

Customer Preference towards Cashless Payment: An Empirical Analysis

Nancy Sahni,

Assistant Professor, Lovely Professional University.

Abstract

Digital payments system is a digital platform that enables customers to create their purchase transactions. Customers get a moderate perception of electronic payment, and customers' socio-economic status and perception of electronic payment vary considerably. Digital payment adoption rate is positively and substantially influenced by customer understanding. In this study 300 respondents were approached and it was found that the most valued attributes by the respondents were technology and service quality and the crucial promoting element for cashless transactions marked by respondents was of 'Reduced Time' followed by 'Ease of Use'.

Keywords: Digital payment, Attributes, Cashless Transactions

Introduction

Cashless payment is in trend these days and especially after demonetization it has become a need for everyone. Cashless payments imply an individual doing financial transactions without the usage of cash. When you don't pay/accept/buy/sell anything using physical money i.e. currency notes or coins is the cashless transaction. Exchange of money takes place via cheque, RTGS, NEFT, IMPS, demand draft, debit card, credit card or through UPI.

The financial requirements and demands have changed over time with the convergence of markets in rural and urban areas and the migration of people from rural to urban areas. The banking industry has evolved over the years to fulfill these changing needs. Originally, except for ATMs, consumers are hesitant to use electronic banking methods. Although urban trained consumers are using ATM systems, they have been suspicious of using electronic banking methods such as twitter, mobile banking, etc. for a very long time. However, with the ease of internet availability, the perception of customers is changing. The increase in internet seepage is impacting the service industry directly and positively. According to the cashless India website, the Digital India project is a most important Indian government initiative with inventiveness to turn India becomes a society with digital power and a knowledge economy. "Faceless, Paperless, Cashless" is one of Digital India's ostensible positions. If we see issues varying before demonetization, India has been a cash economy for a long time. Roughly 95 percent of the payments were carried out in cash until November 2016, with almost 90 percent of retailers unable to accept any other form of payment. According to KPMG, India currently has over 45 mobile wallet providers and about 50 UPI-based wallet providers. There is still plenty of room for growth: in India, according to the BIS, there were only 18 cashless transactions per inhabitant on average in 2018 compared to 142 in China and 529 in Sweden. With the strong move to cashless economy, the speed of moving to digital payments has increased significantly. This move would not have been possible without multiple factors driving digitalization development and proliferation, including:

- Growing use of mobile phones
- Lower service delivery rates
- Banks prohibit customers from visiting branches
- Unorganized sector that supports the digital economy
- Demonetizing

Digital payment acceptance became evident when the country's Honorable Prime Minister, Shri Narendra Modi, launched a mobile app named Bharat Interface for Money, commonly known as BHIM, 2 month after demonetisation announcement so this mobile application, produced a world record of sort when it was accessed more than 17 million times for less than 2 months. With some 72 million transactions, some networks such as Immediate Payment Service (IMPS) have seen growth of 97 percent. While the macro variables seem to indicate conducive surroundings for electronic transfers which are also endorsed by the regulator's strategy, there are still several challenges to hit the state where the country is really virtual. Bitcoin-based financial infrastructure, like the Internet, is expected to carry a revolution. Bitcoins may be the medium of exchange and trading in the coming years. India's Reserve Bank took a supportive view of cryptocurrencies and RBI regulations do not require Bitcoin to be a prepaid tool of payment. Cyber threats are not far behind, keeping pace with the growth of digitisation. In 2015, there were registered a lot many as

11,592 incidents of cybercrime cases in India. Combined with the expansion of the digital economy, the acceleration of cybercrime is as close as it can, if not properly handled, reach a death knell. Through measures like 'DigiShala,' the government seeks to create a favorable environment for 'cashless economy;' certain measures such as the National Optical Fiber Network (NFON) and the introduction of the Unified Payment Interface (UPI), Bharat Interface for Money (BHIM) would help to promote faster acceptance and digital transfer of payments. Nevertheless, in the digital payment ecosystem, this sudden increase and change in end-user profile has led to various challenges. Cybersecurity is one of the biggest challenges facing investors in digital payment ecosystems. With increasing numbers of users choosing digital payments, the likelihood of exposure to cyber security threats such as online fraud, identity theft, and malware or virus attacks is also increasing. Lack of knowledge and weak mobile payment system are one of the main reasons why these attacks are rising. Some of the steps that can help ensure the long-term success of electronic transactions are a comprehensive regulatory framework, an active consumer protection mechanism, confidence- and trust-proof security measures, opportunities for greater commitment and cash-like benefits i.e. convenience of use, widespread recognition, presumed lower trading costs, comfort and immediate settlement.

