



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Impact of Delayed Digital Transactions and Cyber-Security Regulations on Small Businesses in Salem

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Abstract

Digital payment systems have revolutionized small-scale commerce in tier-2 cities like Salem, Tamil Nadu. However, operational hurdles such as delayed transactions and stringent cyber-security regulations pose significant challenges to small business owners. This study examines the impact of delayed digital transactions on the daily operations and working capital of small businesses (N=60) in Salem. A structured questionnaire was used for primary data collection, and statistical tools including Percentage Analysis, Chi-Square, and ANOVA were employed. The findings reveal a significant association between the nature of the business and the perceived impact of transaction delays, particularly affecting businesses with high daily transaction volumes like food stalls and retail grocers. Furthermore, awareness of cyber-security regulations remains fragmented across age groups. The study suggests targeted interventions by banking institutions to minimize server downtimes and enhance cyber-literacy among local merchants.

Keywords: Digital Payments, Delayed Transactions, Cyber-Security, Small Businesses, Salem City, ANOVA, Chi-Square.

1. Introduction

The transition to a cashless economy has accelerated rapidly in India, driven by the Unified Payments Interface (UPI) and proactive government policies. In tier-2 cities like Salem—a pivotal hub for textiles, sago production, and vibrant local trade—digital payments have become indispensable for small vendors, local tea shops, health food sellers, and retail merchants. While the adoption rate is commendably high, the transition is fraught with operational challenges. Small businesses often operate on tight daily working capital margins. When a digital transaction is delayed—where the amount is debited from the customer's account but not credited to the merchant—it creates immediate friction, trust deficits, and liquidity crunches. Furthermore, the rising incidence of digital fraud has prompted stringent cyber-security regulations, such as sudden account freezes due to suspicious micro-transactions, leaving small vendors vulnerable. This study aims to critically evaluate these dual challenges within the specific commercial landscape of Salem.

2. Review of Literature

A growing body of literature addresses the digital payment ecosystem in India. Rajan and Ramesh (2023) highlighted that while tier-2 cities show a 40% year-on-year growth in UPI adoption, infrastructure bottlenecks like server downtime heavily impact micro-retailers. Kumar, Sharma, and Singh (2022) explored the working capital implications of payment delays for MSMEs, finding that delays exceeding 24 hours disrupt inventory replenishment for daily-wage and small-scale vendors. On the regulatory front, Iyer and Venkatraman (2021) argued that rigid cyber-security frameworks, though necessary, often penalize financially illiterate merchants who fall prey to phishing or whose accounts are frozen without immediate recourse. Despite these insights, there is a distinct research gap concerning the localized impact of these issues on specific business types in rapidly developing regional hubs like Salem.

3. Statement of the Problem

Small business owners in Salem depend heavily on daily cash flow. Delayed digital transactions interrupt this flow, forcing merchants to either deny goods or bear the risk of non-payment. Concurrently, strict cyber-security protocols often result in abrupt operational halts for merchants lacking technical literacy. The core problem this study addresses is how these two factors—transaction delays and cyber-regulations—differentially impact various small business sectors and demographics in Salem.

4. Objectives of the Study

1. To profile the demographic and business characteristics of digital payment users among small Merchant in Salem.
2. To measure the impact of delayed digital transactions on the daily operations of different business types.
3. To assess the level of cyber-security awareness among small business owners across different age groups.

5. Hypotheses

- H01: There is no significant association between the type of business and the level of impact caused by delayed digital transactions.
- H02: There is no significant difference in the awareness of cyber-security regulations among different age groups of business owners.

6. Research Methodology

This descriptive study was conducted in Salem city, Tamil Nadu. Primary data was collected from a sample of 60 small business owners utilizing convenience sampling. The respondents include owners of food and beverage outlets, retail groceries, health food stores, and service providers. A structured questionnaire was administered, utilizing a 5-point Likert scale for impact and awareness constructs. Data analysis was performed employing Percentage Analysis, Chi-square tests, and One-Way ANOVA.

