

# Impact of Fintech-Driven Changes on Informal Economic Sectors of Sabarkantha District – Journey From Paper to Paperless

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## ABSTRACT

Technological advancements, particularly the widespread penetration of smartphones, have substantially accelerated the adoption of digital payment systems across both formal and informal segments of the economy. This shift towards electronic transactions has emerged as a critical driver of financial inclusion by enabling broader access to formal financial services. The present study investigates the impact of digital payment adoption on participants within the informal economy—specifically vegetable vendors, small retail shop owners, street vendors, and pan parlour operators—in the Sabarkantha district of Gujarat.

**Research Purpose:** This study evaluates the socio-economic and systemic determinants facilitating the transition from traditional paper-based transactions to Fintech-driven paperless systems within the informal economic sector of the Sabarkantha district of Gujarat. It specifically examines how demographic variables influence the perception of legal, social, and technological risks.

**Research Methodology:** A quantitative approach was employed, utilizing a structured survey administered to 211 participants in the Sabarkantha region. Data were analyzed using **Descriptive Statistics, Independent Samples T-tests, One-Way ANOVA, and Spearman's Rho Correlation** to test the relationships between demographic factors and digital payment adoption.

**Findings:** The analysis reveals that while the transition is accelerated by younger demographics (64% aged 18–45), it is significantly moderated by education ( $p=0.003$ ) and income level ( $p=0.003$ ). Furthermore, a strong correlation exists between economic benefits and E-payment preference ( $\rho$  value = 0.406); however, "Unsafe Technology" remains a significant psychological barrier to full-scale digital integration. The findings underscore that while technological innovation plays a pivotal role in transforming economic transactions, ensuring robust data protection mechanisms and enhancing digital literacy are essential for sustaining trust and promoting inclusive growth across informal economic sectors.

**Originality/Value:** This research contributes to the "Digital Financial Inclusion" discourse by identifying the specific socio-economic friction points that impede the "Paper to Paperless" journey in emerging informal markets.

**Keywords:** Fin-tech, Digital payments, informal economy, connectivity, COVID 19 pandemic, Economic benefits

## INTRODUCTION:

Over time, money has served as the fundamental medium of exchange facilitating trade and commerce. Traditionally, cash has been the dominant mode of conducting business transactions; however, rapid technological advancements have increasingly transformed cash-based transactions into digital payment systems<sup>i</sup>. From cash-based economy i.e., paper-based, India is transforming to cash-less economy; i.e., paperless-economy. The government-led demonetization initiative catalyzed a substantial shift toward digital transaction practices.<sup>ii</sup> Our banks were working towards streamlining the process of digital payments through facilities like

Internet Banking, Digital Wallets, Real Time Gross Settlements (RTGS), Unified payment Interface (UPI), Immediate Payment Services (IMPS), National Electronic Fund Transfer (NEFT), and Mobile Banking. Digital wallet is assessable through mobile applications like BHIM, PayTM, PayPal, VISA, Google Pay, WhatsApp Pay.<sup>iii</sup> COVID-19 Pandemic led to an increase in the usage of such online payment systems leading to the entire touchless transactions which was available 24 X 7.<sup>iv</sup> The expansion of online transactions contributed to increased economic activity across both formal and informal sectors in India. Digital payment systems are widely perceived as convenient, secure, efficient, accurate, and user-friendly, leading to their adoption by a broad range of users, including schools, hotels, retail establishments, offices, as well as street vendors, vegetable sellers, small shopkeepers, and pan parlour operators. Against this backdrop, the present study examines the impact of digital payment adoption on businesses and individuals in the Sabarkantha district of Gujarat, with particular emphasis on legal, technological, and social dimensions.<sup>v</sup>

## **LITERATURE REVIEW:**

Empirical evidence indicates that the adoption of electronic payment systems is shaped by multiple factors, including technical challenges/ unsafe technology, social acceptance, legal concerns, and levels of user awareness among both merchants and consumers. Ramadass, Ravichandran, and Sathyanarayana (2023) demonstrate that these determinants significantly influence digital payment usage, irrespective of users' gender and educational background.<sup>vi</sup>

Complementing this perspective, studies examining supply-side dynamics—encompassing economic, political, technological, and financial dimensions—highlight that the COVID-19 pandemic acted as a catalyst for increased digital payment adoption, while also revealing an urgent need for government-led initiatives to strengthen trust in electronic payment systems (Chakraborty & Mattoni, 2023).<sup>vii</sup>

