

"THE ROLE OF DIGITAL PAYMENT METHODS IN THE TRADITIONAL RETAIL:  
IMPLICATIONS FOR BUSINESS INNOVATION"

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**Abstract:** Digital technologies have revolutionized various aspects of daily life and business operations, particularly through the introduction of advanced online payment systems. As the global marketplace becomes increasingly digital, internet infrastructure and banking systems have emerged as essential components for facilitating online shopping and commercial transactions. This digital transformation has significantly altered traditional business practices, making electronic payment systems more accessible and prevalent.

This study investigates the role of digital payment methods on traditional retail businesses in Santa Cruz, Marinduque, focusing on how these methods contribute to business innovation and growth. By exploring the challenges and opportunities associated with adopting digital payments, the research aims to identify the specific issues traditional business owners face when integrating these technologies into their operations.

Employing a descriptive research methodology, the study collects and analyzes data from residents of Santa Cruz, Marinduque who have direct experience with traditional retail businesses. Through surveys and interviews, the research examines how digital payment systems influence business performance, customer satisfaction, and overall operational efficiency.

The findings of this study provide a comprehensive understanding of the role of digital payments in reshaping traditional retail businesses. By identifying the barriers and benefits of adopting digital payment methods, the research offers valuable insights for entrepreneurs and business owners seeking to leverage these technologies to enhance their competitiveness and foster innovation.

**Keywords:** traditional retail, digital payment systems, business innovation, and online transactions

## INTRODUCTION

In today's digital era, the retail sector has undergone a significant transformation driven by the rise of electronic commerce (e-commerce), particularly in payment methods. Historically, traditional retail transactions were conducted using cash or credit/debit cards. However, the rapid expansion of e-commerce has introduced a range of digital payment options. Platforms such as GCash and PayMaya have emerged as critical tools in this shift, enhancing financial inclusion by allowing individuals without bank accounts to engage in digital transactions. These platforms have revolutionized money transfers, offering a streamlined process that benefits users in remote areas with limited access to traditional financial services (Bangko Sentral ng Pilipinas, 2023).

For businesses, incorporating GCash and PayMaya into their payment systems has become essential. As the popularity of e-wallets grows, businesses that do not offer these payment options may risk losing customers who prioritize convenience and flexibility (Nielsen, 2023). The surge in e-wallet usage has driven traditional retail establishments to adopt new payment methodologies, striving to remain competitive and meet the evolving needs of their clientele. Furthermore, e-commerce has enabled these businesses to expand their reach, making transactions more accessible to a broader audience (Garcia & Bautista, 2023).

In the Philippines, e-commerce has emerged as a major trend, experiencing explosive growth during the COVID-19 pandemic. This surge was largely driven by the closure of traditional retail stores and the enforcement of

quarantine measures, which led to a notable shift in consumer behavior towards online shopping. The convenience of online purchases, coupled with diverse payment options, discounts, vouchers, and reward programs, has made e-commerce increasingly attractive to consumers (Bangko Sentral ng Pilipinas, 2024). Entrepreneurs have similarly adapted by revising their business strategies to include digital platforms. The shift to e-commerce offers numerous advantages over traditional brick-and-mortar operations, including lower startup costs, reduced staffing requirements, and access to a broader customer base (Deloitte, 2024).

Santa Cruz, Marinduque, is home to numerous businesses that offer high-quality products at competitive prices. Despite facing intense competition from other stores, local businesses in Santa Cruz have adapted to changing market dynamics. The pandemic has accelerated the shift towards online shopping, with consumers in Santa Cruz increasingly turning to platforms like Shopee, Lazada, TikTok, and Shein (Nielsen, 2024). Payment options have also diversified, with online methods such as GCash and credit card payments becoming more prevalent. The integration of electronic commerce as a payment method has enhanced the customer experience by improving transaction efficiency, reducing errors, and saving time for both customers and businesses (Bangko Sentral ng Pilipinas, 2024).

Taking these aspects into consideration, the researcher has explored the study titled *"The Role of Digital Payment Methods in Traditional Retail: Implications for Business Innovation,"* which investigates the transformative effects of digital payment methods on traditional retail settings. The study aims to evaluate how platforms like GCash and credit card payments have reshaped retail operations and consumer behaviors (Bangko Sentral ng Pilipinas, 2024). Additionally, it seeks to explore how businesses have adapted their strategies to integrate digital payments, focusing on innovations in payment processing and operational efficiency (Nielsen, 2024). The research also analyzes consumer preferences for digital payment options and their impact on shopping habits, particularly in the context of the COVID-19 pandemic (Deloitte, 2024). Finally, the study identifies emerging trends in digital payments and their potential future implications for retail practices (World Bank, 2024).

### THEORETICAL FRAMEWORK

The theoretical framework for this study aims to establish a structured foundation for understanding the impact of digital payment methods on traditional retail businesses. It incorporates various theories and concepts to analyze demographic factors, the role of e-commerce in retail, and the potential for implementing effective interventions. The investigation will be guided by the following theories:

The Technology Acceptance Model (TAM), introduced by Davis (1989), posits that perceived usefulness and perceived ease of use are crucial factors influencing users' acceptance and adoption of new technologies. In the realm of traditional retail businesses, TAM helps elucidate why both retailers and customers might embrace digital payment methods. For instance, if business owners in Santa Cruz, Marinduque, perceive that digital payments will improve their business operations (usefulness) and find the technology user-friendly (ease of use), they are more inclined to adopt these payment methods (Venkatesh & Bala, 2024). This model provides a framework for understanding how various demographic factors, such as business type and years of operation, affect the perception and adoption of digital payment technologies (Agarwal & Karahanna, 2024).

