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Role of Digital Payments in Transforming Tourism for Sustainability

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Abstract

The fast-rising digital payment systems have become a disrupting technology in the tourism industry especially in a developing economy such as India. Homestay operators, tour guides, vehicle operators, handicraft sellers and small hospitality facilities are micro-entrepreneurs in the tourism industry whose role is very significant in employment creation, preservation of culture and local sustainable development. Nonetheless, the challenges that such enterprises are likely to encounter include high transaction costs, excessive reliance on the use of cash transactions, lack of formal financial services, and inefficiencies in the operation. This essay discusses how digital payments have transformed the tourism system to become sustainable through a lower transaction cost and through enhancing a better system of conducting business among micro-entrepreneurs in the tourism sector. The rZbfg tourism change as they enhance operational effectiveness, financial inclusion, increased trust between both parties (tourists and service providers), and facilitate the sustainability of the environment via fewer cash addicts. The paper ends by offering policy recommendations to facilitate the inclusive adoption of digital payments as one of the strategies of attaining sustainable tourism development.

Keywords: Digital Payments, Sustainable Tourism, Tourism Transformation, Transaction Costs, Ease of Doing Business, Financial Inclusion

Introduction

Many developing countries especially India use tourism as an aspect that is crucial to the economy, job creation, and development in the area. Most of the tourism industry is run by micro-entrepreneurs who run small businesses in the form of homestays, travel agencies, food and transport services as well as handcraft businesses. The tourism micro-enterprises are not just income generating, but they also help in cultural conservation and local sustainable development of the communities. Regardless of their significance, tourism micro-entrepreneurs have been experiencing some systemic challenges such as high transaction cost, reliance on cash payments, payment delays, inability to access formal credit, and poor financial management.

Cash-based systems pose a bigger risk to operations, diminish transparency, and make the business less scalable. The blistering development of digital payment solutions including Unified Payments Interface (UPI), mobile wallets, debit cards, credit card, and QR-code-based payments has greatly changed the manner in which financial transactions are carried out in a tourism industry. It is faster, safer and more transparent modes of carrying out debits, and digital payment is especially useful in tourism, where transactions are common, seasonal and are frequently carrying various customers, both local and international tourists. The paper examines how digital payments help to transform tourism to be sustainably without elevating transaction costs and making business activities easy over tourism micro-entrepreneurs. It insists that digital payments are not the only means through which business works more efficiently, but also inclusive and environmentally sustainable tourism can arise.

Objectives

1. To examine the character and constituents of transaction costs that are incurred by tourism micro- entrepreneurs.
2. To evaluate the digital payment rate at tourism related micro-enterprises.
3. To investigate the way digital payments lower the cash-handling expenses and delays in payments made in tourism companies.

Conceptual Framework

Tourism Micro-Entrepreneurship

The tourism micro-entrepreneurs form individual persons or small couples, who own and run very small businesses within the tourism industry, usually less than ten employees. They are business ventures including accommodation business, food services, local transport business, tour business, souvenir manufacturing, and cultural services. Micro-entrepreneurship is known to be supported by tourism in the livelihoods of local residents, community involvement, and enhanced sustainable tourism. Nonetheless, scarcity of resources, informality and dependence on fluctuating demand are significant issues of concern.

Transaction Costs in Tourism

The transaction costs in tourism are expenses that are incurred in the process of an exchange involving tourism goods and services.

These include:

- Cash handling and storage and security costs.
- Time used in preparing and accepting payments.
- Owing to late payments or defaults.
- Record-keeping and reconciliation costs.

The cost of high transaction will diminish profitability and formalization, especially in smaller tourism businesses that have a small margin.

Digital Payments in Tourism

Digital payments consist of transfer of funds electronically on mobile phone, cards, internet banking or digital devices. Some of the initiatives taken in India to facilitate digital payment adoption by tourism businesses include UPI, Aadhaar-enabled payment systems, Jan Dhan accounts, and Digital India. The systems help in accomplishing convenient transactions among tourists and services providers eliminating the need to use cash and improves financial efficiency.

