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Customer Satisfaction Behaviour Towards Cashless Payments

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Abstract:

India is undergoing a transformative shift toward a cashless economy, supported by initiatives such as Digital India and the advent of technologies like Unified Payments Interface (UPI), mobile wallets, and QR-based systems. This paper explores customer satisfaction with cashless payment systems in the semi-urban region of Singtam, Sikkim. The research emphasizes the factors influencing satisfaction—such as speed, accessibility, security, and technical reliability—while also shedding light on prevalent user concerns like fraud, data privacy, and transaction failures. A primary survey among 238 respondents revealed high adoption among youth, especially students aged 18–24, and a marked preference for platforms like Google Pay and PhonePe. Although users appreciate the convenience and speed offered by these systems, trust issues due to fraud and transaction failures act as barriers to further adoption. The study aims to evaluate the awareness, frequency of use, concerns, and challenges surrounding cashless payments. It offers recommendations to improve system robustness, enhance digital literacy, and increase merchant acceptance. The findings contribute to understanding how semi-urban populations perceive and utilize digital payments, providing valuable insights for policymakers, FinTech companies, and banks aiming to improve satisfaction and promote widespread usage.

Keywords: Cashless payments, customer satisfaction, digital banking, transaction security, FinTech adoption

1. Introduction

India is experiencing a significant transformation in its financial landscape, driven by the rapid adoption of digital payment systems. The shift towards a cashless economy, fuelled by initiatives like Digital India and Demonetization, is fundamentally reshaping how transactions are conducted. Technologies such as the Unified Payments Interface (UPI), mobile wallets, and QR code-based payment systems have gained immense popularity, with millions of users embracing them for everyday transactions. These innovations have not only simplified the payment process but have also enhanced the speed, security, and transparency of financial exchanges.

In recent years, the use of digital payment systems has spread across India, from large metropolitan cities to smaller towns and semi-urban areas. One such region is Singtam, a semi-urban town located in the state of Sikkim. While Singtam is not as urbanized as major cities, it has witnessed a noticeable increase in the adoption of cashless payment methods. This shift is particularly prominent among students, working professionals, and local merchants who are becoming increasingly accustomed to using mobile wallets, UPI-based systems, and other digital payment platforms.

Despite the growing acceptance of these payment methods, challenges remain in ensuring user satisfaction, particularly in semi-urban regions. While digital payments offer convenience and ease, issues such as security concerns, fraud, transaction failures, and limited access to reliable internet connectivity are hindering broader adoption. In addition, many users—especially those with lower digital literacy—still struggle with the complexities of using digital payment apps and online banking interfaces. These barriers are preventing users from fully realizing the potential benefits of cashless transactions.

Singtam represents an important case for understanding the challenges faced by semi-urban populations in adopting digital payment methods. While younger users, especially students, have shown high adoption rates, older users and those with limited technical skills continue to face difficulties in navigating digital platforms. Moreover, security issues such as data privacy concerns and fraud have emerged as major obstacles to building trust in these systems. These concerns are crucial because trust is a fundamental factor that influences customer satisfaction and the frequency of use of digital payment systems.

The objective of this research is to explore the factors influencing customer satisfaction with cashless payment systems in Singtam. It aims to identify the key aspects of these systems that impact user experience, such as convenience, speed, accessibility, and security. Additionally, the study seeks to understand the concerns that users have, including transaction failures, fraud, and technical glitches, which could discourage continued usage of digital payments.

The study uses primary data collected through a structured survey among 238 respondents in Singtam. The respondents include a mix of students, working professionals, business owners, and other local residents who regularly use digital payment methods. The survey aims to capture a wide range of user experiences, preferences, and challenges to provide a comprehensive view of how cashless payment systems are perceived and utilized in Singtam.

As India continues to embrace a cashless economy, it is essential to understand the factors that affect customer satisfaction, particularly in semi-urban areas like Singtam. Improving user satisfaction with digital payment systems is vital to increasing adoption rates and achieving the broader goal of financial inclusion. The findings from this research will offer valuable insights into the challenges and concerns that need to be addressed to enhance the user experience, build trust, and ensure the widespread acceptance of cashless payment methods across diverse population groups.

By examining customer satisfaction in Singtam, this study aims to contribute to the understanding of how digital payment systems are utilized in smaller towns and regions with unique challenges. It is hoped that the results will inform the development of strategies to address these challenges, improve user trust, and facilitate a smoother transition to a more cashless society in semi-urban areas.

