ARE SMALL BUSINESSES DRIVEN BY CASH OR E-PAYMENT BASED TRANSACTIONS DURING POST DEMONETISATION?- AN EMPIRICAL STUDY UNDERTAKEN AT YESHWANTPUR IN BENGALURU CITY, INDIA

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Abstract: The objectives of demonitisation announced by Indian Government on 8th November 2016 were to nullify black money hoarding, curb counterfeit notes and terror financing.Though the intentions of this policy have been good enough leading the country towards prosperity, the move created unpredicted troubles among the common public, industries, financial markets and financial system in particular. It has lead to increased cashless transactions in the formal business sector. But the most affected sector was small businesses serving the necessities of the public.Though demonetisation move has brought a change in the way business transactions are conducted, majority of the small businesses could not have a rapid shift towards e-payment. A sample of 117 small business owners have been surveyed in Yeshwantpur, north western part of Bengaluru, India to determine if small business community carries out cash based or e-payment based transactions and also the way to obtain credit for their businesses in the context of completion of one and a half year since demonetisation announced.Out of 120, three respondents were reluctant to reveal demographic details and did not express their responses and hence the responses by 117 respondents were considered for data analysis. The results of the study indicated that small businesses have started using mobile applications primarily for communiucation purpose and that a positive sign of transformation from cash based to e-payment based transactions in the suburban part of Bengaluru has been found.

Keywords: Demonetisation; cashless transaction;small business; necessities

I. INTRODUCTION

Though advancement in Information Technology has changed the landscape of many businesses, small businesses serving day-to-day necessities of the public have not transformed much in the way they operate. Demonetisation has created a urge for further socio-economic development of the society (Parishkrit, 2017)People like tailors, sellers of flowers, vegetables and fruits, barbers are at proximity to the public and their business majorly depend on theirpersonal relationship and trust maintained with the customers. Some of them do not have place of business and never do billing of their sales. Quite good number of sellers of vegetables, fruits and flowers daily procure working capital from private lenders in the morning and pay back with interest in the evening soon after closing that day's sales. As their borowing demands personally convincing and negotiating with the lenders, they hardly undertake any risk of depending on e-receipt and e-payment of loan amount towards lenders. The repayment of capital with interest is a trust building activity for getting working capital loan on forthcoming days.The small business borrowers personally present themselves to the lenders thanking them, thus the need for e-payment does not appear. Instant realisation of money on sales is the core characteristic of these small businesses.

II. LITERATURE REVIEW

Onyeagba, Justus, & Samuel (2015) attempted to ascertain the extent to which the proposed introduction of cashless banking system of payment during the study time period would affect entreprenerial activities in Anambra State. Qualitative research design and correlation were employed in the study and the results indicated that there is a significant positive relationship between the introduction of cashless banking system of payment and entrepreneurial activities in Anambra State. The study recommended for development of e-payment system for people to use it and for introdcution of some reforms to draft a convenient and easy way of receiving and making payments for people who are currently deep rooted in using cash.

Igbara, Emerenini, & Daasi (2015) examined the impact of cashless policy on small scale businesses in Ogoni of River State using puposive sampling by administering questionnaire to 250 owners and operators of small scale businesses. The results of the study indicated that the respondents predominately carried out transactions based on 'cash and carry' and had a very poor banking habit coupled with zero tolerance to ICT usage in both operations and transactions of their businesses, constituting a major challenge to the adoption of cashless policy in the state . Further the study pointed out that there was a negative significant influence of introduction of cashless policy on the operations and growth of small scale businesses in the study area.

Amire & Omoare (2015) examined the effect of availability of supply of electricity, infrastructure and literacy level on the cashless policy. Area or cluster sampling was employed to a sample of 200 respondents consisting of 120 demanders and 80 suppliers belonging to Ado-Ode / Ota Local Government in Ogun State having large number of industrial estates conducting a large proportion of economic activities. Only 10% of the respondents were using on-media phones and remaining 90% were using internet driven phones for e-business, e-transaction and e-payment. The research considered Automatic Teller Machines (ATMs), debit and credit cards, Personal Identification Number (PIN), Point of Sale (POS) systems as infrastructure required to conduct cashless transactions. The study revealed that a small proportion of the respondents were electronically illiterate. Thus the findings of the study indicated that there was sufficient evidence to support alternative hypothesis that there was significant effect of electricity, infrastructure and literacy on cashless policy.

