

# A STUDY ON DIGITAL PAYMENT ADOPTION IN URBAN KERALA

*with Special Reference to Thiruvananthapuram.*

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**Abstract :** The rapid expansion and growth of digital technologies have transformed the global financial landscape, particularly in emerging economies. Digital payment systems such as mobile wallets, QR-code payments, and real-time bank transfers have significantly reduced dependency on cash transactions. These systems promote financial inclusion, enhance transparency, digital literacy and improve economic efficiency. The digital payment platform in India like UPI is more adaptable to the customers and sellers. It facilitates low-cost money transfers among unbanked populations.

This study aims to analyse the adoption, growth, and impact of digital payment systems in urban area. The study mainly focused on the customers of Thiruvananthapuram district of Kerala.

**IndexTerms – Digital, financial, Thiruvananthapuram**

## I Introduction

The rapid advancement of technology has significantly transformed the financial landscape across India, leading to the widespread adoption of digital payment systems. Digital payments refer to transactions made through electronic modes such as mobile banking, debit/credit cards, Unified Payments Interface (UPI), internet banking, and mobile wallets. These systems have reduced dependency on cash and enhanced the speed, security, and transparency of financial transactions.

In recent years, Thiruvananthapuram, the capital city of Kerala, has witnessed remarkable growth in digital payment adoption. Factors such as increased smartphone penetration, improved internet connectivity, government initiatives promoting cashless transactions, and the expansion of digital infrastructure have played a crucial role in this transformation. The impact of demonetization in 2016 and initiatives like Digital India further accelerated the acceptance of digital modes of payment among businesses and consumers in the city. Small retailers, supermarkets, transportation services, educational institutions, and service providers in Thiruvananthapuram have increasingly adopted QR code payments, UPI transfers, and card-based transactions. The shift became even more prominent during the COVID-19 pandemic, as contactless payments were encouraged to reduce physical contact.

This study aims to analyze the factors influencing growth pattern and adoption of digital payment systems, challenges faced by users and merchants, and the overall impact of digital payment systems on the economy of Thiruvananthapuram. The findings will help understand how digital transformation is reshaping consumer behaviour and business operations at the local level.

## II Statement of the problem

The digital literacy is the main element to the digital payment system. Despite the proliferation of smartphones, a significant digital divide exists between urban and rural population. There is a critical lack of digital financial literacy. Even as the technology becomes available, a vast segment of the population lacks the skills to use this system safely, leading to a high reliance on staff-based support or a complete reversion to cash. Existing legal and regulatory framework often lag behind technology. Users frequently find grievance redressal mechanisms to be impossible of confusing which erodes the long-term trust necessary for a cash-less rather than just a less-cash society.

## III Review of Literature

The digital payment adoption in Thiruvananthapuram can be understood in the broader context of India's digital transformation. Studies indicate that the expansion of digital payments accelerated significantly after demonetization and the launch of the Unified Payments Interface (UPI), supported by the Digital India

initiative (Reserve Bank of India [RBI], 2022) <sup>[3]</sup>. Research based on the Technology Acceptance Model highlights that perceived usefulness, ease of use, and trust are major determinants of consumer adoption (Davis, 1989) <sup>[1]</sup>. Empirical studies further show that financial inclusion—through increased bank account penetration, mobile banking access, and digital literacy—positively influences digital payment usage (World Bank, 2021) <sup>[4]</sup>. However, scholars also emphasize challenges such as cybersecurity threats, network connectivity issues, and digital illiteracy, which may hinder sustainable adoption (Kumar & Gupta, 2020) <sup>[2]</sup>. Thus, existing literature suggests that while digital payments are expanding rapidly, their long-term success depends on infrastructure development, consumer awareness, and enhanced security mechanisms.

#### IV Objectives of the Study

1. To examine the factors influencing the growth of digital payment systems.
2. To analyse the impact of financial inclusion and consumer adoption behaviour
3. To evaluate the challenges faced by consumers such as cybersecurity and digital illiteracy.

