

ANALYSIS OF IMPACT OF DIGITALIZED PAYMENT METHODS ON SELECT GROUP WITH SPECIAL REFERENCE TO LUCKNOW DISTRICT

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ABSTRACT

The Digital India programme is a flagship programme of the Government of India to transform India into digitally empowered society and making Indian economy as “faceless, cashless, and paperless”. As India is cash dominated country where only 2% estimated share of payments are done by non-cash methods while in Singapore 61% of the payments are done through non-cash methods, it is very important to transit the whole system of the country in order to attain the status of cash less economy. The rapid growth of digitalization in India over the past few years has influenced the lives of almost every Indian citizen especially the business and service class people. After a drastic decision of note ban in November 2016, the concept of cashless economy and the digital India programme has flourished with wider pace.

This study aims to find out the impact and point of view of a select group in Lucknow city regarding cashless payment system on their day to day transactions. This study aims to find out the negative and positive impact of cashless and digital payment methods like mobile wallets, UPI, banking cards, internet banking etc. on the select group of Lucknow. It also covers the challenges and opportunities faced of this transition period from cash to cashless economy and analysis has been done among the two most important class of the society in order to draw the conclusions on their perspective, adaptability and difficulties faced in cash-less transaction.

The study lastly covers the suggestions and recommendations which can be utilized to cover-up the challenges faced by digital transactions measures and hurdles faced by the business and service class people in adopting the cashless transactions facility. A real impact on the daily transactions related to digital payment methods is studied.

KEYWORDS: Digitalization, Population, Cashless economy, Digital India, UPI, Mobile Wallets.

INTRODUCTION

India has stepped up on the ladder to a cashless economy when the Government of India headed by Prime Minister Modi took a profound step of demonetization of old currency notes of Rs.500 and Rs.1000 on November 08, 2016. Cashless economy is that financial state of a country in which all transactions are not conducted with money in the physical form or currency form rather, the economy uses digital payment methods to pursue the financial transactions.

According to a report by Boston Consulting Group (BCG) and Google India in the last year around 75% of the transactions in India were cash –based, while in developed nations such as Japan, France, Germany etc. it was around 20-25%. The report clearly suggests that India is still lagging behind in the roadmap of Cashless economy.

Various cash-less transactions methods are started in India by government in the support of transition of India from cash to cashless economy. Digital payment method have both pros and cons as well as cashless transactions mark different impact on day to day transactions of business and service class people of India.

Advantages of Digital Payment Method:

- Digital payment methods offer convenience and ease of doing transactions to business and service class people.
- It is time saving.
- For service class people, they don't have to be physically present to conduct a transaction or be forced to do so during their office hours.
- It is easier to keep the records of all transactions both by the businessmen and service class people.
- Digital payments are helpful in curbing fake currency problem and black money distribution in the market.
- Various discounts are also offered while using digital payment methods. According to an article in The Indian Express dated 9th December 2016, PM Modi has announced following incentives to promote digital payment methods. For example: Free accidental insurance upto Rs.10 lakhs on buying railway tickets online, public banks were advised to not to charge more than Rs.100 per month as rentals on PoS terminals/Micro ATMS, discount of 0.75% on digital payments made on Central Govt. petrol pumps, 10% discount on tax payment on National Highways if done digitally etc.

Disadvantages of Digital Payment Methods:

- Higher risk element and poor redressal mode by the banks and government is one of the major pitfalls for digital payment methods.
- Illiteracy is still prevailing in India on a large scale and it is a big hurdle of cashless economy.
- Cashless transactions are not free. They incur the cost of transaction. For example: Credit cards or mobile wallet companies charge 2% extra of the whole transaction which is a drawback of cashless transactions.

In this paper, we have studied the challenges and opportunities of cashless transactions from the point of view of business and service class people. A comparative study has been done accordingly. In spite, Govt. has promoted the digitalization by way of various incentives, discounts and schemes such as 'Digi Dhan', 'Vyapaar Yojana', 'Lucky Grahak Yojana' for customers and traders still India is lagging behind. India can become a 'less cash economy' easily but the journey of cashless economy is still on its infant stage.

OBJECTIVES OF THE STUDY

- To study the influence of the digital payment methods of the government on working of the select group with special reference to Lucknow.
- To find out the positive and negative influence of the various methods of digital payments proposed by the Government of India.

REVIEW OF LITERATURE

Shengde (2017) states that the whole country is undergoing the process of modernization in money transactions, with e-payment services gaining increasing trends. A large number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than ever before.

Preeti Garg (2016) states that cashless economy is very helpful in curbing black money, reducing terrorism and minimizing the risk of fake currency but cybercrime is one of the major problem of cashless transactions. Hence, it is important to strengthen the Internet Security Laws and measures.