Rogers' Diffusion of Innovations Theory (1962) provides a framework for understanding how new ideas and technologies spread through societies or organizations. The theory identifies five key attributes that influence the adoption process: relative advantage, compatibility, complexity, trialability, and observability. In the context of this study, the theory is useful for identifying factors that impact the adoption of electronic commerce payment methods in traditional retail environments. For instance, if digital payment methods are perceived as offering a significant relative advantage over traditional cash transactions, are compatible with existing business processes, and are easy to trial and observe by other businesses, they are more likely to be adopted (Rogers, 2024). This approach helps to analyze how these attributes influence the decision-making process regarding the integration of new payment technologies (Zhu et al., 2024).

The Unified Theory of Acceptance and Use of Technology (UTAUT), proposed by Venkatesh et al. (2003), integrates elements from several technology acceptance theories and focuses on four primary constructs: performance expectancy, effort expectancy, social influence, and facilitating conditions. This theory will be applied

to understand how these factors impact the adoption of digital payment methods among traditional retail business owners in Santa Cruz. UTAUT provides valuable insights into how social factors, such as peer influence, and facilitating conditions, such as the availability of necessary infrastructure, affect the adoption and utilization of digital payment technologies (Venkatesh et al., 2024). This approach helps to analyze how these constructs influence the decision-making process related to the integration of digital payment systems in retail settings (Williams et al., 2024)

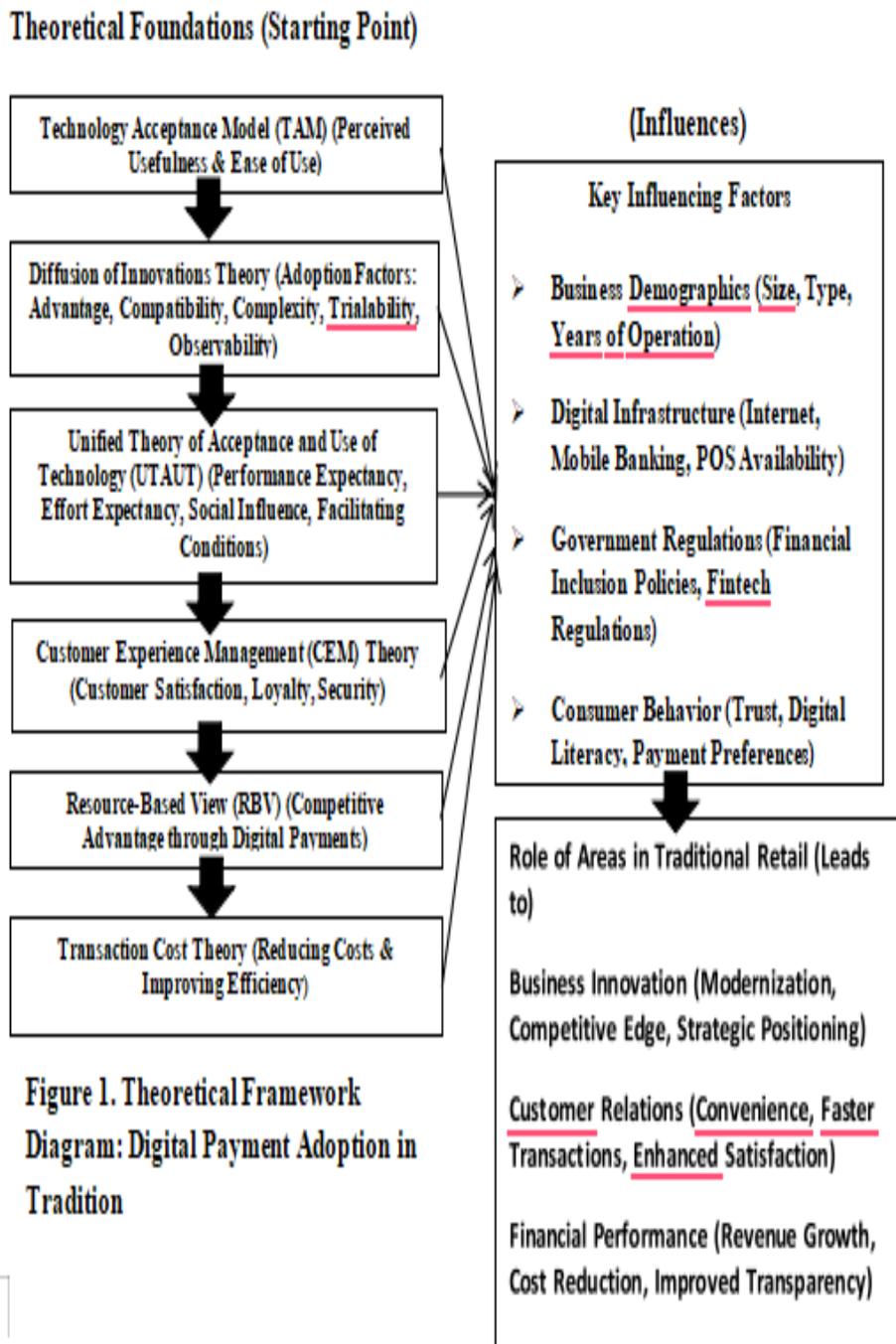
Customer Experience Management (CEM) Theory highlights the importance of understanding and managing customer interactions to enhance satisfaction and loyalty. In traditional retail settings, the adoption of digital payment methods can substantially improve the customer experience by offering faster, more convenient, and more secure payment options. This theory will be utilized to explore how digital payments influence customer relations, satisfaction, and loyalty, which are vital for business growth and sustainability (Lemon & Verhoef, 2024). The application of CEM Theory can provide insights into how the integration of digital payments impacts overall customer experience and contributes to building long-term customer relationships (Beckers et al., 2024).

The Resource-Based View (RBV), introduced by Barney (1991), asserts that firms can achieve a competitive advantage by leveraging valuable, rare, inimitable, and non-substitutable resources. Digital payment systems can be considered a strategic resource that traditional retail businesses can use to enhance efficiency, customer service, and competitiveness. This theory will guide the analysis of how electronic commerce as a payment method contributes to the strategic positioning and innovation of traditional retail businesses (Barney, 2024).