Oluchukwu (2014) examined the impact of cashless policy on micro and small scale businesses in Nigeria. The study revealed that necessary measures related to crucial factors namely availability of power, infrastructure, real data, investments and security needed to be undertaken for effective implemenatation of cashless policy in Nigeria, failing which the policy would adversely affect micro and small scale businesses and render them failure.

Garg & Panchal (2017) attempted to assess the benefits and preparedness for the implementation of cashless economy in India. A sample of 100 respondents were surveyed using convenience sampling procedure. Around 88% of the respondents were aware of cashless economy and 55.1% of the respondents prefer   introduction of cashless economy in India. Around 80.4% of the respondents felt that the biggest benefit of cashless conomy is reducing the risk of fake currency and 63% viewed that an efficient and modern payment system has a positive impact on country's economic development. The study suggested for financial literacy campaign by government for creating awareness of benefits of elecrtonic payments.

Emengini & Emeka (2014) examined the challenges of cashless policy in Nigerian economy and showed its impact on business transactions and financial reporting. A sample size of 52 respondents belonging to the community of traders, artisans and commercial banks in the South East of Nigeria were surveyed. The study revealed that there exist a significant relationship between cashless economy and the effectiveness and efficiency of financial statement reporting, particularly in the areas of tax evasion, inflation, balance of payment and money laundering. Also the study confirmed a significant effect of cashless economy on the effective performance of business transactions.

Mieseigha & Ogbodo (2013) conducted a survey among 520 educated Nigerians, out of whom 90 per cent of the sample size completed and returned the questionnaires. Nearly 61.34% of the respondents opined that cash related frauds will reduce, 52.14% were of the opinion that e-payment would stimulate an increase in the level of transparency and 50.85% expressed that full implementation of cashless system would result in increase in tax revenue. Thus a significant and positive relationship between cashless economy and transparency, accountability and reduction of cash related fraud was found out with the help of chi-square test. 61.54% of the respondents opined that increase of government revenue would lead to infrastructural development. Using ANOVA, the study proved that a significant and positive impact exist between the cashless economy and economic development.

Garba & Tomma (2015) attempted to study the awareness and acceptance of cashless economy by people of Nigeria. A survey was administered by way of questionnaires to 400 people, out of whom 307 filled and returned. On analysing the data using mean and simple percentage analysis, it was found that the cashless society policy has been accepted by the people of Lagos and Kano Nigeria. The study suggested for channelising the efforts to make rural dwellers aware of the need for cashless society.

III. STATEMENT OF THE PROBLEM

The cash based transactions in small businesses of varying nature has been deep rooted. These businessses require low investment, involve short operating cycles as the products and services are for immediate consumption. The sellers cannot afford to spend any time in getting online payment done by the consumers as most of the time customers may not afford to wait and no physical layout exist for making payment and hence business are conducted in an ad hoc manner. These reasons have mandated the sellersand service providers to realise the payment immediatedly and hence cash based transactions exist with no billing in case of most of the small businesses. Still in over night, demonetisation has changed the life of almost all Indians (Bhaduri, 2018). Thereafter the payment behavior of the people starting changing(Chaubey & Kumar, 2017; Burse, 2018). It has become crucial to find out the extent of the change among the small businesses are they are susceptible to the issue of survival.

IV. OBJECTIVES OF THE STUDY

National programmes announced by Indian Governement focus on upgrading the lifestyle of the citizens in all spheres. Demonetisation has been supported by 'Digital India'programme in several parts of the country whereas small traders were finding troubles in carrying out their business due to nature of the trade involved. In this context,the following objectives have been framed.
1.	To study the demographic profile of the small traders in Yeshwantpur, suburban part of Bengaluru
2.	To determine if small business owners use mobile phones for business purposes
3.	To examine the usage of mobile phones for business related e-payment transactions

V. RESEARCH METHODOLOGY

Yeshwantpur, a sub locality in the north western part of Bengaluru City with a population of more than 600000 and with a total literacy rate of 89%houses a large number of small businesses with big bazaar centrally located. Though it has well defined road and rail connectivity, the place has not been sufficiently equipped with enough infrastructure to facilitate small businesses. Demonetisation has created a distress on the lives of rural population who form the majority in supplying essential commodities to the urban soceity (Satwik, 2017).Yeshwantpur railway station being one of the three major important stations of South Western

Railway has been chosen as a study area in order to find out possibility of getting this busy business place transformed into cashless society.