A study by Boston Consulting Group and Google in July noted that wallet users have already surpassed the number of mobile banking users and are three times the number of credit card users.

Roth (2010) states that many developed countries of the worlds are moving towards paperless payments especially card payment methods.

According to Alvares, Clifford (2009) in their reports —The problem regarding fake currency in India. It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakers.

RESEARCH METHODOLOGY

The study is conducted to obtain data on impact of digital payment methods on select group from Lucknow district. Lucknow is the capital city of Uttar Pradesh. A sample size of 100 are selected using convenience sampling method out of which 70 questionnaires are obtained with duly filled information which can be used for the study (35 questionnaire each from entrepreneurs and govt.employees). The sample mostly covers literate population since they are the one who can give their responses in order to determine their views on impact of cashless transaction methods and digital payment methods on their day to day transactions. Survey method is used for collecting data with questionnaire. The data is then analyzed using simple percentage method and average means of entrepreneurs and government employees are compared. Diagrammatic representation of data is also given accordingly.

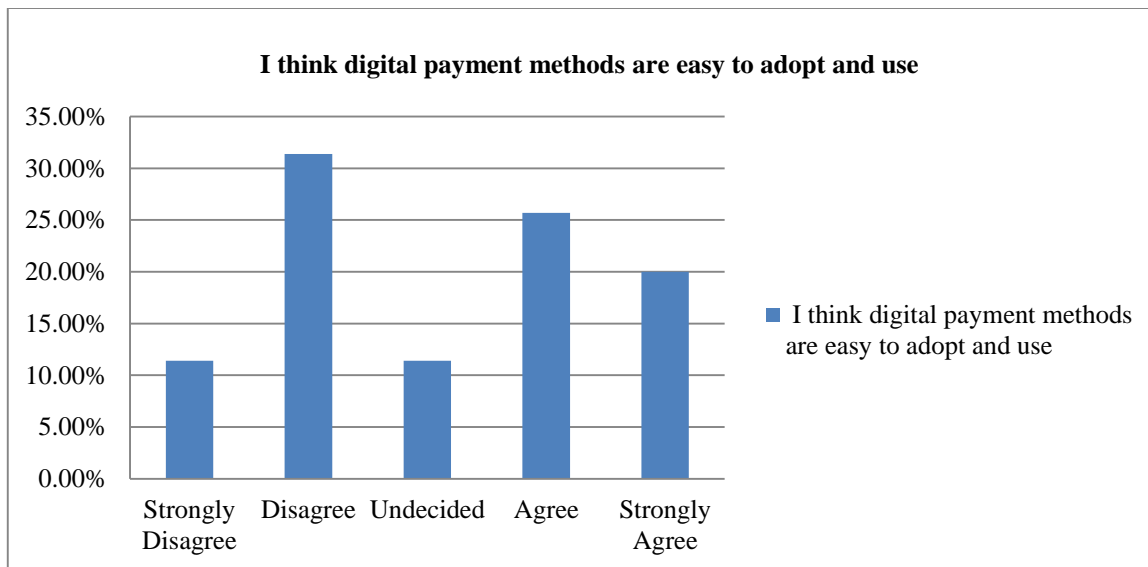
DATA ANALYSIS AND INTERPRETATION

OBJECTIVE 1) To study the influence of the digital payment methods of the government on working of the select group with special reference to Lucknow

1.1) I think digital payment methods are easy to adopt and use.(Table 1.1)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	11.4	11.4
	Disagree	11	31.4	42.9
	Undecided	4	11.4	54.3
	Agree	9	25.7	80.0
	Strongly Agree	7	20.0	100.0
	Total	35	100.0	

(1.1) From the above table, it can be seen that total of 42.9% of the total select group strongly disagree and disagree that digital payment methods are easy and adoptable. While 57.1% of the respondents agree and strongly agree that digital payment methods are easy to use.