Problem Identification

Absence of Awareness

Absence of Trust

Absence of Usability

Absence of Security

Online transactions in rural areas are not feasible

Multi-currency and Payment Methods

Review of Literature

Robert E. Litan and Martin Neil Baily (2009) examined trend toward digital means of consumer payment, asking several questions about the evolution of digital money, impacts of technologies such as wireless devices have on payment for goods and services and what will the consumer payments industry look like in the future. It was about money and its use, primarily by consumers in the first sense of term, as a medium of exchange. In the United States alone, payment providers in the private sector generate revenue of about \$280 billion a year. Secondly, it turns out that how we pay for things influences what and how much we buy, and when.

Sunita Aggarwal and Ankit Jain (2011) in their study examined the innovations that are taking place in the banking sector of India and the challenges faced by the sector. Challenges ahead of the banking sector in the changing economic conditions and the dynamic banking scenario have been discussed in the study.

N. Kamakodi, Basheer Ahmed Khan (2012) investigated the level of comfort of Indian consumers using digital channels such as Automatic Teller Machines, internet, etc. to carry out payments in banking; customers' choice to use online channels rather than to go to a branch. We also noticed how relaxed Indian customers feel with their digital financial information and feel that the use of technology in banks has increased the level of service in banks.

Praveen Sharma (2012) examined the use of online banking in rural areas. Rural people are strongly overruling the Indian economy. Approximately 6 lakhs villages with 70 percent of the population still live in rural areas in the country. Because of the dissimilar existence of the rural economy and its survival, it's not an easy task to represent this huge population base. It is necessary to provide services that cannot be provided by traditional banking facilities with the aid of the current banking system. Therefore, alternative service needs to be created specifically for poor rural people. Before that, it is necessary to determine the specific service requirement that rural people are seeking. It is not possible to cover the services and facilities provided in non-rural areas. Consequently, the researcher has established seventeen elements that can generate barriers to provide services to the poor through banks. Elements such as sufficient provision of ATMs, training facilities for customers, bank accounts maintaining costs, transportation, etc. are some of the elements that may cause problems. If and until such time as these facilities are enhanced, banks may not be able to provide the services needed in the rural sector.

Surendra Kumar (2013) focused on the concept of the new generation banking system. The Indian banking system has a rich history, and over time it is growing in various ways. Different forms of banking services are being introduced for just the benefit of potential customers, however these services might not be sufficient to meet the growing need for more service, quality products and better reach. The banking sector has been found to grow horizontally most of the time to reach the vast customer base, but most of the time the expansion took place in a non-plan manner. As a product of the same thing, the value-added services cannot be given by the company. There is an increasing demand for new age technology that banks should embrace to provide the products that are much needed. The banks are essentially working as financial backbone of the country, and it is imperative to provide sufficient funding to bridge the demand supply gap. Therefore, it is important to build that atmosphere with the help of technology that can help to include multiple financial services such as funding to the needy section of the people.

Dr. Preeti Singh (2013) analyzed the use and relevance of online banking that provide rural poor with value-added services. Access to banking services is very important to the overall growth of any economy or people living in that country. Traditional banking facilities are unable to meet local criteria, as a consequence of which mostly vulnerable section did not make use of the facilities as and when the demand arose. But only technology adaptation would not work until and unless the service recipients understand well the benefits of the facility. Increasing consumer awareness would not work without increasing the psychological barrier of access to various facilities. In this section, most service providers are facing difficulties. People don't know well about the banking services and facilities they are supposed to get. In addition, many people try to avoid the traditional banking system due to different rules and regulations and heavily rely on local lenders of cash. The new system can help deliver better services, but the lack of expertise in facilities will dilute the entire process. This is a serious problem that needs attention so that psychological barriers can be slowly overcome.

Rahul Midha (2016) developed the digitalization process problem and digital India project effectiveness. The software is a good initiative, but it does have some challenges that need to be resolved. The Digital India project's objective is to create a cashless society with its own advantages. The execution phase is definitely disturbing as the idea is new, but over time this has to be seen from the customer perspective. It's high time consumers addressed the pertinent issues to remove the current barriers.

Batra and Kalra (2016) authors studied customer awareness and perception of digital wallets; customer preferences and usage patterns of digital wallets; challenges faced and barriers to digital wallets adoption and reasons for digital wallets adoption and customer satisfaction. When embracing any new technology, demographics always play an important role. Indian consumers under the age of 35 are almost double in downloading a mobile app relative to those over the age of 50 years. More than half of these consumers use payment cards at least once a week for special offers such as vouchers, discounts etc.

