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Determinants of Cashless Transaction Adoption: Evidence from Commercial Bank Customers in Pokhara

***Pushpa Nidhi Amgain¹, Anita Bishokarma²**

Assistant Professor of Economics, Department of Economics, Prithvi Narayan Campus, TU, Nepal

**Corresponding Author's Email: amgainpushpanidhi84@gmail.com*

ORCID Number: <https://orcid.org/0009-0003-4549-4606>

ABSTRACT

This study aims to investigate the determinants influencing the adoption of cashless payments in commercial banks in Nepal, with special reference to digital payment usage in Pokhara Metropolitan City. The study employed a quantitative study design that involved both descriptive and causal comparative research design. A structured questionnaire, using a 5-point Likert scale. Data were collected from 450 respondents and the measure of perceived ease of

use, perceived usefulness, and personal innovativeness. Respondents were selected through convenience sampling of markets, learning institutions, local businesses and financial service centers. Data were analyzed using descriptive statistics, correlation analysis and multiple regression to examine the relationship between independent variables and cashless transaction adoption. The results showed that the three determinants have a positive influence on the adoption of cashless transactions. Perceived usefulness was significant predictor among them, which indicates that the users are more inclined to adopt digital payment system. Perceived ease of use and personal innovativeness had a significant positive influences on cashless transaction adoption. The implication of the study are relevant for banks and financial institutions (BFIs), policymakers and technology providers on how to facilitate the usability and innovation of digital payment system. Future research can examine how emerging technologies such as blockchain and biometric authentication influence the adoption of cashless payments. In particular, digital financial literacy should be incorporated as a moderating variable to

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provide deeper understanding of adoption cashless transactions over time.

Keywords: Cashless transaction adoption, perceived ease of use, perceived usefulness, personal innovativeness

INTRODUCTION

The global trend towards becoming cashless has gained a large number of thrust, particularly with increased adoption of mobile wallets, digital payments platforms, and internet banking. Nepal is enduring a growth in the acceptance of cashless payments; however, drivers of consumer behavior need to be properly studied. Perceived ease of use, perceived usefulness and personal innovativeness are primarily drivers to the adoption of cashless payment. Mastran and Bhandari (2022) claimed that customers are likely to adopt electronic payment systems because they find the systems easy to use and when they feel that such systems provide useful advantage. Perceived ease of use is to what degree a consumer believes that it will be simple to utilize a technology, whereas perceived usefulness is to what degree a consumer believes that it will improve their performance or make them more convenient (Chaturvedi et al., 2019). Aryal (2021) showed that the perception that digital payment systems are convenient and useful is a key influence on consumer attitude. Similarly, Gupta and Hakhu (2021) found that if the consumers feel that a digital payment system is convenient to use and has benefits, then they would be more likely to adopt it. The adoption of cashless transactions is dependent on the successful integration of the determinants of perceived ease of use, perceived usefulness, and personal innovativeness relationships. Sakib et al. (2024) claimed that successful adoption of cashless payment is dependent upon the combination of these determinants. For instance, Nepali electronic payment systems and mobile wallets are gaining popularity because they are easy to use and secure (Kandel et al., 2024). Chaudhary et al. (2024) stated that the use of electronic payment services by small and medium enterprise (SMEs) in Nepal is highly dependent on customer perception about how easy it is to conduct cash less transactions. In recent years, the Government of Nepal (GON) and banking institutions have made extensive efforts to promote digital payment systems. However, the actual adoption of cashless transactions remains uneven, and a vast majority of users still rely on hard cash for their daily transactions (Poudel, 2023). The majority of consumers in Nepal still consider digital interfaces complex and discouraging frequent usage (Aryal, 2021). Furthermore, perceived usefulness; the belief that use of cashless systems increases transaction efficiency plays an important part as well. Some users remain unaware of the benefits of speed, convenience,

and accessibility digital transactions offer, especially in semi-urban and rural regions (Karki, 2024). This leads to poor usage despite service provision. Customer acceptance of e-payments is contingent on cultural dimension and doubt towards emerging digital technologies (Gupta & Hakhu, 2021). The purpose of the study was to examine the factors influencing the adoption of cashless transaction in Nepali commercial banks evidence from Pokhara Metropolitan City. Cashless payment systems have become significant in the current economies due to its ease, quick and convenient operation. The use of electronic payment systems is increasing in Nepal, and a significant number of individuals still use cashless transactions. The study contributes to knowledge to what extent cashless transactions has been adopted in banking sector in Nepal. Although, priori studies are available from other countries, there are very few in local context of Nepal having unique socio-economic status and technology usage behavior. Previous studies have research the adoption of digital payment in Nepal. However, on specific variables and groups such as youths and without analysis of the role of perceived ease of use, personal innovativeness and perceived usefulness in determining adoption behavior of cashless transaction.

