Journal of Marketing & Social Research
ISSN(Online): 3008-0711
Vol. 2, Issue 1 (Jan-Jun 2025)
https://jmsr-online.com/

Assessing The Role of Digital Payment Systems in Enhancing Stock Market Participation Among Investors

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Cite This Paper as: Ms. Jyothi Prabha R V, Dr. Alka Jain, (2025) Assessing The Role of Digital Payment Systems in Enhancing Stock Market Participation Among Investors. *Journal of Marketing & Social Research*, 2 (1), 240-245.

ABSTRACT

This study explores the role of digital payment systems in transforming stock market participation, focusing on three key objectives: evaluating their impact on enhancing stock market participation, examining their effect on cost efficiency, and assessing their influence on user satisfaction levels. A primary data and quantitative research methodology was employed, with data collected through structured surveys and analyzed using statistical techniques. The findings reveal that digital payment systems, such as UPI and mobile wallets, significantly enhance stock market participation by improving accessibility and convenience. They also contribute to cost efficiency by reducing transaction fees and processing times. Furthermore, these systems positively influence user satisfaction through their ease of use and reliability. However, challenges such as cybersecurity concerns and digital literacy gaps remain. The study provides actionable understandings for stakeholders to optimize digital payment systems, development greater financial inclusivity and efficiency in stock market activities.

Keywords: *Digital Payments, Stock Market, Investor Participation, Financial Inclusion, Fintech, Investor Behavior*.

1. INTRODUCTION

Digital Payments, the rapid growth of financial technology has transformed the way individuals and institutions interact with financial markets. Digital payment systems, including UPI, mobile wallets, and seamless banking integrations, have emerged as a basis of this transformation. By offering fast, secure, and user-friendly transaction platforms, these systems have reduced traditional barriers to stock market participation, such as high transaction costs, limited accessibility, and procedural delays. India, with its booming fintech sector, has witnessed significant growth in digital payment adoption, particularly after initiatives like demonetization in 2016 and the introduction of real-time payment platforms. These advancements have not only democratized access to financial services but have also encouraged participation from diverse demographics, including young and first-time investors. This study seeks to assess the role of digital payment systems in enhancing stock market participation, focusing on three critical dimensions: their impact on investor accessibility and engagement, their contribution to cost efficiency in transactions, and their influence on user satisfaction levels. By employing a primary data and quantitative research methodology, this research aims to provide empirical evidence on how digital payment systems are shaping investor behavior and the broader stock market ecosystem. The findings of this research are expected to offer valuable insights for policymakers, fintech developers, and financial institutions, enabling them to address challenges like cybersecurity risks and digital literacy gaps while optimizing digital payment platforms for broader market participation and financial inclusivity. In an era where digital transformation is reshaping the financial landscape, understanding the influence of digital payment systems on stock market dynamics is crucial. The proliferation of digital payment systems has not only transformed financial transactions but has also become a critical driver of behavioral change among investors. These systems provide an unprecedented level of convenience, enabling individuals to participate in stock market activities from remote locations, without the need for physical presence or dependence on intermediaries. The automation of payments and real-time transaction capabilities further enhances user experience, making the process seamless and efficient. The increasing penetration of smartphones and internet connectivity has further amplified the reach of digital payment platforms, bridged the urban-rural divide and encouraged first-time investors to explore stock market opportunities. Moreover, integration with investment platforms and brokerage services has streamlined the process of funding trading accounts, ensuring quick and secure transactions. As digital payment systems continue to evolve, their role extends beyond transactions to building investor confidence. Enhanced security measures, such as two-factor authentication and encryption, have mitigated fraud risks, fostering trust among users.