Similarly, Coase's Transaction Cost Theory (1937) posits that firms aim to minimize transaction costs. The adoption of digital payment methods allows traditional retail businesses to reduce transaction costs, improve security, and streamline financial transactions. This theory will provide a framework to examine the economic benefits of digital payments, such as lowering cash handling costs, minimizing transaction errors, and increasing financial transparency (Williamson, 2024). By integrating these theories, the study aims to: Utilize the frameworks of the Technology Acceptance Model (TAM), Unified Theory of Acceptance and Use of Technology (UTAUT), and Diffusion of Innovations Theory to gain insights into the adoption of digital payment methods by various demographic segments within the business community of Santa Cruz, Marinduque. Factors such as business type, years of operation, and payment preferences will be analyzed to understand the specific profiles of businesses more likely to embrace electronic payment systems and derive benefits from them. This comprehensive analysis will provide valuable insights into the needs and preferences of businesses in the area regarding electronic payments.

Leverage TAM, CEM (Customer Experience Management), and RBV (Resource-Based View) to delve into the impact of electronic commerce as a payment method on marketing strategies, customer relations, and financial transactions. By employing these theories, we can evaluate the effects of digital payment methods on overall business performance, customer satisfaction, and operational efficiency. Utilize insights from TAM, UTAUT, and Transaction Cost Theory to recommend interventions aimed at improving the effectiveness of digital payment methods. These interventions may encompass initiatives such as training programs for business owners, enhancements to digital infrastructure, and raising awareness about the advantages of digital payments among customers.

This outlined theoretical framework will serve as the foundation for researching the role of digital payment methods in traditional retail businesses in Santa Cruz, Marinduque. Through the application of these theories, the study will yield a comprehensive understanding of the factors influencing the adoption of digital payment systems, their impact on business operations and customer relations, and potential interventions to enhance their effectiveness.



**Figure 1. Theoretical Framework Diagram: Digital Payment Adoption in Tradition**

This flowchart visually represents how theoretical models influence key factors affecting digital payment adoption, which ultimately impacts business innovation, customer relations, and financial performance in traditional retail settings. Each stage of the flowchart demonstrates a cause-and-effect relationship, showcasing the progression from theoretical understanding to practical business implications. By structuring the theoretical framework this way, researchers can systematically analyze the drivers of digital payment adoption and their impact on retail business performance.

CONCEPTUAL FRAMEWORK

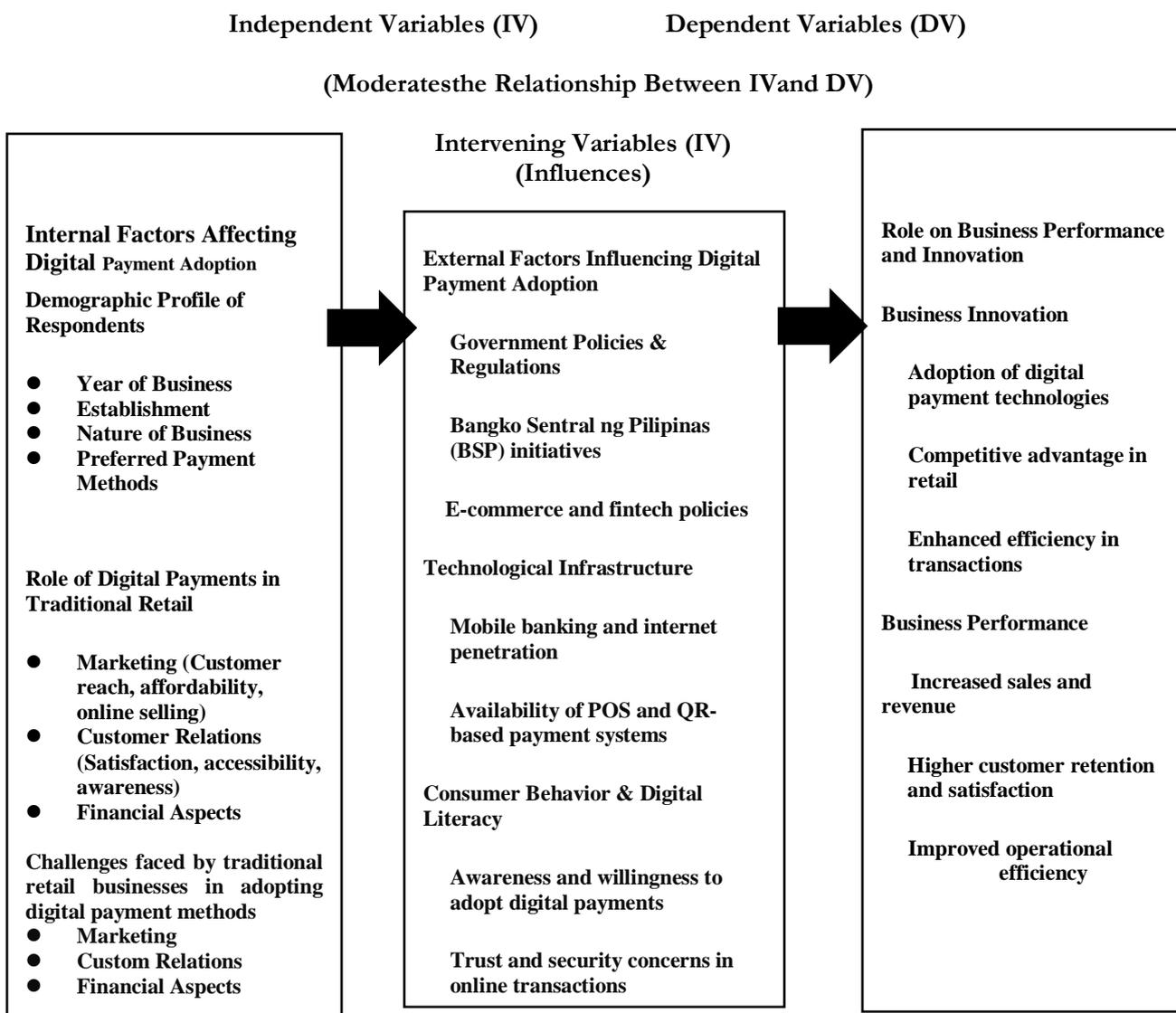


Figure 2. Conceptual Framework Diagram: The Role of Digital Payment Methods in Traditional Retail Business Innovation

This conceptual framework illustrates how demographic factors and digital payment adoption influence business innovation and performance, while external factors such as government regulations, technological infrastructure, and consumer behavior moderate the relationship between adoption and outcomes. Digital payment adoption is shaped by multiple factors, including business characteristics, technological advancements, and market conditions. The framework illustrates the complex interactions between independent, intervening, and dependent variables, providing a holistic view of digital payment systems in traditional retail settings.

