

A Comparative Study on Urban and Rural Areas Adopting Digital Payment System

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Abstract - This study presents a comparative analysis of the adoption of digital payment systems in urban and rural areas, aiming to understand the variations in usage, acceptance, and challenges across different geographic regions. Utilizing a structured research methodology that includes well-designed questionnaires and data analysis, the study reveals that digital payment adoption is significantly higher in urban areas compared to rural counterparts. The findings emphasize key barriers in rural regions, such as inadequate digital infrastructure, limited internet connectivity, low digital literacy, and trust-related concerns. While overall user satisfaction with digital payment systems is reported to be positive, challenges such as network disruptions, technical glitches, and transaction limitations still hinder widespread adoption, particularly in rural settings. The study concludes that although digital payment systems offer convenience and economic benefits, cash transactions continue to be perceived as more reliable by many users. Strategic interventions—such as expanding infrastructure, improving user awareness, and ensuring better technical support—are essential for promoting inclusive digital financial ecosystems and driving economic growth.

Keywords: Digital Payments, Urban-Rural Comparison, Network Issues, Digital Literacy, Technological Barriers, Trust Deficit.

I. INTRODUCTION

Digital payment has been omnipresent in almost every aspect of human life. The busy life of Peoples have made them to do every thing as easy as possible as well as in a short term of period. In Online payments, Only partial awareness is there among consumers due to urban and rural areas there is some issues on customer side which leads them to use not go for digital payment. There is a lack of digital literacy, and network issues in rural areas. People living in rural areas face network issues and do not have faith in the digital payment system.

With the advancement of technology services and the pace of life, the digital payment system has greatly facilitated consumers, changed people's payment habits and become an indispensable part of life. More and more individuals and businesses are using online payment methods, it is more efficient, accessible and faster than cash transactions. Despite the exponential growth of digital payment methods, consumers especially in rural and urban areas face daunting challenges.

Whereas urban consumers struggle with low awareness and security concerns, rural citizens confront a lack of network connectivity, digital literacy, and trust in digital transactions. All these 因素 s pose challenges in terms of the widespread adaptation of online payments, creating barriers to full adoption of digital financial services for most individuals.

The objectives of the study were to identify the problems faced by consumers in the use of digital payment systems, to assess the impact and utilization of digital transactions, and to explore the perceptions of consumers toward online payments. Interventions in the form of policy measures are needed to improve digital payment behaviour to help reduce the urban-rural gap amongst consumers.

II. REVIEW OF LITERATURE

Dr. Sunitha Dubey, Dr. Tapesh Chandra Gupta (2024) conducted a study on “Digital payments and financial inclusion: A comparative analysis of urban and rural areas in Madhya Pradesh” concluded that with the sample size of 1000 households. They investigated that the adoption rate of digital payment in urban areas is (84.6%) and in the rural areas is (46.8%). The results highlight that the digital payment system used more in urban areas rather than rural areas.

Dr. D. Jakir Hussain, M.B. Sindhu (2021) “A Comparative study of urban and rural customers on perception towards online payment system at Anantapur district” to find the overall satisfaction using the digital payment system with the sample size of 100 both male and female were taken. The final conclusion is urban areas (52%) and rural areas (44%) are satisfied with the privacy and saves time by using digital payment system.

Rasna T.P.P, S. Susila (2021)” A Comparative study on the usage pattern of UPI payments among rural and urban at Kannur district of Kerala” conducted the study by using 200 sample size. Conclude that in rural areas (68.75%) and in urban areas (37.43%) uses cash payment. Coming to the UPI (31.25%) in rural areas and (62.5%) in urban areas makes UPI transaction.

Smriti Anand (2022) “A study on a digital transaction between the urban and rural area in Bihar” the study found that by using secondary data according to December 2019 study (16%) of rural areas and (45%) of urban areas are using the digital transactions. In the study it was concluded that the higher ratio of adopting the digital payment system is in urban rather than rural.

Priyanka Yadav, Anshul Jain, Nitish Pathak and Neelam Sharama (2024) “ Investigating the behaviour of consumers using digital payment: Comparative study between rural and urban areas” the study conducted by using 50 sample size in north India because northern states are lacking behind in digital payment system, face to face survey was conducted and found the result that

transaction speed, perceived usefulness, compatibility, perceived trust, performance expectancy, unavailability of facilitating condition, operational constraints.

Yang et al. (2023) “Reducing farmers poverty vulnerability in China: role of digital financial inclusion “The study which was conducted on impact of digital financial inclusion on the farmer’s poverty vulnerability in China. And study found out that the reduced poverty by increasing income hence this study indicates that the digital payment system can enhance the financial resilience among rural areas.