2. Statement of the Problem

Despite substantial investment and widespread promotion of digital payment platforms, satisfaction levels among users in semi-urban regions like Singtam remain varied. While many users are familiar with cashless systems and recognize their benefits, several still face persistent challenges. These include transaction failures, data privacy concerns, fraud, poor internet connectivity, and lack of technical support. Survey results indicate that 49.2% of users have experienced failed transactions, and 75% have encountered fraud or suspicious activity. These impacts trust and discourage further usage. Moreover, some users—particularly older age groups and less educated individuals—struggle with understanding the use of digital apps and online banking interfaces.

The central problem addressed in this study is: **“Why do cashless payment systems continue to face low customer satisfaction despite high awareness and utility in semi-urban regions?”** This problem is critical because dissatisfaction may lead to reluctance or regression in digital usage, defeating the core objectives of initiatives like Digital India. The study identifies the root causes of dissatisfaction and provides suggestions to mitigate them, ensuring digital inclusion and user confidence across all population segments.

3. Literature Review

3.1 Previous Studies

- Jain and Rathore (2018) emphasized that convenience, security, and speed significantly influence customer satisfaction in digital payments. However, concerns such as transaction failures and lack of trust among older generations hinder adoption.
- Sharma and Gupta (2020) found that urban users exhibit higher satisfaction levels due to better internet connectivity, while rural users face challenges related to digital literacy and fraud risks.
- Singh et al. (2021) highlighted the role of UPI in enhancing user experience with real-time transactions and interoperability between banks but noted system downtimes as a major issue.
- Patel and Mehta (2022) examined mobile wallet satisfaction, concluding that cash-back offers and ease of use enhance adoption, while privacy concerns limit widespread trust.

3.2 Common Findings and Research Gap

- Users expect faster, more secure and reliable digital payment platforms.
- Awareness campaigns and digital literacy programs are essential for widespread adoption.
- Service providers need to address transaction failures, security concerns, and customer support issues.
- This study builds on previous research by focusing on consumer satisfaction levels in a semi-urban region—Singtam, Sikkim—where digital banking adoption is still evolving.

4. Research Methodology

The research methodology adopted in this study is a mixed-method approach that involves collecting both primary and secondary data. The main objective is to understand user behaviour and satisfaction related to cashless payments in Singtam.

Definition of Primary Data

Primary data refers to the data that is collected first and by the researcher specifically for the research project at hand. It is original and is collected through surveys, interviews, observations, or experiments. In this study, primary data was gathered through a questionnaire distributed to users in Singtam to gain direct insights into their cashless payment behaviour.

Definition of Secondary Data

Secondary data refers to data that has already been collected, processed, and published by others for purposes other than the current research. It includes government publications, articles, reports, websites, and online databases. In this study, secondary data was used to understand national and regional trends in cashless transactions and to compare findings with existing literature.

Primary data was collected through a structured survey questionnaire administered to 238 respondents, including students, local business owners, government employees, and other working professionals. The questionnaire consisted of multiple-choice and linear-scale questions assessing awareness, frequency of usage, satisfaction levels, and problems faced during cashless transactions.

4.1 Objectives of the Study

- To assess customer awareness and adoption of cashless payment methods in Singtam, Sikkim.
- To evaluate satisfaction levels among users of UPI, mobile wallets, and net banking.
- To identify key factors influencing satisfaction, such as ease of use, transaction security, and reliability.
- To analyze demographic challenges, including digital literacy, network issues, and trust in cashless transactions.
- To provide recommendations for improving cashless payment adoption and user experience.

4.2 Survey Questions

- ◆ Name*
- ◆ Email
- ◆ Phone Number *
- ◆ Age *
 - Under 18
 - 18-24
 - 24-30
 - 30-36
 - 36-40
 - Above 40
- ◆ Occupation *
 - Employed
 - Unemployed
 - Self Employed
 - Student
 - Retired
 - Other: _____
- ◆ Gender *
 - Female
 - Male
 - Others
- ◆ Do you know digital payments methods? *
 - Yes
 - No
- ◆ What concerns do you have about cashless payments? *
 - Privacy and data security
 - Risk of fraud or hacking
 - Technical issues (e.g., app malfunctions)
 - Limited acceptance at some places
 - Other: _____
- ◆ Which mobile payment apps do you use *
 - G pay
 - I Phone pay
 - Apple pay
 - Fampay
 - Paytm
 - Other: _____