#### V Scope of the study

The scope of this study is to examine the growth and development of digital payment systems in Thiruvananthapuram. It focuses on analyzing the increase in usage of digital payment methods such as UPI, debit/credit cards, mobile wallets, and online banking among consumers and merchants. The study covers factors influencing adoption, challenges faced by users and businesses, the impact on cash transactions, and the overall effect on the local economy. It is limited to selected areas and respondents within the city for a specific period and aims to provide suggestions for improving digital payment adoption and efficiency.

#### VI Methodology of the study

The study adopts a descriptive and analytical research design. Both Primary and secondary data collected for the study. Samples collected from various commercial and residential areas in Thiruvananthapuram. Convenience sampling technique is used for collecting responses from sample. Sample Size is 120. Data collected from customers only.

#### VII Limitations of the Study

- Limited to selected areas of Thiruvananthapuram
- Responses may be subject to personal bias
- Time and cost constraints

#### VIII Analysis and Interpretation

The analysis clearly shows that digital payment systems have experienced significant growth in Thiruvananthapuram. The transaction toward a cashless economy is steadily progressing due to technological advancement, government support and changing consumer behaviour. However, addressing security concerns and improving digital literacy will be crucial for sustainable growth in the future.

**Table No. 1**  
**Descriptive Statistics – Factors influencing Adoption**

| Factors                | N   | Mean | Std. Deviation |
|------------------------|-----|------|----------------|
| Convenience            | 120 | 4.32 | 0.74           |
| Time Saving            | 120 | 4.10 | 0.81           |
| Cashback & offers      | 120 | 3.85 | 0.92           |
| Government Initiatives | 120 | 3.70 | 0.88           |
| Ease of Use            | 120 | 4.25 | 0.69           |

Source: Primary data

(Scale: 1 = Strongly Disagree, 5 = Strongly agree)

The highest mean score is for convenience (4.32), indicating it is the most influential factor driving digital payment usage.

**Table No. 2**  
**Correlation between Financial inclusion and Digital Payment Usage**

| Variable                  | Digital Payment Usage |
|---------------------------|-----------------------|
| Financial Inclusion Score | 0.612                 |

*Source: Primary data*

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

There is a strong positive correlation (0.612) between financial inclusion and digital payment usage, suggesting that increased access to banking services promotes digital transactions

**Table No. 3**  
**Descriptive Statistics – Challenges in Digital Payments**

| Challenges                  | N   | Mean | Std. Deviation |
|-----------------------------|-----|------|----------------|
| Cybersecurity concerns      | 120 | 4.05 | 0.83           |
| Network Connectivity Issues | 120 | 4.18 | 0.76           |
| Transaction Failure         | 120 | 3.92 | 0.88           |
| Digital Illiteracy          | 120 | 3.80 | 0.95           |

*Source: Primary data*

(Score: 1 = Not a Problem, 5 = Major Problem)

Network connectivity issues (Mean = 4.18) and cybersecurity concerns (Mean = 4.05) are the major challenges affecting digital payment adoption.

### **IX Suggestions and Recommendations**

Based on the findings of the study conducted in Thiruvananthapuram, the following suggestions are made to improve the adaptation, growth and effectiveness of digital payment systems:

1. Better network infrastructure should be provided, especially in crowded areas, to reduce transaction failures.
2. Awareness programs and training sessions should be conducted for elderly people and small traders to improve their confidence in using digital payments.
3. Banks and payment service providers should enhance security features and educate users about safe transaction practices.
4. More people should be encouraged to open bank accounts and use mobile banking services to increase participation in digital payments.
5. Quick and effective grievance redressal systems should be made available to solve transaction-related problems.
6. Cashback offers, discounts, and reward points can motivate more people to use digital payment methods regularly.

### **Conclusion**

The study concludes that digital payment systems have experienced significant growth in Thiruvananthapuram due to increased smartphone usage, government initiatives, and improved banking facilities. Most consumers prefer digital payments because they are convenient, fast, and easy to use. Financial inclusion has positively influenced the adoption of digital transactions.

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