Business owners in Santa Cruz, Marinduque, must balance customer preferences, financial sustainability, and technological readiness in integrating digital payment solutions (Nielsen, 2023). The availability of digital infrastructure, government incentives, and consumer digital literacy influences how quickly businesses shift to cashless transactions (Bangko Sentral ng Pilipinas, 2024).

Retailers benefit from reduced transaction costs, streamlined operations, and enhanced consumer trust in digital payments, leading to long-term sustainability and competitiveness (Beckers et al., 2024). Digital payment methods such as GCash, PayMaya, and online banking improve financial transparency and minimize cash-handling risks

(Deloitte, 2024). By reducing dependence on cash, businesses can enhance financial management and optimize revenue streams (Agarwal & Karahanna, 2024).

Government policies play a crucial role in digital payment expansion. The Bangko Sentral ng Pilipinas (BSP) initiatives encourage businesses to transition toward cashless transactions through regulatory frameworks and incentives (BSP, 2024). Moreover, technological infrastructure, including internet connectivity and POS systems, influences the accessibility of digital payments, especially in rural areas (World Bank, 2024). Consumer digital literacy and trust in electronic transactions remain key factors in the successful adoption of digital payments (Garcia & Bautista, 2023).

The integration of digital payment solutions fosters business innovation, allowing retailers to modernize their operations and increase customer engagement. Digital transactions offer insights into consumer behavior, spending patterns, and demand trends, enabling businesses to refine their strategies (Williams et al., 2024). As digital transactions grow, companies that fail to adapt risk losing competitiveness, reinforcing the necessity of embracing financial technology for long-term sustainability.

By understanding these relationships, businesses and policymakers can develop strategies to enhance digital payment adoption and maximize economic benefits. Future research should explore long-term impacts on revenue generation, customer retention, and the role of digital literacy in expanding cashless transactions.

### Objectives of the Study

The first objective of this study is to examine the demographic profiles of the respondents, including the year of establishment of their businesses, the nature of their businesses, and their preferred payment methods. The second objective is to explore the role of electronic commerce as a payment method in traditional retail businesses, focusing on its impact on marketing strategies, customer interactions, and financial transactions. Lastly, we aim to identify potential interventions that can be implemented based on the findings of the study to improve the effectiveness of electronic commerce in traditional retail settings.

### Statement of the Problem

1. What are the demographic profiles of the respondents in terms of:
  - 1.1 Year of Business
  - 1.2. Nature of Business
  - 1.3. Payment Methods
2. What is the Role of Electronic Commerce as a payment method in traditional retail business in terms of:
  - 2.1. Marketing
  - 2.2. Customer Relations
  - 2.3. Financial Aspects
3. What are the challenges faced by traditional retail businesses in adopting digital payment methods in Santa Cruz, Marinduque in terms of:
  - 3.1 Marketing
  - 3.2 Custom Relations
  - 3.3 Financial Aspects
4. What interventions can be implemented based on the study's results?

### METHODOLOGY

This study applied descriptive research, this is according to Sanchez (1997) wrote that the descriptive method, sometimes as characterized as a survey or normative approach to the study of conditions, is an essential guide to one thinking of facts concerning the conditions or where we are at present, knowledge of conditions desired or we wish to be, and knowledge of how to get where researcher with to be are gained from the studies that deal with causation. Through observation of the coincidence of certain conditions and certain apparent consequences, survey studies furnish valuable clues of cause-effect relationships. This study was made by the means of quantitative methods of the researcher.

The researcher attempts to get the answers to the mentioned problem and to justify and satisfy the objectives of the study. The respondents are composed of 60 respondents with different businesses in the community of the Municipality of Santa Cruz Marinduque. One of the vital processes to keeping this successful all of these participants were selected through random sampling. This sampling is conducted where each traditional business owner becomes part of the sample respondents.

The researcher formulated a set of scaled response instruments to gather data needed in the study. The questionnaire was distributed to residents and local business owners in Santa Cruz Marinduque. These instruments include either written or oral questions and comprise an interview-style format. Questionnaires may be qualitative or quantitative and conducted online, by phone, on paper, or face to face, and questions don't necessarily have to be administered with a researcher present. Questionnaires feature either open or closed questions and sometimes employ a mixture of both. Open-ended questions enable respondents to answer in their own words in as much or as little detail as they desire. Closed questions provide respondents with a series of predetermined responses they can choose from. The 5-point Likert scale is a popular rating scale used to measure attitudes, opinions, or perceptions. It typically ranges from 1 to 5, where respondents indicate their level of agreement or disagreement with a statement. Here's a breakdown of the scale and its verbal interpretation:

1. **Strongly Agree (1):** This indicates that the respondent has a very positive view or fully
2. **Agree (2):** This suggests that the respondent generally agrees with the statement and holds a positive view.
3. **Neutral (3):** This indicates that the respondent neither agrees nor disagrees with the statement, or feels indifferent about it.
4. **Disagree (4):** This shows that the respondent has a negative view or disagrees with the statement, but not as strongly as the "Strongly Disagree" option.
5. **Strongly Disagree (5):** This response indicates that the respondent has a very negative view or does not agree at all with the statement.