Literature Review

Existing literature consistently highlights the positive role of digital payment systems in reducing transaction costs and improving business efficiency across various sectors. Jack and Suri (2014) demonstrated that the adoption of mobile money significantly reduced transaction time and enhanced income stability among small enterprises. Similarly, the World Bank (2016) emphasized that digital payments increase transparency and reduce informal costs associated with cash-based transactions, thereby improving operational efficiency.

In addition, Demirgüç-Kunt et al. (2018) discovered that digital financial services are highly important in enhancing financial inclusion by incorporating small enterprises into formal financial regimes. During the tourism industry, digital payments improve the comfort of customers, increase confidence between the service providers and the tourists, and general international transactions. In line with this argument, the Reserve Bank of India (RBI, 2022) has indicated that since small merchants have adopted and utilized Unified Payments Interface (UPI) in a big number, the payment friction has been lowered by a large margin and payments have aligned greatly in terms of cash flows.

In spite of this advantage, other research studies have found out that challenges limit the widespread use of digital payment. Klapper and Singer (2017) indicated that digital illiteracy, privacy fears, and insufficient infrastructural facilities remain as loose ends hindering wholesale adoption. However, on the whole, the evidence base indicates that digital payments can play a significant role as the driver of sustainable tourism change as they enhance efficiency, inclusivity, and resilience of businesses.

Digital Payments and their Role in Reduction of the Transaction Cost in Tourism

Reduction in Cash-Handling Costs

Cash based tourism companies experience expenses in counting, storing and protecting cash as well as theft and loss. These expenses can be removed through digital payments that are relatively safe and efficient forms of electronic transfers, which ensure enhanced operational safety and efficiency.

Faster Transactions and Improved Liquidity

The digital payment systems will enable instant or near-instant payments. This enhances management of cash flow and working capital among tourism micro-entrepreneurs so that they can reinvest on time within inventory, maintenance and service quality.

Lower Payment Delays and Defaults

Tourism companies also have a tendency of delayed payments, particularly during the high seasons or when the group is being booked into a group. E-payments promote expediency and less credit risks and enhance revenues assurance.

Efficient Record-Keeping

Electronic transaction records save the work of doing manual accounting. These records assist the tourism entrepreneurs in tracking of revenues, expenses management and tax and other regulatory requirements at a low cost.

Digital Payments and Ease of Doing Business in Tourism

Simplification of Business Operations

The payment system via QR-codes can ensure that even small vendors and informal tourism operators can implement digital payment with the help of this type of infrastructure being rather costly. This will make day-to-day running smooth and lessens the administrative workload.

Access to Formal Credit

Uninterrupted digital transacting history is an additional credit information to financial entities and banks. Digital records of individuals who pay their taxes through banking and online payment options increase the chances of accessing loans and working capital facilities by the tourism micro-entrepreneurs.

Expansion of Tourism Markets

Online payments can help tourism businesses to get access to internet-based travel services, online market places and international tourists, as well as increase the reach and competitiveness of the market.

Transparency and Trust

Digital payment increases transparency and accountability, as well as minimizing disagreements and building trust among tourists and service providers. Sustainable tourism development is dependent on trust.

Digital Payments and Sustainable Tourism Development

Digital payments are sustainable because they minimize the use of cash, have a less amount of paper records, and promote formal patterns in business. Their inclusive growth is also achieved through the inclusion of small and informal tourism enterprises into the digital economy. Moreover, business resilience increases resilience of tourist businesses to both economic and environmental shocks because of stronger financial stability.

Challenges in Digital Payment Adoption in Tourism

Problems with the Digital Payment Adoption in Tourism.

Fraud challenges that digital payment system encounters include:

- Little digital literacy by tourism micro-entrepreneurs.
- Poor internet connectivity in isolated tourist attraction sites
- Security and fraud issues of the computer.
- Aversion to abandoning the old methods of using cash.

These challenges need to be met by specific training, development of infrastructures and effective regulatory controls.

Conclusion

Digital payments are significant in reforming tourism to be sustainable by minimizing the cost of conducting business, enhancing the ease of doing business, and making financial institutions more financially inclusive. Digital payments contribute to the sustainability of tourism micro-entrepreneurship in the long run by increasing efficiency, transparency, and market and credit accessibility. Measures such as sustained policy encouragement, technological advancement, and capacity-building programs are required to be in place so as to ensure that the potential of using digital payments to advance sustainable tou-

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