Further support is provided by Banerjee and Pradhan (2022), who, through an online survey of 386 Indian consumers, identify ease of use, perceived security, and accessibility as key antecedents of digital payment adoption. Their findings underscore that demographic characteristics, particularly gender and education, moderate users' perceptions of utility and safety, thereby influencing adoption behavior. Collectively, these studies emphasize that while technological readiness is essential, sustained growth in digital payment adoption depends on institutional trust, user awareness, and inclusive policy frameworks.<sup>viii</sup>

The growing body of literature on FinTech adoption in informal economic sectors underscores both the transformative potential of digital payment systems and the persistent structural barriers to their sustained use. Empirical evidence consistently demonstrates that demographic characteristics and institutional conditions play a pivotal role in shaping adoption behavior within informal markets. For instance, Mathews and Bhosale (2021), employing chi-square and correlation analyses, identify income, age, gender, and educational attainment as significant determinants of awareness and ease of use of digital payment systems among street vendors in urban India. While their findings highlight the role of digitalization in promoting financial inclusion, the study remains limited in its contextual focus on metropolitan regions, thereby overlooking rural and semi-urban heterogeneity.<sup>ix</sup> Extending this discourse, Pal et al. (2018) adopt a more critical lens by situating digital payment adoption within broader socio-economic and institutional frameworks. Their analysis reveals that limited access to formal banking, low technical proficiency, and deficits in trust substantially constrain the transition toward cashless transactions in rural informal economies. Importantly, the authors argue that FinTech initiatives, when implemented without addressing underlying socio-economic disparities, risk reinforcing existing inequalities rather than alleviating them. This perspective challenges technologically deterministic narratives and emphasizes the necessity of inclusive policy design.<sup>x</sup>

Post-pandemic studies further refine this debate by documenting accelerated digital payment adoption alongside uneven diffusion. Gupta and Singhal (2021) report increased usage across both towns and villages following COVID-19; however, they note that low levels of awareness and education continue to impede widespread acceptance. Collectively, these studies suggest that while FinTech has catalyzed the shift from paper-based to paperless transactions in informal economic sectors, long-term adoption depends on strengthening digital literacy, institutional trust, and regulatory support. This literature highlights the need for integrative frameworks that combine technological innovation with socio-economic inclusion.<sup>xi</sup>

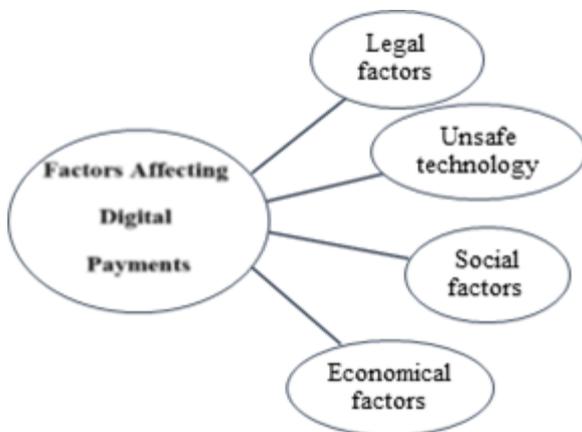
Evidence from the COVID-19 period highlights the accelerated acceptance of FinTech-enabled digital payment systems and their growing integration into everyday economic activity. Kamal, Raja, and Souparnika (2021) report that consumers perceived QR-code-based payment platforms such as Paytm, Google Pay, and Amazon Pay as secure and convenient during the pandemic, with Google Pay emerging as the most trusted application for routine digital transactions. These findings suggest that perceived safety and ease of use were critical drivers in normalizing paperless payments, particularly under conditions that restricted physical cash handling.<sup>xii</sup>

Beyond user perceptions, the broader financial ecosystem has undergone a structural shift since the pandemic, positioning digital transactions as a core component of modern financial systems in India and globally. However, as digital payments are inherently dependent on internet connectivity and digital infrastructure, users—especially within informal economic sectors—remain vulnerable to cybersecurity threats and operational disruptions. Narsapur and Parasar (2020) emphasize that financial institutions continue to function as central intermediaries in digital transactions, bearing exposure to operational, legal, credit, reputational, and fraud-related risks, as outlined by the Reserve Bank of India. System vulnerabilities, including malware or server disruptions, can directly impede transaction reliability and user trust. Despite these risks, advancements in financial technology have enabled banks to enhance service efficiency and expand outreach to underserved populations. Consequently, FinTech-driven digital payment systems are increasingly leveraged as instruments of financial inclusion, facilitating the transition from paper-based to paperless transactions within informal economic sectors. This body of literature underscores that while technological innovation has accelerated adoption, sustained trust, cybersecurity resilience, and institutional safeguards remain essential for deepening digital financial integration.<sup>xiii</sup>

