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"A Study On Online Payment Fraud Its Effect On Consumer Confidence"

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***Abstract* – The rapid growth of digital payment methods such as UPI, mobile wallets, net banking, debit cards, and credit cards has transformed the financial transaction system in India. However, the increasing use of online payments has also led to a rise in fraud cases such as phishing, OTP scams, fake links, and identity theft. These fraudulent activities negatively affect consumer confidence and trust in digital payment systems. This study examines the impact of online payment fraud on consumer confidence and highlights the importance of security measures and consumer awareness in building trust toward online payment platforms. The research focuses on consumer experiences, awareness, and trust related to various digital payment systems.**

Keyword's- Online Payment Fraud, Consumer Confidence, Digital Payments, UPI, Mobile Wallets, Net Banking, Debit Cards, Credit Cards, Financial Fraud, Phishing, OTP Scams, Fake Links, Identity Theft, Consumer Awareness, Security Measures, Cashless Economy, Digital Transactions, Trust in Online Payments, Payment Systems, Consumer Trust.

I. INTRODUCTION

Online payments using UPI, mobile wallets, net banking, debit cards, and credit cards are increasingly popular due to convenience and the emergence of smartphones, internet services, and cashless economic policies of India. Yet, alongside growing popularity, there is an increase in online payment fraud cases, including phishing, OTP scams, fake link, and identity theft fraud. Fraud not only causes financial losses but also undermines consumer confidence in online payments.

This paper concentrates on evaluating the influence of online payment fraud on consumer confidence. The role of security measures and consumer awareness in creating trust in online payment systems is investigated. All kinds of digital payment systems are considered, and consumer experience, awareness, and trust are analyzed without touching cybersecurity issues.

II. LITERATURE REVIEW:

1. Vanini et al. (2023)

This study explains that machine learning plays an important role in detecting online payment fraud. It can reduce financial losses significantly, up to 52%. However, fraud detection is difficult because fraud data is limited and patterns keep changing. The study highlights the need for advanced and adaptive systems to handle complex fraud activities effectively.

2. Juniper Research (2020)

Juniper Research estimated that global online payment fraud losses have crossed $200 billion. This shows that fraud is a serious and growing problem worldwide. The study highlights the financial risks faced by both consumers and businesses and emphasizes the need for stronger security systems to prevent fraud and protect digital transactions.

3. Wickramanayake et al. (2020)

This study reviewed 45 research papers on card fraud. It found that fraud not only causes financial losses but also affects the trust of consumers. The study highlights that both banks and customers are impacted, making fraud prevention an important area for research and improvement in digital payment systems.

4. Deng & Ruan (2019)

The study introduced the Fraud Judger model for detecting fraud. It explains that fraud detection systems must be flexible and adaptive because fraudsters continuously change their methods. Static systems are not effective, so advanced models are required to handle evolving fraud patterns in online payment systems.

5. Hilal et al. (2021)

This study identified anomaly detection as a key technique for detecting fraud. It focuses on identifying unusual patterns in transaction data. By detecting abnormal behavior, fraud can be prevented early. The study highlights the importance of using smart and automated systems in digital payment security.

Objective of the study:

1. To analyze the impact of fraud on frequency of online transactions
2. To analyze consumer satisfaction with digital payment services

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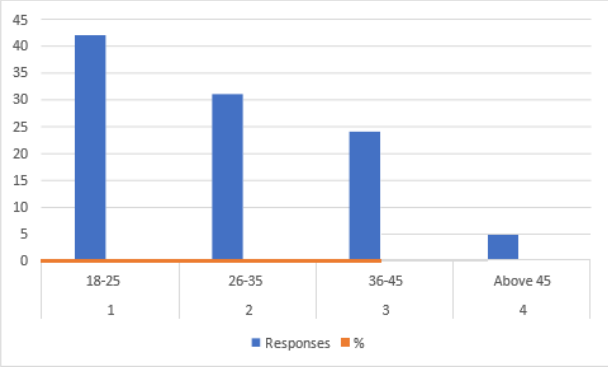
3. To study the impact of demographic factors on consumer confidence
4. To identify common methods used in online payment fraud
5. To understand the psychological impact of fraud on consumers