## RESULTS AND DISCUSSIONS

This presentation, analysis, and interpretation of data gathered. It presents the answer to the question. The data gathered were also analyzed and treated with table presentation and corresponding interpretation.

Part I- What are the demographic profiles of the respondents in terms of Year of Business, Nature of Business, and Payment Method?

**Table 1.1 The demographic profile according to year of Business.**

Year of Business	No. of Respondents	Percentage (%)	Rank
1-10	30	50%	1
11-20	15	25%	2
21-30	8	13.33%	3
31-40	5	8.33 %	4
41-50	2	3.33%	5

Table 1.1 shows a diverse range of business longevity among respondents. Half of the businesses (50%) have been operating for 1-10 years, indicating a strong presence of newer enterprises. Another 50% of businesses have been operating for more than 10 years, with 25% each in the 11-20 and 21-30-year ranges. A smaller proportion of businesses have shown long-term sustainability, with 8.33% operating for 31 years and 3.33% for 41-50 years. These findings suggest a dynamic business environment with both new ventures and established enterprises, reflecting a blend of innovation and experience. The presence of newer businesses highlights the need for support mechanisms to aid their growth, while the longevity of some businesses suggests successful adaptation strategies that others can learn from. According to Pueblos and Timateo (2023), 41% are operating for 5 years and more.

Table 1.2 The demographic Profile according to Nature of Business

Payment Method	No of Respondent	Percentage (%)	Rank
GCash	20	33.33%	2
Pay Maya	2	3.33%	4
Cash on hand	30	50%	1
Online bank Applications	8	13.33%	3

In Table 1.3, it is shown that 50% of the respondents accept cash as a payment method from their customers, which totals 30 respondents. GCash is the next most accepted method with 20 respondents or 33.33%. PayMaya and Online Banking received no acceptance. This indicates that 8 respondents accept online bank applications as payment methods for their business and 2 respondents with 3.33% from Pay Maya.

According to Apama (2018), e-wallets are gaining popularity among retailers due to their security, reliability, and added value to the end-user, which ultimately improves customer satisfaction with transactions. Customers consider various factors in determining which e-wallet to trust with their e-money.

Part II. What is the Role of Electronic Commerce as a payment method in traditional retail business in terms of Marketing, Customer Relations, and Financial Aspects

Table 2.1 The Role of Digital Payment Methods in the Traditional Retail: Implications for Business Innovation in terms of Marketing.

Characteristics	Weighted Mean	Rank	Interpretation
Online Selling	3.6	4	Agree
Offering Affordable product	3.78	1	Agree
Increase Customer Base	3.7	2	Agree
Efficient Service	3.65	3	Agree
Increase Income or Profit	3.5	5	Agree

According to Table 2.1, offering an affordable product ranks first (weighted mean: 3.78; interpretation agreed), followed by increasing a customer base (weighted mean: 3.7); and providing efficient service (rank 3; weighted mean: 3.65). and position 4 (online selling) has a weighted mean of 3.6. Increased income or profit comes in fifth place with a weighted mean of 3.5.

A study on entrepreneurship development in Santa Cruz Marinduque demonstrates the role of electronic commerce on traditional retail businesses in marketing. Respondents noted that electronic commerce has led to the offering of affordable products, an increase in customer base, hassle-free online payments, efficient service delivery, and an increase in income through lower marketing expenses. According to Bharadwaj and Soni (2019), e-commerce involves using computer networks and information technology to facilitate transactions and various economic activities such as sales, purchasing, and marketing. It allows for the marketing and distribution of products and services to consumers via the Internet, benefiting both retailers and consumers. Researchers have extensively discussed the impact of e-commerce development, particularly in terms of its effect on economic growth and international prices.

Table 2.2 The Role of Digital Payment Methods in Traditional Retail: Implications for Business Innovation in terms of customer Relations.

Characteristics	Weighted mean	Rank	Interpretation
Customer Satisfaction	3.6	3	Agree

Prospective Client Enhance Manner	3.68	2	Agree
Customer Awareness and Retention	3.56	4	Agree
Changing Behavior	3.5	5	Agree
Accessibility and Convenience	3.8	1	Agree

Table 2.2 shows that in ranked 1, accessibility and convenience have a weighted mean of 3.8, whereas in ranked 2, prospective client enhanced manner way has a weighted mean of 3.68. With 3.6, customer satisfaction is placed third. Customer awareness and retention come in fourth place with a 3.56 rating, followed by changing behavior with a 3.5 rating and an agreed-upon interpretation.

The role of electronic commerce as a payment method for traditional retail businesses in the Santa Cruz Marinduque area, with a focus on entrepreneurship development to customer satisfaction. According to the respondents, electronic commerce has played a significant role in enhancing the prospective client experience by providing convenient and accessible ways of making payments. It also improves customer satisfaction by offering personalized and efficient services through online transactions. Additionally, it has brought about a shift in customer behavior, with many customers now preferring to make payments for their purchases online rather than using traditional methods. This has also helped in encouraging customer awareness and retention, fostering long-term business partnerships with customers.

According to Bajarin, T. (2017), the challenge faced by traditional retail businesses in the era of e-commerce involves exploring strategies for their survival. It examines the role of technological advancements on consumer behavior and provides insights into the future of the traditional retail industry.

**Table 2.3. The Role of Digital Payment Methods in Traditional Retail: Implications for Business Innovation in terms of financial aspects:**

Characteristics	Weighted mean	Rank	Interpretation
Investment in Technology	3.61	4	Agree
Revenue Shift	3.78	1	Agree
Minimum Capitalization	3.7	2	Agree
Impact Cash Flow	3.65	3	Agree
Market expansion opportunities	3.5	5	Agree

Table 2.3 shows the current revenue shift ranked 1 (weighted mean 3.78), ranked 2 (minimum capitalization) (weighted mean 3.7), ranked 3 (impact cashflow) (weighted mean 3.65), ranked 4 (investment technology) (weighted mean 3.61), and ranked 5 (market expansion opportunities) (weighted mean 3.5).

