

# CONSUMERS ATTITUDE ON CASHLESS TRANSACTIONS AND DIGITALISATION

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## Abstract

Demonetization, whatever the original intent of it has resulted in one positive outcome—*Digitization of Indian economy*. Cash being the primary source of monetary transactions was banned overnight and people started looking for alternate ways to make payments and complete transactions which led to adoption of cashless transactions. Cashless transaction is a type of transaction used by different consumers by means of debit/credit cards, cheques, bank transfers, NEFT/RTGS with no physical money handed from one person to another. The leading advantage of building a cashless economy is elimination of black money. However, problems are being experienced which includes the basic infrastructure and security concerns.

**Keywords**-Demonetization, digitalization, cashless transactions, e-commerce, cashless economy, RTGS, NEFT, Digital India.

## INTRODUCTION

Demonetization was announced on 08th November 2016 and has been hot topic for the media debate. The core of this intensified debate is whether demonetization is a success or a failure. Whatever the original content, it has resulted in one positive consequence—*Digitization of Indian Economy*. Cash being the primary and central source of monetary transactions was banned overnight, people started looking at alternate ways to complete transactions and make payments. That has led to adoption of digital payment methods and surge in digital transactions across the country. One could witness rapid growth in transactions through usage of debit cards, credit cards, cheques, bank transfers, NEFT/RTGS, mobile banking.

It is not wrong to say that digitization itself has started post demonetization. The path towards digitization started much earlier with telecom revolution, internet penetration leading to widespread availability of 3G availability, rise of e-commerce startups, smart phones etc. All these led to people getting familiarized with digital platforms and online transactions. It's just that post demonetization the trend towards digitization and cashless transactions has significantly accelerated. Across all the sectors, media, communication, retail and manufacturing healthcare, are increasingly seeing the use of digital technology. The landscape of this digital age is increasingly being driven by innovations in e-communications, e-commerce and ever-increasing deployment of the internet to create economies based on high technology, massive communication, knowledge creation and innovation.

## DEMONETISATION

On 8<sup>th</sup> November, 2016 the Government of India announced the demonetization of all 500 and 1000 banknotes of the Mahatma Gandhi Series. It announced the issuance of new banknotes 500 and 2000 in exchange for the demonetized banknotes. The Government claimed that the action would reduce the use of unlicensed and forged cash to fund illegal activity and terrorism.

## WHAT IS CASHLESS ECONOMY?

A cashless economy is an economy in which all types of transactions are carried out through digital means. It is an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. It includes e-banking, mobile banking, debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets.

“We want to have one mission and target: Take the nation forward –Digitally and Economically” -NARENDRA MODI(PRIME MINISTER OF INDIA).

## DIGITAL INDIA

Digital India is a campaign launched by the Government of India to ensure the Government's services are made available to citizens electronically by improved online infrastructure and by increasing Internet connectivity or by making the country digitally empowered in the field of technology. Delivery of public services with IT is an important part of Digital India. The Digital India programme was launched by Prime Minister Narendra Modi on 1<sup>st</sup> July 2015.

## Practical Application for Going Cashless:

**Internet Banking:** Internet banking is an electronic payment system. Different types of online financial transactions are done here such as National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS).

**NEFT** is a nation-wide payment system facilitating one-to-one funds transfer that facilitates individuals and firms to electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country. The settlement takes place in batches of regular time intervals. For example, Earlier, National Electronic Funds Transfer operates in hourly batches – there are 12 settlements from 8AM to 7PM during weekdays (Monday through Friday) and 6 settlements from 8AM to 1PM on Saturdays. But, to make it more customer friendly RBI announced that from 10<sup>th</sup> July 2017, the settlement will be on half hourly basis. (i.e. On Weekdays - 08:00, 08:30, 09:00, 09:30, 10:00, 10:30, 11:00, 11:30, 12:00, 12:30, 01:00, 01:30, 02:00, 02:30, 03:00, 03:30, 04:00, 04:30, 05:00, 05:30 06:00, 06:30, 07:00& On Saturdays 08:00, 08:30, 09:00, 09:30, 10:00, 10:30, 11:00, 11:30, 12:00, 12:30, 01:00). Account-holders can transfer funds through this system by using internet banking facility provided by the bank.