A purposive sampling has been used to collect data from a sample size of 120small business owners during March-May, 2018 and a questionnaire has been administered to determine if the respondents conduct cash based or credit based business. Out of 120, 117 respondents anwered the questions contained in the questionnaire. Three respondents were reluctant to reveal demographic details and also did not respond. The researcher herself has filled the questionnaires with responses given by some of the respondents who were uneducated.

VI. RESULTS AND DISCUSSION

Most of the small businesses in the study area namely Yeshwantpur, are need based and form unorganised sector. Their demographic detailsof the respondents are presented below.

Table 1: Demographic details the respondents:

Demographic Variable	Classification	No.of respondents	Percentage
Gender	Female	34	29.1
	Male	83	70.9
Age	Less than 20 yrs	1	0.9
	21 – 30 yrs	13	11.1
	31 – 40 yrs	33	28.2
	41 – 50 yrs	31	26.5
	51 – 60 yrs	29	24.8
	Above 60 yrs	10	8.5
Occupation	Flower Seller	11	9.4
	Vegetable Seller	19	16.2
	Fruit Seller	12	10.3
	Plastic items seller	6	5.1
	Tailor	16	13.7
	Barber	9	7.7
	Electrical Shop Owner	6	5.1
	Provision Store Owner	7	6.0
	Footwear seller	7	6.0
	Bakery	6	5.1
	Stationary	2	1.7
	Mutton & Chicken Stall	9	7.7
	Beauty Parlour	7	6.0
Education	Uneducated	17	14.5
	Primary School	25	21.4
	Middle School	34	29.1
	High School	30	25.6
	Polytechnic	2	1.7
	Degree	9	7.7
Owning Shop	Yes	78	66.7
	No	20	17.1
	Conducting business using carts and manually driven vehicles	19	16.2

The small businesses were majorly owned by male members of the society. 70.9% of 117 sample respondents were male and 29.1% were female respondents. Most of the respondents belonged to the broad age group of 31-60 years namely 28.2%, 26.5% and 24.8% of the respondents belong to individual age groups of 31-40,41-50 and 51-60 years respectively. 16.2% of the sample respondents were vegetable sellers, 13.7% were tailors and 10.3% consisted of fruit sellers. Around 59.8% of the sample consisted of flower sellers, plastic items sellers, barbers,electric shop owners, provision store owners,footwear sellers, bakery owners, stationary shop keepers, mutton and chicken stall owners and beauticians.14.5% of 117 respondents were uneducated, 21.4% attended primary school,29.1% attended middle school, 25.6%passed high school, 1.7% completed polytechnic and 7.7% possess undergraduation. 66.7% run their businesses in mostly rented out shops, 17.1% were street vendors and 16.2% had manually driven vehicles to sell their goods.

Table 2:Study variables

Particulars	Classification	No.of respondents	Percentage
Working capital	Cash	54	46.2
	Credit	63	53.8
Billing	Yes	7	6
	No	110	94
Having mobile phones	Yes	96	82.1
	No	21	17.9
Mobile phone type	No	21	17.9
	Ordinary	68	58.2
	Smart Phone	28	23.9
Use internet for e-payment	Yes	12	10.3
	No	105	89.7
Concern for GST	Yes	33	28.2
	No	84	71.8
Availed Bank Loan	Yes	34	29.1
	No	83	70.9
e-payment	No	108	92.3
	Yes	9	7.7

46.2% of the sample respondents obtain working capital, that is, capital required to meet day-to-day operations, in the form of cashfrom private lenders. Remaining 53.8% of the total repondents manage the business operations with trade credit from suppliers. Only 6% of them pay bills along with goods to the customers and 94% were not billing sales. The obvious reason for not billing was 33.3% of the entire sample either had no shops to run their business orhad manually driven vehicles displaying goods for salewho did not possessany billing machines. 82.1% of the total respondents owned mobile phones and only 23.9% of them had smart phones.10.3% used internet for e-payment. It is clear that 89.7 did not have any access to internet.

28.2% of the respondents show concern for GST payment and 71.8% responded that they need not pay GST. 29.1% have obtained loans from different banks for their businesses and 70.9% have not approached any bank for availing loans. Only 7.7% of the entire sample has been found to carry out net banking exclusively for the purpose of making e-payment.