Perceived ease of use significantly influences the adoption of cashless transactions, as individuals prefer systems that are simple and require minimal effort. According to TAM theory, perceived ease of use refers to an individual believes that using a particular technology will be free from effort. When users perceive cashless payment system as easy to learn, understand and operate they are more likely to adopt and continuously use it. A user-friendly interface reduces complexity and uncertainty, thereby increasing acceptance of digital payment technologies. Abdullah et al. (2020) found that perceived ease of use positively affects user acceptance of e-wallets among Malaysian university students. Raj et al. (2025) claimed that users are more likely to adopt digital payment when they find the interfaces user-friendly. Mastran and Bhandari (2022) emphasized that consumers in Nepal adopt digital wallets more readily when the platforms are perceived as easy to navigate.

H1: There is a positive and significant impact between perceived ease of use and adoption of cashless transactions.

TAM suggests that digital payment users are more likely to adopt a technology when they perceive tangible benefits from its use. Cashless payment systems provide advantages such as faster transactions, convenience, improved record-keeping and reduced dependency on physical cash. Perceived usefulness has a direct influence on intention to use cashless transaction among the users since the users would be driven by the perceived usefulness in

terms of convenience and saving on time. Abdullah et al.(2020) emphasized that the perceived usefulness is closely related to the acceptance of the cashless payment technologies. According to Aryal et al. (2024), people of Nepal tend to embrace mobile banking more readily when they are aware of its perceived advantages.

H2: There is a positive and significant impact between perceived usefulness and adoption of cashless transactions.

Individual users adopting cashless transactions are highly dependent on personal innovativeness which is the inclination of an individual to experiment with new technologies. The diffusion of innovations theory suggests that innovative individuals tend to adopt new technologies earlier than others because they are more open to change and less resistant to uncertainty. Amilan and Aparna (2023) claimed that personal innovativeness is particularly faster in the adoption of cashless technologies because the employees are less likely to resist the innovation. According to Raj et al. (2025), when people are more innovative, they will tend to use cashless payment systems. Poudel et al. (2023) demonstrated that the youths in Pokhara who were technology-oriented users. Aryal et al.(2024) claimed that personal innovativeness improves the adoption of mobile banking in Nepal through openness to new financial tools.

H3: There is a positive and significant impact between personal innovativeness and adoption of cashless transactions.

LITERATURE REVIEW

This study used major theoretical frameworks that explain this technological adoption to investigate the implementation of cashless transactions. The technology acceptance model (TAM) is a theoretical model developed by Fred Davis in 1989 that explains how users come to understand and utilize new technology (Davis, 1989). According to the model, attitude toward using a technology in turn influences an individual's behavioral intention to use that technology and thus their actual usage behavior via two primary factors; perceived usefulness (PU) and perceived ease of use (PEU). Perceived usefulness is the degree to which a person believes that using a particular system would enhance his or her job performance. Similarly, perceived ease of use is the extent to which a person believes that using the system would be free from effort. This model has gained a wide acceptance because of its parsimony and strong empirical validation in various technology adoption contexts.

TAM belongs to the genre of models in which users form their behavioral intention to adopt a technology based on the constructs of perceived usefulness and ease of use. Using TAM,

this study aims to identify the key psychological factors that would explain the adoption behavior and suggest enhancing ways of those perceptions to increase the acceptance of cashless transaction technologies (Abdullah et al., 2020; Hossain et al., 2020). Electronic banking is also referred to as e-Banking, which is the application of computer-based platforms and technology by commercial banks to offer financial services to their customers without necessarily having to visit physical branches. With the help of e-banking, the clients will be able to do such operations as transferring funds, managing their accounts, paying bills, and taking out loans through internet banking, mobile applications, or automated teller machines (Kandel et al., 2024). E-banking contributes to increased efficiency, convenience, and access of financial services where users can make transactions 24/7 overcoming geographical barriers and contributing to the broader goal of financial inclusivity in Nepal (Giri, 2013).

