its introduction, coupled with the Indian government's demonetization policy that same year, served as a catalyst for large-scale digital adoption. As a result, platforms such as Google Pay, PhonePe, Paytm, and BHIM have now become integral to the country's financial activities, ranging from peer-to-peer transfers to utility bill payments and retail purchases.

Despite these advancements, several structural barriers hinder the universal adoption of digital payment systems. Issues such as inadequate digital literacy, concerns regarding data privacy and cyber fraud, and infrastructural disparities, particularly in semi-urban and rural regions—pose ongoing challenges. Moreover, the behavioural resistance to change and preference for traditional cash transactions among certain segments of the population further slowdown the penetration of digital finance.

Nonetheless, the integration of fintech solutions with government welfare programs has significantly expanded the reach of digital financial services. Initiatives like the Direct Benefit Transfer (DBT) program rely heavily on secure and accessible digital payment infrastructure to disburse subsidies and benefits directly into beneficiaries' accounts.

This demonstrates the growing interdependence between technological innovation and public policy in enhancing financial inclusion.

This study seeks to explore the key drivers and barriers that influence the adoption and usage of digital payment apps across diverse demographic and socioeconomic segments. By analysing user preferences, perceived challenges, and the influence of institutional support, this research aims to contribute valuable insights for policymakers, app developers, and social institutions. Ultimately, a better understanding of digital payment behaviour can help design more inclusive, user-friendly, and secure digital financial systems tailored to India's rapidly digitizing economy.

2. Literature Review

A comprehensive review of existing studies provides context for understanding digital payment adoption:

Trachuk and Natalia (2017) emphasized trust and security as critical adoption factors. Renukadevi (2025) credited government initiatives like Digital India and UPI for fostering a Fintech-friendly ecosystem. Ramayanti et al. (2022) linked intention to adopt with factors like ease of use, perceived usefulness, and social influence. Studies by Vasanthi et al. (2024) and Dutta et al. (2024) highlighted benefits to small businesses, including improved transparency and reduced cash handling. Common themes include convenience, user interface simplicity, and promotional incentives, with obstacles such as fraud concerns and infrastructure limitations in rural areas.

3. Theoretical Framework

Technology Acceptance Model (TAM): Suggests that perceived usefulness and ease of use influence users'

behavioural intention to adopt new technology. Diffusion of Innovation Theory: Classifies users into innovators, early adopters, early majority, late majority, and laggards, explaining varying adoption timelines. Trust and Security: Central to financial technologies. Users must believe their data and money are safe to use digital apps confidently.

4. Research Methodology

A quantitative research approach was employed, utilizing structured questionnaires to gather primary data from 161 respondents across various demographic groups. Respondents were selected via random sampling to capture diversity in age, occupation, and location. Statistical analysis was conducted to interpret usage patterns, benefits, and barriers associated with digital payment apps.

The survey was conducted primarily through online forms, ensuring reach across both urban and semi-urban regions. The questionnaire was designed to cover key dimensions, including perceived ease of use, perceived usefulness, trust in technology, influence of social networks, and barriers such as lack of knowledge or fear of fraud. Data was processed using descriptive statistics and graphical representations for clarity and better interpretability.

5. Results and Discussions

5.1 Demographic and Socioeconomic factors:

The demographic and socioeconomic characteristics of respondents play a vital role in determining the extent and manner in which digital payment apps are accessed and used. The majority of participants (63.97%) were from the 20–30 age group, indicating that younger individuals are more likely to adopt digital technologies, including payment applications. Individuals aged above 50 constituted 12.42%

of the total, suggesting that senior citizens are also slowly adapting to digital finance. Meanwhile, participants below 20 years made up 8.7%, and the 30–40 age category included 9.94% of respondents. Only 4.97% were from the 40–50 age group, indicating lesser engagement from middle-aged users. Regarding gender distribution, female respondents formed 54.7% of the sample, whereas males accounted for 45.3%. This indicates a fairly balanced representation and ensures the data reflects insights from both genders.

In terms of occupation, students made up the largest group, representing 53.4% of respondents. Employed individuals accounted for 25.5%, while self-employed people comprised 11.8%. A smaller proportion of the sample (9.3%) was unemployed. These figures suggest that students and working professionals are more inclined to use digital payment platforms due to their greater exposure to and familiarity with mobile technologies. The diversity in age, occupation, and gender helped provide a broad understanding of how various demographic groups interact with and perceive digital financial tools.

Ease of use emerged as a significant factor influencing the adoption of digital payment applications among respondents. Approximately 78.3% of users agreed or strongly agreed that learning to use digital payment apps was relatively simple for them. Around 75.7% of respondents found these apps easy to use when conducting transactions, indicating that the interface and features were intuitive. When asked about their interaction experience, 76.4% of participants agreed that their communication with the app was straightforward and clear, enhancing user confidence. Flexibility was also seen as a key advantage, with 72.1% affirming that the applications allowed smooth interaction in various usage scenarios. The responses indicate that digital payment apps are largely user-

friendly, accessible even to those who are not highly tech-savvy. These characteristics are instrumental in encouraging repeated use and long-term adoption.