- ◆ How often do you use digital payments? *
 - Daily
 - Weekly
 - Occasionally
 - Rarely
- ◆ What motivates you to use cashless payment? *
 - Convenience
 - Speed of transaction
 - Security features
 - Cash back and rewards
 - Peer Influence
 - Availability of technology/devices
 - Other: _____
- ◆ What challenges do you face while using cashless payments? *
 - Fear of fraud
 - Transaction failures
 - Lack of acceptance by merchants
 - Limited digital literacy
 - Technical glitches
- ◆ Have you experienced any fraudulent activity while using cashless payments? *
 - Yes
 - No
- ◆ How often do you face transaction failures? *
 - Rarely
 - Sometimes
 - Often
 - Very Often
- ◆ Which payment method do you prefer most for day-to-day transactions? *
 - Cash
 - UPI
 - Mobile Wallets
 - Credit/Debit Cards
 - Others
- ◆ Are you satisfied with your current cashless payment experience? *
 - Yes
 - No
- ◆ What improvements would you like to see in cashless payment systems? *
 - Enhanced security measures
 - Faster transaction speeds
 - Wider merchant acceptance
 - Better customer support
 - Other: _____
- ◆ Do you see yourself using more cashless payments in the future? *
 - Yes
 - No
 - Maybe
- ◆ Do you trust cashless payment methods more or less compared to cash? *
 - More
 - Less
 - About the same
- ◆ How likely are you to recommend cashless payment methods to others? *.

Not likely 1 2 3 4 5 very likely

□ □ □ □ □

- ◆ Do you believe cashless payments will replace cash completely in the next Decade?
 - Yes
 - No
 - Maybe
 - ◆ SUGGESTIONS (Feedback)
-

4.3 Data Collection & Analysis

A survey was conducted among 238 respondents in Singtam, Sikkim. The study used primary data collected via questionnaires and secondary data from research articles and financial reports. Statistical tools such as percentage analysis were applied to interpret the results.

5. Data Analysis and Interpretation

5.1 Demographics of Respondents

- Age Distribution: 66.8% of respondents were aged 18-24, indicating high adoption among young users.
- Occupation: 71% were students, followed by 18.5% employed individuals
- Gender: The gender distribution was nearly equal, with 50.8% female and 49.2% male respondents.

5.2 Awareness and Usage Patterns

- 91.2% of respondents were aware of digital payment methods, while 8.8% had limited knowledge.

Awareness of Digital Payment Methods

Awareness	Number of Respondent	Percentage
Yes	217	91.2%
No	21	8.8%
Total	238	100%

Insight: A vast majority of respondents are aware of digital payments, which indicates strong market penetration

- Most Popular Platforms: Google Pay (79%) was the dominant choice, followed by PhonePe (22.3%) and Paytm (14.7%).

Preferred Mobile Apps

Apps	Number of Respondents	Percentage
Google Pay	188	79%
PhonePe	53	22.3%
Paytm	35	14.7%
Apple Pay	8	3.4%
Fam Pay	21	8.8%
Total	305	100%

Insight: Google Pay is the most preferred app, followed by PhonePe and Paytm.

- Usage Frequency: 55.5% of respondents used digital payments daily, while 14.7% used them weekly.

Frequency of Digital Payments Usage

Usage Frequency	Number of Respondents	Percentage
Daily	132	55.5%
Weekly	35	14.7%
Occasionally	33	13.5%
Rarely	38	16%
Total	238	100%

Insight: More than half of respondents use digital payments daily, highlighting high engagement.

5.3 Concerns and Challenges

- Top Concerns: Privacy and data security (42.4%), risk of fraud (36.5%), and transaction failures (49.2%).

Concerns	Number of Respondents	Percentage
Privacy and data security	101	42.4%
Risk of fraud or hacking	94	39.5%
Technical issues	61	25.6%
Limited acceptance at some places	52	21.8%
Other	30	12.8%
Total	238	100%

Insight: Privacy and data security is the major concern people, followed by risk of fraud.

- Challenges Faced: Technical glitches (35.3%) and limited merchant acceptance (17.3%) were major issues.