**Real Time Gross Settlement (RTGS):** RTGS is defined as the continuous settlement of funds transfers. The RTGS system is primarily meant for large value transactions. This is the fastest possible money transfer system through banks. Funds may be transferred through the RTGS using the internet facility provided by the banks. Real Time Gross Settlement refers to a funds transfer system where transfer of funds takes place from one bank to another on a ‘Real Time’ and on ‘Gross’ basis. Settlement in real time means that transactions are processed continuously throughout the RTGS business hours. The transactions are settled as soon as they are processed, i.e., no waiting period. Real Time Gross Settlement is available for funds transfer within India only. ‘Gross Settlement’ means the transaction is settled on one to one basis without bunching or netting with any other transaction. Once processed, payments are final and irrevocable. The minimum amount to be remitted through RTGS is 2 lakhs.

**Electronic Clearing System(ECS):** ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as: telephone bills, electricity bills, insurance premier, card payments and loan repayments, etc.

**Immediate Payment Service (IMPS):** IMPS offer an instant, 24X7, interbank electronic fund transfer service through mobile phones.

**Mobile Banking:** It is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet.

**Debit/Credit Cards:** A debit card (also known as a bank card, plastic card or check card) is a plastic payment card that can be used instead of cash when making purchases. And a credit card is a thin rectangular slab of plastic issued by a financial company, that lets cardholders borrow funds with which to pay for goods and services.

**Aadhaar Payment Bridge System:** APB System is used by the Government Departments and Agencies for the transfer of benefits and subsidies under Direct Benefit Transfer (DBT) scheme launched by Government of India. It eliminates inordinate delays, multiple channels & paper-work involved in the existing system and Transfers benefits & subsidies in a seamless & timely manner and directly into the Aadhaar Enabled Bank Account.

### **BENEFITS OF GOING CASHLESS:**

- With the help of higher transparency, it will help in reducing tax avoidance of all the transactions.
- Improvement in basic credit access and financial inclusion thanks to digital technologies and greater data accessibility.
- Reduction in cost such as printing, transporting and usage of physical cash.
- Restrict black money and corruption in the economy.
- Each and every single transaction can be accounted by the government pursuing them in taking accurate decisions at both micro and macro economical level.
- You have the access to transact whenever and wherever you want through digitalization. Physical presence of a person to conduct a transaction in banks or office is not required
- In case your plastic card is stolen it is easy to block a credit card or mobile wallet remotely, but it's impossible to get your cash back once stolen.

### **DIFFICULTIES IN MAKING INDIA AS A CASHLESS ECONOMY:**

There are several hindrances in making India a cashless economy. Following are the challenges:

- Through immense motivation and awareness to people bank accounts have been opened through Jan Dhan Yojana Scheme but major hindrance is most of them are lying unoperational.
- The high Illiteracy rates in rural sector & lack of basic infrastructure creates a major challenge for promoting cashless economy.
- Since India is dominated by small retailers and producers therefore, they don't have enough resources to invest in electronic payment infrastructure.
- People who live in the lower level of income groups are not technology friendly. They don't know how to operate a smartphone forget about Paytm and online banking.
- Everyone cannot buy a smartphone and recharge their daily data packs as person who fights for his survival, how will he arrange the amount to invest in electronic gadgets.
- Multiple of times we hear news like the security of debits cards was breached in India. So, this is the main drawbacks of cashless transaction.

### **OBJECTIVE OF THE STUDY**

#### **Primary Study**

The study will be conducted to identify the consumer's attitude on cashless transactions and digitalization. To determine the number of times they use the cashless system in their payment. Know the problems being encountered using the system. No. of participants undertaken for this research was 50.

