CUSTOMER PREFERENCE TOWARDS UPI APPS

Divya S

II MBA, School of Management

Dwaraka Doss Govardhan Doss Vaishnav College, Chennai, Tamil Nadu

Abstract

The rapid adoption of Unified Payments Interface (UPI) apps has revolutionized digital transactions in India. This study examines customer preferences towards UPI applications, identifying factors such as ease of use, security, cashback offers, and merchant acceptance that influence user decisions. The research employs a quantitative approach using structured questionnaires to analyse customer behaviour and satisfaction levels. Findings indicate that UPI adoption is primarily driven by convenience and government initiatives, while security concerns remain a challenge. Insights from this study can aid in enhancing user experience and fostering financial inclusion.

Keywords: UPI Apps, Digital Payments, Consumer Preference, Financial Inclusion, Security Concerns, Merchant Acceptance, Mobile Transactions

Introduction

The emergence of digital payments has significantly transformed the financial ecosystem, leading to a shift in consumer behaviour towards cashless transactions. Unified Payments Interface (UPI) has become one of the most preferred modes of digital transactions due to its seamless, real-time, and secure nature. UPI enables users to transfer money instantly between bank accounts using mobile devices, eliminating the need for cash-based transactions. Since its launch by the National Payments Corporation of India (NPCI) in 2016, UPI has witnessed exponential growth, with billions of transactions being processed monthly.

The increasing adoption of UPI can be attributed to various factors, including government initiatives such as demonetization, the Digital India campaign, and financial inclusion efforts. The Indian government and the Reserve Bank of India (RBI) have actively promoted digital payments to enhance financial accessibility, reduce dependency on physical currency, and curb financial fraud. As a result, UPI has become an essential tool in India's digital economy, benefiting individuals, businesses, and the overall banking system.This study aims to explore customer preferences towards UPI apps, identifying the key factors that influence their adoption, usage patterns, and satisfaction levels.

Objectives

- To analyse and understand the customer preference towards UPI applications with respect to respondents residing in Chennai.
- To understand the demographic profile of UPI app users in Chennai and analyse their awareness and adoption levels.
- To assess user interface, security features and satisfaction level of UPI application users.
- To understand the importance of cash backs or rewards offers in influencing users' choice of UPI apps.
- To identify challenges encountered by users while using UPI transactions.

Review of Literature

1. **Bharath (2023)** - This study analysed consumer attitudes towards UPI usage in Chennai. The research found that while digital payments have gained widespread acceptance, consumers still face issues such as transaction failures and security risks. The study highlighted the need for increased awareness and improved security features to boost consumer confidence in UPI transactions.

2. **Sankararaman & Suresh (2021)** - Their study focused on the growing dominance of UPI as a digital banking tool. The research emphasized how factors such as ease of access, transaction speed, and cashback offers influence UPI adoption among users. The study also highlighted the role of government initiatives in accelerating UPI penetration.

3. **Harikrishnan (2023)** - This study examined customer preferences for UPI payments over traditional cash transactions. The findings revealed that Google Pay is the most widely used UPI application, followed by PhonePe and Paytm. The research also pointed out that the COVID-19 pandemic played a significant role in boosting UPI adoption, as people preferred contactless transactions.

4. **Pathak (2023)** - The study explored security challenges in UPI adoption and suggested that lack of cybersecurity measures is a significant barrier to wider adoption. It recommended that banks and financial institutions invest in advanced encryption techniques and fraud detection systems to ensure safer transactions for users.

5. **Riya Goswami, Shreya Goswami, & Pushpkant Shakdwipee (2023)** - Their research analysed satisfaction levels of UPI users, identifying ease of use, transaction speed, and availability as key drivers of user retention. The study found that most users prefer UPI over other payment methods due to its real-time processing and low transaction costs.

6. **Johansen & Guldvik (2021)** - This study emphasized the impact of consumer trust and social proof on digital payment adoption. The findings suggested that users are more likely to adopt UPI if they see widespread usage within their social circles. The study also recommended increased marketing efforts to target hesitant users.

7. **Dimitrieska & Efremova (2021)** - Their research focused on global digital payment trends and compared UPI adoption in India with similar digital payment frameworks worldwide. The study highlighted India's rapid transition to digital payments and suggested that other countries could adopt similar models to enhance financial inclusion.

8. **Qing Pan (2019)** - This study examined how customer adoption of digital payments is influenced by factors such as education, income levels, and internet access. The research concluded that once customers engage with digital transactions, they are more likely to continue using digital payment methods due to convenience and security.

Research Methodology

This study employs a cross-sectional survey approach to assess customer preferences towards UPI applications and their impact on digital payment behaviour. Using probability sampling techniques, data

is collected through online surveys featuring structured questionnaires and Likert scales to quantify consumer attitudes and behaviors related to UPI usage. Statistical analysis, performed using software like SPSS, helps interpret the relationship between various UPI features and customer satisfaction. Ethical considerations, including obtaining informed consent and ensuring confidentiality, are paramount throughout the research process. The findings provide valuable insights into the effectiveness of UPI features and their influence on consumer behaviour, offering actionable recommendations for financial institutions and app developers.

