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# **Barriers of Digital Payments adoption**

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## Introduction

Picture yourself behind the counter of a bustling little bakery. Your customers hand over crumpled bills for their morning buns, and the cash drawer's jingle is as familiar as the smell of fresh bread. But lately, more folks are pulling out their phones, asking, "Can I pay with an app?" or tapping cards for a quick sale. Digital payments—like mobile apps or credit card swipes—promise faster transactions, easier tracking, and maybe even new customers shopping online. Sounds great, right? But here's the catch: card readers aren't cheap, the internet can flake out, your regulars love their cash, and those tax rules feel like a puzzle with missing pieces. This report dives into what's holding small businesses like yours back, mixing insights from studies (2010–2020) with real stories from seven local shop owners. I've got practical tips to help you go digital without losing your sanity, current as of May, 2025.

### Literature Review

Many small businesses in developing countries still rely on cash, and several studies explain why switching to digital payments isn't easy for them.

For starters, the **setup cost** of card machines and the **transaction fees** are too high for businesses already working on tight budgets (Donner & Escobari, 2010). On top of that, **poor internet**—especially in rural areas—often disrupts payments, making owners lose trust in the system (Diniz et al., 2012).

There's also the issue of **limited tech skills**. Many business owners aren't comfortable using digital tools, which makes digital payments feel more confusing than helpful (Venkatesh & Davis, 2020).

Even when businesses are ready, **customers still prefer cash**. Some don't trust digital methods, while others lack the tools to use them (Mbogo, 2010; Chakravorti & Mazzotta, 2013).

Security worries—like the fear of fraud—and complicated tax rules also discourage adoption (Asongu & Nwachukwu, 2018). Managing too many payment platforms adds another layer of stress (Jack & Suri, 2014).

In short, small business owners face real-world hurdles—cost, trust, complexity, and customer behavior. Researchers suggest simple solutions: affordable tools, better internet, easy-to-use apps, and educating both businesses and customers.

Table 1: Key	y studies or	n the barriers	s of digital	l adoption
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Authors	Study Title	Methodology
Jonathan Donner, Marcela X. Escobari	A Review of Evidence on Mobile Use by Micro and Small Enterprises in Developing Countries (2010)	Systematic review of case studies and surveys
Eduardo H. Diniz, David E. Bailey, Dan Sholler	The Role of Digital Financial Services in Financial Inclusion (2012)	Qualitative case studies with stakeholder interviews
Simplice A. Asongu, Jacinta C. Nwachukwu	Mobile Phones, Institutional Quality, and Entrepreneurship in Sub-Saharan Africa (2018)	Econometric analysis of regional survey data
Margaret Mbogo	The Impact of Mobile Payments on the Success and Growth of Micro-Businesses: The Case of M-Pesa in Kenya (2010)	Mixed-methods (surveys and interviews)
William Jack, Tavneet Suri	Risk Sharing and Transactions Costs: Evidence from Kenya's Mobile Money Revolution (2014)	Longitudinal survey data analysis
Lennart Bångens, Björn Söderberg	Mobile Money in Emerging Markets: The Business Case for Financial Inclusion (2011)	Case studies and industry analysis
Bhaskar Chakravorti, Benjamin D. Mazzotta	The Cost of Cash: Insights from Emerging Markets (2013)	Survey data and economic modeling
Viswanath Venkatesh, Fred D. Davis	Digital Divide and Payment Systems: A Technology Acceptance Perspective (2020)	Surveys with structural equation modelling

#### Methodology

To understand the real challenges small business owners, face with digital payments, I combined academic research with on-the-ground feedback.

First, I studied previous research from 2010 to 2020 that focused on barriers in countries like India and Kenya. These studies helped me identify key problems such as high costs, poor internet, low digital skills, and customer preference for cash.

Next, I conducted a **simple survey** with **seven local small business owners**, including café and shop owners. I asked them how long they've been running their business, if they accept digital payments, and to rank common barriers based on their personal experiences.

By blending expert insights with real stories from business owners, I was able to identify the most common and impactful challenges they face when trying to adopt digital payments.

