iJRASET
International Journal For Research in Applied Science and Engineering Technology

INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 14 **Issue:** II **Month of publication:** February 2026

DOI: https://doi.org/10.22214/ijraset.2026.77637

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International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 14 Issue II Feb 2026- Available at www.ijraset.com

A Study on Consumer Preference towards Online Payment Systems in India

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Abstract: ***The rapid advancement of digital technology has significantly transformed India's financial ecosystem, leading to increased adoption of online payment systems such as UPI, mobile wallets, internet banking, and card-based transactions. This study examines consumer preference towards online payment systems in India and identifies the key factors influencing their adoption and continued usage. The research is descriptive in nature and is based on primary data collected from 100 respondents using a structured questionnaire. The data were analysed using percentage analysis and ranking methods.***
The findings reveal that convenience, security, and ease of use are the most influential determinants of consumer preference. UPI emerged as the most preferred mode of digital payment due to its speed, accessibility, and user-friendly interface. Demographic factors such as age, education, and urban residence significantly impact adoption levels, with younger and educated respondents showing higher usage rates. Despite widespread awareness and frequent usage, challenges such as network issues, transaction failures, and security concerns persist. The study concludes that strengthening digital infrastructure, enhancing security measures, and promoting digital literacy can further accelerate the growth of online payment systems in India and support the transition towards a cashless economy.
Keywords: Online Payment Systems, Consumer Preference, Digital Payments, Security, Trust, India, Technology Adoption.

I. INTRODUCTION

The advancement of digital technology has revolutionized the financial services sector worldwide. In India, the growth of online payment systems has accelerated significantly due to increased smartphone penetration, internet accessibility, fintech innovation, and government initiatives promoting digital transactions. Platforms such as UPI, mobile wallets, internet banking, and debit/credit cards have become integral to daily financial transactions. Consumer preference plays a crucial role in determining the success and sustainability of online payment systems. Factors such as perceived security, convenience, ease of use, transaction speed, and trust influence consumer adoption decisions. While digital payments offer efficiency and accessibility, concerns related to fraud, data privacy, and technical issues continue to affect consumer confidence. Previous studies have identified perceived usefulness, ease of use, security, and trust as major determinants influencing the adoption of online payment systems. Research conducted in both Indian and international contexts indicates that while convenience encourages usage, perceived risk and privacy concerns act as significant barriers. However, limited studies focus specifically on analysing overall consumer preference towards various online payment systems within the Indian context. Therefore, the present study aims to examine consumer preference and the factors influencing adoption in India.

II. OBJECTIVES

1) To analyse the level of consumer awareness and usage of online payment systems.
2) To identify the key factors influencing consumer preference towards online payment methods.
3) To examine the impact of demographic variables on consumer preference and usage of digital payment systems.
4) To evaluate consumer experiences and challenges while using different online payment platforms.

III. RESEARCH METHODOLOGY

1) Research Design: The study is descriptive in nature and aims to analyse consumer preference towards online payment systems in India.
2) Data Collection: Primary data was collected through a structured questionnaire distributed among respondents. Secondary data was obtained from academic journals, research articles, and authenticated online sources.
3) Sample Size: The study is based on responses collected from 100 respondents.

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4) Tools for Analysis: The collected data was analysed using percentage analysis, ranking methods, and basic statistical interpretation techniques.

IV. DATA ANALYSIS AND INTERPRETATION

The analysis indicates that a majority of respondents prefer online payment systems due to their convenience, speed, and accessibility. Among the available options, UPI and mobile wallets emerged as the most preferred modes of digital payment.

Security was identified as the most influential factor affecting consumer preference. Respondents expressed higher trust in platforms that offer secure authentication processes and data protection measures. Ease of use and transaction efficiency also significantly contributed to user satisfaction.

Demographic analysis shows that younger consumers and individuals with higher educational qualifications are more inclined towards using online payment systems. However, concerns regarding fraud and technical issues continue to affect certain user groups.

V. FINDINGS

A. *Demographic Analysis*

1) Age: Majority (46%) were aged 21-30, indicating strong adoption among young adults. Only 5% were above 50, showing low usage among older populations.
2) Gender: Male respondents (57%) constituted the majority, followed by females (41%), while 2% identified under other gender categories.
3) Education: 48% were undergraduates and 29% postgraduates, emphasizing the role of education in digital literacy.
4) Occupation: Salaried employees (38%) and students (36%) were primary users.
5) Income: Most users fell within ₹10,001-₹25,000 (34%) and ₹25,001-₹50,000 (31%), reflecting middle-income dominance.
6) Residence: Urban respondents (52%) lead adoption, while rural users (19%) remain limited.