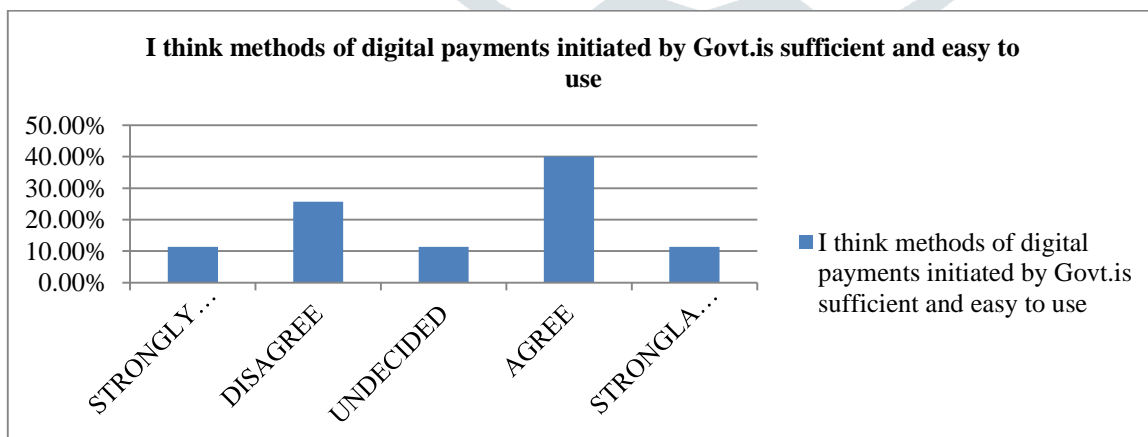


(Figure 1.1)

1.2) I think methods of digital payments initiated by Govt. is sufficient and easy to use. (Table 1.2)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	11.4	11.4	11.4
	Disagree	9	25.7	25.7	37.1
	Undecided	4	11.4	11.4	48.6
	Agree	14	40.0	40.0	88.6
	Strongly Agree	4	11.4	11.4	100.0
	Total	35	100.0	100.0	

(1.2) Above table shows that, mostly respondents are agreeing to the fact that methods of digital payments initiated by Govt. of India is sufficient and easy to use i.e. total of 51.4 % (agree and strongly agree both).

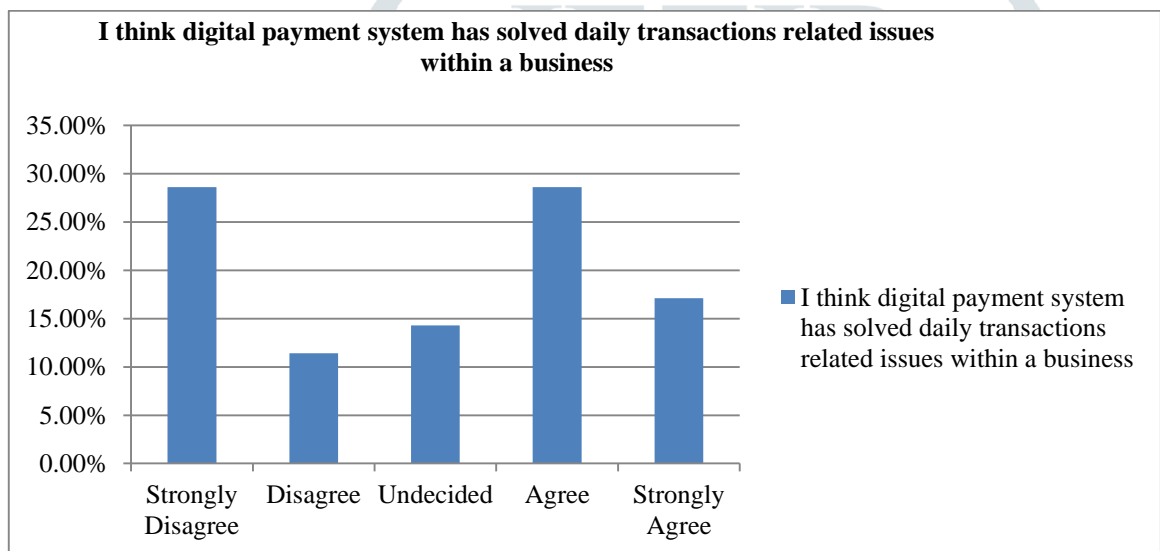


(Figure 1.2)

1.3)I think digital payment system has solved daily transactions related issues within a business.(Table 1.3)

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	10	28.6	28.6	28.6
Disagree	4	11.4	11.4	40.0
Undecided	5	14.3	14.3	54.3
Agree	10	28.6	28.6	82.9
Strongly Agree	6	17.1	17.1	100.0
Total	35	100.0	100.0	

(1.3)40% respondents disagree or strongly disagrees that digital payment system has solved their daily transactions related problems within their business. On the other hand, nearly 45.7% of the respondents think that digital payment methods has solves their daily transactions related problems.