The Role of Digital Payment Methods in Traditional Retail Implication in Business Innovation in Financial Terms. The respondents mentioned that digital payment methods have an impact on expanding market opportunities, as they offer convenient and secure mobile payment options and require investment in technology, such as creating a user-friendly website. Additionally, digital payment methods improve cash flow by enabling businesses to receive cash more quickly compared to traditional payment methods. The financial management knowledge within a business consists of the past personal experience of the owner, employees, and other external sources (Cleary & Quinn, 2018). Improving the financial knowledge of small business owners could enhance their overall management of small businesses (Alpar et al, 2018).

Part III. What are the Challenges Faced by Traditional Retail Businesses in Adopting Digital Payment Methods in Santa Cruz, Marinduque in Terms of Marketing, Custom Relations and Financial Aspects?

**Table 3.1 Challenges Faced by Traditional Retail Businesses in Adopting Digital Payment Methods in Santa Cruz, Marinduque in terms of Marketing.**

Marketing Challenge	Weighted Mean	Interpretation	Rank
Low customer awareness of digital payments	3.85	Agree	1
Limited internet access for online promotions	3.75	Agree	2
Difficulty in encouraging customers to use digital payments	3.72	Agree	3
Lack of digital marketing skills among business owners	3.65	Agree	4
Competition with e-commerce platforms	3.50	Agree	5

The table shows that the most significant challenge in marketing digital payment methods is the low customer awareness (Mean: 3.85). Many customers still prefer cash transactions due to a lack of knowledge or trust in digital payments. Limited internet access (Mean: 3.75) also hinders businesses from effectively promoting digital payments through online platforms. Furthermore, encouraging customers to use digital payments (Mean: 3.72) remains a challenge, as some consumers resist cashless transactions due to fear of fraud or unfamiliarity with the process.

These findings align with Nielsen (2024), which states that digital marketing strategies need to be strengthened in rural areas where internet access and digital literacy are lower. To address these issues, training programs and promotional campaigns should be introduced to increase customer awareness and digital adoption.

**Table 3.2 Challenges Faced by Traditional Retail Businesses in Adopting Digital Payment Methods in Santa Cruz, Marinduque in terms of Customer Relations.**

Customer Relations Challenge	Weighted Mean	Interpretation	Rank
Some customers prefer cash transactions over digital payments	3.90	Agree	1
Concerns about fraud and security in digital transactions	3.80	Agree	2
Lack of knowledge about digital payment platforms	3.75	Agree	3
Older customers are resistant to change	3.60	Agree	4
Customer complaints about failed transactions	3.55	Agree	5

The biggest customer-related challenge is that many customers still prefer cash transactions (Mean: 3.90), as they are more familiar with it and trust it more. Security concerns (Mean: 3.80) also discourage customers from using digital payments, as some fear hacking, phishing scams, or unauthorized deductions.

A significant barrier is digital literacy (Mean: 3.75)—many customers, especially older ones (Mean: 3.60), are unfamiliar with digital payment platforms and hesitant to learn new technology. Additionally, failed transactions (Mean: 3.55) due to poor internet connections or technical issues contribute to dissatisfaction.

These findings are consistent with Beckers et al. (2024), which highlight that consumer trust and education play a crucial role in digital payment adoption. To improve customer relations, businesses should provide guidance, offer demonstrations, and reassure customers about transaction security.

**Table 3.2 Challenges Faced by Traditional Retail Businesses in Adopting Digital Payment Methods in Santa Cruz, Marinduque in terms of Financial Aspects.**

Financial Challenge	Weighted Mean	Interpretation	Rank
High transaction fees for digital payments	3.85	Agree	1

Financial Challenge	Weighted Mean	Interpretation	Rank
Cost of acquiring digital payment systems (POS, QR codes)	3.80	Agree	2
Need for stable internet connection for transactions	3.75	Agree	3
Lack of government incentives for digital payment adoption	3.65	Agree	4
Resistance to additional costs for system upgrades	3.50	Agree	5

The most pressing financial challenge is the high transaction fees (Mean: 3.85) imposed by digital payment providers (e.g., GCash, PayMaya, and banks). Small business owners hesitate to adopt digital payments because these fees reduce their profit margins. The cost of acquiring POS systems and QR codes (Mean: 3.80) is another major hurdle, especially for micro-enterprises with limited capital.

A reliable internet connection (Mean: 3.75) is essential for smooth transactions, yet some businesses struggle with unstable networks. Additionally, businesses feel unsupported by the government (Mean: 3.65), as there are few incentives or subsidies to encourage digital payment adoption.

These findings support the research by Deloitte (2024), which emphasizes that government intervention, financial support, and competitive fee structures are necessary to boost digital payment adoption. To overcome financial challenges, businesses may need subsidized access to digital tools, lower transaction fees, and stronger financial incentives from fintech companies and the government.

Part IV. What interventions can be implemented based on the study's results?

**Table 4. The possible intervention that can be offered in the result of the study.**

Characteristics	Weighted Mean	Rank	Interpretation
Embrace e-commerce	3.98	3	Agree
Enhance in-store experienced	4	2	Agree
Leverage Customer Data	3.78	5	Agree
Collaborate with online platforms	3.95	4	Agree
Provide added value services	4.1	1	Agree

Table 4 shows that the top-ranked priority is providing added-value services, with a weighted average of 4.1. Coming in second place enhances the in-store experience, with a weighted average of 4.0. Embracing e-commerce secures third place, with a weighted mean score of 3.98, followed by collaborating with online platforms at fourth place, with a score of 3.95, and using consumer data at fifth place, with a score of 3.78. All interpretations are in agreement.