Shin (2009) tested a detailed model of market acceptance for mobile payments. It used the Unified Technology Acceptance and Use Theory (UTAUT) model with security, trust, and self-efficiency constructs. The structural equation method was used to develop the e-wallet attitudes predictive model. Whilst the paradigm verified the typical position of technology acceptance factors (i.e. perceived user attitude), the findings also demonstrated that perceived security and trust affected user attitudes and intentions. The moderated effects of demographics were very important on the relationships between variables.

Research Objectives

1. To assess the usage of different cashless payment platforms by the customers.
2. To determine the factors affecting usage of digital payment platforms.

Research Methodology

Type of Research: It will be Quantitative research because with this type of research. This will give us proper numeric value that how much people know about the modes of payment changes from last 10 years. How they feel about or we can say that their personnel opinion about our research topic.

Target Population We target the age group from 20 to 50-year-old people because we believe that this age group will have good knowledge about the modes of payments and they also help us to provide appropriate or efficient information so that we can easily complete our research.

Research Design for our research we will be doing descriptive research because we target the group of individuals from 20 to 50-year-old people which gives us information that weather they are able to cooperate or update themselves with change of payment modes or not.

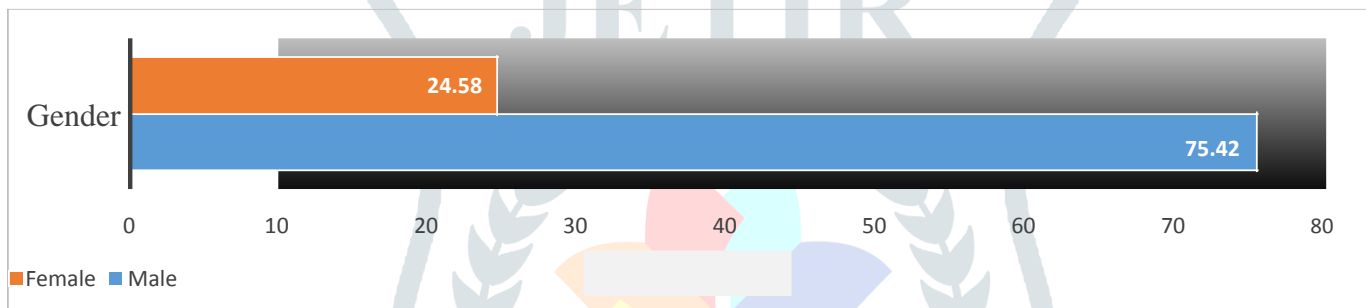
Sampling Technique for our research. We are going to use simple random sampling as we are going to the people as random approach and it will be systematic sampling too as we have the gender comparison is also there for which we have to choose them equally on that part of sampling.

For the purpose of research, questionnaire was used for collection of primary data from the respondents and will be analysing the collected information of the analysis tools for the purpose of fulfilment of the research objectives. Sample size of the research was taken to be 300 respondents as result of the average of the sample size in the reference research papers taken for the conduct of this research.