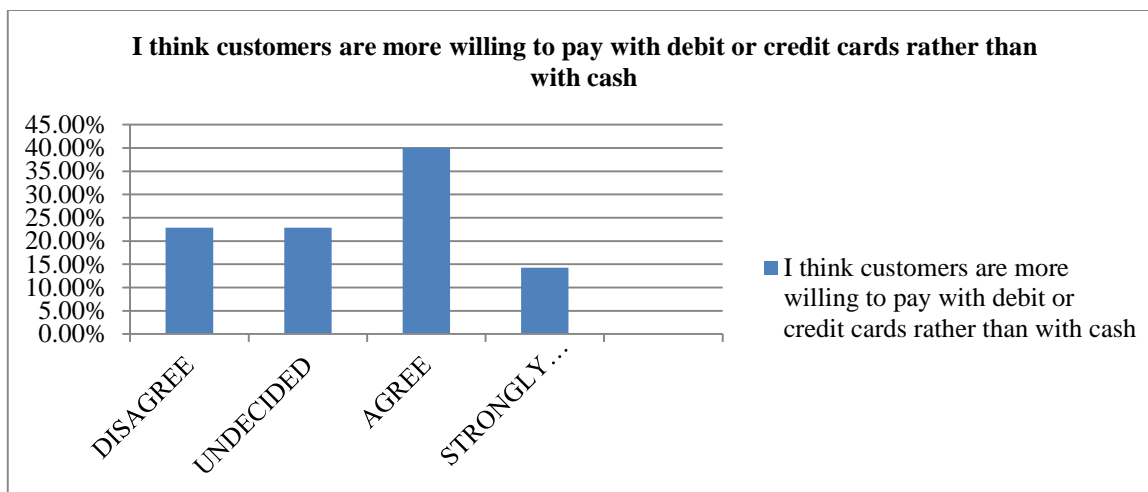


(Figure 1.3)

1.4)I think customers are more willing to pay with debit or credit cards rather than with cash.(Table 1.4)

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	8	22.9	22.9	22.9
Undecided	8	22.9	22.9	45.7
Agree	14	40.0	40.0	85.7
Strongly Agree	5	14.3	14.3	100.0
Total	35	100.0	100.0	

(1.4) From the above table, it can be observed that nearly 40% of the businessmen agree that customers nowadays are more willing to pay through debit or credit cards and 14.3% strongly agree the statement. While only 22.9% of the respondents are not agreeing with the statement. It can also be noted from the above table that not even a single respondent strongly disagrees to this statement.

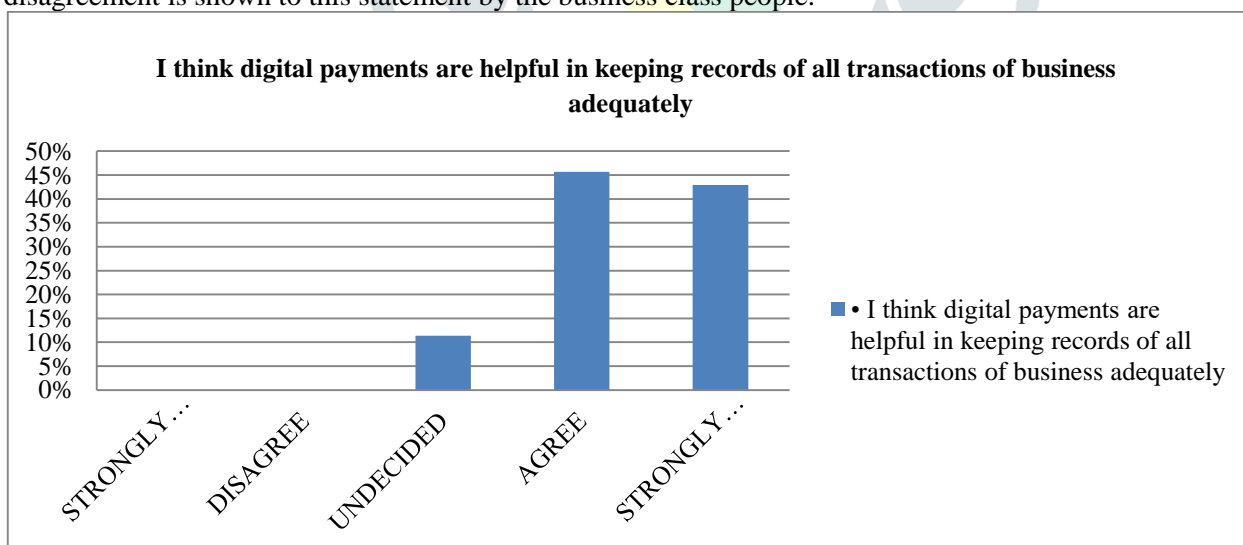


(Figure 1.4)

1.5) I think digital payments are helpful in keeping records of all transactions of business adequately. (Table 1.5)

	Frequency	Percent	Valid Percent	Cumulative Percent
Undecided	4	11.4	11.4	11.4
Agree	16	45.7	45.7	57.1
Strongly Agree	15	42.9	42.9	100.0
Total	35	100.0	100.0	

(1.5) It can be noticed that, nearly 88.6% (both agree and strongly agree responses) of the businessmen are of view that digital payments are helpful in easy maintenance of transactions records and accounts. Not even a single disagreement is shown to this statement by the business class people.