## Secondary study

This study is conducted to recognize the pros and cons of cashless transactions in the society. Recognize the effects of cashless transactions to a nation's economy.

## REVIEW OF LITERATURE

Cashless economy is an economic setting in which good and services are bought and paid through electronic modes of payment (Woodford 2003). On the other hand cashless society means reduction in physical circulation of cash and increase in electronic forms of payment.

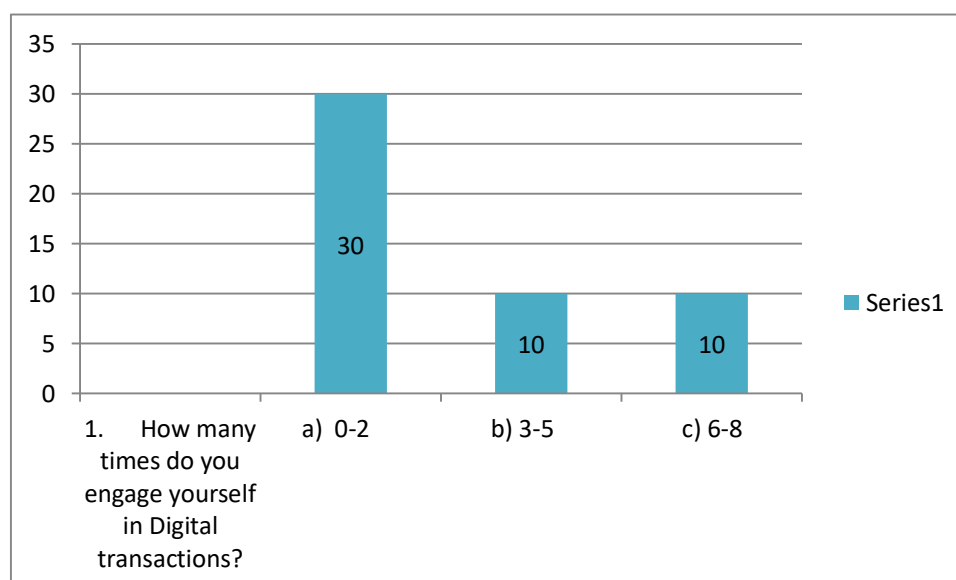
Humphrey(2004) observed that developed countries in the world are moving away from paper-based cash towards electronic forms of payment.

Jain, P.M (2006) in the article —E-payments and e-banking opined that e- payments will be able to check black —An Analysis of Growth Pattern of Cashless Transaction System. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.

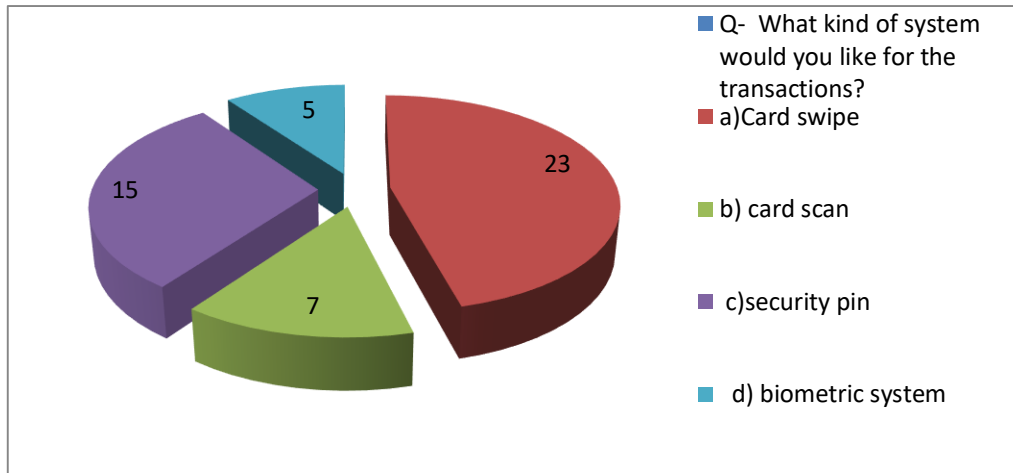
Srinivas, N. (2006) in his study —An analysis of the defaults in credit card payments, has tried to analyze the socio-economic profile of the defaulters of credit cards, to identify the set of factors which contributed to such defaults and suggest relevant measures to minimize the default cases. Analysis of reasons indicated that economic hardship is the major reason identified by majority of the sample units follows by rigid payment structure and loss of job/business. The main suggestion is that the banks concerned should redesign the payment structure of credit card defaulters in a flexible and affordable installment.