Interpretation: Younger, educated, urban consumers with moderate income form the core user base for online payments in India.

B. *Consumer Awareness & Usage Patterns*

1) Awareness: 94% of respondents are aware of online payment systems.
2) Usage: UPI is the most used method (82%), followed by mobile wallets and internet banking.
3) Frequency: 37% use digital payments daily; 35% use them weekly.
4) Purpose: Money transfers (63%) dominate, followed by online shopping, recharges, and bill payments.
5) Platforms: Google Pay and PhonePe are the most commonly used applications, indicating high brand trust.

C. *Factors Influencing Consumer Preference*

1) Convenience (29%) is the most important factor influencing usage.
2) Security (26%) is critical for consumer confidence.
3) Speed and ease of use significantly affect adoption.
4) Trust and reliability ensure continued usage.
5) Cashback and rewards are secondary motivators.

D. *Demographic Impact*

1) Younger users and those with higher education levels show higher adoption.
2) Salaried employees and students transact more frequently due to regular financial needs.
3) Urban residents demonstrate stronger adoption than semi-urban and rural participants.
4) Gender differences in usage patterns are minimal, indicating widespread acceptance.

E. *Challenges & Barriers*

1) 61% of respondents face difficulties while using online payment systems.
2) Network issues (27%) are the most common problem.
3) Transaction failures, delayed refunds, and app crashes reduce satisfaction.
4) Security concerns remain significant for some users.

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5) Despite challenges, the majority continue using digital payments, highlighting perceived convenience and resilience.

VI. SUGGESTIONS

Based on the findings, the following measures are recommended to enhance adoption, satisfaction, and effectiveness:

1) Enhance Network Infrastructure: Collaborate with telecom providers and optimize apps for low-bandwidth areas.
2) Strengthen Security & Fraud Prevention: Use multi-layered security, OTP verification, biometric authentication, and encryption.
3) Improve Refund & Dispute Resolution: Implement automated, faster refunds and dedicated support channels.
4) Simplify User Interface: Ensure intuitive navigation and minimal steps for transactions.
5) Promote Digital Literacy: Conduct workshops, tutorials, and awareness campaigns, especially targeting rural and elderly populations.
6) Reduce Technical Errors: Regular updates, testing, and fallback mechanisms like SMS-based UPI can improve reliability.
7) Enhance Customer Support: 24/7 responsive support via live chat, AI bots, and helplines.
8) Offer Incentives & Rewards: Introduce tiered cashback, loyalty programs, and gamified promotions.
9) Build Trust & Brand Reputation: Communicate security practices and collaborate with banks and fintech regulators.
10) Integrate Services: Link digital payments to e-commerce, utility, ride-hailing, and financial apps for seamless usage.
11) Targeted Marketing: Encourage adoption among semi-urban, rural, and older users with simplified apps and tailored campaigns.
12) Continuous Feedback & Research: Monitor satisfaction, emerging challenges, and explore innovations such as biometric payments or AI-based fraud detection.

VII. CONCLUSION

The present study examined consumer preference towards online payment systems in India and analysed the key factors influencing their adoption and usage. The findings clearly indicate that digital payment systems have become an integral part of modern financial transactions, particularly among younger, educated, and urban consumers.

The study confirms that convenience, security, and ease of use are the primary determinants driving consumer preference. UPI has emerged as the most preferred mode of digital payment due to its speed, accessibility, and seamless integration with banking services. The high level of awareness (94%) and frequent usage among respondents reflect the rapid digital transformation occurring within India's financial ecosystem.

However, the research also highlights certain persistent challenges, including network instability, transaction failures, delayed refunds, and security concerns. These issues, although not significantly discouraging usage, affect overall user satisfaction and trust. The demographic analysis further reveals that rural populations and older age groups exhibit comparatively lower adoption levels, indicating the need for improved digital infrastructure and targeted awareness initiatives.