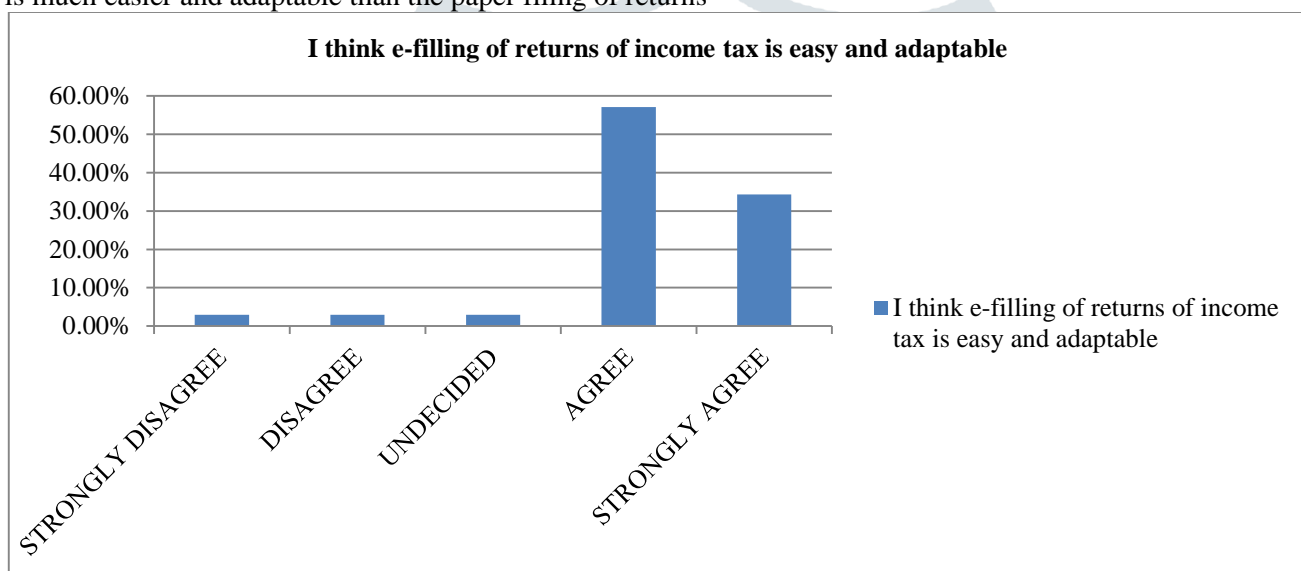
(Figure

1.5)

1.6) I think e-filing of returns of income tax is easy and adaptable (Table 1.6)

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	2.9	2.9	2.9
Disagree	1	2.9	2.9	5.7
Undecided	1	2.9	2.9	8.6
Valid Agree	20	57.1	57.1	65.7
Strongly Agree	12	34.3	34.3	100.0
Total	35	100.0	100.0	

(1.6) From the above table and graph, it can be clearly said that, more than 90% of the respondents are of view the e-filing of the income tax returns is much easier and adaptable than the paper filing of returns

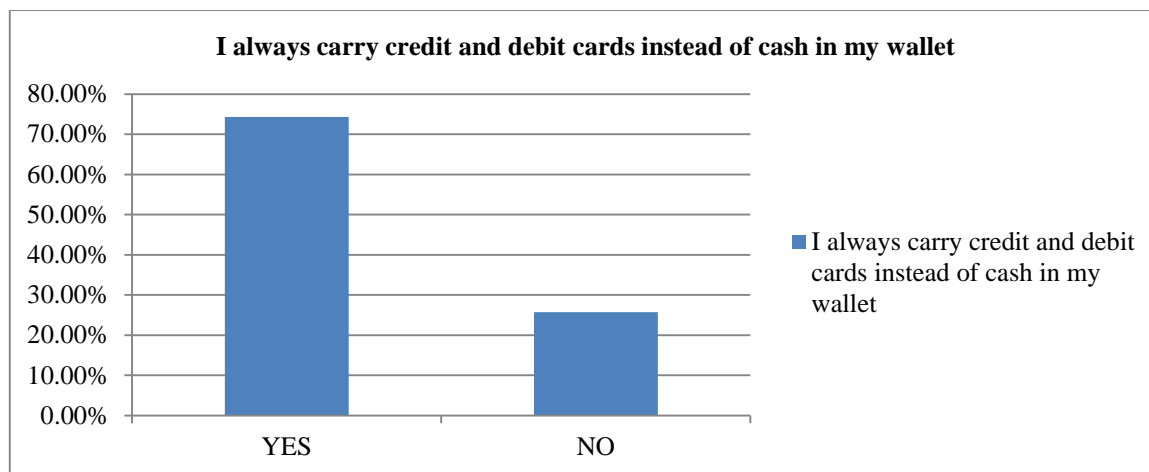


(Figure 1.6)

(Table 1.7) I always carry credit and debit cards instead of cash in my wallet.

