



A Study on the Challenges and Benefits of Digital Payments and Cash Transactions with Special Reference to Consumers in Pune City

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Abstract – This research paper examines the challenges and benefits of digital payments and cash transactions among consumers in Pune City. In recent years, the Indian economy has experienced rapid digital transformation due to increased smartphone usage, internet penetration, government initiatives like Digital India, and the rise of financial technology platforms. Consumers are increasingly using digital payment methods such as UPI, mobile wallets, internet banking, debit cards, and credit cards for daily transactions. The study aims to analyze consumer preferences regarding digital and cash transactions, identify the major benefits and challenges associated with digital payments, and understand the factors influencing payment choices. While digital payments provide convenience, speed, transparency, and reduced dependency on physical cash, issues such as cyber fraud, technical failures, internet connectivity problems, and lack of digital literacy continue to affect adoption. The research adopts a descriptive and analytical research methodology. Primary data is collected through structured questionnaires and online surveys from consumers across Pune City. Secondary data is collected from RBI reports, journals, articles, books, and government publications. Statistical analysis is used to understand trends and consumer behaviour patterns.

Keywords – E-SERVQUAL, Online Shopping Platforms, Service Quality, Consumer Perception, Anna Nagar, Chennai.

I. INTRODUCTION

Digital payments have become an important part of modern financial systems. With technological advancement and increasing internet accessibility, consumers are gradually shifting from traditional cash transactions to digital payment methods. In India, initiatives such as Digital India, demonetization, and the expansion of UPI services have accelerated the adoption of digital payment systems.

Consumers now use QR code payments, internet banking, debit cards, credit cards, mobile wallets, and UPI applications for shopping, bill payments, ticket booking, and fund transfers. Digital payments provide advantages such as speed, convenience, transparency, easy record maintenance, and reduced risk of carrying physical cash.

However, despite the rapid growth of digital payments, cash transactions still play an important role in daily economic activities. Many consumers prefer cash for small purchases, local market transactions, and situations where internet connectivity is poor. Trust issues, cybercrime, technical failures, and lack of digital knowledge also influence consumer preference toward cash transactions.

This study focuses on understanding the challenges and benefits of digital payments and cash transactions among consumers in Pune City. The research helps in understanding consumer behaviour, satisfaction, and the changing payment environment in urban areas.

Objectives of the Study

1. To study the usage pattern of digital payments and cash transactions among consumers in Pune City.

2. To analyze the benefits provided by digital payment systems.
3. To identify the challenges and problems faced by consumers while using digital payments.
4. To compare consumer preference between digital payments and cash transactions.
5. To examine the role of convenience, security, and trust in payment selection.
6. To understand the impact of digital payment systems on consumer satisfaction and financial behaviour.
7. To study the awareness level of consumers regarding digital payment applications and services.

Significance of the Study

1. Promotes Digital Awareness: The study helps in understanding the level of awareness and acceptance of digital payment systems among consumers.
2. Encourages Safe Transactions: It highlights the importance of cyber security, consumer protection, and secure payment systems in digital transactions.
3. Supports Financial Inclusion: Digital payment systems improve accessibility to financial services and reduce dependency on cash.
4. Provides Consumer Insights: The study helps businesses, banks, and policymakers understand consumer preferences and transaction behaviour.
5. Enhances Economic Growth: Increased use of digital payments supports transparency, reduces black money, and contributes to economic-development.
6. Improves Convenience: The study identifies how digital transactions save time and simplify payment processes for consumers.



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Scope of the Study

1. Digital Payment Methods: The study covers payment methods such as UPI, internet banking, mobile wallets, debit cards, and credit-cards.
2. Cash Transaction Behaviour: It examines the use of physical cash for shopping, transportation, local market purchases, and daily expenses.
3. Consumer Preferences: The study evaluates factors such as convenience, trust, security, transaction speed, accessibility, and user satisfaction.
4. Challenges in Digital Payments: The research studies problems such as cyber fraud, technical failures, network issues, and lack of digital literacy.
5. Geographical Scope: The research is limited to consumers residing in Pune City.
6. Time Scope: The study is conducted over a period of 2 to 3 months.

II. LITERATURE REVIEW

In this research study, the review of literature focuses on previous research conducted on digital payments, consumer behaviour, and cashless transactions.

Sharma & Verma (2025)

A study on digital payment adoption revealed that convenience, cashback offers, and ease of use strongly influence consumer preference toward digital transactions. The research also found that young consumers are more likely to adopt UPI and mobile wallets.