Data Analysis and Interpretation

Profile of the Respondent

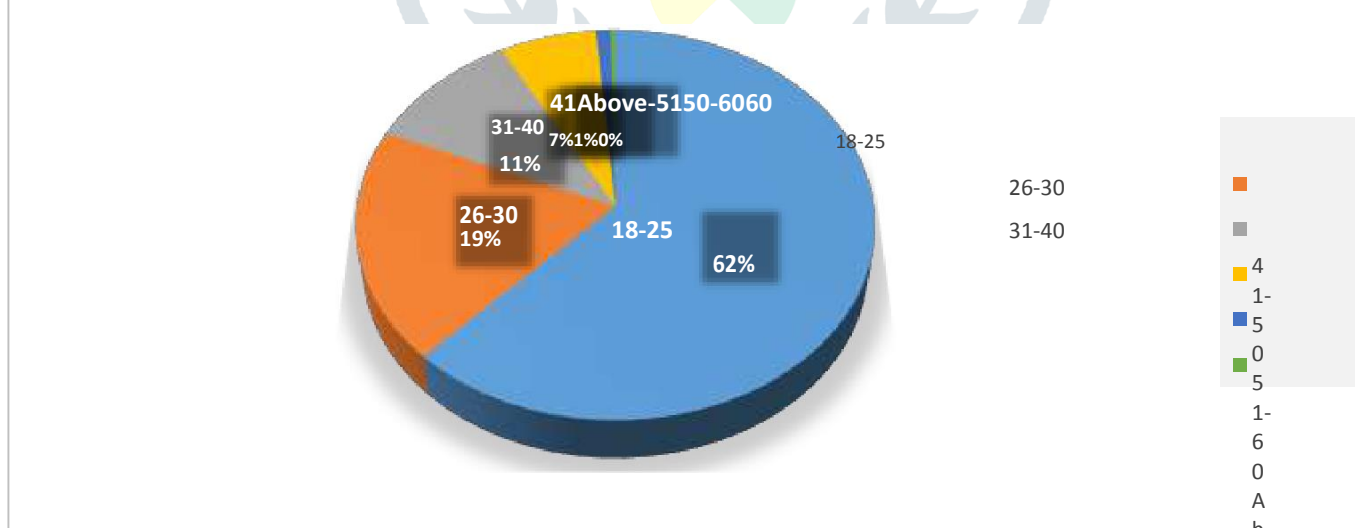
Gender Ratio of the study



Source: Author's own Calculation

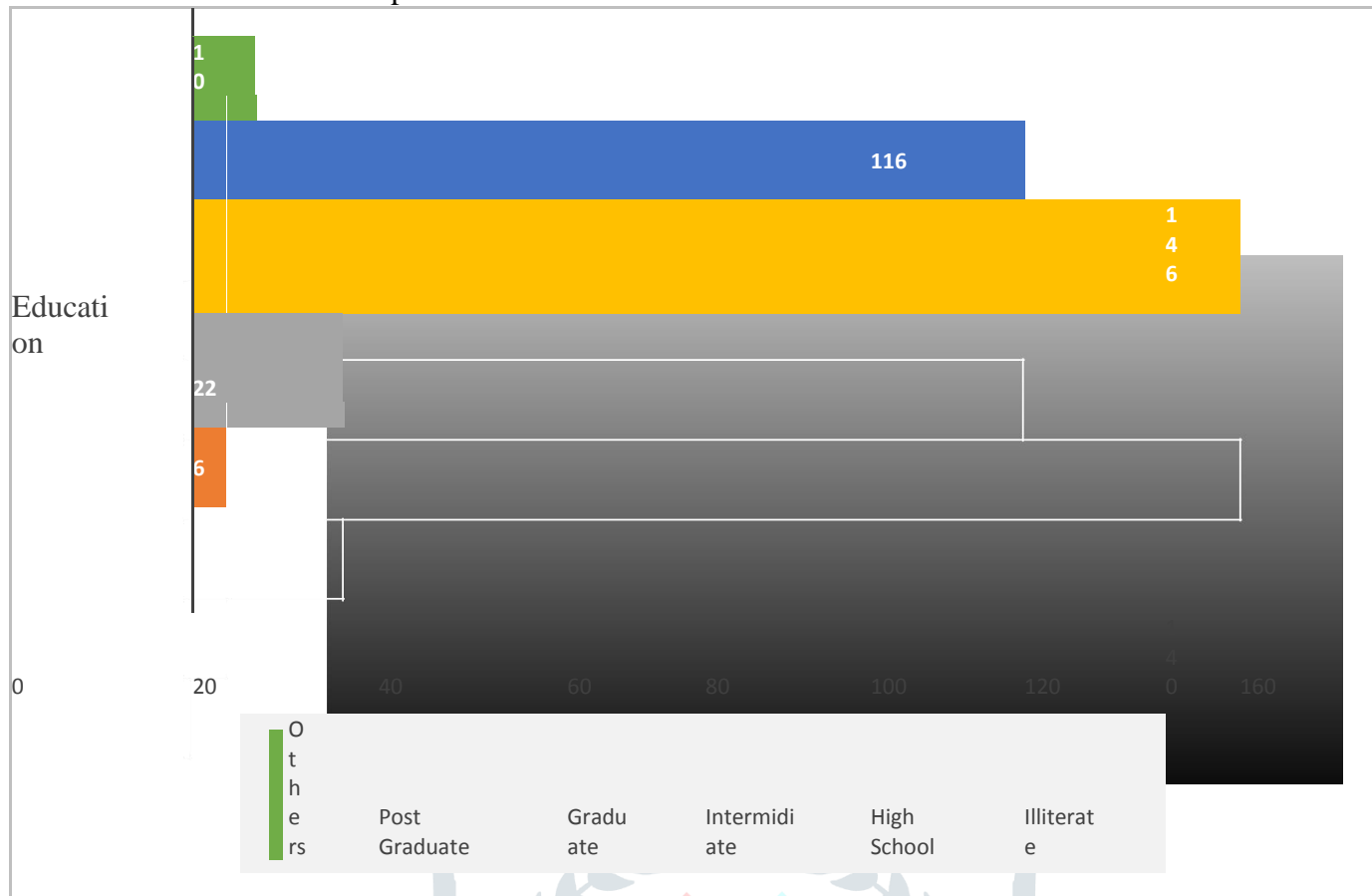
Age demographic of the study

Age Demographic



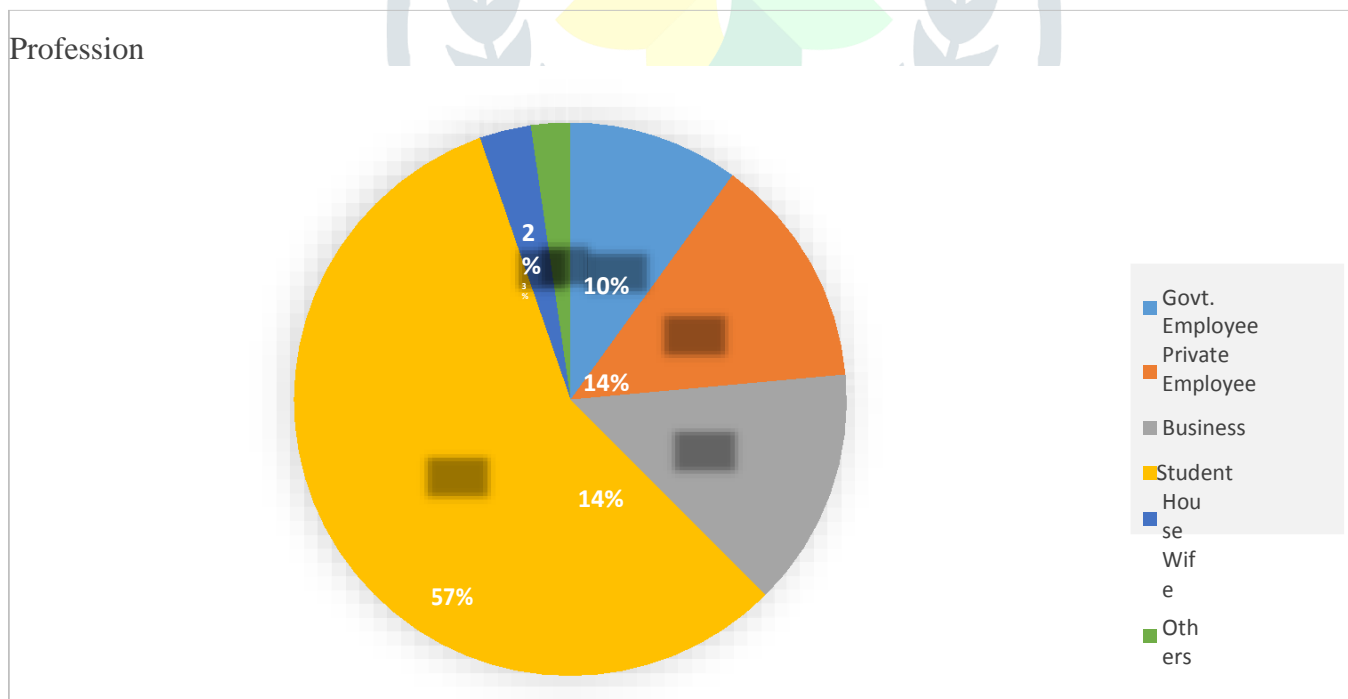
Source: Author's own Calculation

Educational difference of respondents