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	26	74.3	74.3	74.3
Valid NO	9	25.7	25.7	100.0
Total	35	100.0	100.0	

(1.7) It can be easily seen that 74.3% of the service class people carry debit and credit cards in their wallets instead of cash.

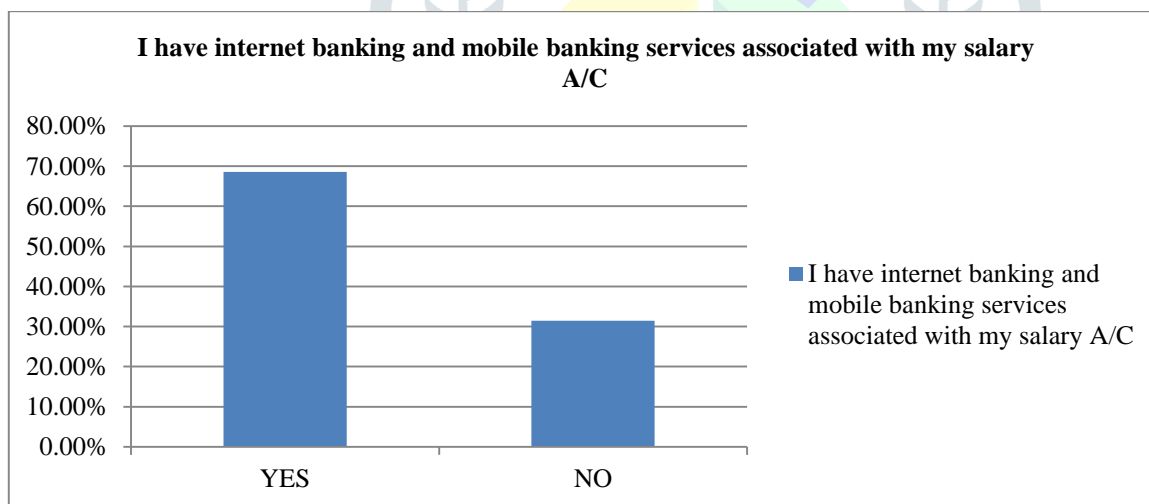


(Figure 1.7)

(Table 1.8) I have internet banking and mobile banking services associated with my salary A/C

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	24	68.6	68.6	68.6
Valid NO	11	31.4	31.4	100.0
Total	35	100.0	100.0	

(1.8) From the above table, it can be observed that 68.6% of the service class people have internet and mobile banking facility with their salary account. Rest 31.4% still does not use internet and m-banking services.



(Figure 1.8)

OBJECTIVE 2) To find out the positive and negative influence of the various methods of digital payments proposed by the Government of India

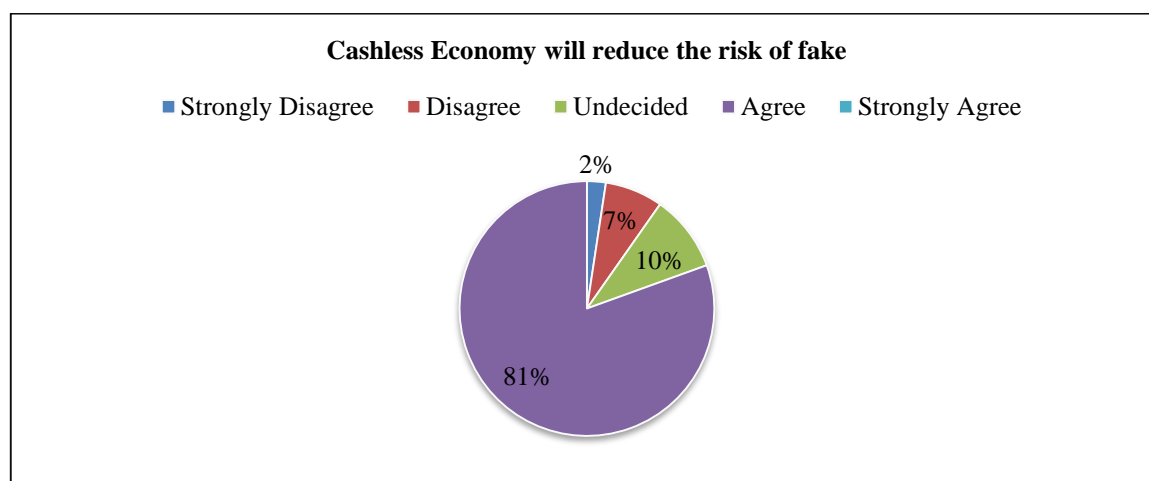
Tables given below shows the percentage of people who agree or disagree about the positive aspects of the cashless payment methods in India with special reference to service and business class people:

(Table 2.1) Cashless Economy will reduce the risk of fake currency.