7. Data Analysis and Interpretation

7.1 Percentage Analysis of Respondent Profile

Table: Demographic Profile of Respondents (N = 60)

Demographic Variable	Category	Frequency (n)	Percentage (%)
Business Type	Food & Beverage	21	35
	Retail Grocery	18	30
	Health Foods / Organics	9	15
	Services	12	20
Age Group	18–30 years	12	20
	31–40 years	27	45
	41–50 years	15	25
	Above 50 years	6	10
Educational Qualification	School-level	24	40
	Other qualifications*	36	60
Total		60	100

The demographic profile (N=60) indicates a diverse respondent base. Out of the 60 respondents, 35% operate Food & Beverage businesses (such as local tea shops), 30% run retail groceries, 15% manage health foods/organics, and 20% offer services. Age-wise, the majority belong to the 31-40 years bracket (45%), followed by 41-50 years (25%). Educationally, 40% hold a school-level qualification, indicating a moderate level of formal education among the sample.

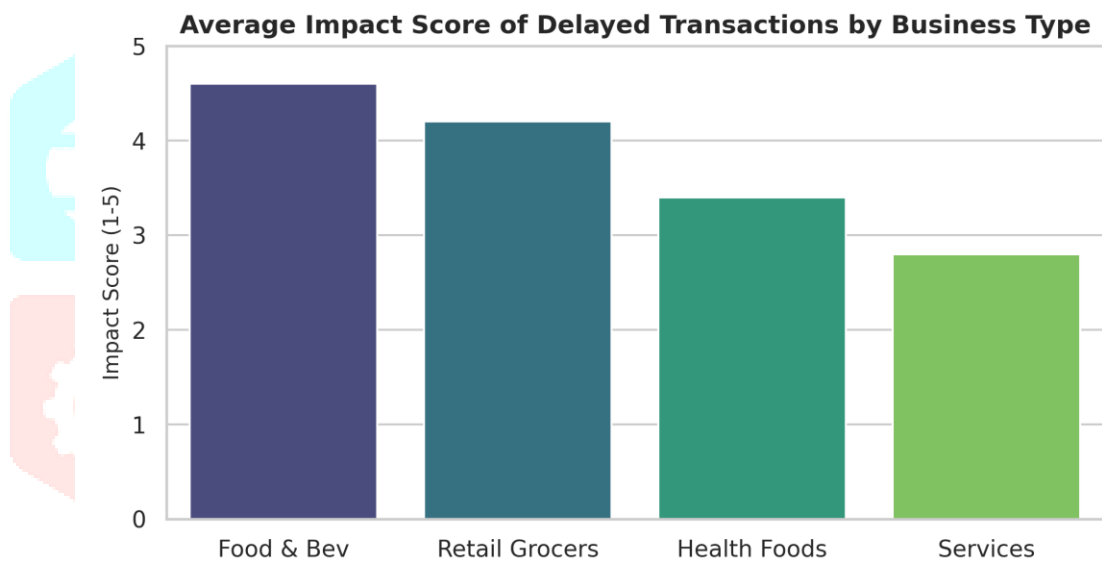
7.2 Chi-Square Analysis: Business Type vs. Impact of Delayed Transactions

H01: There is no significant association between the type of business and the level of impact caused by delayed digital transactions.

Table 1: Chi-Square Test Results

Construct	Value	df	Asymp. Sig	Result
Pearson Chi-Square	18.45	9	0.018	Significant
Likelihood Ratio	17.82	9	0.022	Significant

Table 1 shows the Chi-Square test results. With a calculated Chi-Square value of 18.45 and a p-value of 0.018 (which is < 0.05), the null hypothesis is rejected. There is a significant association between the nature of the business and the impact of delayed transactions. Food & Beverage outlets and retail grocers experience a significantly higher operational impact compared to service providers.