Drawing on the extant literature, the present study examines the relationship between key demographic characteristics—namely gender, age, marital status, family size, educational attainment, occupation, and income—and the determinants influencing digital payment adoption in informal economic sectors. The determinants included are perceived safety and security, convenience, social acceptance, financial viability, and adaptability to digital technology. By analyzing the interaction between demographic attributes and FinTech-enabled payment factors, the study seeks to explain variations in the transition from paper-based to paperless transactions within the informal economy.

Figure 1 illustrates the various factors influencing customer preferences for digital payment adoption in the Sabarkantha district

**Figure 1: Conceptual Framework**



**RESEARCH METHODOLOGY:**

The objective of the study " Impact of Fintech-Driven Changes on Informal Economic Sectors – Journey From Paper to Paperless" in Sabarkantha District of Gujarat" is to assess the impact of digital payments on the informal economy in the Sabarkanthadistrict. The study will specifically examine the extent to which digital payments have been adopted by informal sector businesses in the district. The study has used a mixed-methods approach,

including a survey of informal sector businesses, interviews with key informants with the help of questionnaire, and a review of relevant literature.

### Sampling and Data Collection

The study utilized a cross-sectional survey design. A sample of **211 respondents** was selected from the informal sector to ensure a diverse representation of occupations (Private Job: 32%, Public Job: 27%, Self-employed: 18%) and educational backgrounds.

### Variable Operationalization

The research model evaluates four core dimensions as independent variables:

- **Legal Factors:** Perceived regulatory framework and government support.
- **Unsafe Technology:** Perceived risk of fraud and technological instability.
- **Social Factors:** Influence of family and peer acceptance.
- **Economic Factors:** Cost-benefit analysis of digital vs. cash transactions.

### Analytical Framework

Data were processed using SPSS software. The analytical strategy was bifurcated into:

**Comparative Analysis:** T-tests and ANOVA were applied to examine mean differences across demographic groups. This helped identify which segments (e.g., by education or income) were significantly more likely to adopt Fintech.

**Relational Analysis: Spearman’s Rho (*rho value*)** was utilized to measure the monotonic relationship between user preference for E-payments and the four dimensions. This non-parametric test was selected due to the ordinal nature of the survey responses.

### Hypothesis statement

**H1:** Demographic characteristics (age, gender, education, marital status, family size, monthly income, occupation) significantly influence the effect of legal, unsafe technology, social, and economic factors on digital payment preferences during fintech-driven transitions from paper-based to paperless processes in informal economic sectors.

## RESULTS AND DISCUSSION

The provided text offers a preliminary interpretation of T-test and ANOVA results examining demographic influences on legal, unsafe technology, social, and economic factors in fintech adoption within informal economies.

**Table 1: Descriptive Statistics of Demographic Variables**

Demographic Variables		Frequency	Percentage
Age	18-25	46	22
	26-35	66	31
	36-45	69	33

	46-55	30	14
<b>Education</b>	SSC & Below	41	19.4
	HSC	58	27.5
	Diploma	39	18.5
	UG	39	18.5
	PG & Above	34	16.1
<b>Gender</b>	Male	157	74.4
	Female	54	25.6
<b>Marital status</b>	Married	122	58
	Un-Married	89	42
<b>Number of family members</b>	2	16	7.6
	3	46	21.8
	4	65	30.8
	5	46	21.8
	6 & Above	38	18.0
<b>Monthly income</b>	Less Than 10000	37	17.5
	10001-30000	64	30.3
	30001-50000	54	25.6
	50001-70000	39	18.5
	70001 & Above	17	8.1
<b>Occupation</b>	Student	24	11
	Homemaker	25	12
	Private Job	67	32
	Public Job	57	27
	Self-Employed	38	18