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Strongly Disagree	1	1.4	1.4	1.4
	Disagree	3	4.3	4.3	5.7
	Undecided	4	5.7	5.7	11.4
	Agree	33	47.1	47.1	58.6
	Strongly Agree	29	41.4	41.4	100.0
	Total	70	100.0	100.0	

(2.1) In this table it can be seen that, nearly 47.1% people agree and 41.4% of the people strongly agree about the statement that cashless economy will reduce the risks of fake currency in the economy. People are aware about this advantage of cashless economy.



(Figure 2.1)

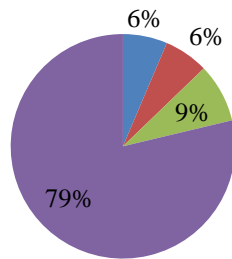
(Table 2.2) Digital payment will curb the corruption and tax evasion.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	4.3	4.3
	Disagree	3	4.3	8.6
	Undecided	4	5.7	14.3
	Agree	37	52.9	67.1
	Strongly Agree	23	32.9	100.0
	Total	70	100.0	

(2.2) Above table shows that 85.8% people (agree and strongly agree both) think that digital payment methods will be helpful in curbing the corruption and tax evasion in the Indian Economy.

Digital payment will curb the corruption and tax evasion.

Strongly Disagree Disagree Undecided Agree Strongly Agree



(Figure 2.2)

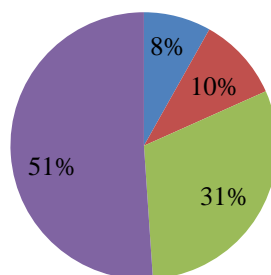
(Table 2.3) Cashless transactions will stimulate economic growth

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	5.7	5.7	5.7
Disagree	5	7.1	7.1	12.9
Undecided	15	21.4	21.4	34.3
Agree	25	35.7	35.7	70.0
Strongly Agree	21	30.0	30.0	100.0
Total	70	100.0	100.0	

(2.3) 65.7% of the business and service class people are of view that cashless transactions will be helpful in stimulating economic growth of the country. On the other hand, rests 21.4% are still undecided about the relation of cashless economy and economic growth.

Cashless transactions will stimulate economic growth

Strongly Disagree Disagree Undecided Agree Strongly Agree



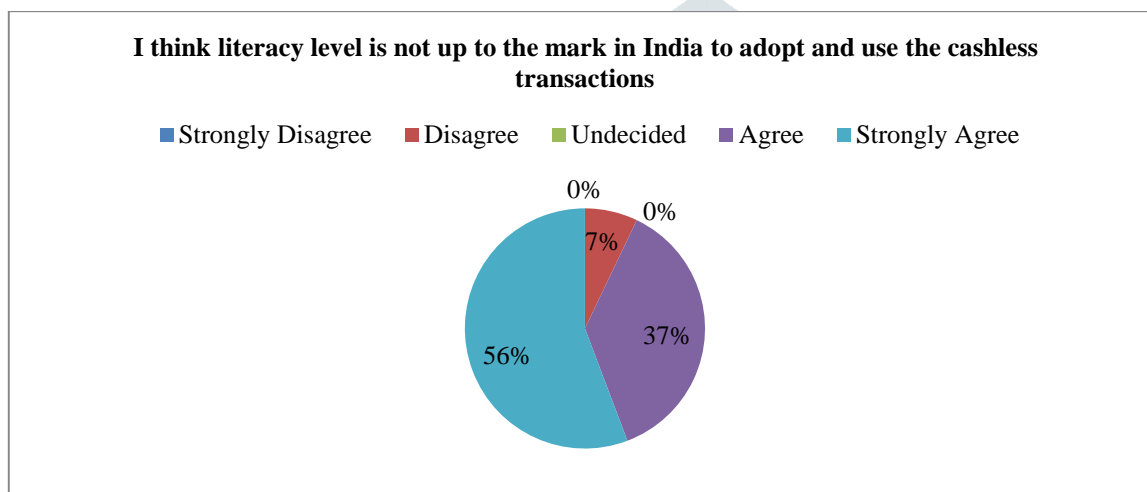
(Figure 2.3)

Tables given below shows the negative aspect of digital and cashless transactions and the agreement or disagreement of the business and service class people.

(Table 2.4) I think literacy level is not up to the mark in India to adopt and use the cashless transactions.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	5	7.1	7.1	7.1
Agree	26	37.1	37.1	44.3
Valid Strongly Agree	39	55.7	55.7	100.0
Total	70	100.0	100.0	

(2.4) From the above table it can be seen that, literacy level is a major hurdle in the way of digitalization and cashless economy. 93 % of the people (agree and strongly agree both) possess a strong view that literacy level in India is not upto the mark to face the challenges of digital payment methods and cashless economy.



