

A STUDY ON INFLUENCE OF UPI AND DIGITAL PAYMENT ADOPTION ON THE BUSINESS PERFORMANCE OF SMALL BUSINESSES WITH SPECIAL REFERENCE TO COIMBATORE CITY

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ABSTRACT

The study aims to examine the impact of UPI and digital payment adoption on the business performance of small businesses in Coimbatore. Digital payments help business owners receive payments quickly, improve transaction efficiency, maintain financial records, and provide convenience to customers. The study focuses on the relationship between digital payment usage and business performance, including sales growth, customer satisfaction, and profitability. It also identifies the major challenges faced by small business owners, such as internet connectivity problems, transaction failures, and lack of digital knowledge. Data will be collected from small business owners through questionnaires. The findings will help understand the benefits and challenges of digital payments and suggest ways to improve the performance of small businesses in Coimbatore.

Keywords: UPI, Digital Payment Adoption, Business Performance, Small Businesses, Coimbatore, Financial Inclusion, Sales Growth, Customer Satisfaction, Transaction Efficiency, Digital Transformation.

INTRODUCTION

The growth of digital payment systems, especially UPI, has made financial transactions easier and faster in India. Small businesses in Coimbatore are increasingly using digital payments to receive money from customers. Digital payments can help business owners improve transaction efficiency, maintain financial records, save time, and provide greater convenience to customers. They may also influence sales growth, customer satisfaction, and profitability. However, small business owners may face challenges such as poor internet connectivity, transaction failures, lack of digital knowledge, and security concerns. Therefore, this study aims to examine the adoption of UPI and digital payments among small businesses in Coimbatore and analyse their relationship with business performance, benefits, and challenges.

BACKGROUND OF THE STUDY

According to the National Payments Corporation of India (NPCI), UPI is widely used for person-to-person and person-to-merchant transactions, including payments at grocery shops, restaurants, and other retail establishments. Small businesses play a vital role in the economic development of

Tamil Nadu by generating employment, supporting local communities, and contributing to trade and commerce. These businesses include petty shops, small retail outlets, street vendors, textile businesses, restaurants, repair shops, and various service providers. The adoption of digital payments can help these businesses simplify transactions, reduce the need to maintain cash, improve payment convenience, and maintain more systematic transaction records. However, digital payment adoption also presents certain challenges. Small business owners may experience transaction failures, network connectivity problems, fraudulent payment attempts, difficulties in resolving payment disputes, and limited knowledge of digital financial services. The Reserve Bank of India has continued to emphasise financial inclusion, financial literacy, and the development of digital payment infrastructure, including initiatives supporting micro and small enterprises. In this context, it is important to examine whether the adoption of UPI and other digital payment methods has a meaningful influence on the business performance of small businesses in Coimbatore.

STATEMENT OF THE PROBLEM

The increasing use of UPI and other digital payment methods has created new opportunities for small businesses to improve their transaction processes and serve customers more efficiently. Although digital payments are becoming common in retail shops, restaurants, street vending, and other small business activities, their actual influence on business performance requires further examination. The central problem addressed by this study is the lack of sufficient localised understanding of how UPI and other digital payment methods influence the business performance of small businesses across Coimbatore. It is necessary to investigate whether digital payment adoption is associated with improvements in sales, customer satisfaction, operational efficiency, financial record-keeping, and profitability, while also identifying the barriers that may limit these benefits.

NEED OF THE STUDY

The need for the present study arises from the growing importance of digital payment systems in everyday business transactions and the need to understand their practical effects on small business performance.

To understand digital payment adoption

The study helps assess the extent to which small businesses in Coimbatore use UPI and other digital payment methods for receiving payments from customers and making business-related payments.

To examine the influence on sales and profitability

Digital payments may encourage customers to complete purchases conveniently. The study examines whether businesses that adopt this payment methods report improvements in sales performance and profitability.

To evaluate operational efficiency and challenges of digital payments

The study is needed to understand whether digital payment systems reduce the time spent handling cash, simplify payment collection, and improve the efficiency of daily business transactions.

To assess customer satisfaction

Providing UPI and other digital payment options may improve the shopping experience for customers who prefer cashless transactions. The study

examines how digital payment availability relates to customer convenience, satisfaction, and retention.

To understand financial management practices

Digital payment records may help business owners track transactions, monitor cash flows, and maintain financial records. The study examines the extent to which these features support business management and financial decision-making.