Akinola (2012)The paper examines the security and reliability part of cashless society. It is a fact that cashless society has many advantages and it may lead to reduce corruption, crimes on the one hand and on the other hand it will able to increase the government revenue to a great extent. Government may force to implement the cashless system by applying certain rules and regulations, but it may fail if the service receivers are not in a position to understand the potential benefits.

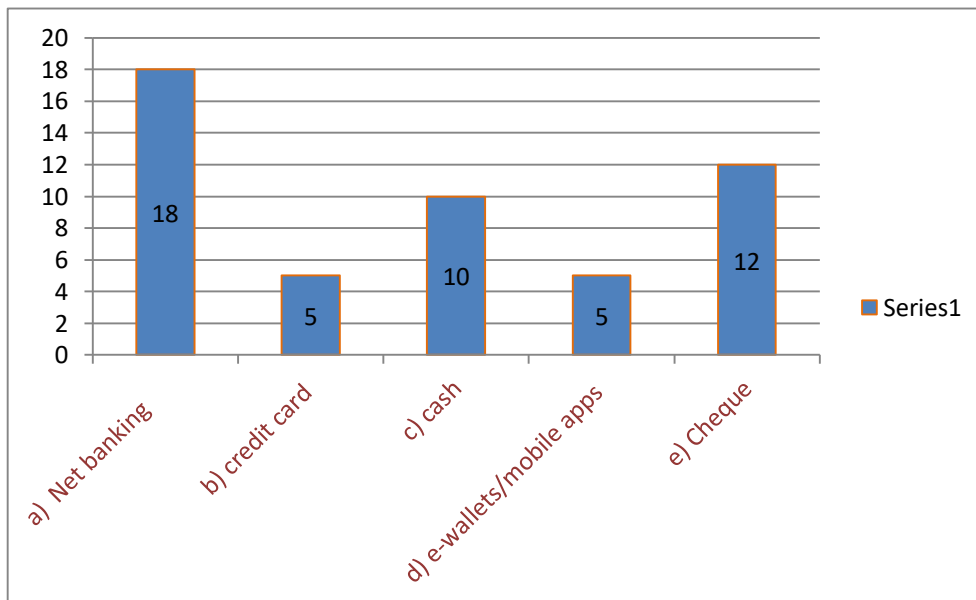
## ANALYSIS AND INTERPRETATIONS:



**Interpretations**-Out of 50 people, 10 each were engaged in 3-5/ 6-8 no. of digital transactions and majority of people were engaged in 0-2 digital transactions.