Data Analysis and Interpretation:

1. AGE:

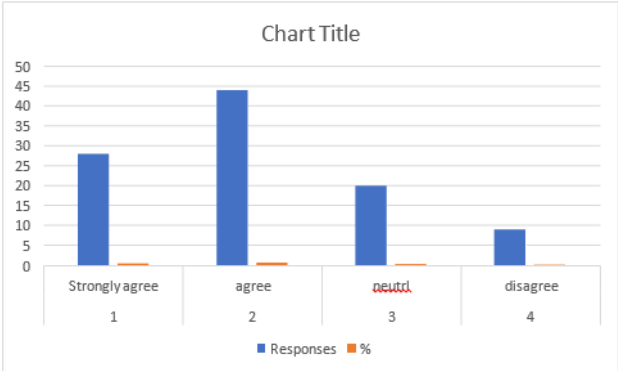
Sr No	Particulars	Responses	%
1	18-25	42	41.20%
2	26-35	31	30.40%
3	36-45	24	23.50%
4	Above 45	5	5.00%



Interpretation:
The data shows that most respondents (41.20%) belong to the 18–25 years age group, indicating higher participation of young people who are more familiar with digital technology and online payments. Respondents aged 26–35 years account for 30.40%, while 23.50% belong to the 36–45 years category. Only 5.00% of respondents are above 45 years of age.

2. which online payment methods do you use most Frequently?

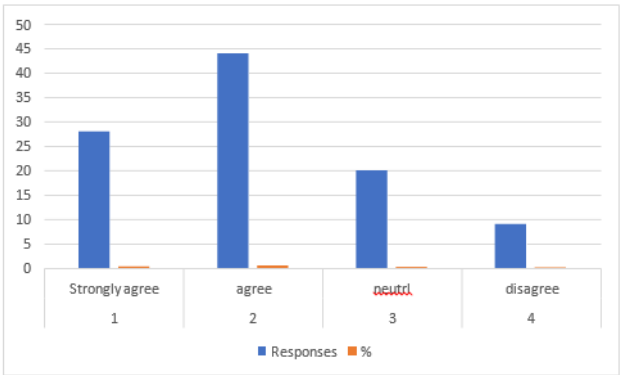
Sr No	Particulars	Responses	%
1	UPI	21	21.00%
2	debit/credit card	47	47.00%
3	Mer banking	25	25.00%
4	mobile wallet	7	7.00 %



Interpretation:
The pie chart indicates that most respondents belong to the low to middle income groups. The largest percentage (34.3%) earns between ₹10,000 and ₹25,000, followed by 27.5% earning between ₹25,000 and ₹50,000. About 21.6% of respondents earn below ₹10,000, while only 16.7% earn above ₹50,000. Overall, the survey mainly represents respondents from lower- and middle-income categories.

3. I believe online payment system will become Safer in the future.

Sr No	Particulars	Responses	%
1	Strongly agree	22	21.60 %
2	agree	48	47.10 %
3	neutrl	26	25.50 %
4	disagree	6	5.90%



Interpretation:
The data shows that most respondents have a positive opinion toward the statement, with 47.10% agreeing and 21.60% strongly agreeing. About 25.50% of respondents are neutral, indicating uncertainty or mixed opinions. Only 5.90% disagree, showing very low opposition to the statement.

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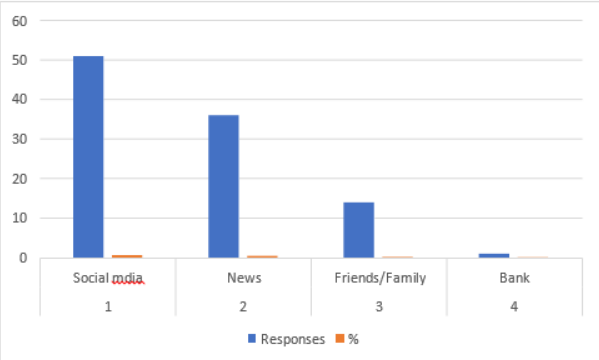
4. which type of fraud do you consider the most dangerous?