To support small business development

The findings may help small business owners identify the potential benefits and limitations of digital payment adoption and make more informed decisions about their payment systems.

To establish a basis for further research

The study may provide a foundation for future research on digital financial services, small business development, financial inclusion, and technology adoption in Tamil Nadu and other Indian states.

OBJECTIVES OF THE STUDY

Primary Objective

To examine the influence of UPI and digital payment adoption on the business performance of small businesses in Coimbatore.

Specific Objectives

To study the level of awareness and adoption of UPI and other digital payment methods among small businesses in Coimbatore.

To identify the major digital payment methods used by small-business owners.

To examine the factors influencing the adoption of UPI and digital payments.

To examine the effect of digital payments on sales, transaction efficiency, customer satisfaction, and cash-flow management.

To identify the major challenges faced by small businesses while using UPI and other digital payment systems.

To provide suggestions for improving digital payment adoption among small businesses in Coimbatore.

HYPOTHESIS OF THE STUDY

Null Hypotheses (H_0)

- H_{01} : There is no significant relationship between digital payment adoption and business performance among small businesses in Coimbatore.

- **H₀₂:** There is no significant relationship between digital payment adoption and sales growth.
- **H₀₃:** There is no significant relationship between digital payment adoption and customer satisfaction.
- **H₀₄:** There is no significant relationship between digital payment adoption and operational efficiency.

Alternative Hypotheses (H₁)

- **H₁₁:** There is a significant relationship between digital payment adoption and business performance among small businesses in Coimbatore.
- **H₁₂:** There is a significant relationship between digital payment adoption and sales growth.
- **H₁₃:** There is a significant relationship between digital payment adoption and customer satisfaction.
- **H₁₄:** There is a significant relationship between digital payment adoption and operational efficiency.

Statistical tools: Correlation analysis, chi-square test, and regression analysis can be used to test these hypotheses.

RESEARCH METHODOLOGY

The research methodology describes the systematic procedure adopted to examine the influence of UPI and digital payment adoption on the business performance of small businesses in Coimbatore.

7.1 Research Design

The study adopts a **descriptive and analytical research design**. The descriptive approach is used to understand digital payment adoption among small businesses, while the analytical approach examines the relationship between digital payment usage and business performance.

7.2 Area of the Study

The geographical area of the study is Coimbatore. Data may be collected from selected small businesses operating in semi-urban and resources available to the researcher.

7.3 Sources of Data

- **Primary data:** Collected directly from small business owners or managers through structured questionnaires.
- **Secondary data:** Collected from research articles, academic journals, books, government publications, Reserve Bank of India reports, National Payments Corporation of India publications, and other relevant sources.

7.4 Sampling Method

A convenient sampling method may be used to collect responses from small business owners who are accessible and willing to participate. If the study aims to compare different districts or business categories, stratified sampling may provide a more balanced representation.

7.5 Sample Size

The sample size may be fixed at **55 respondents** for a manageable M. Com research project, subject to the researcher's resources and institutional requirements. This is a proposed sample size, not an actual number of respondents surveyed.

7.6 Tools for Data Collection

A structured questionnaire may include questions relating to:

- Demographic and business characteristics.
- Type and frequency of digital payment usage.
- Perceived effects on sales and profitability.
- Customer convenience and satisfaction.
- Transaction efficiency and record-keeping.
- Challenges such as network failures, fraud, and payment delays.

7.7 Tools for Data Analysis

The following statistical tools may be used:

- Percentage analysis.
- Frequency distribution.
- Tables and charts.
- Chi-square test.
- Correlation analysis.
- Regression analysis, if the sample size and data quality permit.

7.8 Scope of the Study

The study focuses on UPI and other digital payment methods and their relationship with sales growth, profitability, customer satisfaction,

transaction efficiency, and financial management among small businesses in Coimbatore.

7.9 Limitations of the Study

- The findings may be limited by the selected sample size and geographical coverage.
- Some respondents may be unwilling to disclose detailed financial information.
- Self-reported responses may contain recall errors or personal bias.
- Business performance may be influenced by factors other than digital payment adoption.
- A cross-sectional survey can identify associations but may not establish that digital payment adoption directly causes business growth.

REVIEW OF LITERATURE

The review of literature provides an overview of previous research related to digital payment adoption, UPI usage, and small business performance. It helps identify the research gap and establish the foundation for the present study.