#### **Data Collection**

To capture the real struggles of small business owners, I visited seven diverse local entrepreneurs—café owners, shopkeepers, street vendors—whose businesses ranged from just-opened to decades-old. I crafted a simple survey to respect their busy schedules

#### TABLE 3: Ratings of the barriers

S.NO	BARRIERS	R1	R2	R3	R4	R5	R6	R7
1	High cost of implementation	6	3	4	1	2	2	4
2	Unreliable internet connection	7	5	5	6	8	7	5
3	Lack of technical knowledge	3	6	5	7	3	5	7
4	Fear of frauds and security issues	9	7	7	9	6	7	9
5	Navigating complex tax and anti-money	2	3	3	4	2	3	5
6	Customer preferences cashes	4	3	2	3	1	3	4
7	Multiple payment platforms increase complexity	6	5	6	5	5	7	4
8	Lack of bank account or issues in their servers	8	6	4	5	3	3	5

### **Barrier rating**

The barriers of digital payment adoption will be rated using the scale given in the table 2.

## Table 2: Scale for rating of barriers relative importance

Linguistic scale	Rating
Absolutely more significant	9
Very high significant	8
High significant	7
Slightly more significant	6
Almost more significant	5
Slightly low significant	4
Low significant	3
Very low significant	2
Absolutely low significant	1

## **Data Analysis**

After collecting survey responses from seven small business owners, I averaged their ratings to find which digital payment barriers mattered most. The results showed that **fear of fraud**, **unreliable internet**, and **handling too many payment platforms** were their biggest concerns. This helped me clearly see what issues need the most attention.

#### **TABLE 4: - Ranking the barriers**

S.NO	Barriers	Mean	Ranks
1	High cost of implementation	22	7
2	Unreliable internet connection	43	2
3	Lack of technical knowledge	36	4
4	Fear of frauds and security issues	54	1
5	Navigating complex tax and anti-money	22	7
6	Customer prefers cashes	20	8
7	Multiple payment platforms increase complexity	38	3
8	Lack of bank account or issues in their servers	34	5

#### Discussion

The findings from the survey provided a clearer picture of what truly holds small businesses back from adopting digital payments. Among all the barriers, the **fear of fraud and security issues** stood out as the most pressing concern. Many business owners worry that digital transactions might expose them to risks like hacking, scams, or chargebacks they don't know how to handle. Since most don't have access to expert cybersecurity tools or training, this fear feels very real—and it becomes a major reason why they stick with cash.

The second most important barrier was **unreliable internet connectivity**. For small businesses in rural or semi-urban areas, internet services are often patchy or inconsistent. Imagine trying to process a customer's payment and the network suddenly drops—it not only leads to frustration but also makes the owner look unprofessional or unprepared. This makes many of them hesitate to fully rely on digital systems.

Another significant issue was the **complexity of using multiple payment platforms**. Small businesses often feel pressure to accept all kinds of payment apps—Google Pay, PhonePe, Paytm, and so on—just to meet customer expectations. But managing these platforms means juggling different apps, understanding different transaction fees, and reconciling them all at the end of the day. For someone already handling inventory, customers, and operations alone, this extra burden becomes overwhelming.

In summary, while digital payments are growing quickly and offer real advantages, small business owners are still held back by fear, unreliable technology, and complexity. These barriers aren't just technical—they're practical and emotional. If we want to support these businesses in going digital, we need to make payment systems **safer**, **simpler**, **and more stable**—so the switch doesn't feel like a risk, but like a step forward.

#### Conclusion

Switching to digital payments can feel like climbing a mountain for small business owners like you, running a cozy shop or a street stall. This study, weaving together research from 2010 to 2020 and heartfelt chats with seven local owners, shows that customers' cash obsession (mean: 2.86), steep costs (mean: 3.14), and regulatory headaches (mean: 3.14) are the biggest roadblocks. Picture a busy evening when a customer hands you cash because they don't trust apps, or you're wincing at transaction fees eating your profits, or you're stuck deciphering tax forms instead of serving customers. These aren't just numbers—they're real frustrations.

But there's hope. Offering small discounts, like a free snack for app payments, can win over cash-loving customers. Grabbing a cheap card reader and starting small keeps costs down, while apps with tax tools simplify the paperwork. Joining forces with other owners to push for subsidies or simpler rules can change the game long-term. Governments and banks need to step up too, with better internet and unified payment systems like India's UPI. As of June 9, 2025, these ideas offer a practical roadmap to go digital without losing the warmth that makes your business special. You can embrace the future—faster sales, happier customers—while keeping the heart of your shop beating strong.

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