Cashless payments are assessed to determine whether they are time-saving, less hassle-higher benefits including transaction tracking and 24/7 accessibility (Abdullah et al., 2020; Aryal et al., 2024). The integration of more 'values' in favor to cashless systems has rendered users higher chance of adopting and refer others. It is also a significant factor in emerging markets where digital payments are new and people need to see an explicit value before using largely unfamiliar technology (Dinh, 2024).

Aryal (2021) claimed that the factors affecting perceived ease of use of e-payment system in Butwal, Nepal. Poudel and Sapkota (2022) conducted a study to examine determinants influencing consumer perception of digital payment systems in Nepal. Perceived ease of use and perceived usefulness were also identified as variables that raised consumers' perceived quality of electronic payment systems. Poudel et al. (2023) carried out a research to explore the determinants of digital payment systems by the youths in Pokhara Metropolitan City in Nepal. Results indicated that security/privacy concerns, performance expectancy and facilitating conditions were the significant positive predictors of adoption intention, whereas effort expectancy and social influence showed no effect. Dinh (2024) investigated factor effects on the cashless payment behavior by using the importance-performance analysis (IPA) model. Shrestha et al. (2025) examined the factors that indicate a higher demand of the cardless ATM cash withdrawal service. The finding was based on the attractiveness of convenience, perceived security, ease of use, and time-saving as the main factors necessary to drive ATM withdrawals.

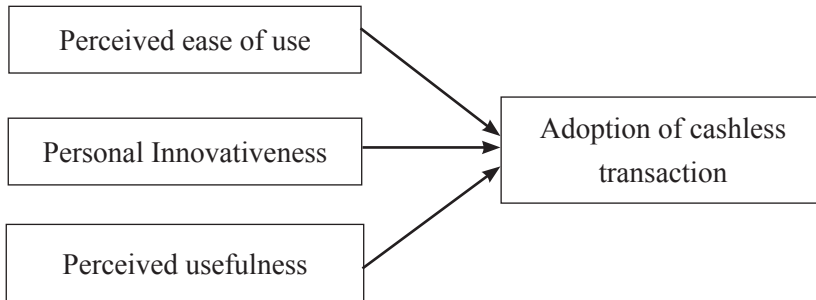
METHODS AND MATERIALS

The study used both descriptive and causal comparative research design. A descriptive research design has been used to systematically collect and present information on the adoption of cashless transactions among the respondents. The descriptive method was used to describe the current situation, digital payment use behavior of users including their perception and attitude towards digital payment system. The causal comparative design has been used to examine the relationship between the variables and to identify the significant predictor of factor that affects the adoption of cashless transactions. The population of this study comprises all digital payment service users of commercial banks in Pokhara Metropolitan City, Nepal. The population size is unknown since the total number of digital payment users in the country is not recorded. This target group comprises of people of all ages, education, and jobs who have experience with or are interested in cashless methods of transaction including mobile banking, e-wallets, and online payment systems. A total of 500 questionnaires were distributed out of which 200 questionnaires were distributed physically and 300 questionnaires were distributed online by using convenience sampling design. Out of the physically distributed questionnaires 175 were returned while 275 questionnaires were returned through online (email, messenger, WhatsApp). Therefore, a total of 450 completed questionnaires were received and used for further analysis. The response rate was 90 percent and 10 percent non-responses rate. The high response rate of 90 percent indicates a strong level of participation among digital payment users and enhances the reliability and representativeness of the collected data. The data were quantitative in nature. Data was obtained primary sources with structured questionnaire in a five-point Likert scale. The data were collected using a structured questionnaire, designed to measure the independent variables i.e. perceived usefulness, perceived ease of use and personal innovativeness and the dependent variable, adoption of cashless transactions. Each item was measured using a 5-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). Mean and standard deviation were used to describe perception and behavior of the respondents on perceived usefulness, perceived ease of use, personal innovativeness and adoption towards cashless transactions. Pearson's correlation coefficient was used to analyze the correlation strength and directions of relationship amongst independent variable and cash less transaction adoption. It was followed by a multiple regression analysis which enabled an assessment of the impact each independent variable on adoption of cashless transaction.