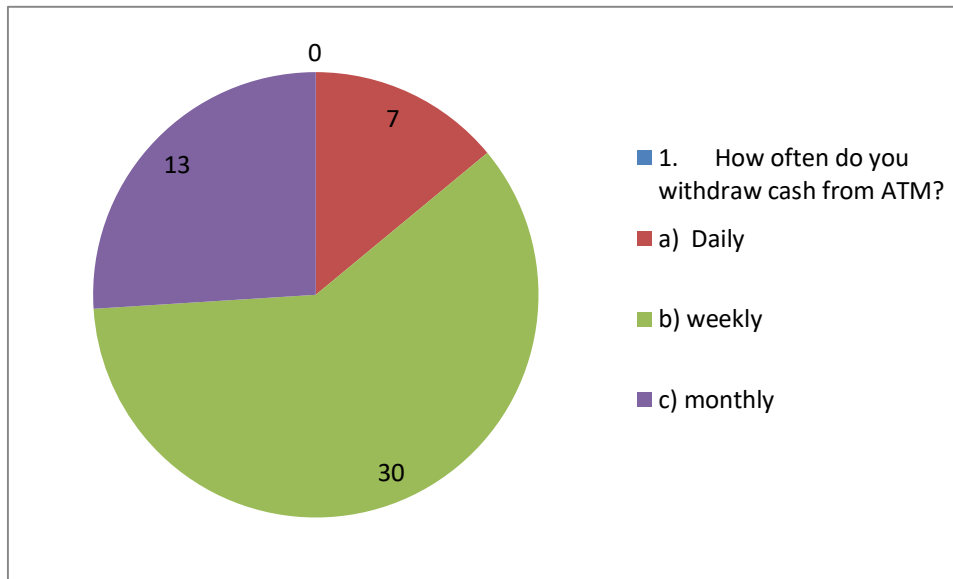
**Interpretations**-Out of 50 people, most of the people preferred card swipe option and least preferable option was biometric system.



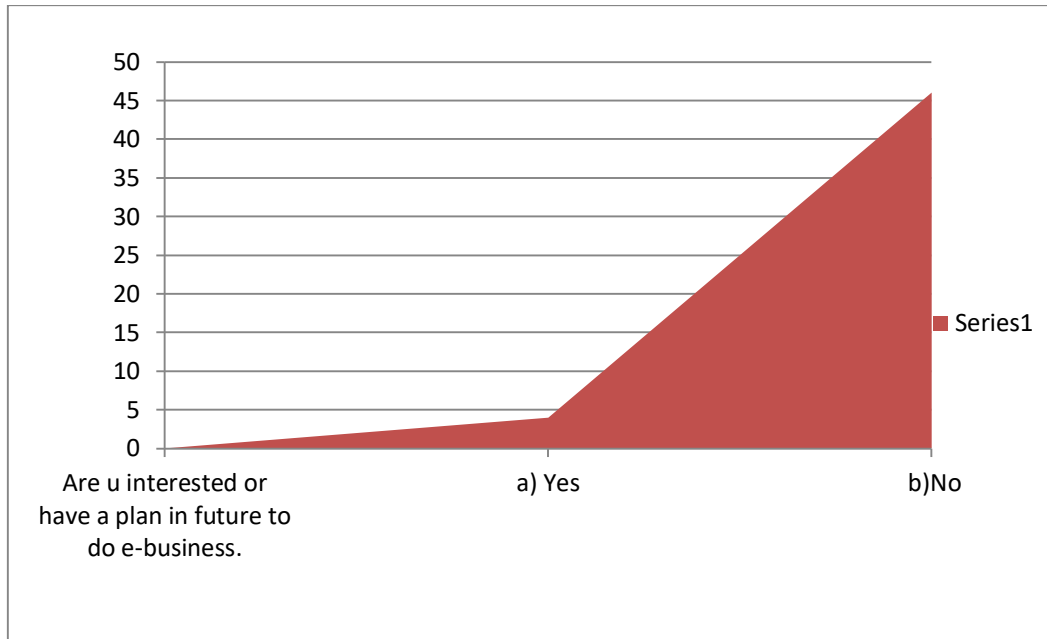
**Interpretations**-Out of 50 participants, 18 participants were engaged in net banking, 5 each were engaged in Credit card and e-wallets and 10 participants preferred cash as mode of payment since demonetization.