The possible intervention that can be offered in the result of the study to The Role of Digital Payment Methods in the Traditional Retail: Implications for Business Innovation. According to the respondent's answers, the intervention about collaboration with online platforms is that they can explore partnership or collaboration with online platforms to expand their reach and existing customer base these platforms and provide added services that can offer value-added services to enhance the overall customer experience. The potential interventions for traditional retail businesses in the Municipality of Santa Cruz are presented. The respondents suggest that collaborating with online platforms and expanding reach through partnerships could help these businesses tap into new customer bases. Additionally, offering value-added services to enhance the overall customer experience is also recommended.

**Summary of Findings**

The main purpose of the study is to find out the Role of Digital Payment Methods in Traditional Retail: Implications for Business Innovation.

In most cases, respondents have been in business for 1-10 years before establishing their own. The most common types of businesses are Sari-Sari stores and general merchandise. Cash on hand is the most frequently used payment method, while GCash is the most commonly used electronic commerce payment method. GCash is exclusively used for online transactions, without the use of other online payment applications such as PayMaya, Debit/Credit Online applications, and Bank Online.

The significance of marketing in online sales, particularly in offering affordable products, becomes apparent in its ability to expand the customer base and enhance the efficiency of services, thereby contributing to increased income and profits. Additionally, online platforms enable customers to easily browse through a wide range of affordable products, facilitating seamless online payments and ensuring prompt delivery. This not only boosts customer satisfaction and accessibility but also improves the business's financial standing by necessitating investments in technology, increasing revenue through electronic payments, and expanding market reach through the provision of mobile payment options.

The study revealed that traditional retail businesses in Santa Cruz, Marinduque face significant challenges in adopting digital payment methods, particularly in marketing, customer relations, and financial aspects. One of the major obstacles in marketing is the low awareness of digital payments among customers, coupled with limited internet access and a lack of digital marketing skills among business owners (Musyaffi et al., 2022). The reluctance to use digital payments is also influenced by functional and psychological barriers, as many consumers still perceive cash as the safest and most reliable form of transaction (Kajol et al., 2022). In terms of customer relations, security concerns, trust issues, and resistance from older consumers further slow down the adoption process. Studies have shown that digital literacy plays a crucial role in influencing customer behavior toward cashless transactions, with security risks being a primary deterrent (Oliveira et al., 2023). Additionally, failed transactions and poor internet connectivity contribute to customer dissatisfaction, leading many to prefer traditional cash payments despite the convenience of digital methods (Beckers et al., 2024). From a financial perspective, the high cost of digital payment transactions, the need for stable internet infrastructure, and limited government incentives discourage small business owners from integrating digital payment systems into their operations (Putrevu & Mertzanis, 2024). These findings highlight the necessity for targeted interventions, such as financial support for small businesses, lower transaction fees, and educational campaigns to improve digital literacy and trust in digital payments. Addressing these challenges will be essential in accelerating the adoption of digital payment systems and improving the competitiveness of traditional retail businesses in Santa Cruz, Marinduque.

Based on the respondent's input, it is suggested that the intervention should involve embracing e-commerce by adapting and establishing a well-structured online presence. Moreover, the strategy includes offering an array of online payment options to cater to the needs of customers who prefer online shopping. For traditional stores lacking an online presence, a focus should be placed on elevating the in-store experience by creating distinctive and personalized shopping experiences, delivering exceptional customer service, and fostering collaborations with various online platforms. Furthermore, the potential for forming partnerships with online platforms to expand their reach and solidify their customer base should be explored. Finally, the stores should consider providing additional services to enhance the overall customer experience.

### Conclusion

The findings of this study highlight the significant role of digital payment methods in traditional retail businesses and the various challenges associated with their adoption in Santa Cruz, Marinduque.

The study revealed that half of the businesses surveyed have been operating for 1-10 years, indicating a dynamic entrepreneurial landscape with a strong presence of newer enterprises. Despite this, a substantial number of businesses have maintained operations for more than a decade, demonstrating resilience and adaptability. In terms of payment methods, cash remains the dominant mode of transaction, with 50% of respondents relying on it. However, digital payment options such as GCash (33.33%) are gaining traction, highlighting a shift towards cashless transactions. This trend aligns with the findings of Pueblos and Timateo (2023), who noted that businesses operating for more than five years are more inclined to adopt digital payment methods.

Digital payment methods have significantly influenced business innovation, particularly in marketing, customer relations, and financial management. In marketing, offering affordable products, increasing the customer base, and enhancing service efficiency were among the key benefits. Customer relations were also positively impacted, with accessibility and convenience ranking highest in improving customer satisfaction. From a financial perspective, digital payments contributed to revenue shifts, minimized capital requirements, and improved cash flow management. These findings support the research of Bharadwaj and Soni (2019), who emphasized that e-commerce facilitates financial efficiency and business growth by integrating technology into economic activities.

Despite the advantages, traditional retail businesses face several challenges in adopting digital payments. The primary marketing challenge is low customer awareness, compounded by limited internet access and resistance to digital transactions. In terms of customer relations, security concerns and a preference for cash transactions remain significant barriers, particularly among older consumers. Financially, high transaction fees, the cost of acquiring digital payment systems, and the need for a stable internet connection pose challenges to small businesses. These findings align with studies by Nielsen (2024) and Beckers et al. (2024), which highlight the need for financial incentives and digital literacy programs to encourage adoption.

The study suggests several interventions to enhance digital payment adoption in traditional retail businesses. Providing added-value services, enhancing in-store experiences, and leveraging customer data can improve customer engagement. Additionally, collaboration with online platforms can expand market reach and create new business opportunities. As per Deloitte (2024), government support, digital infrastructure improvements, and financial assistance are critical in fostering a more inclusive digital economy.

The study underscores the importance of embracing e-commerce and digital payments as drivers of business innovation. By overcoming barriers through strategic interventions, traditional retail businesses can enhance operational efficiency, increase profitability, and remain competitive in the evolving market landscape. The findings highlight the need for continuous education, digital literacy programs, and policy support to accelerate the transition towards a cashless economy in Santa Cruz, Marinduque.