Figure 1

Research Framework

Independent Variables



Dependent Variable

Note. Amilan and Aparna (2023)

RESULTS AND DISCUSSION

The demographic profile of respondents, which is considered key to several cashless transaction adoption patterns with the analysis for age, gender, education, employment status and transaction frequency. Such characteristics were taken into account to see the patterns based on which the digital payment users. The majority of respondents (49.1percent) belong to the 26–35 age group, which is closely succeeded by the 18–25 group at 28.7percent. This suggests that the use of cashless transactions may be studied amongst a younger-adult demographic. However, this is quite consistent with the overall trend it seems in any case for more young people to be open to digital financial services. According to the gender profile, 52.9 percent are male whereas 45.8 percent are female. This indicates a relatively good male to female ratio in the sample of respondents which would make perspectives with regard to adoption of cashless transactions. This shows that male is likely to use mobile banking more than females. The majority of respondents (40percent) have a Bachelor’s degree, compared to 27.8 percent who are high school graduates and 20.9 percent have a Master’s degree or above . This implies that the sample is quite educated, and relatively high in awareness and propensity to adopt cashless transactions. The majority of respondents were full-time workers (37.1 percent), students (26.2 percent), self-employed (17.8 percent) , in part-time work as 9.8 percent and unemployed at 9.1 percent. This combination revealed that a range of occupations, which could affect transaction behaviors; full-time workers. Descriptive analysis is a way of summarizing the responses of respondents in the study as an exploration into central tendencies (mean) and variability (standard deviation) within the data.

Perceived ease of use is the extent to which a user believes that using digital payment platforms is without any effort. This variable can give us an idea of how much the technologies built for these payment methods are user-friendly and accessible to be able to encourage respondents in adopting and keeping on using cashless payment transaction.

Table 1

Descriptive Statistics of Perceived Ease of Use

Statements	M	SD
Using cashless transactions is easy for me.	3.68	1.25
Learning how to use cashless payment methods was simple.	3.57	1.14
I find mobile or card payment systems user-friendly.	3.66	1.13
I can complete cashless transactions quickly and efficiently.	3.69	1.17
I can easily recover from errors while using cashless payment systems.	3.36	1.18

Note. N =450, M : mean ; SD : standard deviation

Table 1 illustrates that the mean ranges from 3.36 to 3.69, which means respondents overall consider cashless payments as easy enough to accept. This trend is confirmed by the highest mean (3.69), which implies that respondents trust more in his/her ability to accomplish transactions rapidly and efficiently as establishing sign of convenience and time saving aspect of digital payments. On the opposite extreme, the lowest mean (3.36) is due to recovering from error, revealing that users perceive most systems as easy except for getting over usability errors or technical ones which apparently are still barrier for some of them. Standard deviations for the ease-of-use statements vary from 1.13 to 1.25. It means that moderate variability in terms of experiences by respondents. In general, the standard deviations indicate that perception of ease of use is quite consistent, whereas some dimensions particularly those related to overall usability differ in their users experience.

The perceived benefits of digital payment platform are an important factor influencing users' intention to adopt technology ,as perceived usefulness has a strong positive effect on the adoption of cashless transactions.

Table 2

Descriptive Statistics of Perceived Usefulness

Statements	M	SD
Cashless transactions save me time.	3.67	1.19
Using cashless payment increases my efficiency in handling transactions.	3.57	1.13
Cashless systems make my financial management more convenient.	3.60	1.09
I feel more organized using digital payment methods.	3.67	1.11
Cashless transactions improve the overall payment experience.	3.58	1.14

Note. N =450, M : mean ; SD : standard deviation

Table 2 illustrates that for perceived usefulness, the mean are between 3.57 and 3.67 which means that respondents agree with cashless is useful in particular. The mean for statement that cash-less transaction saves time is the highest (3.67). It suggests that users are particularly concerned about time when it comes to digital payments. The mean (3.57) with the lowest value is efficiency of transactions, which indicates that the majority of respondents would agree that cashless transactions.

The mean reflects a mostly positive utility perception related to convenience, organization and enjoyment of payment. The standard deviations between 1.19 and 1.09 show moderate to quite variability in the opinions from different survey respondents. The greatest standard deviation (1.19) is for the saving time statement, showing some variation in how strongly respondents agree that cashless indeed saves time. The lowest SD (1.09) is in the case of ease of financial management, which reveals a fairly strong consensus that cashless systems facilitate managing finances. The personal innovativeness level among respondents with respect to adoption of cashless transaction has been presented in table 3.

