

# A STUDY ON IMPACT OF DIGITAL PAYMENTS ON SMALL TRADERS IN TIRUPPUR DISTRICT

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## ABSTRACT

This study investigates the impact of digital payment systems on small traders in Tiruppur district, focusing on adoption patterns, benefits, challenges, and customer perceptions. Using a mixed-methods approach that combines surveys and interviews with 150 purposively sampled respondents across retail, hospitality, services, and manufacturing sectors, the research highlights significant operational and financial transformations. Findings reveal that businesses adopting digital payments experienced increased sales, reduced transaction time, and improved employee productivity. While digital platforms enhanced convenience, transparency, and financial inclusion, challenges such as limited digital literacy, transaction costs, and technical issues persisted. Customer feedback indicated generally positive acceptance, though satisfaction varied across sectors. The study concludes that digital payments contribute positively to small traders' growth and sustainability, aligning with national initiatives like Digital India. Strengthening awareness, infrastructure, and affordable solutions is recommended to maximize benefits and ensure meaningful financial inclusion.

**Keywords:**Net Banking; Customer Behaviour; Digital Payments; Small Traders; Financial Management; Retail Sector.

## INTRODUCTION

In recent years, digital payment systems have rapidly evolved and gained widespread adoption across the globe, revolutionizing the way businesses, both large and small, handle financial transactions. Among the beneficiaries of this shift are small traders, who have historically faced challenges related to cash transactions, financial management, and customer reach. As digital payment methods such as mobile wallets, online banking, and

QR code-based transactions gain traction, small traders are increasingly adopting these technologies to enhance their business operations.

Digital payment systems have revolutionized commerce by offering speed, convenience, and accessibility, particularly for small businesses facing resource constraints. Platforms like PayPal, Square, and mobile wallets (e.g., Google Pay, Apple Pay) enable small firms to process transactions efficiently, expand market reach, and improve customer experiences. This research aims to analyse how digital payment systems have influenced small businesses in terms of operational processes, customer experience, and financial management.

One of the most significant shifts has been in the domain of financial transactions, where digital payments have experienced an unprecedented surge in adoption and usage. Before the pandemic, digital payments were already on a growth trajectory, driven by advancement in technology and changing consumer preferences. The adoption of digital payment systems has revolutionized the way transactions are conducted globally, and India is no exception. With the advent of technology and increased internet penetration, digital payment methods such as net banking and Unified Payments Interface (UPI) have become prevalent.

## RESEARCH OBJECTIVES

To Assess the Adoption Rate of Digital Payment Systems Among Small Traders

- To Analyse the Benefits of Digital Payment Systems for Small Traders
- To Identify the Challenges Faced by Small Traders in Adopting Digital Payment Systems
- To Evaluate the Impact of Digital Payments on Customer Behaviour
- To Examine the Role of Government and Institutional Support in Facilitating Digital Payment Adoption

## LIMITATIONS OF STUDY

- The research and the results are only applicable to the respondents of Tirupur city and are not applicable to any other places.
- The study is limited to the sample of 150 respondents only. So this can't be a full proof.
- The researcher collected data by convenient sampling method using schedule and there is a possibility of certain deviations.

## SCOPE OF THE STUDY

This study focuses on small traders in Tirupur city, including those in the retail, wholesale, and service sectors. It examines the use of net banking and UPI transactions, exploring both the positive and negative impacts on business operations, customer satisfaction, and

financial performance. The study is limited to the geographic boundaries of Tirupur city and considers data from the past two years to ensure relevance and accuracy.

Key variables include operational efficiency, financial management, customer base expansion, and challenges faced during adoption, while the target population is purposively sampled small traders actively engaged in or considering digital payment use. Methodologically, the study employs both quantitative surveys and qualitative interviews to ensure comprehensive coverage. Limitations include the restricted geographic focus, reliance on self-reported data, and potential biases in participant responses. Finally, the study highlights future scope for research, suggesting broader comparative studies across regions, sectors, and evolving digital payment technologies to deepen understanding of their long-term impact on small businesses.

## STATEMENT OF PROBLEM

Small traders in Tirupur city have traditionally relied on cash transactions. However, the increasing acceptance and use of digital payment systems by customers present both opportunities and challenges for these traders. This study aims to investigate the impact of digital payment adoption on small traders in Tirupur city, focusing on business operations, customer relations, and financial outcomes. Challenges such as erratic income, low digital competency, and fear of surveillance or taxation continue to inhibit longterm engagement. Therefore, the core problem is not just about onboarding street vendors into the financial system, but ensuring that inclusion is meaningful, accessible, and transformative.

## REVIEW OF LITERATURE

The advent of digital payment systems has fundamentally reshaped the business landscape, especially for small traders who have traditionally operated with cash-based transactions. The literature surrounding the impact of digital payment systems on small traders provides valuable insights into the benefits, challenges, and overall transformation of small-scale businesses as they embrace digital payments. Adoption of Digital Payment Systems by Small Traders.

**Challenges Faced by Small Traders** Despite the clear benefits, small traders face a number of challenges in adopting digital payment systems. Small traders, particularly in rural areas, may lack the resources to invest in the technology needed to accept digital payments. Limited access to smartphones, internet connectivity, and affordable point-of-sale (POS) devices often hinders small traders from adopting digital payment solutions.

**Customer Perspectives and Adoption Barriers** While small traders may find digital payments beneficial, the customer's readiness to adopt these systems plays a crucial role in the successful implementation of digital payments. Santos et al. found that some customers,

particularly in rural or less developed areas, are reluctant to use digital payment methods due to factors such as limited access to technology, trust issues, or unfamiliarity with digital platforms. However, these benefits are tempered by challenges such as technological infrastructure, security risks, and transaction costs.

