

Impact of Digital Payments on Small Retailers and Street Vendors

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Abstract: *The rapid growth of digital payment systems has significantly transformed the retail sector, particularly for small retailers and street vendors. With the increasing use of mobile wallets, QR codes, UPI platforms, and contactless payment systems, even small-scale businesses are becoming part of the formal digital economy. In India, initiatives promoting cashless transactions have encouraged vendors and small shopkeepers to adopt digital modes of payment, improving transaction speed, transparency, and customer convenience.*

This study examines the impact of digital payments on income, sales performance, financial inclusion, and business sustainability. It also analyzes challenges such as lack of digital literacy, transaction charges, internet connectivity issues, and cybersecurity risks. The study concludes that digital payments create strong growth opportunities, but proper infrastructure and awareness are essential for inclusive development.

Keywords: Digital Payments, Small Retailers, Street Vendors, UPI, Financial Inclusion, QR Code Payments, Digital Literacy, FinTech, Economic Growth

1. Introduction

India has seen rapid growth in digital payments in recent years. The establishment of the National Payments Corporation of India (NPCI) and the launch of the Unified Payments Interface (UPI) made instant and secure bank transfers possible through mobile phones. Government initiatives like Digital India and Pradhan Mantri Jan Dhan Yojana (PMJDY) further promoted financial inclusion and encouraged the shift toward a cashless economy. Small retailers and street vendors are an important part of India's informal sector. Earlier, they mainly depended on cash transactions. However, with the spread of smartphones, internet access, and QR code systems, many vendors now accept digital payments through UPI and mobile wallets. This shift has improved transaction speed, reduced cash-handling risks, and helped vendors maintain better financial records. Digital payment history also increases their chances of accessing formal credit. Although challenges like digital illiteracy and network issues remain, digital payments are gradually transforming small businesses in India.

2. Review of Literature

Several researchers have studied the impact of digital payments:

Gupta (2017) found that digital payments increased transparency and reduced tax evasion in small businesses after demonetization.

Kumar & Sharma (2018) observed that UPI significantly improved transaction speed and convenience for small merchants.

Sinha (2019) concluded that digital transaction records improved access to micro-credit for street vendors.

RBI Report (2021) highlighted that small merchants adopting UPI experienced higher customer retention.

3. Objectives of the Study

To examine the impact of digital payments on sales and income.

To analyze financial inclusion among small retailers.

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To identify operational challenges.
To suggest policy improvements.

4. Research Methodology

Type of Research

The study is based on **Descriptive Research**, as it analyzes the impact of digital payments on small retailers and street vendors.

Nature of Data

This research uses only **Secondary Data**.

Sources of Secondary Data

Data has been collected from:

- Reports of the Reserve Bank of India (RBI)
- Publications of the National Payments Corporation of India (NPCI)
- Government reports under Digital India
- Research articles, journals, and official websites

Data Analysis Tool

The data was analyzed using **percentage analysis and graphical representation** to study trends and impact.

5. Impact of Digital Payments

1. Increase in Sales

Digital payments have helped many small retailers and street vendors increase customer footfall. Customers prefer quick and convenient payment methods such as the Unified Payments Interface (UPI) and QR-based transactions. These methods reduce waiting time and solve the problem of “no change,” leading to smoother transactions and improved daily sales.

2. Financial Inclusion

Digital payments encourage vendors to maintain active bank accounts. Through schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), many vendors became part of the formal banking system. This enables them to receive government benefits, subsidies, and direct transfers.

3. Better Record Keeping

Digital transactions automatically generate records, which help vendors:

- Track income and expenses
- Maintain financial discipline
- Apply for business loans

This improves transparency and reduces dependence on manual records.

4. Access to Credit

Banks and FinTech companies use digital transaction history to evaluate loan applications. Vendors with regular digital transactions have better chances of receiving micro-loans and working capital support.