Security and privacy remain central issues influencing user trust in digital payment platforms. The data reveals a mixed sentiment among respondents. Approximately 46.6% of users expressed concern that their personal information might be accessed without authorization when using digital payment apps. Nevertheless, 47.8% stated that they trusted the security mechanisms built into these platforms. Around 36.6% admitted hesitating before entering banking details due to security-related worries. Despite these reservations, 66.8% of respondents acknowledged that they had confidence in the existing safety protocols, including authentication procedures and fraud detection systems. These findings indicate that while most users trust the systems they use, a substantial proportion remain cautious. This highlights the importance of improving user awareness about security features to alleviate lingering doubts and improve adoption rates.

Cost-related aspects of digital payment platforms were another important factor examined in the study. Around 53.7% of users agreed that using digital payment apps helped reduce overall transaction costs compared to traditional methods like cash or physical banking. Despite this, 42.2% of respondents felt discouraged by the occasional high service charges levied by some platforms, especially for premium services or specific types of payments.

Furthermore, 61% of participants agreed that digital payment apps offered significant value in terms of convenience and speed. This demonstrates that while most users consider the

Cost-Benefit ratio to be favourable, concerns around hidden charges or service fees persist, and addressing them could further boost usage.

Government policies and the regulatory environment have played a vital role in supporting digital transaction systems and building public confidence. According to the responses, 62.1% of participants agreed that supportive government policies had a direct impact on their willingness to adopt digital payments. Furthermore, 65.2% reported that the presence of clear legal and regulatory frameworks enhanced their sense of security while using such platforms. However, awareness about specific legal rights and digital transaction regulations was limited, with only 42.9% of respondents stating familiarity with them. This indicates that while users are positively influenced by government interventions, there is a clear need for broader dissemination of legal and policy-related information to empower users further.

The study revealed a clear preference for digital over traditional modes of payment among respondents. Approximately 64.6% of users preferred digital transactions to cash, and 61.5% considered digital payment apps as their main method for conducting financial transactions. The role of social influence was also notable; 57.2% of respondents agreed that recommendations and usage by family and friends significantly impacted their own decision to use these apps. Moreover, a substantial 75.2% of users expressed overall satisfaction with their experiences using digital payment platforms. These results suggest that digital financial tools are becoming increasingly mainstream, supported by both individual preferences and social networks.

Awareness campaigns and training initiatives were found to be moderately effective in promoting digital payment usage. A majority of respondents (68.9%) reported having sufficient knowledge about how to use digital payment apps. This indicates that many users have acquired their understanding through informal learning or personal experience. However, only 47.8% found structured training programs influential in shaping their adoption decisions. Furthermore, 55.2% of users agreed that they would increase their usage of digital platforms if more awareness initiatives were implemented. This suggests that while self-learning has been effective so far, the development and promotion of formal training programs could expand digital literacy, especially in underserved communities.

The data indicates a strong rate of adoption of digital payment technologies among the surveyed population. About 73.9% of respondents reported that they use UPI-based payment apps regularly for their transactions. Furthermore, 71.5% of participants preferred mobile apps over conventional methods such as debit or credit cards. Similarly, 71.5% of users identified digital platforms as their primary financial tool, and 28.6% indicated that they rarely carry physical cash due to the convenience offered by digital payments. These trends clearly show a shift toward digital financial behavior, with users increasingly relying on mobile applications for everyday transactions.

6. Suggestions

Strengthen Security: Emphasize features like biometric authentication and fraud protection. **Targeted Awareness Campaigns:** Focus on rural populations and senior citizens using regional languages. **Offline Transaction Options:** Use

USSD/SMS-based apps for areas with low internet penetration. Incentives for Small Businesses: Reduce merchant fees and provide free onboarding tools. Simplify User Onboarding: Promote Aadhaar-based KYC and voice-assisted apps.

7. Conclusion and Recommendation

The study concludes that while digital payment apps are widely accepted in India, security concerns, awareness gaps, and regional disparities remain. To achieve inclusive financial digitalization: Stakeholders should enhance cybersecurity features and promote biometric authentication, tokenization of sensitive data, and end-to-end encryption. Incentives targeting underrepresented groups, especially in rural areas, should be introduced. Specialized schemes in local languages can attract first-time users. Educational initiatives should raise awareness about digital payment benefits and safety practices. Collaborations with educational institutions and local panchayats can significantly improve outreach. Partnerships with local influencers and community organizations can drive grassroots adoption. Leveraging community credibility fosters trust, especially in conservative or tech-resistant demographics. Government and financial institutions must ensure that infrastructure, including internet connectivity in remote areas, is robust and reliable. Faster refunds for failed transactions should be mandatory across platforms, with clearly communicated timelines to improve customer satisfaction. By addressing these gaps, India can accelerate its transition toward a digitally empowered, cashless economy. Innovations such as AI-driven chatbots for customer support, voice-enabled payment systems for the visually impaired, and cross-border

UPI capabilities can further consolidate India's leadership in the global digital finance ecosystem.

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