Additionally, these systems play a pivotal role in supporting financial education by offering user-friendly interfaces and tools that simplify complex financial activities.In this context, it becomes essential to investigate the broader implications of digital payment systems on stock market ecosystems, focusing on their potential to transform market participation trends, improve operational efficiency, and address socio-economic challenges related to inclusivity. This research aims to shed light on these evolving dynamics, providing a holistic understanding of the interplay between digital payments and investor engagement. This paper aims to bridge gaps in existing literature by focusing on the practical implications of digital payment technologies, thereby enhancing the discourse on their role in fostering a robust, inclusive, and efficient capital market

2. LITERATURE REVIEW:

The stock market attracts more participants due to digital payment systems which combine convenience features with cost efficiency along with enhanced operations that build investor trust. Fintech solutions reduce investment barriers and enhance financial capabilities to benefit populations who struggle with financial disadvantages according to Agarwal & Chawla (2021) Demirgüç-Kunt et al (2018) and Ozili (2021). The automation that drives real-time payments enhances their speed so investors enjoy a better investment experience (Gupta & Mukherjee, 2022; Patel, 2021). Online transfer expenses reduction has cut stock market investment costs and led to retail investor population growth according to Sinha & Kapoor (2020) and Chakraborty (2022). Stock market trading provides improved experiences to young investors because Google Pay and Paytm UPI have broadened their adoption among investors (Mehta et al., 2023; Singh & Reddy, 2022). User numbers in the stock market increase because digital transaction trust emerges from secure encryption installed with fraud prevention systems and regulatory standards (Banerjee, 2022; Raina & Bose, 2021). The Digital India campaign and fintech regulations from the Indian government established digital payment systems for stock trading according to supporting references from Kumar & Sahoo (2022) and Malhotra (2023). Behavioral finance research shows that basic digital transaction processes enable traders to face down their emotional barriers thus enabling them to engage in stock market trading more often (Jain et al., 2021; Das & Roy, 2022). The instant fund transfer facility has improved stock market liquidity which generates higher trading volumes throughout the day (Bhattacharya 2021, Anand 2023). The existence of technical problems alongside cybersecurity threats gets addressed by blockchain along with artificial intelligence payment technologies which enhance system reliability and security (Narayanan & Iyer, 2023; Reddy, 2023).

2.1 RESEARCH GAP

From the literature, it is evident that several research still needs to solve several gaps regarding how digital payments affect long-term stock market behavior and how cybersecurity and state-led policies influence digital adoption. writing about digital payments show limited analysis regarding their specific effects on different groups of investors including new participants and people with limited financial resources.

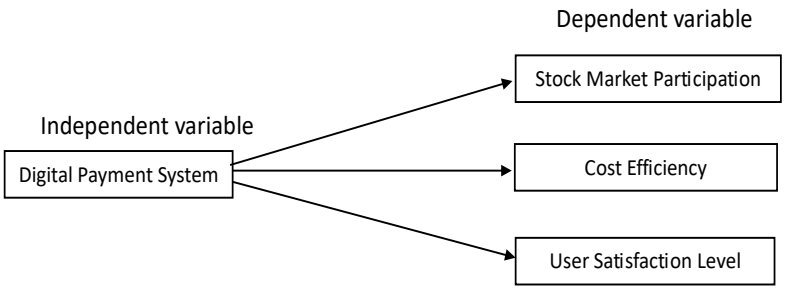
3. RESEARCH METHODOLOGY

Through a combined descriptive and correlational research approach this study evaluates how digital payment systems boost stock market participation while improving operational efficiency and user satisfaction levels. 300 active investors using digital payment systems became the subject of analysis through structured questionnaires rated on a 5-point Likert scale in this quantitative research. The research will analyze the interdependent relationships between digital payment systems together with variables measuring user frequency and system costs and user satisfaction levels. The research includes exploratory methods aimed at discovering recent patterns of digital payment adoption among investors. SEM analysis through SmartPLS together with JASP enables assessment of the proposed relationships and digital payment effects on stock market engagement in the collected data.

3.1 OBJECTIVES:

- To evaluate the impact of digital payment system towards enhancing stock market participation.
- To examine the effect of digital payment system on cost efficiency.
- To assess the influence of digital payment system towards user satisfaction level.

3.2 PROPOSED CONCEPTUAL MODEL:



Sources: Authors work

HYPOTHESES

H1: Digital payment systems significantly influence stock market participation.

H2: Digital payment systems have a positive and significant impact on stock market participation.

H3: Digital payment systems significantly enhance investors satisfaction level.