Table 3

Descriptive Statistics of Personal Innovativeness

Statements	M	SD
I like trying out new technologies.	3.58	1.12
I often seek information about the latest payment technologies.	3.48	1.10
I am among the first to adopt new tech products or services.	3.35	1.11
I feel comfortable using unfamiliar digital tools.	3.10	1.19
I am curious to explore different digital payment options.	3.36	1.17

Note. N = 450, M : mean ; SD : standard deviation

Table 3 illustrates that the descriptive statistics indicate a moderate level of personal innovativeness among respondents. The highest score was observed for liking to try new technologies with ($M = 3.58, SD = 1.12$). It suggested that a positive attitude toward personal innovativeness. Similarly, seeking information about new payment technologies with ($M = 3.48, SD = 1.10$). However, being among the first adopters ($M = 3.35, SD = 1.11$) and comfort with unfamiliar tools ($M = 3.10, SD = 1.19$). It indicate that relatively lower confidence. Therefore, it reflect moderate curiosity and openness toward digital technologies. The digital payment systems in their usual financial activity i.e. usage of mobile wallet, internet banking and QR code payments etc. This segment alone reveals how often, as well as how much and steady the respondents are using cashless transactions.

Table 4

Descriptive Statistics of Adoption of Cashless Transaction

Items	M	SD
I frequently use mobile wallets, QR payments, or cards.	3.64	1.21
I prefer cashless transactions over using physical cash.	3.60	1.15
I plan to increase my use of digital payments in the future.	3.61	1.09
I rely on cashless methods for my daily purchases.	3.54	1.10
I encourage others to switch to cashless transactions.	3.55	1.12

Note. $N = 450$, M : mean ; SD : standard deviation

Table 4 illustrates that the descriptive statistics indicate a moderate to high level of adoption of cashless transactions among respondents. The highest mean score was for frequent use of mobile wallets, QR payments, or cards ($M = 3.64$, $SD = 1.21$). It suggested that active engagement with digital payment methods. Preference for cashless transactions ($M = 3.60$, $SD = 1.15$) and future intention to increase usage ($M = 3.61$, $SD = 1.09$). Furthermore, it shows that positive attitudes towards cashless transaction. Reliance on cashless methods ($M = 3.54$, $SD = 1.10$) and encouraging others ($M = 3.55$, $SD = 1.12$) indicate steady but varied adoption behavior

Table 5

Relationship Between Factors Affecting and the Adoption of Cashless Transaction

	ACT	PEU	PU	PI
ACT	1			
PEU	.844**	1		
PU	.868**	.886**	1	
PI	.841**	.843**	.829**	1

Note. ACT : adoption of cashless transactions; PEU : perceived ease of use; PU : perceived usefulness; PI : personal innovativeness. ** Correlations are significant at the 0.01 level.

Table 5 illustrates that PEU has a significantly high positive correlation with ACT ($r = 0.844$, $p < .01$). This means customers who indicate more ease in using cashless systems are also likely to adopt them. PU has an even stronger positive relationship with adoption of cashless transaction ($r = 0.868$, $p < .01$). This means that those who think of time saving, efficiency increasing and helpful in maintaining financial record are more likely to adopt these modes. PU has a little more effect on adoption than PEU which reveals that together the practical benefit and ease of use are substantial. Personal innovativeness is positively related to adoption of cashless transaction ($r = 0.841$, $p < .01$), which means that customers are likely they are to

adopt cashless transactions if they are more innovative in new technologies and exploring digital payment.

Table 6

Impact of Factors Affecting on the Adoption of Cashless Transaction

Model B	Unstandardized		Standardized	t	Sig.	VIF
	Coefficients		Coefficients			
	Std. Error	Beta				
(Constant)	.071	.077		.926	.355	
PEU	.125	.046	.125	2.706	.007	3.632
PU	.200	.053	.196	3.789	.000	3.883
PI	.152	.046	.142	3.310	.001	3.319

R = 0.889, R² = 0.792, Adjusted R² = 0.790, F-Statistic = 454.45, p-value = 0.001

Note. B: unstandardized coefficient ; SE :standard error ; : standardized coefficient ; t : t-statistic ; p : significance value; VIF : variance inflation factor