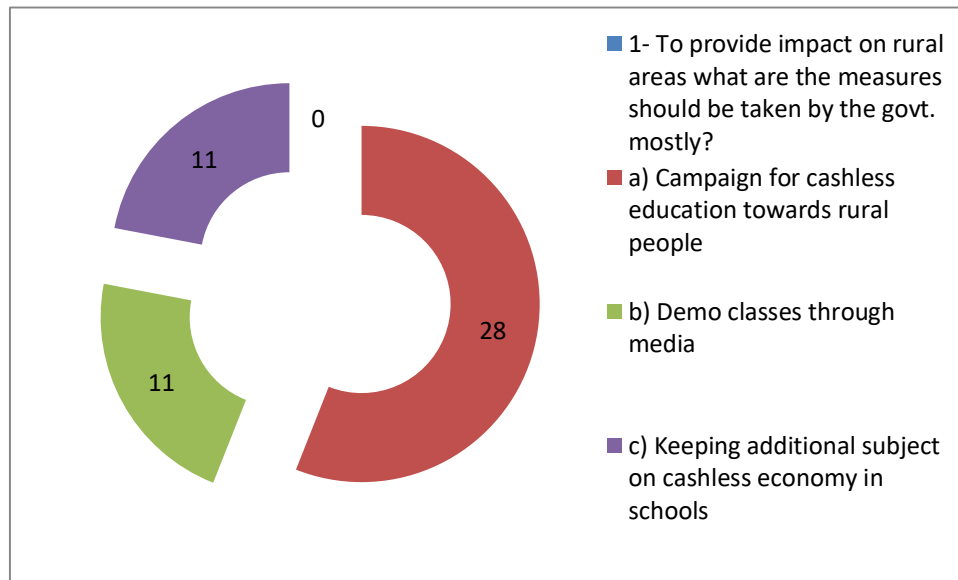
**Interpretations**-Out of 50 participants, 2 participants were of the view that card system is not required in hospitals, whereas majority were of the view that card system is not required in small grocery shops and fruit stalls.



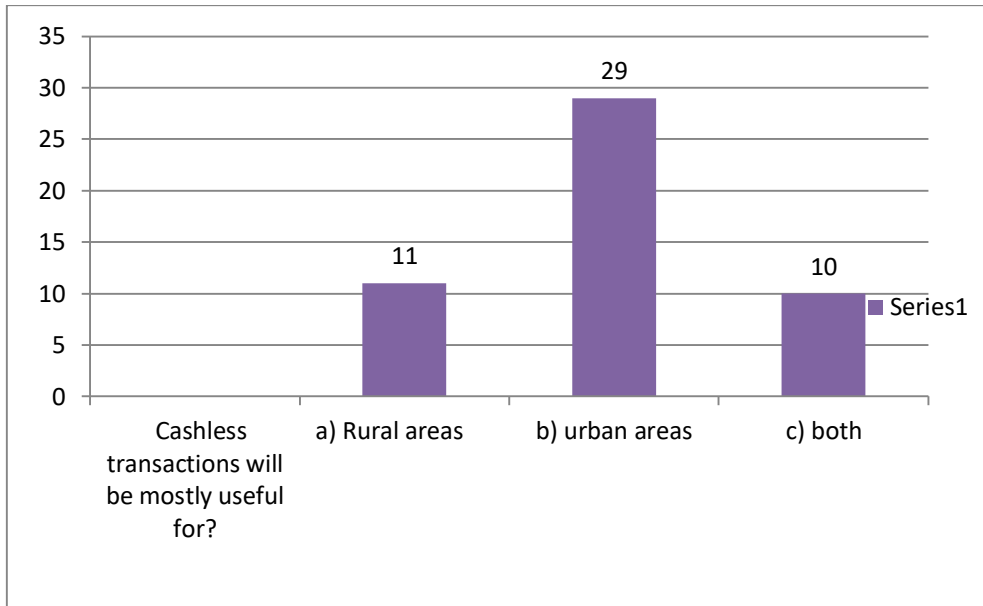
**Interpretations**-Out of 50 people, majority of people were withdrawing cash from ATM on a weekly basis, whereas few of them preferred more online-payments than using cash.



