

Impact of Digital Payment Adoption on the Financial Performance of Small Retailers in Bangalore

Sangeeta¹, Dr. R Satheesh Kumar²

¹MBA student, Surana College (Autonomous) Department of MBA and Research Centre

²Professor, Surana College (Autonomous) Department of MBA and Research Centre

ABSTRACT

The increasing adoption of digital payment technologies has transformed the operations of small retail businesses by improving transaction efficiency, enhancing customer convenience, and supporting financial inclusion. With the widespread use of Unified Payments Interface (UPI), QR code payments, mobile wallets, and card-based transactions, digital payments have become an integral part of the retail ecosystem in India. However, empirical evidence on how digital payment adoption influences the financial performance of small retailers remains limited, particularly in the context of Bangalore.

A quantitative research design is adopted, with primary data collected through a structured questionnaire administered to small retailers using convenience sampling. The data will be analyzed using descriptive statistics, reliability analysis, correlation analysis, and multiple regression techniques to examine the relationship between the study variables.

The findings are expected to provide empirical evidence on the contribution of digital payment adoption to the financial performance of small retailers and offer practical implications for business owners, policymakers, financial institutions, and digital payment service providers. The study contributes to the growing body of literature on digital finance and provides insights that can support strategies for enhancing the digital transformation and sustainable growth of the small retail sector.

Keywords: Digital Payment Adoption; Financial Performance; Small Retailers; FinTech; UPI, Cashless Economy.

INTRODUCTION

The method of making payments in the modern digital age has witnessed tremendous changes. Due to increasing usage of smartphones, internet facilities, and other digital technologies, cashless transactions are becoming common practices. Digital payment methods like UPI, Google Pay, PhonePe, Paytm, debit card, credit card, internet banking, and QR code payment methods have brought about speed and convenience to the process of making payments. Customers can now make instant payments through these

payment options without having to worry about carrying cash, whereas businesses get the benefit of efficient transaction management.

A lot of small retailers operate in the local economy of Bengaluru. Small retailers contribute towards providing essential goods and services to the consumers along with generating employment and economic growth. Small retailers have traditionally been engaged in a large number of cash transactions. However, with changing consumer trends and the prevalence of digital payment applications, there is an effort among small retailers to go for cashless payment. Consumers like the option of digital payment more and therefore small retailers find themselves compelled to follow suit.

There are various advantages of digital payment system for small retailers. Digital payment system assists in reducing the amount of cash dealings, maintenance of proper accounts, ensuring transparency, and efficiency. Further, the transaction information generated by the use of digital payments system can help in securing financing and other financial services from banks and financial institutions for the retailers.

RESEARCH OBJECTIVES

1. To find out the relationship between digital payment adoption and sales revenue of small retailers.
2. To find out the impact of digital payments on faster and more efficient transactions, reduced theft and financial losses, and improved overall business performance.

REVIEW OF LITERATURE

1. **Thanigan, Jayanthi et al. (2025):** The purpose of this research is to develop an integrative model to identify the factors influencing digital payment adoption and use among small offline retailers. Here the authors have employed the quantitative research methodology through structural equation modeling (SEM). Primary data have been collected from small offline retailers to study their adoption behavior. From the results, it can be found out that perceived usefulness, ease of use and trust are important in the process of adoption and sustained usage.
2. **Ravikumar & Prakash (2022):** The purpose of this study is to ascertain the factors that determine the adoption of digital payment in small fixed retail shops of Bangalore. The results have shown that availability of infrastructure, perceived advantages, and digital literacy play an important role in the adoption. Shows that the barriers to the adoption include a lack of awareness, fraud concerns, and low internet connectivity. Mentions that the demand of the customers and the pressure of competition can serve as motivators for the adoption of digital payments.
3. **Ligon et al. (2019):** This research paper discusses the factors that have influenced the lower adoption of digital payment technology among small scale merchants in Jaipur. For the purpose of research, field surveys and experimental analysis were used to study the behavior of merchants. The data was collected from the merchants in the local markets. It is found that high transaction costs, mistrust and lack of demand from customers are the reasons for the lower adoption of the technology. It has been argued that merchants feel more at ease and secure when they deal with cash transactions. Furthermore, the research also highlights the resistance towards the behavioral and financial factors that influence technology adoption.

4. **Prasad et al. (2023):** The primary objective of this article is the acceptance of digital payments by street vendors through the extended UTAUT2 model. In this article, the researchers have adopted the quantitative research methodology and the use of the PLS-SEM method in order to find out adoption factors. Data for this study has been gathered using surveys from street vendors. As per the results obtained from the article, performance expectancy, social influence, and facilitating conditions have positive effects on adoption. It has been mentioned that street vendors are influenced by peer behavior and convenience.
5. **Buteau (2026):** This paper is about what decides how people use payments in India. To do this research we looked at policies and people's data to see how institutions work. What we found out is that institutions are really important when it comes to payments in India. We also found out that institutions play a part, in shaping how digital payments work in India. Institutions have a lot to do with how digital payments formed in India.
6. **Abbasi & Weigand (2017):** In this research study, the effect of digital financing services on firm's performance is reviewed using secondary data analysis. The researchers reviewed various research studies to determine the financial impacts. Research findings reveal that digital payments contribute to increased efficiency, transparency, and savings. The research reveals that companies benefit from improved financial management system due to digital payments. It is revealed that digital finance helps in decision-making.
7. **Dev, Gupta & Kumar (2024):** This research paper looks at the impact of UPI on consumer spending behavior in India. The authors used survey and behavioral analysis to collect data from users. The results show that digital payments lead to higher spending frequency and volume. Convenience lowers the mental barrier of cash transactions according to the paper. Instant payment capability encourages impulsive purchases according to the authors. The study shows that businesses receive profits from more sales. The analysis proves the effectiveness of transactions. The paper points to the ability of UPI to contribute to the development of a cashless society.
8. **Badrawani et al. (2025):** The paper examines the impact of digital payments on regional economic growth through panel data analysis. The authors employed various statistical models to test economic performance in different regions. The results reveal that greater use of digital transactions has a positive effect on financial inclusion and economic performance. The paper considers the aspect of reduced reliance on cash transactions. This is due to enhanced transparency that leads to better tax collection and formality. The regional development aspects are pointed out in the research. It stresses economic stability and accessibility of finance.