Challenges faced by Users

Challenges	Number of Respondents	Percentage
Fear of fraud	71	29.8%
Transaction failures	117	49.2%
Lack of acceptance by merchants	41	17.2%
Limited digital literacy	40	16.8%
Technical glitches	84	35.3%
Total	353	100%

Insight: Transaction failures and fear of fraud concerns are the biggest barriers to satisfaction

- Fraud Experiences: 75.6% of respondents reported at least one instance of fraudulent activity.

Fraudulent experience of Cashless Payments

Responses	Number of Respondents	Percentage
Yes	180	75.6%
No	58	24.4%
Total	238	100%

Insight: About 75.6% users experience fraudulent while using cashless payment.

5.4 Trust and Future Adoption

- 47.5% of users trusted digital payments as much as cash, while 23.9% trusted them more.

Trust on Cashless Payments

Responses	Number of Respondents	Percentage
About the same	113	47.5%
Less	68	28.6%
More	57	23.9%
Total	238	100%

Insight: Most users trust digital payment as much as cash.

- Future Usage: 62.2% were likely to increase their usage, while 4.6% were sceptical.

Future Usage of Cashless Payments

Responses	Number of Respondents	Percentage
Yes	79	33.2%
No	11	4.6%
Maybe	148	62.2%
Total	238	100%

Insight: A majority (62.2%) are uncertain but open to using digital payments more in the future.

6. Findings and Discussion

- High Adoption among Youth:** Younger users (18-24) are the primary adopters of cashless payments.
- Dominance of UPI:** Google Pay and PhonePe dominate digital transactions, highlighting the convenience of UPI.
- Security Concerns Remain:** A significant portion of users (75.6%) have encountered fraud, impacting trust.
- Transaction Failures Are a Major Barrier:** Almost half (49.2%) of users faced transaction failures, reducing confidence in digital payments.
- Potential for Increased Adoption:** Many users (62.2%) are open to increasing their use of cashless payments if concerns are addressed.

7. Suggestions and Recommendations

- Enhancing Security Measures:** Implement multi-factor authentication and fraud detection mechanisms to increase user confidence.
- Improving Infrastructure:** Expand internet connectivity in rural and semi-urban areas to ensure seamless transactions.
- Reducing Transaction Failures:** FinTech companies should focus on improving system stability and error handling.
- Promoting Digital Literacy:** Conduct workshops to educate users, particularly in less tech-savvy demographics.
- Encouraging Merchants to Accept Digital Payments:** Offering incentives to small businesses can increase cashless transaction adoption.

Conclusion

Cashless payment systems have undoubtedly brought about positive changes in Singtam, providing users with faster, more convenient and transparent financial transactions. The increasing adoption of platforms like UPI, mobile wallets, and QR codes has simplified payments, making them a preferred option for many users, especially the younger generation. In Singtam, students and working professionals have embraced these technologies due to the convenience they offer. However, despite the advantages, several challenges still impede the widespread adoption of digital payments.

The research findings suggest that while there is high awareness of cashless systems in Singtam, satisfaction levels are inconsistent. While many users appreciate the speed and convenience of digital payments, security concerns and technical difficulties continue to affect the user experience. A significant portion of users reported transaction failures and fraudulent activities, which undermined their trust in these platforms. These security issues discourage users from fully relying on digital payment systems, especially for larger transactions. The lack of trust is a major barrier to adoption, as users are hesitant to engage in digital payments due to the fear of potential fraud or financial loss.

Another issue highlighted by the study is the digital divide. While younger, tech-savvy individuals are more inclined to use digital payment systems, older users and those with limited digital literacy face difficulties in using these platforms. Many elderly individuals struggle with navigating mobile wallets and UPI-based systems, which limits their ability to participate in the cashless ecosystem. Addressing this digital literacy gap is crucial to ensure that all segments of the population can benefit from cashless payments.

Furthermore, poor internet connectivity and technical glitches were found to be common problems in Singtam, hindering the smooth execution of transactions. These issues contribute to user frustration and reinforce negative perceptions of digital payment systems. Improving internet infrastructure and ensuring that platforms are more reliable will help boost user confidence and satisfaction.

In conclusion, while cashless payments are making headway in Singtam, security concerns, technical issues, and limited digital literacy remain significant obstacles. By addressing these challenges through enhanced security features, better customer support, and initiatives to improve digital literacy, stakeholders can foster greater adoption of digital payments. These efforts will ultimately contribute to a more robust cashless economy, benefiting all residents and advancing India's digital transformation goals.

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