8.1 J. Navena Nesa Kumari, C. Joe Arun and A. Irudaya Veni Mary (2021)

In their study titled “*Mobile Payment Technology Adoption in SME Owners in India – An Empirical Study*,” published in the *Indian Journal of Finance*, the researchers examined mobile payment adoption among 100 SME owners in selected rural areas of Kanchipuram district, Tamil Nadu. The study used an interview schedule and applied correlation and regression analysis. The findings indicated that mobile payment technology helped business owners complete transactions more quickly. The study also examined perceived usefulness, ease of use, cost, complexity, trust, and security as factors affecting adoption. This research is particularly relevant because it provides empirical evidence from small and medium-sized enterprises in Tamil Nadu.

8.2 Charles Antoine (2024)

In the article titled “*Digital Payment Adoption and Small Business Growth in the Tamil Nadu Microenterprise Sector*,” published in the *International Journal of Economics and Business Research*, the author discussed the relationship between digital payment adoption and microenterprise development. The article considered the role of UPI, mobile wallets, and other cashless payment systems in transaction efficiency,

revenue tracking, and customer engagement. It also highlighted infrastructure limitations and financial literacy as challenges affecting adoption. This study is relevant to the present research because it focuses specifically on microenterprises in Tamil Nadu.

8.3 National Payments Corporation of India (NPCI)

NPCI publishes official statistics on UPI transaction volumes, transaction values, participating banks, and merchant categories. Its ecosystem statistics provide evidence of the extensive use of UPI in everyday commercial activities, including grocery stores, restaurants, and other merchant categories. These statistics provide a useful secondary-data source for understanding the development of digital payments in India and the context in which small businesses operate. However, transaction growth alone does not establish that individual businesses have experienced higher profits or sales.

THEORETICAL FRAMEWORK

The theoretical framework of this study explains the relationship between UPI and digital payment adoption and the business performance of small businesses in Coimbatore. The Technology Acceptance Model (TAM) suggests that business owners are more likely to adopt digital payments when they find them useful and easy to use. The Diffusion of Innovations Theory explains how digital payment adoption spreads through customer demand, business advantages, and the influence of other businesses. The study considers digital payment adoption as the independent variable and business performance as the dependent variable. Business performance is measured through sales growth, profitability, customer satisfaction, transaction efficiency, and record keeping. Factors such as business size, digital literacy, internet connectivity, and customer preferences may also influence digital payment adoption and its relationship with business performance.

DATA ANALYSIS AND INTERPRETATION

Data analysis is used to examine the information collected from small business owners in Coimbatore regarding UPI and digital payment adoption. The study analyses respondents' personal and business details, frequency of digital payment usage, and its perceived influence on sales growth, profitability, customer satisfaction, transaction efficiency, and record keeping. The collected data

will be presented using tables, percentages, and suitable statistical methods. Correlation or regression analysis may be used to examine the relationship between digital payment adoption and business performance, while a chi-square test may be used for categorical data. The results will be interpreted based on actual survey responses to identify the benefits and challenges of digital payments for small businesses.

Table 10.1: Analysis of respondents’ responses

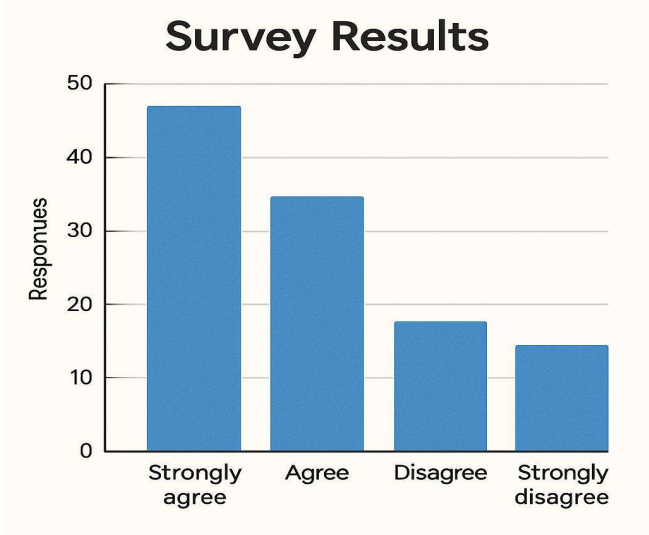
Response category	No. of respondents	Percentage
Strongly agree	14	25.45%
Agree	19	34.55%
Neutral	11	20.00%
Disagree	7	12.73%
Strongly disagree	4	7.27%
Total	55	100%

Interpretation

Out of 55 respondents, 34.55% agree and 25.45% strongly agree. A total of 20% are neutral, while 12.73% disagree and 7.27% strongly disagree. Overall, 60% of respondents express a positive response.