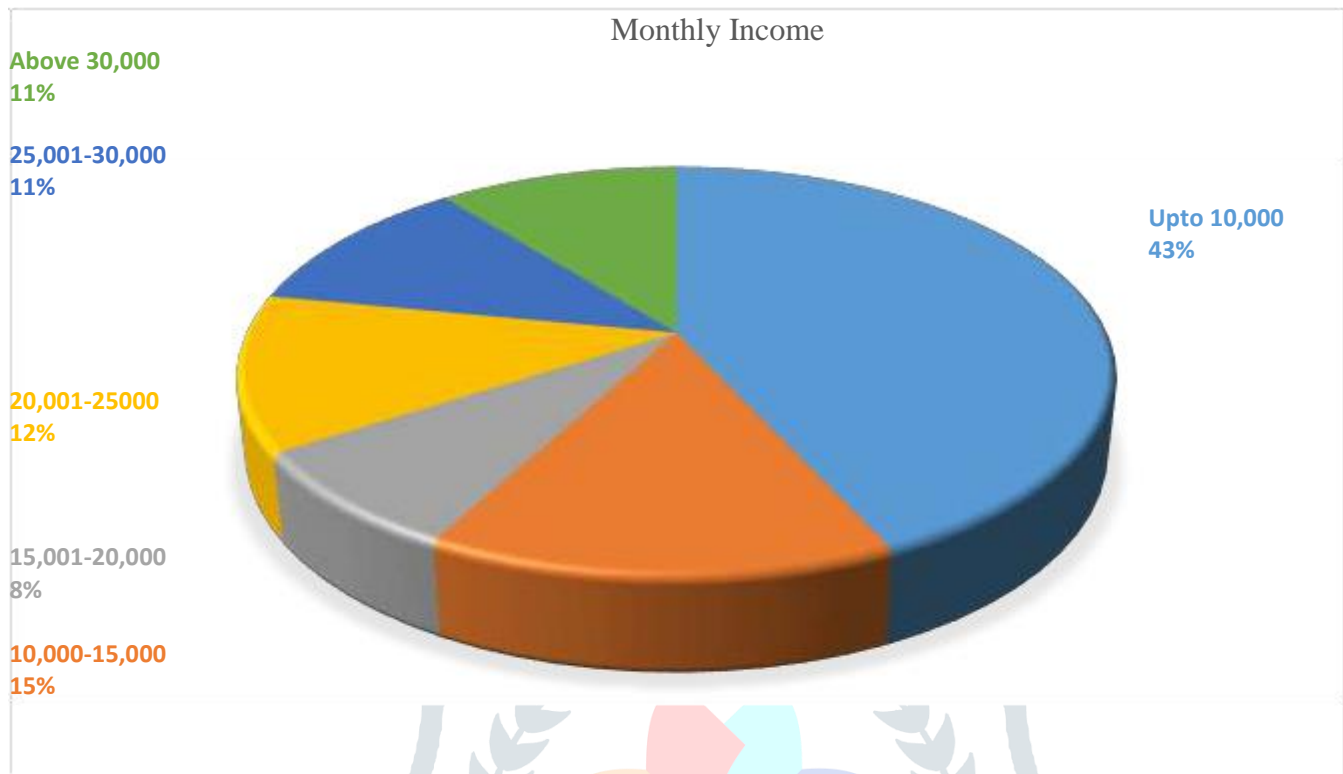
Source: Author's own Calculation

Profession of respondents

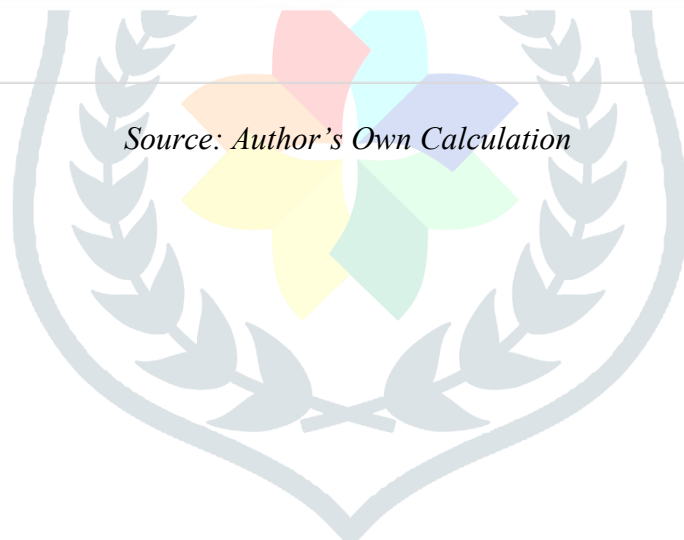


Source: Author's own Calculation

Monthly income of respondents



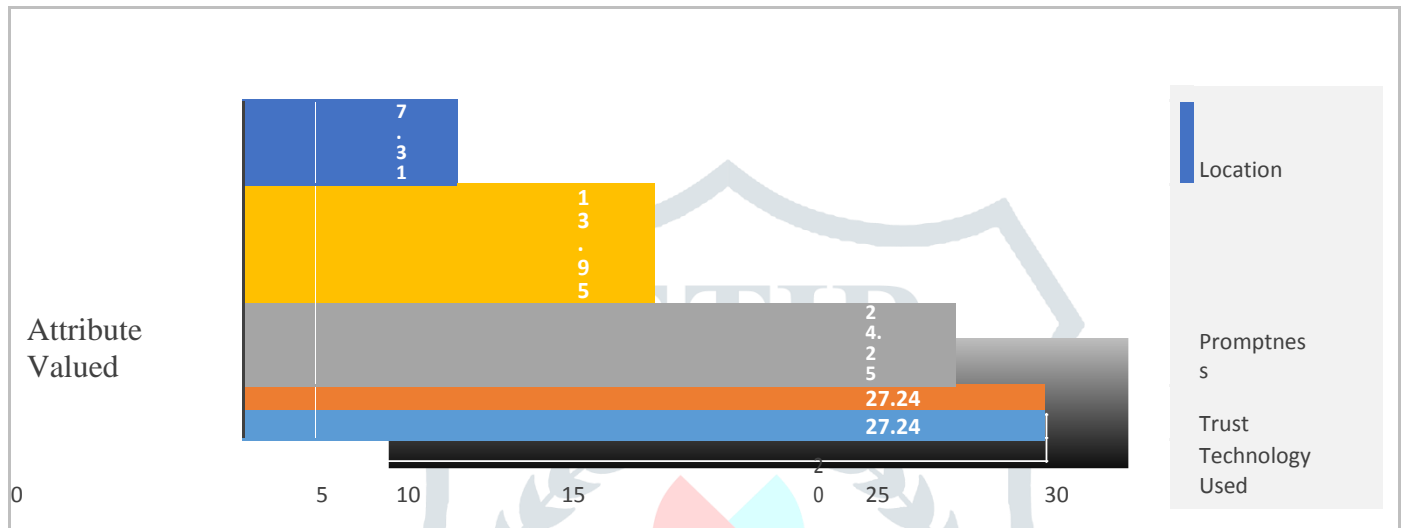
Source: Author's Own Calculation



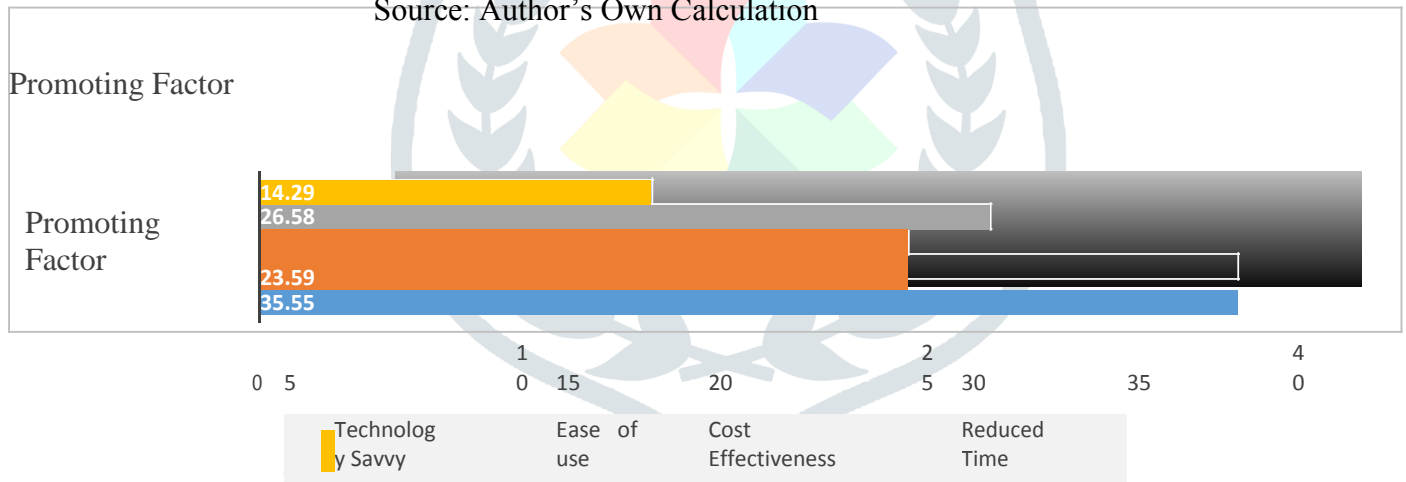
Awareness and Medium Used for Cashless Payments

94.02% of our respondents agreed to be using different cashless payment platforms but were facing several issues and were being affected by different factors on which the frequency of use varied between the respondents. Most of our data indicated that people have started using digital payments between the time period of last 5 years (73.3%) and only 9.6% sample audience told that they were using digital payments from more than 10 years. This indicates that there were some demographic and moral influences which motivated people for going cashless in previous 5-10 years in the country. 62% of the respondents said that they were making an average of upto 8 transactions per month via cashless mediums. This creates a pool of opportunities for the digital platforms and e-commerce.