The demographic profile of 211 respondents in this study on the impact of fintech-driven changes on informal economic sectors reveals a sample well-suited to examining the transition from paper-based to paperless processes. Age distribution favored working-age adults (36-45 years: 33%,  $n = 69$ ; 26-35 years: 31%,  $n = 66$ ), indicative of digitally adaptive cohorts navigating fintech disruptions in informal economies. Educational diversity (HSC: 27.5%,  $n = 58$ ; SSC & below: 19.4%) underscores varying readiness for paperless innovations among semi-skilled workers. Gender (males: 74.4%,  $n = 157$ ) reflects informal sector male dominance,

potentially amplifying fintech adoption biases. Married respondents (58%) with nuclear families (4 members: 30.8%,  $n = 65$ ) and middle incomes (₹10,001-30,000: 30.3%) suggest household-level motivations for cost-efficient digital shifts. Occupationally, private (32%) and public jobs (27%) prevailed, positioning the sample to assess fintech's role in formalizing informal transactions.

This profile enhances contextual validity for fintech's paperless journey in emerging informal sectors, though gender skew merits stratified analysis.

**Table 2: P-values for Comparison of Means**

P values of T test and ANOVA				
Dimensions/ Demographic factors	Legal Factors	Unsafe Technology	Social Factors	Economical Factors
Age	0.841	0.110	0.878	0.292
Education	0.003	0.013	0.166	0.780
Gender	0.837	0.308	0.290	0.423
Marital status	0.757	0.677	0.026	0.374
No. of family members	0.320	<0.001	0.042	<0.001
Monthly income	0.003	<0.001	0.388	0.004
Occupation	0.032	0.003	0.026	0.223

The above table shows the difference among various demographic factors for the various variables considered for the research. T test was carried out for Gender and marital status and one way ANOVA was done for rest of remaining demographic factors.

ANOVA and t-tests are the statistical tests applied to analyze the significant difference or relationship between the demographic variables age, educational qualification, gender, marital status, no. of family members, monthly income and occupation are compared in relation with technological, economic, social and legal factors. These p-values help to assess the significance of the difference in the level of influence of various factors on customer preference among different demographic groups. A p-value less than 0.05 is often considered statistically significant, indicating that there is a difference.

**Hypothesis:** Demographic characteristics (age, gender, education, marital status, family size, monthly income, occupation) significantly influence the effect of legal, unsafe technology, social, and economic factors on digital payment preferences during fintech-driven transitions from paper-based to paperless processes in informal economic sectors.

**Age:** Failed to reject null hypothesis across all dimensions (legal:  $p = 0.841$ ; unsafe technology:  $p = 0.110$ ; social:  $p = 0.878$ ; economic:  $p = 0.292$ ), confirming homogeneous fintech perceptions irrespective of age.

**Education:** Rejected null for legal ( $p = 0.003$ ) and unsafe technology ( $p = 0.013$ ) factors, with SSC/below exhibiting highest means; failed to reject for social ( $p = 0.166$ ) and economic ( $p = 0.780$ ) factors.

**Gender:** Failed to reject null across all dimensions (all  $p > 0.05$ ), indicating equivalent influences. Legal ( $p = 0.837$ ), unsafe technology ( $p = 0.308$ ), social ( $p = 0.290$ ) and economical factors ( $p = 0.423$ ); are influencing the user's point of view on their usage of e-payments.

**Marital status:** Rejected null for social factors ( $p = 0.026$ ), driven by married respondents ( $n = 122$ ); failed to reject for legal ( $p = 0.757$ ), unsafe technology ( $p = 0.677$ ), and economic ( $p = 0.374$ ) factors. It signifies that these affect the decision of using e-payments.

**Family size:** Rejected null for unsafe technology ( $p < 0.001$ ), social ( $p = 0.042$ ), and economic ( $p < 0.001$ ) factors, with  $\geq 6$ -member households showing highest means; failed to reject for legal factors ( $p = 0.320$ ). Family members are the ones who are usually influencing the respondents to use the digital payments. Especially, during the phase of COVID-19, online payment was the most safest and accepted for the family members.

**Monthly income:** Rejected null for legal ( $p = 0.003$ ), unsafe technology ( $p < 0.001$ ), and economic ( $p = 0.004$ ) factors; hence, these factors affect the preference in informal economy for using the digital payment. While it is not significantly associated with social factors and hence failed to reject for social ( $p = 0.388$ ).

**Occupation:** Rejected null for legal ( $p = 0.032$ ), unsafe technology ( $p = 0.003$ ), and social ( $p = 0.026$ ) factors; failed to reject for economic factors ( $p = 0.223$ ).

These results identify key socioeconomic factors in the paper-to-paperless transition within informal economies, especially in Sabarkantha district.