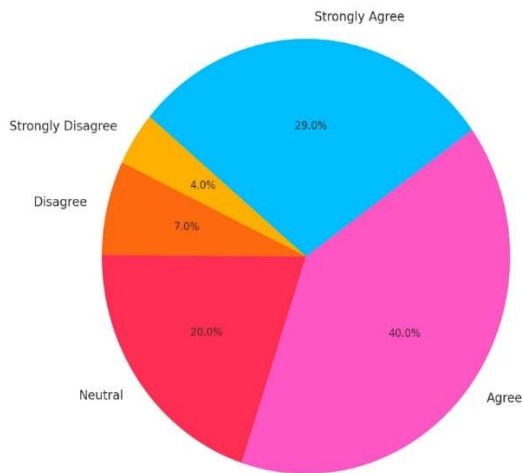
Bar chart

Compare the number of respondents across categories such as age, education, occupation, or questionnaire answers.



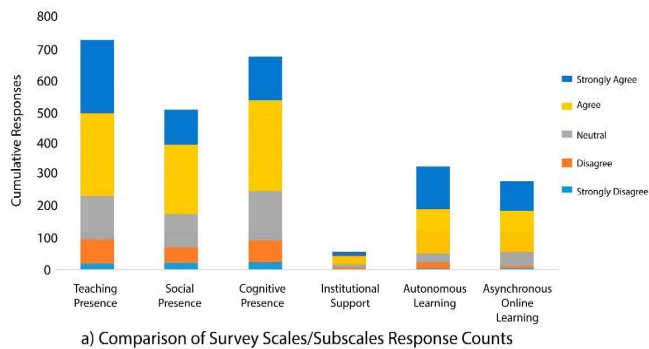
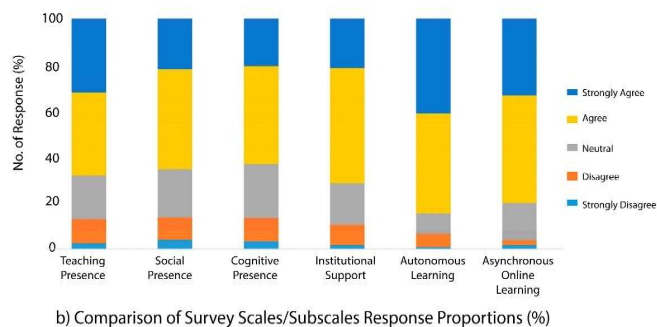
Pie chart

Show the percentage distribution of gender, income groups, awareness, or preferences where the categories are mutually exclusive.



Column chart

Compare responses across multiple questions or compare groups of respondents.



FINDINGS OF THE STUDY

The findings of the study will be based on data collected from small business owners in Coimbatore. The study will identify the level of UPI and digital payment adoption and the frequency of usage among small businesses. It will examine the relationship between digital payments and business performance, including sales growth, profitability, customer satisfaction, transaction efficiency, and record keeping. The study will also identify the major challenges faced by business owners, such as internet connectivity problems, transaction failures, and security concerns. Statistical analysis will be used to test the research hypotheses and understand the relationship between digital payment adoption and business performance. The final findings and conclusions will be based on the actual data collected from respondents.

SUGGESTIONS

Small business owners in Coimbatore Should improve their digital knowledge by learning how to use UPI applications safely and correctly. They should protect their UPI PINs and OTPs and verify payments through their bank or payment application to avoid fraud. Reliable internet connectivity should be maintained to reduce transaction failures. Business owners should also keep proper records of sales, expenses, refunds, and digital transactions. Providing multiple payment options, including UPI and cash, can improve customer convenience. These

suggestions may help small businesses improve transaction efficiency, financial management, and the safe use of digital payments.

CONCLUSION

UPI and other digital payment methods play an important role in the development of small businesses in Coimbatore. Digital payments help business owners receive payments quickly, improve transaction efficiency, maintain financial records, and provide convenience to customers. This study aims to examine the relationship between digital payment adoption and business performance, including sales growth, profitability, customer satisfaction, and record keeping. It also identifies challenges such as internet connectivity problems, transaction failures, cybersecurity risks, and lack of digital knowledge. The study may help small business owners improve their use of digital payments and support policymakers and financial institutions in developing better digital payment services. The final conclusions will be based on the data collected and analysed.

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