International Journal of Business Economics and Management Research
Vol. 16, Issue 3, March 2025 Impact Factor: 8.857 ISSN: (2229-4848)
www.skirec.org Email Id: skirec.org@gmail.com

Impact of Online Transaction on Small Business

Dr. Darshan Lal,
Assistant Professor of Economics,
Rajiv Gandhi Govt College, Saha (Ambala)

Abstract: In today's rapidly changing digital age, the mode of payment has shifted from traditional cash transactions to online transactionsystems. Smartphones, internet penetration and government initiatives (such as Unified Payment Interface – UPI) have accelerated this shift. This shift is not just limited to convenience but has also fundamentally changed the waysmall businesses operate and growth.The growing prevalence of online payment has created new opportunities for these businesses, such as improving financial management, bringing efficiency into operations and expanding the customer base. While digital payments have made transactions faster and safer, they have also created certain challenges, such as lack of technical literacy, security concerns and transaction fees.

Keywords: - Online transactions, Business, Impact, Performance, Digital payment, Consumers and Efficiency.

Introduction: This project aims to examine these benefits and challenges in depth. We will try to understand how the adoption of digital payments has impacted on the revenue, customer acquisition and overall business performance of small businesses. **Gautam's Kamlesh Babu (2025)** research analyzedthat digital payment systems improved the efficiency and customer experience of small businesses, and helped businesses access global markets and increase revenue.Through this research paper, it isestablished that adopting online transactions has become just not a choice but necessary for small businesses to stay competitive and prepare for the future. The project will also provide policymakers and financial institutions with the information they need to support online transactions in small firms. **Barsa Vishal (2025)** digital payment systems haveindicated improved operational efficiency, increased revenue for 58% of respondents, enhanced customer engagement, and greater transparency in financial management. Challenges included high transaction fees, inadequate infrastructure, lack of digital literacy, internet connectivity issues, and fear of cyber fraud.**Nandini Sujit Phatak (2023)** studied the impact of "digital payments on small businesses in Pune" showed that digital payments increased businesses' sales and customer satisfaction, while also reducing transaction costs and improving operational efficiency. However, the study also revealed that businesses faced technical issues and security challenges. It was also found that the benefits of digital payments depend on the type of business.**Patel and Kumar's (2020)** research revealed that adopting digital payments brought several benefits to small businesses. These benefits include quick and secure transactions, better cash flow management, and improved customer relationships. The research also found that digital payments helped small businesses expand their market reach, especially among young and technologically savvy customers. However, the research also highlighted some challenges, such as lack of digital literacy, security risks, and technical barriers.

Objectives

1. To evaluate how widely online transactions are being used by small enterprises.
2. To understand the relationship of financial efficiency of adopting online transactions
3. To identify key barriers preventing adoption of online transactions

Research Methodology The study adopts mixed-methods research design**,** integrating both quantitative and qualitative approaches. Information was assembled directly from small business owners using throughStructured Questionnaires.These included multiple-choice and Likert five point scaled questions to measure usage patterns, preferences, and perceived outcomes.Additional insights were sourced from published reports like academic journals.The sample included 55 small businesses chosen through purposive sampling, ensuring relevance to the study's focus. Selection criteria included the operation for at least five years, employingless than 15people and currently using digital payments.All participants were informed about the study’s purpose and gave voluntary consent. Their identities were kept confidential, and the data was used solely for research purposes. Ethical approval was obtained prior to data collection.Statistical tools such as Excel and SPSS were used to analyze numeric responses. Descriptive statistics summarize usage and customer behavior.

Analysis of Data The collected data is analyzed using SPSS software and excel. Reliability test is also performed using Cronbach’s alpha and the value as explained in table no 1 is meeting the threshold limit which is above 0.70.