### Spearman’s Rho Correlation Coefficient Test:

To examine the association between users’ preference for digital payments and the key factors influencing the transition from cash-based to paperless transactions in the informal economy, Spearman’s rho correlation analysis was employed. This non-parametric statistical technique is appropriate for ordinal and continuous data and enables assessment of both the **direction and strength** of relationships among the variables under investigation.

Spearman’s rho coefficient ranges from  $-1$  to  $+1$ , where values approaching  $+1$  indicate a strong positive association, values approaching  $-1$  indicate a strong negative association, and values close to zero signify the absence of a meaningful relationship.

The correlation matrix presents the Spearman’s rho coefficients between the statement “*I prefer to perform E-payment rather than going to the bank*” and the identified influencing factors—legal factors, unsafe technology factors, social factors, and economic factors—along with their respective significance levels.

**Table 3: Spearman’s Rho Correlation Coefficient**

			I prefer to perform E-payment Rather than going to bank	Legal Factors	Unsafe technology Factors	Social Factors	Economic Factors
Spearman's rho	I prefer to perform E-payment Rather than going to bank	Correlation Coefficient	1.000	0.285**	0.365**	0.315**	0.406**
		Sig. (2-tailed)		<0.01	<0.01	<0.01	<0.01
	Legal factors	Correlation Coefficient	0.285**	1.000	0.295**	0.198**	0.120

		Sig. (2-tailed)	<0.01		<0.01	0.004	0.082
Unsafe Technology Factors	Correlation Coefficient		0.365**	0.295**	1.000	0.270**	0.289**
	Sig. (2-tailed)		<0.01	<0.01		<0.01	<0.01
Social Factors	Correlation Coefficient		0.315**	0.198**	0.270**	1.000	0.484**
	Sig. (2-tailed)		<0.01	0.004	<0.01		<0.01
Economic Factors	Correlation Coefficient		0.406**	0.120	0.289**	0.484**	1.000
	Sig. (2-tailed)		<0.01	0.082	<0.01	<0.01	

### Association between E-payment Preference and Influencing Factors

The findings reveal a statistically significant positive relationship between preference for e-payment and all four influencing factors at the 1 per cent level of significance ( $p < 0.01$ ,  $n = 211$ ). A weak positive correlation is observed between preference for e-payment and legal factors ( $p = 0.285$ ), indicating that the presence of supportive legal frameworks, regulatory clarity, and institutional trust moderately enhances users' inclination towards adopting digital payment systems.

A moderate positive correlation is identified between preference for e-payment and unsafe technology factors ( $p = 0.365$ ). This suggests that despite apprehensions related to technological safety and security, users continue to demonstrate a growing preference for digital payment modes, reflecting increasing dependence on fintech-enabled solutions within the informal economic sector.

Further, a weak positive correlation is observed between preference for e-payment and social factors ( $p = 0.315$ ), implying that social influence, behavioural norms, and peer acceptance contribute to the adoption of digital payment mechanisms. Economic factors exhibit the strongest association with preference for e-payment ( $p = 0.406$ ), signifying that considerations such as cost efficiency, ease of transactions, time savings, and financial incentives play a substantial role in motivating users to shift from traditional banking practices to digital payment platforms.

### Interrelationships among Influencing Factors

An examination of the interrelationships among the influencing factors provides additional insights into the dynamics of digital payment adoption. Legal factors demonstrate a weak positive correlation with unsafe technology factors ( $\rho$  value = 0.295) and preference for e-payment ( $\rho$  value = 0.285), while their association with social factors ( $\rho$  value = 0.198) and economic factors ( $\rho$  value = 0.120) remains very weak and statistically insignificant. This indicates that while legal considerations are moderately linked with perceptions of technological safety, they exert minimal influence on social and economic determinants.

Unsafe technology factors show weak positive correlations with legal factors ( $\rho$  value = 0.295), social factors ( $\rho$  value = 0.270), and economic factors ( $\rho$  value = 0.289). These results suggest that concerns related to technological risks are interconnected with legal safeguards, social trust, and economic considerations; however, such concerns do not substantially deter users from adopting digital payment systems. Strengthening

cybersecurity measures and enhancing technological reliability may further reinforce user confidence and accelerate fintech adoption in informal markets.

