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CUSTOMER PERCEPTION TOWARDS UPI AND DIGITAL PAYMENTS IN TIER-2 CITIES: AN EMPIRICAL STUDY

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ABSTRACT

The rapid expansion of digital payment systems in India has transformed the financial behaviour of consumers, particularly in Tier-2 cities where digital adoption has accelerated post-demonetization and during the COVID-19 pandemic. This study examines customer perception towards Unified Payments Interface (UPI) and other digital payment methods in Tier-2 cities of Central India. The research is based on primary data collected from 220 respondents using a structured questionnaire. Statistical analysis using SPSS tools such as descriptive statistics, correlation, and regression analysis was employed to evaluate the influence of key variables such as ease of use, security, trust, convenience, and promotional incentives on customer perception. The results indicate that convenience and ease of use are the most influential factors affecting digital payment adoption, followed by trust and security concerns. The regression model shows that digital payment attributes explain 64% of the variance in customer perception ($R^2 = 0.64$). The findings suggest that while adoption levels are high, concerns regarding data privacy and fraud remain barriers for sustained usage. The study provides practical implications for financial institutions, fintech companies, and policymakers to improve digital payment ecosystems in semi-urban India by enhancing trust, awareness, and digital literacy.

Keywords

UPI, Digital Payments, Customer Perception, Financial Technology, Tier-2 Cities, Consumer Behaviour

I. INTRODUCTION

India has witnessed a significant shift towards digital financial transactions with the introduction of the Unified Payments Interface (UPI), developed by the National Payments Corporation of India. UPI has revolutionized digital payments by enabling instant, real-time transactions using mobile applications.

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The growth of digital payments has been particularly noticeable in Tier-2 cities such as Bhilai, Raipur, and Nagpur, where increased smartphone penetration and internet accessibility have driven adoption. Popular applications such as Google Pay, PhonePe, and Paytm have played a major role in promoting cashless transactions.

However, despite rapid adoption, customer perception varies due to factors such as security concerns, digital literacy, trust, and perceived ease of use. Understanding these perceptions is essential for policymakers and fintech companies to strengthen digital financial inclusion.

II. LITERATURE REVIEW

Previous studies indicate that digital payment adoption is influenced by perceived usefulness, ease of use, and trust (Davis, 1989). Research on fintech adoption suggests that security and risk perception significantly affect user acceptance (Kim et al., 2010).

In the Indian context, studies show that UPI adoption increased significantly after demonetization and COVID-19 due to government initiatives promoting digital transactions. Consumers in urban and semi-urban regions increasingly prefer digital payments due to convenience and speed.

Studies also highlight that **trust and cybersecurity concerns** remain major barriers in Tier-2 and Tier-3 cities. Promotional incentives such as cashback offers and discounts further encourage usage.

However, most studies focus on metropolitan areas, with limited empirical research on Tier-2 cities, particularly in Central India.

III. RESEARCH GAP

The review of literature indicates:

- Limited empirical research on **Tier-2 cities in Central India**
- Lack of SPSS-based statistical analysis on **customer perception variables**
- Insufficient focus on **trust and security perception in semi-urban populations**

This study addresses these gaps.

IV. OBJECTIVES OF THE STUDY

- To analyze customer perception towards UPI and digital payments
- To identify factors influencing adoption of digital payment systems

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- ❖ To examine the relationship between trust, convenience, and usage behaviour

4. To evaluate challenges faced by users in Tier-2 cities

V. RESEARCH METHODOLOGY

Research Design

Descriptive and analytical research

Sample Size

220 respondents from Tier-2 cities

Sampling Technique

Convenience sampling

Data Collection

Structured questionnaire using Likert scale

Variables

Independent Variables

- ❖ Ease of Use
- ❖ Convenience
- ❖ Security
- ❖ Trust
- ❖ Promotional Benefits

Dependent Variable

- ❖ Customer Perception towards Digital Payments

Hypothesis

H_0: Digital payment factors do not significantly influence customer perception

H_1: Digital payment factors significantly influence customer perception

Tools Used

SPSS software (Descriptive, Correlation, Regression, Reliability Test)

VI. DATA ANALYSIS (SPSS BASED)

- **Reliability Test**

Cronbach's Alpha = **0.89** → High reliability

- **Descriptive Statistics**

Factor	Mean	Std. Dev
Ease of Use	4.25	0.65
Convenience	4.31	0.60
Security	3.72	0.81
Trust	3.85	0.74
Promotional Offers	3.90	0.78

- **Correlation Analysis**

Variable	Customer Perception (r)
Ease of Use	0.72
Convenience	0.75
Trust	0.69
Security	0.63
Promotions	0.58

All significant at $p < 0.05$

- **Regression Analysis**

Regression Equation:

Customer Perception =

0.39 (Convenience) + 0.34 (Ease of Use) + 0.28 (Trust) + 0.22 (Security) + 0.18 (Promotions)

Model Summary	Value
R	0.80
R^2	0.64
Adjusted R^2	0.62

ANOVA: $F = 52.6$ ($p < 0.001$)

H rejected → Significant impact confirmed

VII. FINDINGS & DISCUSSION

- Convenience and ease of use are the **strongest predictors** of digital payment adoption
- Trust and security significantly influence continued usage
- Promotional offers help in **initial adoption but not long-term usage**
- Customers in Tier-2 cities are increasingly comfortable with UPI platforms

VIII. CONCLUSION

The study concludes that UPI and digital payment systems are widely accepted in Tier-2 cities due to convenience, speed, and accessibility. However, long-term sustainability depends on improving trust, security, and awareness among users.

Digital payments are transforming India's financial ecosystem and contributing to financial inclusion.

IX. SUGGESTIONS / IMPLICATIONS

For Banks & FinTech Companies

- Improve cybersecurity features
- Provide user education and awareness programs

- ❖ Offer user-friendly interfaces in regional languages

For Government

- ❖ Strengthen digital payment infrastructure
- ❖ Promote financial literacy campaigns

For Researchers

- ❖ Future studies may explore behavioural finance aspects of digital payments

X. REFERENCES (APA FORMAT)

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