Table No1: ReliabilityStatistics

Cronbach's Alpha	No. of Items
.860	11

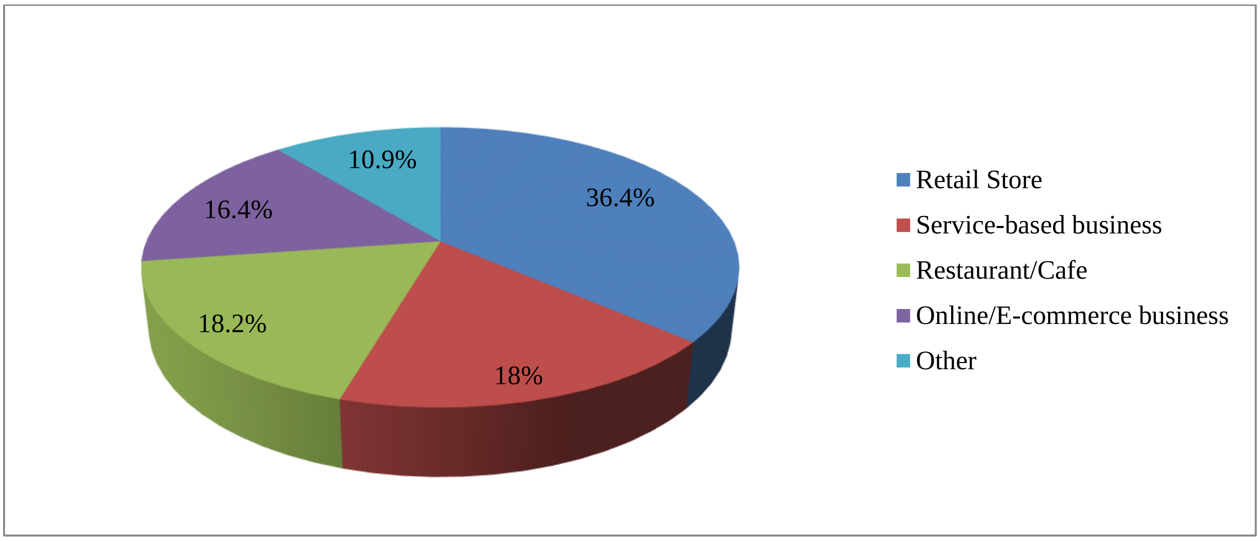
Table No. 2 Reliability test using Cronbach's alpha

Variables	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected ItemTotal Correlation	Cronbach's Alpha if Item Deleted
Accepting DPIncreasedBusinessRevenue	31.7273	61.128	.681	.837
Helped Attracting New Customers	31.5091	64.218	.547	.848
DPTransactionProcessFaster	31.4364	62.806	.692	.837
ReducedRisksAssociatedHandlingCash	31.3818	65.759	.471	.854
Easier MaintainFinancialRecords	31.3091	64.847	.548	.848
Customers MoreSatisfiedDPOptions	31.0909	64.492	.563	.847
Improved BusinessOverallImageandTrustworthiness	31.6000	63.096	.669	.839
Face TechnicalIssuesProcessingDigitalTransactions	32.0000	66.889	.442	.856
Security RisksorFraudRelatedDigitalPayments	31.8000	62.904	.596	.844
Transaction FeesAssociatedwithDPImpactProfits	31.7636	69.999	.300	.865
DifficultiesWithCustomerSupportDigitalPaymentSystems	31.8364	65.473	.563	.847

Data Source: - Calculated data through software SPSS

This statistical output presents a reliability analysis for an 11-item scale measuring the impact of online transactionon businesses. The primary finding is that the scale has **very good internal consistency**, confirmed by a strong Cronbach's Alpha (α) of **.860** (anything above .70 is generally acceptable). The "Item-Total Statistics" table shows that most survey questions correlate well with the overall scale, meaning they consistently measure the same underlying concept. Only one item, "Transaction Fees Associated withDPImpactProfits" (correlation .300), is notably weaker; removing this single item would slightly raise the alpha to .865, but the scale as it stands is robust and highly reliable for use in research.

Figure1: Showing distribution of business types in percentage



Source: Primary data

This pie chart in Figure 1 illustrates the distribution of business types within a specific dataset, broken down by their valid percentages. The largest segment by far is Retail Stores, accounting for 36.4% of the total. Following this, two business types are nearly tied for the second-largest share: Restaurant/Cafe makes up 18.2%, closely followed by Service-based businesses at 18.0%. The remaining segments include Online/E-commerce businesses at 16.4%, and the smallest category, other, which represents 10.9% of the total distribution.

Table 2: Different types of business with their operating duration

Operating Since	Type of Business					Total
	Retail Store	Service-basedbusiness	Rest./Cafe	Online	Other	
Less than 1 year	3	2	4	4	2	15
1-3 years	7	4	2	3	2	18
3-5 years	2	3	1	1	1	8
More than 5 years	8	1	3	1	1	14
Total	20	10	10	9	6	55

Data Source: - Primary Data

Table 2 categorizes 55 businesses by their type and operating duration. The total survey sample size is 55 businesses. Key findings indicate that Retail Stores are the most common business type, accounting for 20 entries, while the "1-3 year" category is the most frequent operating duration, capturing 18 businesses and highlighting a significant number of newer enterprises. Service-based businesses and Rest/Cafes each have 10 entries, followed by online businesses (9) and others (6). Businesses operating for 3 to 5 years are the least common group with only 8 employees, though 14 businesses have been in operation for more than 5 years, with most of these being retail stores.