RESEARCH GAP

In prior studies, attention was given mainly to the motivations for retailer's acceptance of digital payments and such aspects as usability, trust, and awareness, while at the same time there was not enough information concerning the impact of digital payments on the financial performance of retailers. There was also little information on whether the introduction of digital payments would have a positive impact on the revenues and profits of small retailers or would reduce their operating costs.

HYPOTHESES

To find out the relationship between digital payment adoption and profitability of small retailers.

H0: Use of digital payment has no significant relationship with the profitability of small retailers.

H1: Use of digital payment has a significant relationship with the profitability of small retailers.

To find out the impact of digital payments on faster and more efficient transactions, reduced theft and financial losses, and improved overall business performance.

H0: There is no significant impact of digital payments on faster and more efficient transactions, reduced theft and financial losses, and improved overall business performance among small retailers.

H1: There is a significant impact of digital payments on faster and more efficient transactions, reduced theft and financial losses, and improved overall business performance among small retailers.

RESEARCH METHODOLOGY

Research design: Descriptive (quantitative approach)

Nature of data: Primary

Sample size: 180 respondents

Data source: Structured questionnaire (5-point Likert scale)

Statistical tools used: correlation and regression analysis.

DATA ANALYSIS AND INTERPRETATION

1. To find out the relationship between digital payment adoption and sales revenue of small retailers.

	23.Digital payment systems are secure and trustworthy	14.Digital payment systems have increased my daily sales revenue
23.Digital payment systems are secure and trustworthy	1	
14.Digital payment systems have increased my daily sales revenue	0.227	1

Interpretation:

From the results of the correlation coefficient of 0.277, there is the existence of a positive relationship between the two variables. This implies that there has been the discovery in the study that small retailers who are trusting in the reliability and security of digital payment system have experienced increase in their daily sales revenues. From the study, however, it is clear that there exist other variables which may affect the increase in daily sales revenues of small retailers except for the reliability and security of digital payment systems.

2. To find out the impact of digital payments on faster and more efficient transactions, reduced theft and financial losses, and improved overall business performance.

Regression Statistics	
Multiple R	0.487
R Square	0.237
Adjusted R Square	0.229
Standard Error	1.409
Observations	179

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	108.796	54.4	27.39	0
Residual	176	349.528	1.986		
Total	178	458.324			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1.577	0.22702	6.946	0	1.1289	2.025	1.129	2.025
1	0.319	0.07551	4.22	0	0.1696	0.468	0.17	0.468
1	0.234	0.07443	3.15	0.002	0.0876	0.381	0.088	0.381

Interpretation:

The regression results show a positive relationship between digital payment factors and overall business performance, with Multiple R = 0.487 and $R^2 = 0.237$, indicating that 23.74% of the variation in business performance is explained by the selected variables. The regression model is statistically significant $F = 27.391$, $p < 0.05$. Both independent variables significantly influence business performance, with coefficients of 0.319 ($p = 0.000$) and 0.234 ($p = 0.001918$). Overall, the findings indicate that digital payments improve transaction speed, efficiency, and help reduce financial losses.

OVERALL FINDINGS

- Majority of retailers had more than 10 years of business experience and employed fewer than five employees.
- Digital payment adoption was very high, with most retailers using UPI and QR code payments. More than half of the respondents had been using digital payments for over three years.

- The customer demand and transaction convenience were the major factors influencing digital payment adoption.
- The major challenges included internet connectivity, transaction failures, lack of technical skills, and security concerns.

CONCLUSION

According to the findings from the analysis, it is clear that using digital payment systems leads to improved financial performance of small businesses. This has led to improved efficiency in the transaction process for the small business. It is clear that the adoption of digital payments by retailers is motivated by customer demands and convenience. However, problems associated with technologies such as failure of internet connection and transaction failures pose difficulties for most retailers. Therefore, technology and good digital infrastructure are essential in the adoption of digital payments.

LIMITATIONS OF THE STUDY

- The study involves select few small retailers only and therefore may not include all the retailers in Bangalore.
- The financial data furnished by the respondents may not always be correct.
- Constraints of time and money may limit the sample size and geographical scope of the study.

SUGGESTIONS

Another way of further research would be to conduct the research in other cities and other states and compare the effects of digital payment adoption in those regions. Additionally, large samples could be considered to ensure the generalization of the findings. There are other variables that need to be considered in the future research about the same topic, and they include digital financial literacy, the trust of the customer, cybersecurity, government policies, and also fintech innovations that might have an effect on the adoption of digital payments and business performance. Comparative research in urban and rural businesses or organized and unorganized retailers could prove to be beneficial.

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