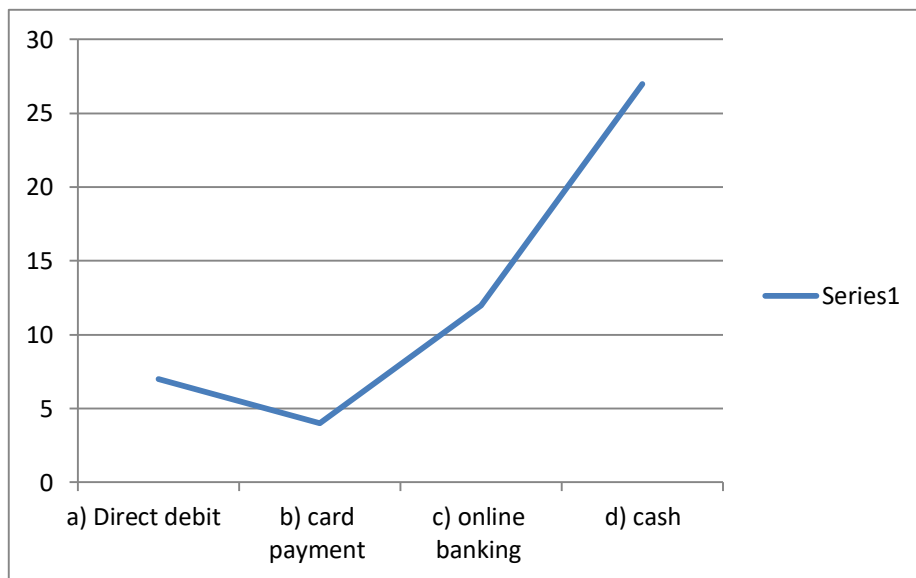
**Interpretations**-Out of 50 participants, 4 people were interested in future e-business where as others didn't think of starting any e-business.



**Interpretations**-Out of 50 people, 28 was of view that government should conduct campaigns to promote cashless transactions in rural areas and others preferred demo classes and additional subject in schools.

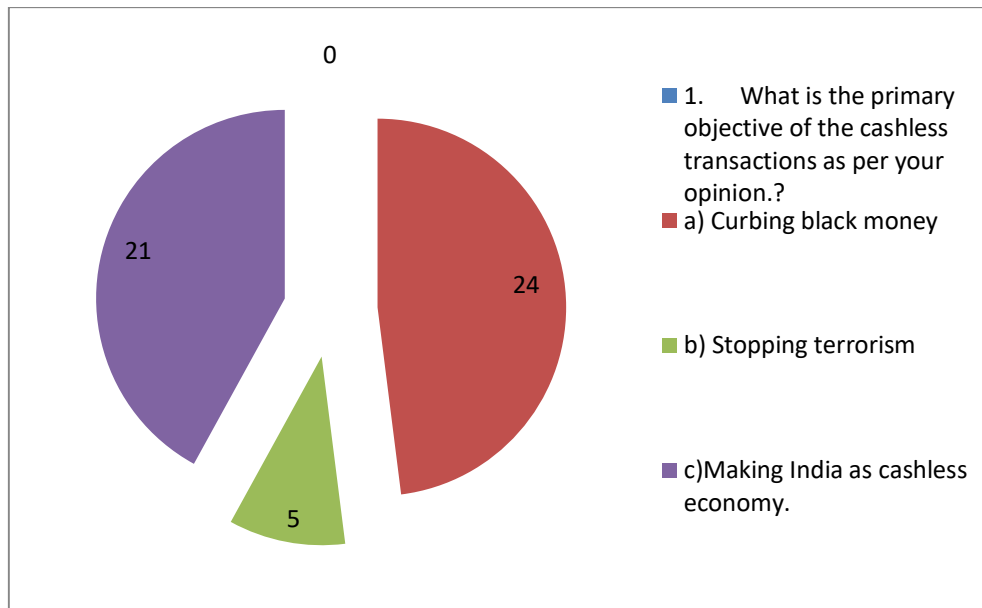


**Interpretations-** Out of 50 people, majority of people thought cashless transactions and digitalization would only be helpful to urban people.