Limitations of the Study

- This study is limited to a specific group of respondents, making it difficult to generalize findings to a larger population with diverse digital payment behaviours.
- The impact of cashback offers and reward programs on UPI adoption has not been extensively analysed, leaving a gap in understanding how financial incentives influence long-term user engagement.
- While the study examines consumer decisions influenced by ease of use and security, external factors like merchant acceptance, digital literacy, and banking infrastructure are not deeply explored.
- The long-term sustainability of UPI transactions, including the ability of infrastructure to handle increasing transaction volumes and regulatory challenges, remains unexplored in this research.

Results and Findings

Frequency Distribution

Gender Distribution: The majority of respondents were female (60%), while males accounted for 40% of the total sample. This indicates a higher participation of female respondents in the study.

Age Group Distribution: 80% of respondents were in the 18-25 age group, showing that younger individuals are the primary users of UPI apps. The 26-35 age group accounted for 16.3%, while the 36-45 and 46-55 age groups had minimal representation at 1.3% and 2.5%, respectively.

Occupation Distribution: The largest group of respondents were students (48.8%), indicating that young individuals and students are the primary users of UPI apps.36.3% of respondents were employed, showcasing a significant working-class adoption of UPI. Self-employed individuals made up 10.0%, while the unemployed category had the lowest representation at 5.0%.

Monthly Income Distribution: 43.8% of respondents had a monthly income below INR 10,000, suggesting that many users are students or individuals with low-income levels. 28.7% earned between INR 10,000-25,000, while 15.0% fell within INR 25,001-50,000, showing that a significant number of users belong to the lower to middle-income range. Higher-income groups (INR 50,001-1,00,000 and above INR 1,00,000) constituted only 12.5% of respondents, indicating a lower representation from high-income individuals.

Chi- Square Test

Table No.1: Chi-square test- significant association between age group and how respondents first learn about UPI apps

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	5.441[a]	9	.794
Likelihood Ratio	5.910	9	.749
Linear-by-Linear Association	.001	1	.969
N of Valid Cases	80		
a. 12 cells (75.0%) have expected count less than 5. The minimum expected count is .06.			

The analysis shows a p-value of 0.794, which is greater than 0.05, indicating no significant association between age group and how respondents in Chennai first learn about UPI apps. Thus, the null hypothesis (H_0) is accepted. This suggests that learning about UPI apps is not influenced by age. Users across different age groups acquire knowledge about UPI apps through similar sources.

Chi- Square Test

Table No.2: Chi- square test- sig   zz`xd~dnificant association between occupation and challenges encountered by respondents

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	25.192[a]	9	.003
Likelihood Ratio	18.216	9	.033
Linear-by-Linear Association	.324	1	.569
N of Valid Cases	80		

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The analysis shows a p-value of 0.003, which is less than 0.05, indicating a significant association between occupation and the challenges encountered while using UPI apps. Thus, the null hypothesis (H_0) is rejected. This suggests that different occupations experience varying challenges with UPI apps. Users from different work backgrounds may face unique difficulties in digital payment adoption.

Reliability Analysis

Table No.3: Reliability analysis

Reliability Statistics	
Cronbach's Alpha	**N of Items**
.733	3

The study examines user interface & ease of use, security features, and satisfaction levels of UPI apps. A reliability test was conducted using Cronbach's Alpha, which measures internal consistency. The

obtained Cronbach's Alpha coefficient of 0.733 indicates a moderate and acceptable level of reliability, ensuring the consistency of the factors analysed.

ANOVA

Table No. 4: Anova - Comparison between Gender and User Experience & Satisfaction

ANOVA					
UEandsatisfaction					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	.268	1	.268	.701	.405
Within Groups	29.775	78	.382		
Total	30.043	79			

The analysis of Anova shows a p-value of 0.405, which is greater than 0.05, indicating no significant difference in user experience and satisfaction between genders. Thus, the null hypothesis (H_0) is accepted. This suggests that both male and female users have similar experiences and satisfaction levels with UPI apps. Gender does not play a significant role in influencing user satisfaction.

T Test

Table No. 5: T - Test - Comparison between Gender and User Experience & Satisfaction

One-Sample Test						
	Test Value = 0					
	t	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
UE and satisfaction	59.406	79	.000	4.09583	3.9586	4.2331
Gender	29.029	79	.000	1.600	1.49	1.71

The analysis shows a p-value less than 0.05, indicating a significant difference in satisfaction levels with the user interface between genders. Thus, the null hypothesis (H_0) is rejected. This suggests that male and female users have differing experiences and satisfaction levels with the UPI app interface. Gender plays a role in shaping user perceptions of payment app usability.

Conclusion

The research highlights key factors influencing consumer preferences for UPI apps, including convenience, security, education, incentives, and financial inclusion. Consumers seek seamless and efficient payment experiences, making ease of use a critical consideration. Additionally, security remains a top priority, with users preferring UPI apps that offer strong authentication measures and encryption protocols to protect against cyber threats. Consumer education also plays a vital role in increasing adoption, as clear information and awareness initiatives help users transition to digital payment systems. Incentive strategies such as cashback, rewards, and promotions further influence consumer behaviour, encouraging engagement with UPI apps.

Furthermore, financial inclusion is a crucial objective, with UPI providers needing to ensure accessibility for underbanked populations. By offering affordable and user-friendly digital payment solutions, they can expand financial access and promote digital transactions. Continuous monitoring of consumer preferences is essential for app providers to adapt to market trends and evolving user needs. By prioritizing ease of use, security, financial accessibility, and consumer engagement, UPI apps can enhance user experience and drive widespread adoption of cashless payments.

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