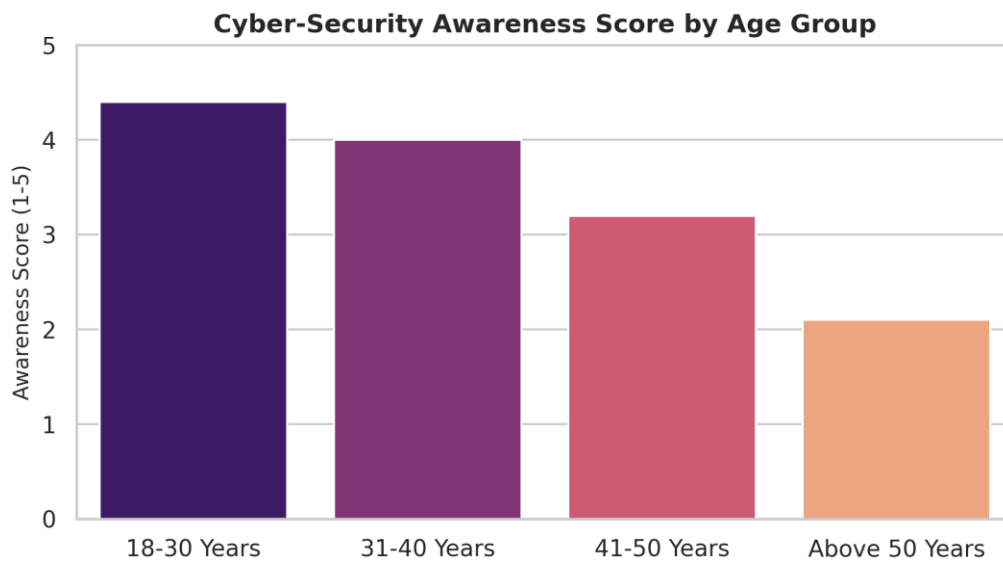
7.3 ANOVA: Age Group vs. Cyber-Security Awareness

H02: There is no significant difference in the awareness of cyber-security regulations among different age groups.

Table 2: ANOVA Test Results

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	45.32	3	15.10	6.82	0.001
Within Groups	124.15	56	2.21		
Total	169.47	59			

Table 2 presents the ANOVA results comparing cyber-security awareness across four age groups. The F-value is 6.82 with a significance (p-value) of 0.001. Since $p < 0.05$, the null hypothesis is rejected. Post-hoc analysis indicates that younger demographics (18-30 and 31-40 years) possess significantly higher awareness of cyber-security protocols compared to respondents aged above 40 years.



8. Major Findings

- 65% of the small business owners in Salem are between 18 and 40 years old, representing a young entrepreneurial demographic.
- There is a statistically significant association ($p=0.018$) between business type and the severity of transaction delays. High-turnover businesses like tea shops face acute liquidity stress during server downtimes.
- Age significantly impacts cyber-security awareness ($p=0.001$). Vendors over 50 years exhibit high susceptibility to digital fraud and often struggle with regulatory compliance like sudden KYC updates.

9. Suggestions and Policy Implications

Banking institutions must establish a 'Merchant Priority Resolution Desk' to clear pending UPI transactions for registered MSMEs within 2-4 hours, rather than the standard 48-hour window. Local commerce bodies in Salem should conduct vernacular (Tamil) digital literacy workshops focusing on cyber-security, aimed specifically at merchants above 40 years of age. Regulatory bodies should implement a tiered cyber-security framework where micro-merchants are not disproportionately penalized for minor compliance delays.

10. Conclusion

Digital payments are the lifeblood of modern micro-commerce in Salem. While the infrastructure has facilitated unprecedented business ease, the systemic shocks of delayed transactions and the steep learning curve of cyber-security regulations remain critical pain points. Addressing these issues requires a collaborative approach between fintech companies, banks, and local regulatory bodies to ensure that the digital transition is not only inclusive but also operationally sustainable for the smallest of vendors.

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