**Interpretations-** Out of 50 people, majority of people i.e. 27 were making payment via cash for regular households' expenses such as bills and mortgages and 12 of them was making use of online banking and rest of them were using direct debit and card payments.





**Interpretations-**Out of 50 people, 24 believed that the primary objective of cashless transactions was to curb black money from the society, 21 believed to making India as cashless economy and rest supported to stop terrorism.

## FINDINGS

- Majority of people were engaged in cash transactions and not digital transactions as mode of payment.
- After demonetization only, a trend towards online payments and net banking as a mode of payment was seen.
- People were of view that digital payments are not suitable for the small businessman such as grocery shops, hawkers, peddlers and fruit stalls.
- Many of them were withdrawing cash from the ATM on weekly basis.
- Only few of them i.e 4 people were thinking of starting E-Business in future.
- People recommended that more of campaigns should be organized to promote education on cashless transactions and digitalization.
- Majority of people were of view that digitalization will only be beneficial for the urban people or society because rural society is lacking the basis knowledge and infrastructure.
- 50% of the people believed that cashless transaction was initiated to curb black money and corruption.

## SUGGESTIONS

- Government should assure necessities like good infrastructure in rural areas.
- Financial literacy and awareness towards digitalization is must for bringing more and more people to the digital platform.
- Linkage of all welfare activities with bank accounts is a very strategic step.
- Targeted financial education programs and campaigns can improve financial skills and Credit Management and increase account ownership in rural India.
- Through interactive sessions and live demonstrations with people one could easily promote digitalization.
- Basic cyber safety with better access to controlling techniques with strong corroboration measures should be implemented by mobile e-wallet companies.
- Tax rebates/deductions/concessions for consumers and merchants who adopt electronic payments.
- Make electronic payment security system completely safe and secured in both rural and urban areas of India.
- Provide education related to the digital payment and online payments, its tools, benefits and processes in schools of rural areas.
- Motivate every citizen especially in rural and semi urban areas to use digital payments as well as other products and services offered by Digital India by giving them discounts and cash back offers.

**CONCLUSION:**

A cashless economy is secure, and it is clean. We have a leadership role to play in taking India towards an increasingly “digital economy”. Various forms of payment system are available for the consumers like e-wallets, plastic cards such as debit/credit cards, mobile payments and Aadhaar based payment systems. Encouragement from the government is required in terms of discounts or incentive framework if the person does the cashless transactions. Thus, as citizens and youths of India it is in our hands to promote this digitalization encouraged by our Prime Minister Mr. Narendra Modi who has a bright vision towards the upcoming of future India. The possibilities of digitalization driving transformation of human society to a next level of comfort and sophistication are immense and only time will stand witness to the changes digital technology would bring to our planet.

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## QUESTIONNAIRE

1. How many times do you engage yourself in Digital transactions?  
a) 0-2   b) 3-5   c) 6-8
  2. What kind of system would you like for the transactions?  
a) Card swipe   b) card scan   c) security pin   d) biometric system
  3. What has been your preferred mode of payment since demonetization?  
a) Net banking   b) credit card   c) cash   d) e-wallets/mobile apps   e) Cheque
  4. Choose the option where you think card system is not required?  
a) Hospitals   b) small grocery shops   c) fruit stalls
  5. How often do you withdraw cash from ATM?  
a) Daily   b) weekly   c) monthly
  6. Are u interested or have a plan in future to do e-business?  
a) Yes   b) No
  7. To provide impact on rural areas what are the measures should be taken by the govt. mostly?  
a) Campaign for cashless education towards rural people  
b) Demo classes through media  
c) Keeping additional subject on cashless economy in schools
  8. Cashless transactions will be mostly useful for?  
a) Rural areas   b) urban areas   c) both
  9. How do you pay for your regular households' expenses such as bills and mortgages?  
a) Direct debit   b) card payment   c) online banking   d) cash
  10. What is the primary objective of the cashless transactions asper your opinion?  
a) Curbing black money  
b) Stopping terrorism  
c) Making India as cashless economy.
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