4. ANALYSIS AND INTERPRETATION:

4.1 Reliability and Validity Test:

Table 4.1: Reliability and Validity Test

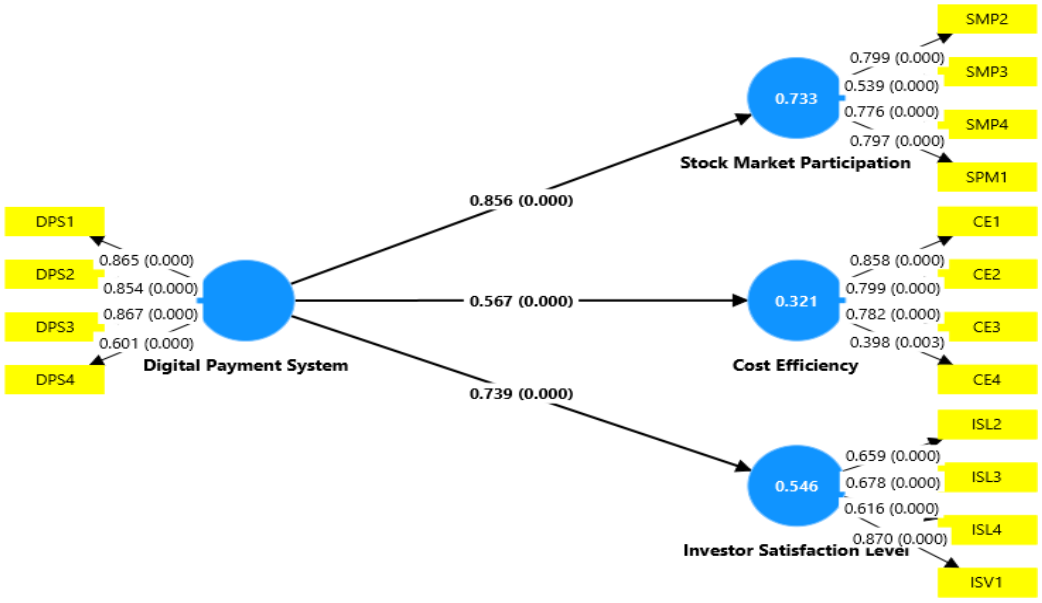
	Original sample	Sample mean	Standard deviation	T statistics	P values
Cost Efficiency	0.813	0.811	0.022	36.905	<0.05
Digital Payment System	0.878	0.878	0.015	58.121	<0.05
Investor Satisfaction Level	0.802	0.800	0.030	26.826	<0.05
Stock Market Participation	0.822	0.821	0.022	37.349	<0.05

Source: *Primary Data*

The analysis confirms that Cost Efficiency, Digital Payment System, Investor Satisfaction Level, and Stock Market Participation maintain their original sample values while showing low standard deviation levels. Statistical results from the high T-statistics along with P-values < 0.05 demonstrate that observed means show reliable consistency with population data for each variable.

4.2 Bootstrapping Analysis:

Figure 4.2: Bootstrapping Analysis.



Source: *Primary Data*

The diagram highlights the relationships between the Digital Payment System (DPS) and three dependent constructs: The DPS promotes greater stock market inclusion together with improved cost-effective operations and enhanced investor satisfaction levels. The Digital Payment System demonstrates both a robust impact on Stock Market Participation (path coefficient: 0.856, p-value < 0.001) and a moderate relationship on Investor Satisfaction Level (path coefficient: 0.739, p-value < 0.001). It also affects Cost Efficiency slightly (path coefficient: 0.567, p-value < 0.001). Results demonstrate strong indicator loadings for all measured variables between DPS1–DPS4, SMP1–SMP4, CE1–CE4 and ISL1–ISL4 at $p < 0.05$ levels thus validating the measurement reliability of the study. As defined by R^2 values this explained model accounts for

73.3% in Stock Market Participation while it explains 54.6% in Investor Satisfaction Level and 32.1% in Cost Efficiency. Data suggests the Digital Payment System produces maximum positive effects on Stock Market Participation whereas it affects Investor Satisfaction Level secondarily but affects Cost Efficiency minimally.