Table 3 Location of business showing monthly turnover

Average Monthly Turnover	**Location of Business**			Total
	Urban	**Semi-urban**	**Rural**	
Less than ₹50,000	5	3	16	24
₹50,001 - ₹1,00,000	6	4	3	13
₹1,00,001 - ₹3,00,000	4	3	1	8
₹3,00,001 - ₹5,00,000	2	0	2	4
More than ₹5,00,000	4	1	1	6
Total	21	11	23	55

Data Source: Primary Data

Table 3 details the distribution of 55 businesses based on their location and average monthly turnover. Most of the businesses surveyed are in rural areas (23 total), followed closely by urban areas (21 total), with the fewest in semi-urban regions (11 total). The data indicates a concentration of low-turnover businesses in rural settings; specifically, 16 out of the 24 businesses with a monthly turnover of less than ₹50,000 are rural. In contrast, higher-turnover businesses (more than ₹5,00,000) are predominantly urban, with four located in urban areas compared to one each in semi-urban and rural locations. Overall, the table suggests a trend where businesses in urban areas are more probable to have higher monthly turnovers than those in rural or semi-urban areas.

CONCLUSION

The analysis of the collected data provides clear evidence that online transactionshave a positive and meaningful impact on business performance across various sectors. Most items show strong correlations with the overall scale, indicating that business owners share similar perceptions regarding the benefits of online transactions, such as increased revenue, improved customer satisfaction, and enhanced business credibility. The descriptive findings further reveal that retail stores form the largest segment of respondents, with many businesses operating for 1–3 years, suggesting a growing trend of newer enterprises adopting online transactions. Additionally, the turnover analysis highlights significant differences based on business location, with urban businesses more frequently achieving higher monthly turnovers compared to rural ones. Overall, the study concludes that online transaction adoption is widespread, reliable in measurement, and contributes positively to business operations, especially for enterprises positioned in more economically active urban areas.

Limitations of the Study Despite providing valuable insights, this research has several limitations that should be acknowledged. First, the sample size of 55 businesses, though informative, is relatively small and may not fully represent the whole population of businesses across different regions. The distribution of respondents is uneven across business types and locations, with rural areas slightly overrepresented, which may influence the generalizability of the decisions. Second, the study relies on self-reported data, which may establish biases such as overestimation or underestimation of business performance or perceptions regarding digital payments. Third, the analysis focuses primarily on descriptive statistics and reliability testing; more advanced statistical techniques, such as regression or factor analysis, could provide deeper insights into the relationships between variables. Moreover, the research does not account for external factorssuch as government policies, digital infrastructure quality, or customers' technological readinessthat may influence online transaction adoption.

References

1. Gautam K. B. (2025): Analysis of financial performance about digital payment: a case of HDFC bank. *International Journal of System Assurance Engineering and Management*, *15*(6), 2085-2096.
2. Barsa V. (2025): Impact of Digital Payment Systems on Financial Inclusion and Small Business Growth in Developing Economies. *International Journal of Innovation and Thinking*, *2*(1), 1-12.
3. Kannojia, M. K. (2025): Examining the pandemic shifts in payment: awareness and inclination in digital payments across demographics. *International Journal of Business Process Integration and Management*, *12*(1), 64-77.
4. Mahajan, P., & Agarwal, M. (2023): Digital payments and MSMEs: Assessing potential and impact. *International Research Journal of Economics and Management Studies IRJEMS*, *2*(3).
5. World Bank. (2023): **Digital payment systems and small business development in emerging economies**. World Bank Group.
6. Nandini, S. P. (2023): Impact of Digital Payment Adoption on Small Businesses in India: A Comprehensive Survey.**International Journal for Multidisciplinary Research.**
7. Bandyopadhyay, & Sinha, A. (2022): **Impact of digital payment systems on small businesses**.from the **International Journal for Multidisciplinary Research**.
8. Basu, S., & Das, P. (2020): Financial innovate on and bank performance: an empirical analysis of Indian commercial banks. *International Journal of Business Innovation and Research*, *31*(4), 515-541.
9. Patel, R., & Kumar, S. (2020): Impact of mobile banking platforms Paytm and Google Pay on financial inclusion in rural and Semi-Urban areas in India. *Journal of Finance and Accounting*, *7*(5), 113-12