Social factors exhibit a moderate positive correlation with economic factors ( $\rho$  value = 0.484), highlighting a strong interaction between social influence and economic motivation in shaping payment preferences. This relationship underscores the role of collective behaviour, social endorsement, and community-driven acceptance in reinforcing economically motivated decisions towards digital payment adoption.

### **Implications for Fintech-Driven Transformation in the Informal Economy**

The findings indicate that digital payments gained widespread acceptance during the COVID-19 pandemic, with no statistically significant gender differences observed in overall adoption levels. However, notable gender-based differences were identified in terms of confidence and perceived security. Male respondents reported higher levels of comfort and trust in digital payment systems, whereas female respondents expressed greater concerns regarding data privacy, security risks, and consistent access to digital platforms. Age was also found to influence attitudes toward digital payment usage. Younger respondents demonstrated a higher propensity to adopt digital transactions, attributing their preference to greater technological familiarity and ease of use. In contrast, older participants exhibited more cautious and varied responses, emphasizing the need for clearer legal frameworks, regulatory awareness, and external support to facilitate confident usage within the informal economy.

Educational attainment further shaped digital payment behavior. Respondents with higher levels of education showed greater engagement with digital financial tools, while simultaneously expressing heightened awareness of cybersecurity risks and concerns related to the safety of e-wallets.

Overall, the results provide robust empirical evidence that fintech-driven changes significantly influence the transformation of informal economic sectors from paper-based to paperless transactions. Economic and technological factors emerge as the most influential determinants, supported by social acceptance and reinforced by legal frameworks. The statistically significant positive correlations confirm that these factors collectively function as critical enablers of digital payment adoption.

Accordingly, the findings substantiate the study's hypothesis that legal, technological, social, and economic factors act as key influencers in the acceptance and diffusion of digital payment systems within the informal economy, thereby facilitating the ongoing journey from traditional cash-based practices to fintech-enabled financial inclusion.

### **CONCLUSION:**

The paradigm shift from traditional fiduciary habits to Fintech-mediated formalization marks a critical evolution in the informal economic sector. This study provides empirical evidence that the transition—the journey from "paper to paperless"—is a multi-dimensional process governed by a complex interplay of demographic moderators and perceived technological risk.

### **Synthesis of Empirical Findings**

Digital payments have emerged as an essential requirement in the contemporary financial landscape, particularly with rapid technological advancements and heightened health-related concerns following the COVID-19 pandemic. These factors have significantly accelerated the adoption of digital transactions, even within informal economic sectors. Banking institutions have actively promoted digital payment systems to enhance accessibility and support the broader objective of financial inclusion. However, customers' acceptance of digital payments continues to be shaped by multiple interrelated factors, including legal, social, economic, and unsafe technological considerations.

The inferential analysis reveals that demographic variables such as education, occupation, monthly income, and family size significantly influence perceptions of legal, technological, social, and economic factors related to

digital payments. The research concludes that while Technological Leapfrogging is evident among the younger, economically active demographic (64% aged 18–45), the "Digital Divide" remains prominent. The inferential analysis identifies Education ( $p = 0.003$ ) and Monthly Income ( $p = 0.003$ ) as the primary determinants of Digital Payment Adoption (DPA). These variables act as critical filters through which users evaluate the security and legal legitimacy of digitized financial architectures. Higher socio-economic standing correlates with a reduced perception of technological insecurity, thereby facilitating a smoother transition toward a cashless state.

### **Theoretical and Practical Implications**

The Spearman's Rho Correlation results ( $\rho$  value = 0.406,  $p < 0.01$ ) underscore that economic utility is the most potent driver for abandoning paper-based transactions. However, the persistence of a "trust deficit" regarding Electronic Fiduciary Interfaces prevents full-scale integration. This suggests that the informal sector's preference for traditional banking is a rational response to perceived systemic vulnerabilities rather than a rejection of innovation.

### **Strategic Recommendations**

For Digital Financial Inclusion (DFI) to become a sustainable reality, stakeholders must move beyond technological deployment to expand digital payment usage in Sabarkantha's informal sector. Policymakers should prioritize the stabilization of Regulatory Frameworks and enhance localized cybersecurity awareness to mitigate perceived technological risk. By addressing these socio-technical barriers, the informal sector can successfully complete its transition into a transparent, paperless, and digitally resilient ecosystem.

Overall, the study highlights substantial potential. By addressing technological safety concerns and strengthening legal and social support systems, policymakers and financial institutions can foster greater adoption, thereby integrating more individuals into the formal financial system and advancing the transition towards a paperless economy.

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