Dr. Vijayakumar A B (2021) “Adoption of digital payment system in rural area: A study at Ramanagaram” district Total samples were collected are 30 samples and found that most of them were already got awareness about the digitalization system but few were not aware about the digital payment system. many of them are satisfied with digital payment system but most of them are using debit /credit cards.

Manrai et al. (2021) “Factors affecting adoption of digital payments by semi-rural Indian women” The Study says that the adoption of digital payment system by semi-rural women in India. Total samples taken in this study was involving 568 samples found the habit, expectancy, The digital payment system creating user-friendly platforms these helps to adopt among semi-rural women.

Sun et al. (2023) “Digital inclusion, cultural capital and health status of urban and rural residents” The study found that the digital financial impact on the health outcomes, It highlight and address about digital health disparities to ensure health across the population.

Sarfo et al. (2021) “Farmers’ willingness to pay for digital and conventional credit: Insight from a discrete choice experiment in Madagascar “The experiment to compare Farmer’s willingness to pay for digital platform the study has found that farmers had a higher willingness to pay for digital credit transaction.

III. STATEMENT OF PROBLEM

The extent to which digital payment systems are adopted in urban and rural areas .To find the adoption of which type of digital payment system used in both rural and urban areas .the impact of demographic factors such as age ,education, income, on the adoption of digital payment system .

IV. OBJECTIVES OF THE STUDY

1. To understand the problems faced by the customers in using online payments system.
2. To analysis the impact and usage of digital transaction.
3. To study the perception level towards digital payment system

V. RESEARCH METHODOLOGY

Research design

The research will follow a questionnaires method of research design. questionnaires method is used to collect the information on a whole, which is considered as a primary data and Descriptive research is used to gather information and to find out the adoption of digital payment system.

Data collection

In the consideration of both primary and secondary data.

Primary data: The data collection done through the formal questionnaire with 10 questions. This data collected through well-structured questionnaires from google form.

Secondary data: The data is referred from some kind of articles, research paper, journals and etc.

Sample size

The sample size of the data is 60.

The respondents for samples are 60.

VI. RESULTS AND DISCUSSION

The study reveals that **88% of the respondents are adopters** of digital payment systems, while **12% remain non-adopters**. The gender distribution shows **38% male and 62% female respondents**. In terms of educational background, **85% of participants have attained graduation-level education**, while **8.6% have no formal education**.

Regarding overall satisfaction with digital payment systems, **45% rated it as ‘Good’**, **32% as ‘Very Good’**, **14% as ‘Excellent’**, and **9% as ‘Average’**. Among various digital payment methods, **Unified Payments Interface (UPI)** emerged as the most commonly used platform, with **81% adoption**, followed by **mobile wallets and internet banking**, each accounting for approximately **9%** of usage.

The comparative analysis between urban and rural respondents shows that **urban users (56.4%)** have a significantly higher rate of digital payment adoption compared to **rural users (43.6%)**. Adoption rates for digital payments stood at **87.5% in urban areas** and **only 12.5% in rural areas**, highlighting a substantial digital divide.

The majority of digital payment users belong to the **18–25 age group (78.6%)**, indicating higher tech-savviness among younger generations. The gender split in urban and rural areas indicates a higher participation rate of **female users**, signifying increasing engagement of women in digital financial services.

UPI continues to dominate as the preferred mode of transaction across both urban and rural areas, largely due to its ease of use, lower transaction time, and growing interoperability. However, the data also revealed concerns about **network connectivity issues**, limited transaction capabilities in rural areas, and **lack of digital literacy**, especially among older and less-educated populations.

VII. RECOMMENDATIONS

Strengthen Digital Literacy Programs: Government and financial institutions should implement regular digital literacy campaigns, especially in rural areas, to promote safe and effective use of digital payment systems.

Expand Network Infrastructure: Telecom service providers should be encouraged through policy incentives to expand mobile and internet connectivity in remote areas to ensure seamless digital transactions.

Enhance User Experience: Financial service providers should focus on improving user-friendly interfaces, multilingual accessibility, and customer support for a wider reach and improved satisfaction.

Increase Awareness of Security Measures: Educating users about secure digital practices can reduce hesitancy and improve trust in digital payments.

VIII. CONCLUSION

The findings of this study underscore a growing trend toward digital payment adoption in both urban and rural areas, with **urban areas showing significantly higher adoption rates (87.5%)**. UPI has emerged as the most preferred mode of transaction, reflecting the system's simplicity and convenience. While user satisfaction is generally positive, **technical barriers such as network issues and transaction limitations remain key challenges**, particularly in rural areas.

The study concludes that although digital payments are gaining traction, a **targeted approach is necessary** to bridge the urban-rural digital divide. **Enhancing digital infrastructure, promoting digital literacy, and improving the reliability and inclusiveness of digital payment systems** will be critical in accelerating India's transition toward a cashless economy.

IX. REFERENCE

Articles and magazines

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