4.3 Path Coefficient with confidence Interval:

Table 4.3: Path Coefficient with confidence Interval

	Original sample	Sample mean	Standard deviation	T statistics	P values	Bias	2.5%	97.5%
Digital Payment System -> Cost Efficiency	0.567	0.577	0.072	7.885	<0.05	0.010	0.411	0.694
Digital Payment System -> Investor Satisfaction Level	0.739	0.744	0.038	19.595	<0.05	0.005	0.649	0.802
Digital Payment System -> Stock Market Participation	0.856	0.859	0.023	36.744	<0.05	0.003	0.800	0.895

Sources: *Primary Data*

The analysis shows that the Digital Payment System significantly influences all three constructs—Cost Efficiency, Investor Satisfaction Level, and Stock Market Participation—with p-values < 0.05. The strongest impact is on Stock Market Participation (original sample = 0.856, T-statistic = 36.744, 95% CI: 0.800–0.895), followed by Investor Satisfaction Level (original sample = 0.739, T-statistic = 19.595, 95% CI: 0.649–0.802) and Cost Efficiency (original sample = 0.567, T-statistic = 7.885, 95% CI: 0.411–0.694). The low bias values confirm the robustness of these results. This indicates that the Digital Payment System is a significant driver of these constructs, with the strongest effect on Stock Market Participation.

4.4 R-Square Value Testing:

Table 4.4: R – Square value test with confidence interval.

	Original sample	Sample mean	Standard deviation	T statistics	P values	Bias	2.5%	97.5%
Cost Efficiency	0.321	0.338	0.083	3.886	<0.05	0.017	0.169	0.481
Investor Satisfaction Level	0.546	0.555	0.056	9.800	<0.05	0.009	0.421	0.643
Stock Market Participation	0.733	0.739	0.040	18.384	<0.05	0.006	0.640	0.801

Source: *Primary Data*

The analysis reveals that all three constructs—Cost Efficiency, Investor Satisfaction Level, and Stock Market Participation—are significantly explained ($p < 0.05$). Stock Market Participation has the highest impact (original sample = 0.733, T-statistic = 18.384, 95% CI: 0.640–0.801), followed by Investor Satisfaction Level (original sample = 0.546, T-statistic = 9.800, 95% CI: 0.421–0.643) and Cost Efficiency (original sample = 0.321, T-statistic = 3.886, 95% CI: 0.169–0.481). The low bias values confirm the reliability of the estimates. This suggests that Stock Market Participation is the most influenced construct, with moderate effects on Investor Satisfaction Level and weaker effects on Cost Efficiency.

5. FINDINGS, CONCLUSION AND RECOMMENDATIONS:

5.1 Findings:

This analysis investigates the effect of Digital Payment Systems (DPS) on Stock Market Participation as well as Investor Satisfaction Level and Cost Efficiency. All three constructs prove to be significantly impacted by Digital Payment Systems exposed at ($p < 0.05$). This research establishes Stock Market Participation as the construct with the highest influence (path coefficient = 0.856; R^2 = 73.3%) while Investor Satisfaction Level maintains a stronger effect (path coefficient = 0.739; R^2 = 54.6%). The study confirms that Cost Efficiency demonstrates the weakest association (path coefficient = 0.567; R^2 =

32.1%). The measurement model shows reliability due to significant indicator loadings at $p < 0.05$ level. Evidence from hypothesis testing verifies the value of DPS for promoting Stock Market Participation as well as showing benefits for Cost Efficiency and Investor Satisfaction enhancement.

5.2 Conclusions:

The research investigated how Digital Payment Systems (DPS) affect Stock Market Participation and both Cost Efficiency and Investor Satisfaction Level. Study results indicated that Digital Payment Systems (DPS) plays a major role in increasing Stock Market Participation since its path coefficient stands at 0.856 with an explained variance of 73.3%. The model shows that DPS affects Investor Satisfaction at intermediate strength (path coefficient = 0.739, R^2 = 54.6%) yet exhibits limited impact on Cost Efficiency (path coefficient = 0.567, R^2 = 32.1%). Recent data shows that DPS strongly motivates financial behavior by increasing market membership. Financial institutions need to focus on both security and usability when developing innovations that will improve market participation and create satisfied customers along with operational efficiency.

5.3 Recommendations:

The entry of new investors to stock markets requires better online payment security coupled with enhanced system accessibility. The establishment of simple interfaces together with financial literacy classes and security enhancements will result in investor trust. The integration of affordable digital solutions has a dual advantage by improving process accuracy while supporting both stakeholders in financial services and investors. An enhanced regulatory framework will enable better digital payment integration leading to sustained expansion in financial market operations.

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