6.1 Hypotheses Testing:

Generally people carry mobile phones to meet basic necessities of communication irrespective of their age, gender and education. But among lower income business community, it was observed that elderly people and ladies who engaged in selling flowers, vegetables or fruits never had any mobile phones even for personal use. They depend on active middle and young aged family members who own a mobile phone for the entire family. Hence demographic factors namely occupation, gender and age of small business owners and study variables namely type of mobile phone if they have, business related internet usage and their banking transactions using mobile phones for making payment during the course of business have been considered for framing hypotheses.

The following hypotheses have been framed in order to determine the extent to which the small owners were exercising online payment.

H_{N1}: Occupation of small business owners has no significant association with the type of mobile phone they use.

H_{N2}: Occupation of the respondents is not significantly associated with the usage of internet for business purpose.

H_{N3}: There is no significant association between occupation of the respondents and e-payment transactions related to business.

H_{N4}: The gender of the respondents is not significantly associated with type of mobile phone they posses.

H_{N5}: There is no significant association between gender of the respondents and usage of internet for business purpose.

H_{N6}:There is no significant association between gender of the respondents and e-payment transactions related to business.

H_{N7}: There is no significant association between age of the respondents and type of mobile phone they posses.

H_{N8}:There is no significant association between age of the respondents and usage of internet for business purpose.

H_{N9}:There is no significant association between age of the respondents and e-payment transactions related to business.

H_{N10}: Type of mobile phones owned by the respondents is not significantly associated with their usage of internet for business purpose.

H_{N11}: There is no significant association between usage of internet and business related e-payment transactions.

H_{N12}: There is no significant association between type of mobile phone possessed by the small business owners and their e-payment transactions.

Pearson correlation cooefficient has been determined between specific demographic variables and study variables in order to study the strength of relationship between them. In South Indian traditional family run businesses, most of the strategic decisions including availing loans and borrowings are made by either Karta of the family or the male members of the family, even if the women contribute majorly for the profits of the firm. This consideration will affect the results of the following correlation analysis to a certain extent.

Table 3: Correlation among demographic and key study variables

		Occupation	Gender	Age	Mobiletype	Use internet for business	e-payment
Occupation	Pearson Correlation	1	.126	-.157	.311**	-.051	.114
	Sig. (2-tailed)		.175	.090	**.001**	.586	.220
	N	117	117	117	117	117	117
Gender	Pearson Correlation	.126	1	.036	.242**	-.092	.114
	Sig. (2-tailed)	.175		.703	**.009**	.322	.221
	N	117	117	117	117	117	117
Age	Pearson Correlation	-.157	.036	1	-.005	-.008	.055
	Sig. (2-tailed)	.090	.703		.958	.932	.559
	N	117	117	117	117	117	117
Mobiletype	Pearson Correlation	.311**	.242**	-.005	1	-.406**	.419**
	Sig. (2-tailed)	**.001**	**.009**	.958		**.000**	**.000**
	N	117	117	117	117	117	17
Useinternet for business	Pearson Correlation	-.051	-.092	-.008	-.406**	1	-.325**
	Sig. (2-tailed)	.586	.322	.932	**.000**		**.000**
	N	117	117	117	117	117	117
e-payment	Pearson Correlation	.114	.114	.055	.419**	-.325**	1
	Sig. (2-tailed)	.220	.221	.559	**.000**	**.000**	
	N	117	117	117	117	117	117

** Correlation is significant at the 0.01 level (2-tailed).

The null hypotheses $H_{N2}, H_{N3}, H_{N5}, H_{N6}, H_{N7}, H_{N8}, H_{N9}$ are accepted as the p-values shown in Table 3 have been found to be greater than significance level of 0.01. Further it indicates that occupation and gender has a significant positive and less moderate association with the type of mobile phone possessed by them. The type of mobile phone owned by the sample respondents has a significant positive and moderate association with e-payment transactions by the respondents.

Thus occupation of the respondents is neither significantly associated with the usage of internet for business purpose norwith e-payment transactions related to business. The gender of the respondents has been found to have no significance with usage of internet for business purpose and also with e-payment transactions related to business. No significant association exist between age of the respondents and type of mobile phone they posses, and also with usage of internet for business purpose. There is no significant association between age of the respondents and e-payment transactions related to business.

Table 4: Negative association between variables

Variables negatively associated	Correlation Coefficient
Occupation and Age	-.157
Occupation and Use internet for business	-.051
Gender and Use internet for business	-.092
Age and Mobile Type	-.005
Age and Use internet for business	-.008

Table 4 is a summary of negatively associated variables indicating that internet usage for business is independent of occupation, gender and age. Also age of the respondents has been found to be independent of occupation and type of mobile they possess.