(Figure 2.4)

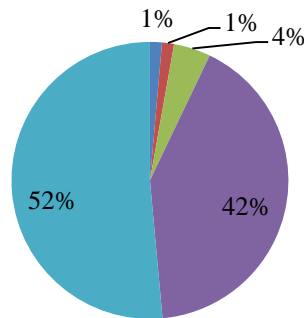
(Table 2.5) I think banking and transaction charges on using digital payment methods should be minimized.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	1.4	1.4	1.4
Disagree	1	1.4	1.4	2.9
Valid Undecided	3	4.3	4.3	7.1
Agree	29	41.4	41.4	48.6
Strongly Agree	36	51.4	51.4	100.0
Total	70	100.0	100.0	

(2.5) In the above table, it is clearly mentioned that total of 92.8% of the people agree and strongly agree about the fact that transaction cost on various digital payment methods such as on payment with debit /credit cards, mobile wallets etc. should be minimized in order to promote the digital payment system in India.

I think banking and transaction charges on using digital payment methods should be minimized.

Strongly Disagree Disagree Undecided Agree Strongly Agree



(Figure 2.5)

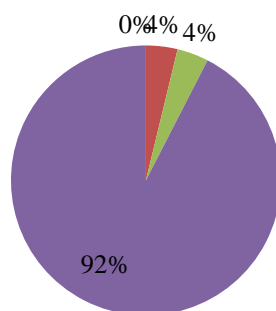
(Table 2.6) Cyber security laws must be well equipped to deal with cyber crimes related to digital payments.

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	1	1.4	1.4	1.4
Undecided	1	1.4	1.4	2.9
Agree	24	34.3	34.3	37.1
Strongly Agree	44	62.9	62.9	100.0
Total	70	100.0	100.0	

(2.6) It can be seen from the above table that, 34.3% people agree while 62.9% of the people strongly agrees that cyber security laws are lagging behind while dealing with cyber frauds and crimes and it has came up as a major disadvantage of the digital life and payment system in India.

Cyber security laws must be well equipped to deal with cyber crimes related to digital payments.

Strongly Disagree Disagree Undecided Agree Strongly agree



(Figure 2.6)

CONCLUSION: 1) From the above analysis it can be concluded that digital payment and cashless transactions easy and simple to use. But half of the population is still not comfortable with the digital payment system. Nearly 50% of the businessmen agree that digital payment and cashless transactions has affected their profitability adversely. Thus, half portion of the business population is not accepting the digital payment methods easily in their routine dealings.

2) It is clear from the above study that selected group of people use digitalization facilities in e-filing of income tax returns and they have adopted the debit and credit card, mobile banking and internet banking facility of cashless payment method. Yet, nearly 45 % of the people still exist in the service class people which do not feel easiness in dealing with digital payment methods.

3) By studying the positive aspect of the cashless transactions, it is clear that most of the population taken for the study is aware about the advantages of the cashless and digital payment methods. But a significant percentage of people are still undecided about the relationship of cashless transactions and economic growth of India.

4) Digital payment methods in India possess some demerits also this cannot be overlooked. Cyber crimes, illiteracy in India, lack of computer and internet connectivity, banks and dealers charging transaction costs while doing digital payments etc are some negative aspect of digital payment methods.

FINDINGS AND RECOMMENDATIONS:

From the above study, it can be concluded that half of selected sample are considering cashless economy a favorable change in India .However, there are still nearly 50% of the people are not in the favor of digital payment methods and cashless economy because of their demerits and lack of awareness among them.

- For smooth implementation of cashless system in India, firstly literacy level should be upto the mark so that more and more people can adopt this change in a positive way.
- Also, there should be more developed cyber crime branches in order to minimize the financial frauds and server hackings of banks on the internet.
- Proper mobile network and internet facility must be made available to all section of the society so that they can easily access internet and perform digital payment transactions.
- Various methods of digital payments launched by the Govt.of India like Unified Payment System (UPI), Unstructured Supplementary Service Data (USSD), Aadhaar Enabled Payment System (AEPS), Mobile Wallets etc .should be more advertised in various semi-urban areas of India also.
- Government should keep an eye on the implementation process of different scheme and programmes such as 'DigiDhan', 'Digital India campaign', 'Vyapar Yojana' etc.
- All debit card transactions must be at PoS pin-based and no additional surcharge or transaction cost should be charged by the merchant banks. Credit card and mobile companies charge extra 2% of the whole transaction which is a major drawback of cashless transactions and it should be minimized.
- Although, various discounts are offered by Government of India for using digital payment methods such as 0.75% discount on digital payment done for the purchase of fuel ,5%discount on paying electronically for railway tickets etc.Moreover such discounts and offers should be introduced by the government in order to promote digital payment in India.

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