6. Challenges Faced

1. Digital Illiteracy

Many small vendors lack proper technical knowledge to operate digital payment apps efficiently. Limited awareness about app features and security measures sometimes creates hesitation in adopting digital systems.

2. Poor Internet Connectivity

In rural and semi-urban areas, unstable internet connections often lead to transaction failures or delays. This can reduce customer trust and cause inconvenience during peak business hours.



3. Cybersecurity Risks

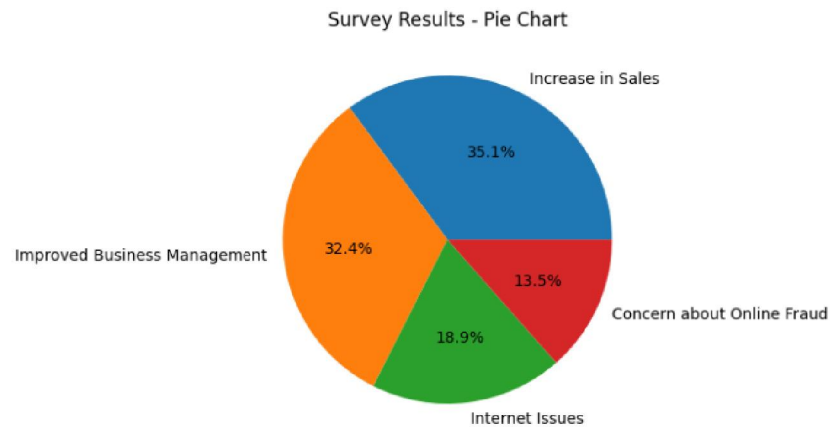
Digital transactions expose vendors to risks such as fraud, phishing attacks, fake payment screenshots, and hacking attempts. Lack of cybersecurity awareness increases vulnerability to such threats.

4. Transaction Costs

Although UPI transactions are generally low-cost, some digital platforms charge Merchant Discount Rate (MDR) or service fees. For small vendors with thin profit margins, even small charges can affect overall earnings.

7. Data Analysis and Interpretation

Survey Results (40 Vendors)



Interpretation

The survey results indicate that digital payments have had a largely positive impact on small retailers and street vendors.

65% of vendors reported an increase in sales, showing that customers prefer digital payment options such as UPI and QR codes. This suggests that accepting digital payments helps attract more customers and improve daily revenue.

60% of respondents stated that digital payments improved business management. Automatic transaction records help vendors track income and expenses more efficiently, leading to better financial planning and transparency.

35% of vendors faced internet-related issues, indicating that connectivity problems remain a significant barrier, especially in semi-urban and rural areas.

25% expressed concern about online fraud, highlighting the need for improved cybersecurity awareness and secure payment practices.

8. Conclusion

Digital payments have brought significant positive changes for small retailers and street vendors. The adoption of digital platforms such as UPI and QR-based systems has contributed to increased sales by attracting customers who prefer cashless transactions. It has also promoted financial inclusion by encouraging vendors to maintain bank accounts and participate in formal banking systems. Digital transactions enhance transparency through automatic record keeping, which improves financial management and business planning. Moreover, digital payment history enables small vendors to access formal credit facilities, reducing their dependence on informal moneylenders. Although challenges such as digital illiteracy, internet connectivity issues, and cybersecurity risks remain, the overall transformation has strengthened business operations and supported integration into the formal financial system, contributing to broader economic growth.



9. Suggestions

To ensure sustainable and inclusive growth, certain measures should be taken. Digital literacy training programs should be conducted regularly to improve vendors' understanding of digital payment systems and cybersecurity practices. Rural and semi-urban internet infrastructure must be strengthened to reduce transaction failures and connectivity problems. Awareness campaigns should be organized to educate vendors about fraud prevention and safe digital practices. Additionally, transaction charges for micro-businesses should be minimized to protect their small profit margins. The government can also provide incentives and policy support to encourage wider adoption of digital payments among small retailers and street vendors.

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