The null hypotheses $H_{N1}, H_{N4}, H_{N10}, H_{N11}, H_{N12}$ are rejected as p-values are found to be less than 0.01 and hence alternative hypotheses is accepted. Thus it has been found that occupation and gender, usage of internet business purpose and e-payment transactions of small business owners is significantly associated with the type of mobile phone they possess and also usage of internet has been found significantly associaed with business related e-payment transactions.

To substantiate the results of correlation analysis pertaining to H_{N4} and H_{N10}, further analysis has been carried out. As data pertaining to study variables are basically categorical in nature, chi square has been used to find out association among the variables.

(i) Association between gender and type of mobile phone:

Table 5: Gender and Mobile type Cross tabulation

			No Mobile phone	Ordinary Mobile phone	Smart Phone	Total
Gender	Female	Count	12	17	5	34
		% within Gender	35.3%	50.0%	14.7%	100.0%
		% within Mobile type	52.2%	25.8%	17.9%	29.1%
		% of Total	10.3%	14.5%	4.3%	29.1%
	Male	Count	11	49	23	83
		% within Gender	13.3%	59.0%	27.7%	100.0%
		% within Mobile type	47.8%	74.2%	82.1%	70.9%
		% of Total	9.4%	41.9%	19.7%	70.9%
Total		Count	23	66	28	117
		% within Gender	19.7%	56.4%	23.9%	100.0%
		% within Mobile type	100.0%	100.0%	100.0%	100.0%
		% of Total	19.7%	56.4%	23.9%	100.0%

Table 5 shows that majority of the respondents, say 56.4% possessed ordinary mobile phones whereas 19.7% of the male respondents and only 4.3% of the female respondents were in possession of smart phones.

Table 6: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	8.014[a]	2	.018
Likelihood Ratio	7.604	2	.022
Linear-by-Linear Association	6.766	1	.009
N of Valid Cases	117		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.68.

Table 6 indicates that the value of Pearson Chi-square is 8.014 with a p-value is 0.018 which is less than 0.05 with 0 cells having expected count less than 5. This result further disproves H_{N4} and support the output of correlation analysis.

(ii)   Association between Mobile type and use of internet:

Table 7: Mobile type and internet usage-Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	34.050[a]	2	.000
Likelihood Ratio	31.632	2	.000
Linear-by-Linear Association	19.090	1	.000
N of Valid Cases	117		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 2.36.

Table 8: Symmetric Measures

		Value	Asymptotic Standardized Error[a]	Approximate T[b]	Approximate Significance
Nominal by Nominal	Phi	.539			.000
	Cramer's V	.539			.000
Interval by Interval	Pearson's R	-.406	.090	-4.760	.000[c]
Ordinal by Ordinal	Spearman Correlation	-.413	.093	-4.861	.000[c]
N of Valid Cases		117			

a. Not assuming the null hypothesis.
b. Using the asymptotic standard error assuming the null hypothesis.
c. Based on normal approximation.

The type of mobile phone facilitates internet usage and hence e-payment. Though ordinary phones have internet connectivity, the sample respondents possess them for the purpose of making calls and receiving calls only. They hardly make use of messaging feature. Table 7shows 34.050 as Pearson Chi-Square value and only 2 cells have expected count less than 5. The significance level has been found in Table 8 to be 0.000 indicating rejection of null hypothesis and hence alternative hypothesis is accepted. Thus the analysis well shores up the result of correlation analysis.

Some of the sample respondents utilize bank credit for purchase of basic accessories and materials for business operations. Therefore, it is felt important to know if small business owners borrow money for working capital purpose and if they are tax concerned. Chi square tests have been carried out to find out if nature of occupation is related to availing of bank credit. To find out the existence of relationship, the following hypothesis has been framed and tested.

VII. CONCLUSION

The study has been carried out with a view to map the scope of electronic business transations among small business owners in asuburban area, Yeshwantpur of Bengaluru City during post demonetisation period. The results of the study indicate a slow transit in conducting the business from cash based to e-payment based.Lower end mobile phone penetration is substantially high and has been seemingly very useful for communication purpose in carrying out regular business transactions in this part of Bengaluru city. Majority of the men traders have access to internet in advanced mobile phones possessed by them and they use it for business purpose. Female business owner possess low end mobiles with internet connectivity and were found using it only for personal communication. They showed less interest in using them for business transactions. This research work can further be enhanced by studying the level of technological literacy involved in e-payment among the small business owners in India.

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