In relation to the objectives of the study, it can be concluded that consumer awareness of online payment systems is high, usage patterns are strongly influenced by convenience and security considerations, and demographic factors play a significant role in shaping adoption behaviour. While digital payment systems have achieved substantial growth, sustained expansion requires continuous improvement in technological reliability, cybersecurity measures, and digital literacy programs.

Overall, online payment systems are contributing significantly to the development of a cashless economy in India. With strengthened infrastructure, enhanced consumer trust, and inclusive digital policies, India can further accelerate its transition toward a secure, efficient, and widely accessible digital payment ecosystem.

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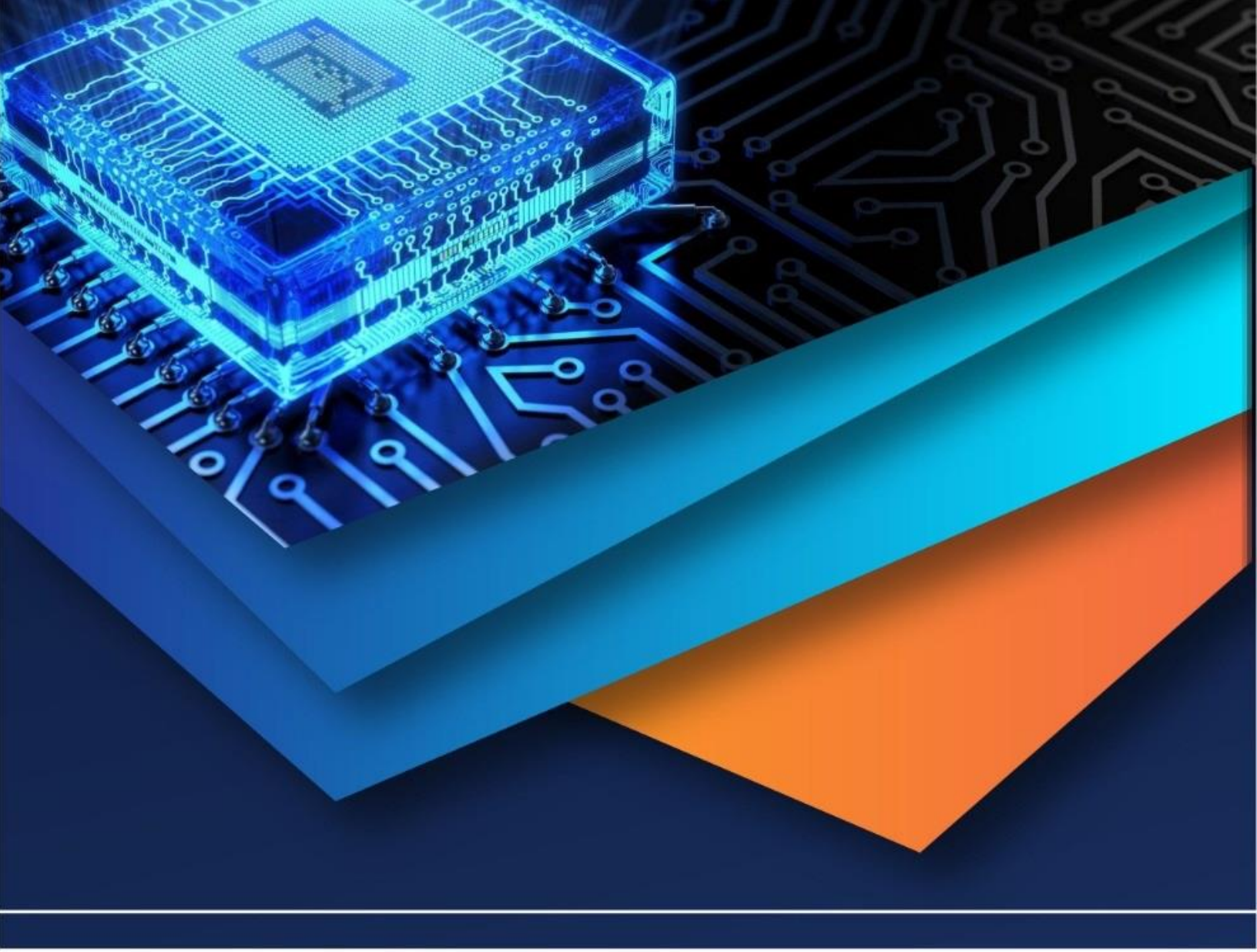

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