Overall, while digital payment methods offer numerous advantages, successful adoption requires addressing key challenges in marketing, customer relations, and financial management. The study serves as a foundation for future research and policy recommendations aimed at improving digital financial inclusion for traditional retail businesses.

### Recommendations

The following recommendations are made according to the results and conclusions done by the researchers.

1. It is highly recommended that to improve business operations and maximize customer convenience, traditional businesses such as Sari-Sari stores and general merchandise shops should diversify their payment options beyond traditional cash and GCash. Embracing a broader spectrum of digital payment methods, including but not limited to PayMaya, debit/credit card processing, and online bank transfers, will enable these businesses to cater to a more extensive customer base and accommodate diverse payment preferences. This expansion will not only serve to enhance customer satisfaction by offering more convenient and secure payment options but also foster increased potential for sales growth and financial inclusion. Moreover, providing comprehensive training and support to business owners on the utilization of these digital payment solutions will play a pivotal role in ensuring a seamless transition and successful implementation.
2. To take advantage of the benefits of online sales and foster business growth, traditional retail businesses should invest in effective digital marketing strategies. These strategies should emphasize promoting affordable products to attract a broader customer base and highlight the convenience of online shopping. Leveraging social media platforms, search engine optimization (SEO), and targeted online advertisements can significantly enhance visibility and reach. Furthermore, businesses should streamline the online shopping experience by providing a user-friendly website or mobile app that offers a wide range of products, easy navigation, and seamless online payment options. By doing so, businesses can improve customer satisfaction, ensure timely delivery, and ultimately increase revenue and profits. Additionally, investing in technology to

support these initiatives will improve service efficiency and strengthen the business's financial standing in the competitive market.

3. To effectively modernize and expand your market reach, traditional retail businesses should prioritize establishing a strong e-commerce presence. This can be achieved by developing user-friendly websites and mobile apps that allow customers to easily browse, select, and purchase products online. Additionally, businesses should integrate multiple online payment options, such as GCash, PayMaya, debit/credit cards, and bank transfers, to accommodate various customer preferences. For stores that do not yet have an online presence, efforts should be directed toward enhancing the in-store shopping experience by offering personalized services, unique product displays, and exceptional customer service. Collaborating with popular online platforms can also help these businesses reach a larger audience and solidify their customer base. Finally, introducing value-added services such as home delivery, click-and-collect options, and loyalty programs can significantly improve the overall customer experience and foster long-term customer loyalty.
4. Based on the identified challenges in adopting digital payment methods in traditional retail businesses in Santa Cruz, Marinduque, several recommendations are proposed. To address marketing challenges, businesses should conduct training and awareness campaigns to educate customers on the benefits and security of digital payments. Utilizing social media, in-store promotions, and community outreach programs can help encourage adoption. Collaborating with local government units (LGUs) and telecommunications providers to improve internet access will enhance online promotions. Additionally, offering incentives such as discounts or cashback for customers using digital payments can boost adoption rates. Business owners should also receive training in digital marketing strategies, including social media, SEO, and online advertising, to expand their reach. Traditional retailers can further compete with e-commerce platforms by integrating online sales strategies, such as selling through social media or setting up an online store.

To overcome customer relations challenges, retailers should actively educate and assist customers in using digital payment platforms by providing hands-on demonstrations in-store. Strengthening security measures by using secure payment platforms and educating customers on fraud prevention will build trust in digital transactions. Simple guides or posters explaining how digital payments work can enhance customer knowledge and confidence. For older customers who may resist digital payments, businesses should implement hybrid payment systems that accommodate both cash and digital transactions, ensuring flexibility while gradually transitioning to digital payments. Moreover, improving transaction reliability through close collaboration with digital payment providers will help minimize failed transactions and establish quick dispute resolution processes for customer complaints.

In resolving financial challenges, businesses should negotiate with digital payment providers for lower transaction fees or explore alternative platforms with competitive rates to lessen the financial burden. Seeking financial assistance through government grants, LGU support, or fintech partnerships can help subsidize the cost of acquiring POS terminals, QR codes, and other digital payment infrastructure. Enhancing internet connectivity by collaborating with service providers will ensure stable connections in business districts, reducing transaction failures and delays. Lobbying for government incentives, such as tax breaks, subsidies, or financial aid for businesses adopting digital payment systems, will further ease the transition. Lastly, educating business owners on cost-effective strategies for upgrading their payment systems can help minimize additional operational expenses. By implementing these recommendations, traditional retail businesses in Santa Cruz, Marinduque, can overcome the challenges associated with digital payment adoption, ensuring smoother transactions, increased customer satisfaction, and sustainable business growth.

**ACTION PLAN**

Program/ Activities/Project	Objectives	Responsible Person	Allotted Budget/ Time	Remarks
Seminar/Training Title: "Empowering Businesses with Digital Payments: Opportunities and Challenges" Audience: Owner of	To learn about the use of digital payment methods. To master various marketing methods in an internet platform.	Globe Office, Pay Maya Office, DTI, Municipality of Santa Cruz, and College of Business and Accountancy of Marinduque State	20,000 Every January- Renewal of Business Permit	Monitor

the store, consumers, and students		University		
Flyers or pamphlets are available in every store and business permit department and at the DTI offices.	This is to increase awareness of the use of digital payment methods.	Globe Company, Pay Maya, Bank online, DTIs, and Municipality of Santa Cruz with the help of CBA, MarSu	150,000 Every seminar and part of the renewal of the business permit	Monitor

1. Shop owners should consider the profound impact of adopting online payment methods and their potential to simplify and streamline payment transactions.
2. Consumers need to understand the significance of online payment methods in the economy and become familiar with the various options available.
3. Future business owners should be well-versed in the various payment systems available and analyze which one would best suit their business needs for processing transactions.
4. Teachers and administrators, please encourage every student to conduct research studies that can be helpful and useful to their chosen respondents.
5. Future researchers should study this research in more depth and consider monitoring and improving it.

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