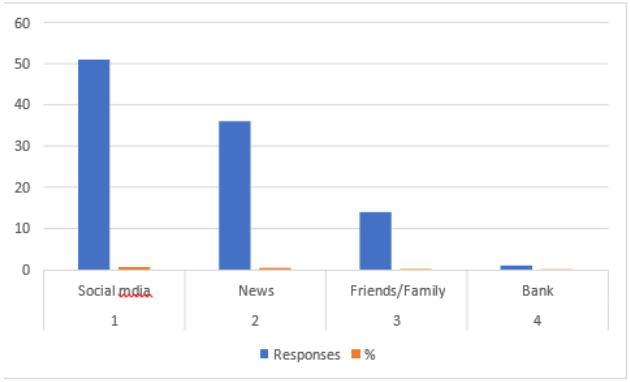
Sr No	Particulars	Responses	%
1	otp fraud	41	40.20%
2	feck apps	29	28.40%
3	phishing	27	26.50%
4	identity heft	5	490.00%



Interpretation:
The graph shows different types of online fraud experienced by respondents. OTP fraud is the most common type, with 40.20% of respondents affected, indicating high misuse of one-time passwords by fraudsters. Fake apps account for 28.40% of fraud cases, while phishing affects 26.50% of respondents through fraudulent messages, emails, or links. Identity theft is the least common, affecting only 4.90% of respondents, suggesting a comparatively lower occurrence of this type of fraud.

5. What is your biggest fear when making on online payment.

Sr No	Particulars	Responses	%
1	Identify theft	39	38.20%
2	Data beach	33	32.40%
3	Losing money to fraud	26	25.50%
4	Transaction failures	4	3.90%



Interpretation:
The data shows that identity theft is the biggest concern among respondents, with 38.20% reporting it as a major issue in digital transactions. Data breaches are the second major concern at 32.40%, followed by financial loss due to fraud at 25.50%. Transaction failures are the least concerning issue, reported by only 3.90% of respondents. Overall, the findings indicate that users are more worried about security and privacy risks than technical problems in online transactions.

III. RESEARCH METHODOLOGY
RESEARCH DESIGN:

Component	Description
Research Design	Description
Data Type	Primary & Secondary
Primary Data	Questionnaire
Secondary Data	Journals, websites, reports
Sample Size	100 respondents
Sampling Method	Convenience sampling
Data Analysis Tools	Data was analyzed using percentage analysis charts and graphs

IV. FINDINGS OF THE STUDY:

1. The study shows that online payment systems are widely used by consumers for daily
2. transactions like shopping, bill payments, and money transfer due to convenience and speed.

3. Most respondents prefer UPI, mobile wallets, debit/credit cards, and internet banking, showing high acceptance of digital payments.

4. Many consumers have basic awareness of online payment fraud such as phishing, OTP scams, fake links, and unauthorized transactions.
5. However, the level of awareness is not equal; some users are well-informed, while others lack proper knowledge about safe practices.
6. A significant number of respondents have experienced fraud or know someone who has faced fraud, showing that fraud is a common issue.
7. Personal or indirect experience of fraud increases fear and concern among consumers.
8. Online payment fraud has a negative impact on consumer confidence, making users feel insecure during transactions.
9. Some respondents still prefer cash transactions in certain situations due to safety concerns.
10. Perceived security is a key factor affecting consumer confidence. Higher security leads to higher trust and usage.
11. Consumers with more awareness and knowledge feel more confident while using digital payments.
12. Awareness of safety measures like not sharing OTP, using secure networks, and verifying apps increases trust.

V. CONCLUSION:

The study concludes that online payment fraud has a negative impact on consumer confidence. Although digital payment methods such as UPI, wallets, and internet banking are convenient and widely used, the fear of fraud reduces the trust of consumers. Risks like phishing, OTP fraud, and fake websites make users feel insecure while making online transactions.

The study also shows that consumer confidence depends on security and awareness. Users who feel that payment systems are secure and who know safe online practices are more confident in using digital payments. On the other hand, past fraud experiences reduce trust and make users more cautious.

Security measures like OTP verification, encryption, transaction alerts, and quick customer support help in increasing consumer trust. Overall, improving security systems, customer awareness, and fraud prevention measures is essential to build consumer confidence and encourage the safe use of digital payment systems.

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