The regression model is a good fit, and significant, as indicated by $R = 0.889$ that signifies the positive strong relationship between variables of adoption of cashless transaction. The R^2 is 0.792 and adjusted R^2 is 0.790 which indicates that about 79.2 percent variation in adoption of cashless transaction can be accounted by perceived ease of use, perceived usefulness and personal innovativeness. The ANOVA ($F = 454.45, p = .000$) indicates that the model can significantly predict the adoption of cashless transaction. Perceived ease of use positively affects adoption of cashless transaction ($B = 0.125, t = 2.706, p = .007$). This suggests that respondents who find cashless transaction systems convenient are more willing to be early adopters. Perceived usefulness is strongly positive related to adoption of cashless transaction ($B = 0.200, t = 3.789, p = .000$). This indicates that users who believe cashless payment is useful to save time, getting efficient and easy way of money management are more prone towards the adoption of such systems. Personal innovativeness is positively and significantly influences adoption of cashless transaction ($B = 0.152, t = 3.310, p = .001$). This implies that openness to new technologies, curiosity and willingness to digital payment modes will compel them to use cashless transactions. The VIF values of all independent variables were less than five. Therefore, there was no multicollinearity problem. The three hypotheses supported as their p-values are lower than significance level (0.05) which indicate evidence of statistically significant positive associations with adoption of cashless transactions. Perceived ease of use, perceived usefulness and personal innovativeness have a positive and significant influences on an individual’s intention to adopt cashless transaction. Therefore, the hypotheses H1,H2 and H3 were supported by results.

The aim of the study was examined the determinants of cashless transaction adoption; empirical evidence from commercial bank customers in Pokhara Metropolitan City. The results have shown that the respondents tend to view cashless systems as helpful, convenient, and trustworthy and show positive attitude and readiness to test new technologies. These findings are in agreement with theoretical hypotheses of the Technology Acceptance Model (Davis, 1989) in which perceived ease of use and perceived usefulness represent the critical predictors of behavioral intention towards the adoption of technology. The existing research in Nepal and other developing economies, including that by Kandel et al. (2024) and Amilan and Aparna (2023), confirms the assumption that digital payments will be more readily adopted by users when they have convenient systems. Nevertheless, perceived ease of use was not a predictive factor in all the studies, including Sakib et al. (2024), which stated that the effect of perceived ease of use on adoption could be moderated by contextual factors, including digital literacy and infrastructure quality.

The correlation and regression findings shows strong positive relationships especially between the perceived usefulness and adoption of cashless transaction. This agrees with the fact that TAM has stated that performance expectancy triggers technology adoption (Davis, 1989). Perceived usefulness have a significant influences, with security, reliability and functional benefits being the priority of the users when deciding whether to use cashless systems. These outcomes do not contradict the findings of Raj et al. (2023), who revealed that usefulness are leading predictors of digital payment adoption. Nevertheless, some of the previous studies are also inconsistent with it. Sakib et al. (2024) did not find the personal innovativeness effect to be as significant, and the influence of personal innovativeness can be affected by the technological maturity and exposure of the population. Analyzing the similarities, the results prove the of TAM in forecasting the adoption behaviors under different conditions. Chaturvedi et al. (2019) and Mastran and Bhandari (2022) found that the perceived ease of use and perceived usefulness are significant predictors in the adoption of digital payment. The results of the study on personal innovativeness supported by Aryal et al. (2024) and Raj et al. (2025), where readiness to use new technologies contributes to the adoption behavior in the Nepali context. Past studies in certain situations demonstrate the inconsistency of the importance of the perceived ease of use and personal innovativeness. Sakib et al. (2024) and Aryal (2021) have found less significant effects of these variables, which can be explained by the fact that the demographics of the user population, access to infrastructure, and previous

exposure to technology are different. These inconsistencies imply that the adoption drivers are not universal and depend on the context, socio-economic and technological aspects.

CONCLUSION

The main purpose of this research was to examine the perceived ease of use, perceived usefulness and personal innovativeness in explaining adoption of cashless transaction. The results indicated that all these factors are important however, the influential being perceived usefulness and ease of use in persuading consumers to adopt cashless transaction. The results illustrates that strong empirical evidence of the positive relationships between perceived ease of use and perceived usefulness with adoption of cashless transactions among consumers .This is consistent with established theories like the Technology Acceptance Model (TAM) and the diffusion of innovations theory. The messages identify issues that require attention from policymakers and service providers to build better systems, enhance security and confidence-building, and prompt adoption of innovation. It provides a better digital payment adoption factors, calling for improvement in user experience and trust to achieve greater acceptance among users towards cashless transactions. There is the need to ensure that user friendly interfaces are created to enhance perceived ease of use. Managers need to provide training programs to enhance personal innovativeness on users. The study has not been able to capture all rural consumers with limited digital access. The study is cross-sectional and limited in its capacity to track change over time. Future research can be conducted on how emerging technologies like blockchain, and biometric authentication are influenced in the adoption of cashless payments. In a particular, the moderating variables digital literacy should be investigated in future studies as the moderating variables to provide deeper understanding of adoption of cashless transaction over time.

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