## RESEARCH METHODOLOGY

This study uses a mixed-methods design, combining surveys and interviews to examine the impact of digital payment systems on small traders in Tirupur.

Surveys capture demographic details, adoption factors, benefits, and challenges, while interviews provide deeper insights into experiences, operational changes, and customer behaviour perceptions.

Participants are purposively sampled across diverse sectors such as textiles, retail, and food services to ensure representativeness. Business performance indicators like sales growth and transaction volume are also assessed.

Quantitative data is analysed using descriptive and statistical techniques, while qualitative findings are interpreted through thematic analysis.

Triangulation of results enhances validity, allowing the study to highlight both the positive and negative effects of digital payment adoption on efficiency, financial management, and customer expansion.

## ANALYSIS AND INTERPRETATIONS TABLE 1

### 1. Digital Payment Adoption by Business Age:

Business	Adopted Digital Payment	Not Adopted Digital Payment	Total
<1 Year	7	15	22
1 – 3 Year	23	5	28
3 – 5 Year	5	5	10
>5 Year	35	5	40
Total	70	30	100

Explanation:

- Younger businesses (1-3 years and 3-5 years) have a higher adoption rate of digital payments.
- This table addresses providing insights into how business age influences digital payment adoption.

**TABLE 2:**  
**Digital Payment Adoption by Sector**

Sector	Adopted Digital Payment	Not Adopted Digital Payment	Total
Retail	10	10	20
Hospitality	25	10	35
Services	30	5	35
Manufacturing	5	5	10
Total	70	30	100

Explanation:

- Retail and services sectors show a higher propensity for adopting digital payments.
- This table further supports Objective 1 by highlighting sector-wise adoption rates.

**TABLE 3:**  
**Sales Comparison by Digital Payment Adoption**

Digital Adoption	Payment	Average Monthly Sales Pre Adoption (₹)	Average Monthly Sales Post Adoption (₹)
Adopted		80,000	110,000
Non-Adopted		75,000	85,000

Explanation:

- Businesses that adopted digital payments show a significant increase in sales post-adoption.
- This table directly addresses illustrating the impact on sales due to digital payment adoption.

**TABLE 4:**  
**Transaction Processing Time by Digital Payment Adoption**

Digital Adoption	Payment	Average Transaction Time Pre-Adoption (Minutes)	Average Transaction Time Post-Adoption (Minutes)
Adopted		15	8
Not-Adopted		15	15

## Explanation:

- A notable reduction in transaction processing time is observed in businesses that adopted digital payments.
- This table addresses linking digital payment adoption to operational efficiency improvements.

**TABLE 5:**  
**Employee Productivity by Business Age**

Business Age	Transactions per Employee per Hour Pre-Adoption	Transactions per Employee per Hour Post-Adoption
<1 Year	5	5
1-3 Year	5	6
3-5 Year	4	7
>5 Year	4	8

## Explanation:

- Younger businesses show a greater increase in employee productivity postadoption of digital payments.
- This table further supports, providing insights into how business age affects operational efficiency gains.

**TABLE 6:**  
**Customer Satisfaction by Digital Payment Availability**

Digital Payment Availability	Customer Satisfaction Rating (Average)
Available	3.5
Not Available	4.2

## Explanation:

- Higher customer satisfaction ratings are associated with businesses offering non-digital payment options.
- This table addresses, showing the impact of digital payment systems on non-customer satisfaction.

**TABLE 7 : Customer Feedback on Payment Options by Sector**

Sector	Positive Feedback (%)	Neutral Feedback (%)	Negative Feedback (%)
Retail	55	25	10
Hospitality	60	30	15
Services	50	30	10
Manufacturing	65	40	10

**Explanation:**

- The Retail sector shows the highest percentage of positive feedback (65%) regarding digital payment options, indicating strong customer approval.
  - In the Hospitality sector, while there is a majority of positive feedback (55%), there's a slightly higher rate of neutral and negative responses compared to Retail, possibly due to the varied nature of transactions in this sector.
  - Services sector also demonstrates a high level of customer satisfaction with digital payments (60% positive feedback), suggesting good acceptance in servicebased businesses.
  - Manufacturing, while still predominantly positive (50%), has the highest percentage of neutral feedback (40%), which might reflect less frequent customer interactions or varied payment preferences in this sector.
- 0• Overall, the data suggests a generally positive reception of digital payment options across all sectors, with some variation in customer feedback patterns.

**SUGGESTIONS**

The majority of the personal finance apps are used by the male. Females can also start using personal finance apps highly while compare to males which will help them to get a source of income & support for their family.

- The apps user can also use personal finance apps for savings and investment compared to budgeting as it will help in earning income than spending money wisely.
- The personal finance app will not only help you with budgeting and accounting but also give you helpful insights about money management. It gives users various investment options, tax advice, insurance inputs and above all, a proper security system.

**CONCLUSION**

The study reveals that digital payment systems have significantly reshaped the business practices of small traders in Tirupur district. Adoption of digital platforms has improved transaction speed, reduced dependency on cash, and enhanced transparency in financial dealings. Traders reported greater convenience in managing accounts, better customer satisfaction, and increased access to formal financial services. At the same time, challenges such as limited digital literacy, transaction charges, and occasional technical issues remain barriers to full-scale adoption.

Overall, digital payments have contributed positively to the growth and sustainability of small traders by fostering financial inclusion and aligning local businesses with national initiatives like *Digital India*. Strengthening awareness programs, improving infrastructure, and offering affordable transaction solutions can further accelerate the benefits of digital payments for small traders in Tirupur.

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