Patil & Deshmukh (2024)

Their study on urban consumers concluded that cyber security concerns, technical failures, and internet dependency are major barriers to the adoption of digital payment systems.

Rao (2023)

The research highlighted the rapid growth of UPI transactions after the Digital India initiative. Consumers preferred digital payments because of speed, transparency, and easy accessibility.

Kulkarni (2022)

The study found that cash transactions continue to remain important for small purchases and among elderly consumers due to trust and familiarity.

Mehta & Joshi (2021)

This study emphasized that financial literacy and digital awareness play an important role in increasing the acceptance of digital payment systems among consumers.

III. RESEARCH HYPOTHESIS

H1: There is a positive relationship between convenience and the usage of digital payment systems among consumers.

H2: Security concerns significantly affect the adoption of digital payment methods.

H3: Consumer satisfaction is higher among users of digital payment systems compared to traditional cash transactions.

IV. RESEARCH METHODOLOGY

The present study titled “A Study on the Challenges and Benefits of Digital Payments and Cash Transactions with Special Reference to Consumers in Pune City” is based on descriptive research design. The study aims to analyze consumer preferences, benefits, and challenges related to digital payments and cash transactions among consumers in Pune city. Both primary and secondary data sources are used for the research. Primary data is collected directly from consumers through structured questionnaires, surveys, and personal interactions, while secondary data is collected from research papers, journals, RBI reports, government publications, websites, and articles related to digital payment systems.

The study uses the convenience sampling method for selecting respondents from Pune city. The sample size of the study consists of approximately 100 to 150 respondents belonging to different age groups, occupations, educational backgrounds, and income levels. The collected data is analyzed using percentage analysis, tables, graphs, pie charts, and bar diagrams to interpret the responses effectively. Where required, statistical tools such as the chi-square test may also be used to examine the relationship between demographic factors and consumer preference for digital payments. The study is limited to Pune city and may be affected by time constraints, cost limitations, and possible respondent bias. Despite these limitations, the research provides useful insights into consumer behavior and the growing importance of digital payment systems along with the continued relevance of cash transactions in daily life.

V. DISCUSSION

Digital payments have become an important part of the Indian economy due to technological advancement, increasing smartphone usage, internet accessibility, and government initiatives promoting a cashless economy. Consumers in Pune city are increasingly adopting digital payment methods such as UPI, mobile wallets, debit cards, credit cards, and internet banking for their daily financial transactions. Digital payments provide several benefits including convenience, faster transactions, easy maintenance of records, cashback offers, and reduced dependency on physical cash. These payment methods are widely used for shopping, utility bill payments, ticket bookings, online food delivery, and various other services. However, despite the rapid growth of digital payments, consumers continue to face several challenges such as cyber fraud, internet connectivity problems, technical transaction failures, lack of digital literacy, and concerns related to privacy and security. Many consumers still prefer cash



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transactions because cash is easy to use, universally accepted, and does not require internet access or technical knowledge. Cash transactions also provide a sense of control over spending and are commonly used for small-value purchases. The study focuses on understanding consumer preferences between digital payments and cash transactions and analyzes the factors influencing their payment behavior. It also examines the role of demographic factors such as age, education, occupation, and income in determining payment preferences. The findings of the study may help banks, financial institutions, digital payment companies, and policymakers improve digital payment services and create greater awareness regarding safe and secure digital transactions.

Data collection

Data collection is an important step in the research process, involving the gathering of relevant information to achieve the objectives of the study.

Primary Data:

Primary data is collected directly from consumers in Pune City through:

- Structured questionnaires
- Online surveys
- Google Forms
- Personal interaction with respondents

Secondary Data:

Secondary data is collected from:

- RBI reports
- Research journals
- Government publications
- Books related to digital banking and financial technology
- Websites and articles on consumer payment behaviour

Sample Profile:

Most respondents belong to the age group of 18–40 years, indicating active usage of digital payment systems. Consumers from different educational and occupational backgrounds are included to obtain diverse opinions regarding payment preferences.

Suggestions for Future Research

1. Increasing the sample size and including consumers from multiple cities.
2. Conducting comparative studies between rural and urban consumers.
3. Studying the impact of fintech innovations on consumer payment behaviour.
4. Analyzing digital payment adoption among different age groups in detail.
5. Including psychological and behavioural factors affecting payment preferences.
6. Examining the impact of government policies on digital payment growth.
7. Studying consumer trust and cyber security awareness in digital transactions.

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