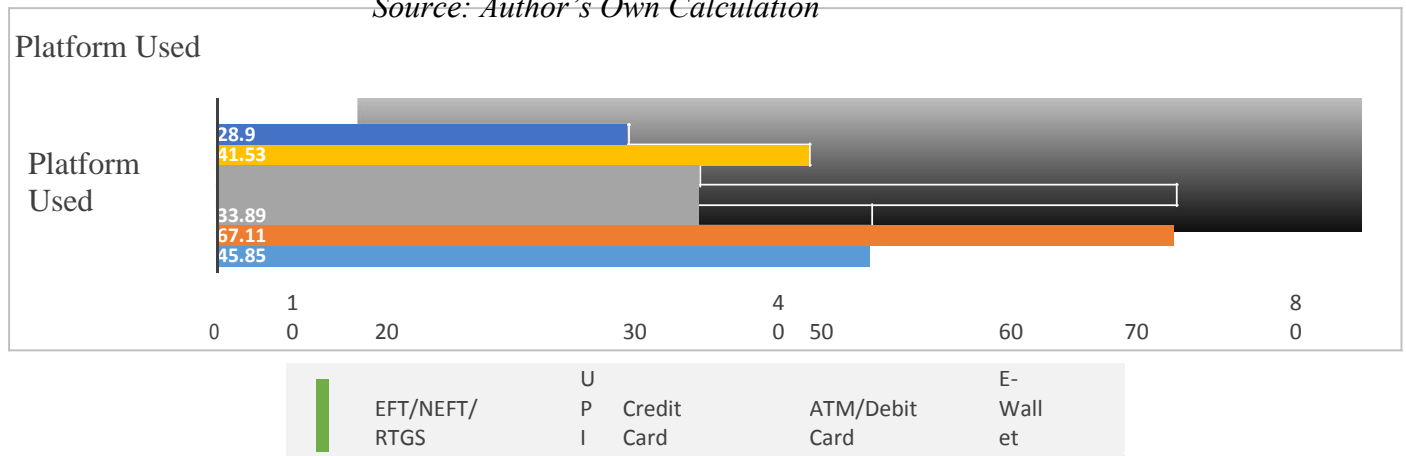
Attribute Valued



Source: Author's Own Calculation



Source: Author's Own Calculation



Source: Author's Own Calculation

Rating of the Factors

Respondents were asked to rate the different factors affecting their cashless transactions on a 5 point scale where 1 meant that the factor does not affect their behaviour at all and 5 meant that it was one of the most important factors affecting their cashless transactions.

	1	2	3	4	5
Sufficient number of ATM machines	20	16	52	89	124
The employees approach	17	18	68	93	105
Bank website does not freeze	17	23	69	95	97
Process of transactions	14	17	61	102	107
Quick confirmation	15	12	56	104	114
Security for ATMs	13	16	45	99	128
Online Filling	14	23	62	100	102
Privacy/Confidentiality of the bank	13	18	45	96	129
Easy to find and change information	16	12	50	111	112
Instructions on the bank website	17	23	39	110	112

	Average Ratings
Sufficient number of ATM Machines	3.943
The employees approach	3.846
Bank website does not freeze	3.783
Process of transactions	3.9

	1 3
Quick Confirmation	3 . 9 7 6
Security for ATMs	4 . 0 5 3
Online Filling	3 . 8 5 3
Privacy/Confidentiality of the bank	4 . 0 4 3
Easy to find and change information	3 . 9 8 0
Instructions on the bank website	3 . 9 3 3

Source: Author's Own Calculation

Findings of the Study

- The most valued attributes by the respondents were technology and quality of service.
- Most important promoting factor for cashless transactions marked by respondents was of 'Reduced Time' followed by 'Ease of Use'.
- Most widely used digital transaction medium was ATM/Debit Cards followed by E-wallets and UPI.
- Most important factors affecting the cashless transactions of the users as reported by the respondents was of Security of ATM machines and Privacy/Confidentiality of the bank which were closely followed by Quick Confirmation and Easy to find and change information.
- Most of the respondents (approx. 75%) reported being influenced by different demographic factors in the past 10 years which influenced them in increased usage of the cashless payment mediums.

Limitations of the Study

- Most of the respondents were of the age group 18-25.
- There were only about 25% of the female respondents
- Personal bias of the respondents.
- Most of sample audience fell into students' category and they were either graduate or post-graduate and had an income level of less than 10,000.
- The research could be more enhanced by inclusion of more respondents from different profession and age groups.

Conclusion

Most of our respondents (More than 90%) agreed to be using cashless mediums of transactions from past 1 to 10 years and have been influenced by a number of factors in doing so. Still most people are using ATM/Debit Cards more than the E-wallets and UPI mediums which shows that there is still a wide space of opportunity for e-wallet and e-commerce businesses for gaining the trust and loyalty of many potential customers of the country. Our audience rated all of the factors of having an importance of more than 3 on a 5 point scale which shows the impact of the focused factors on the audience of this research paper. People are closely affected by almost all the factors except 2-3 factors which were still seen to be of major concern. Sample audience rated security, process and quick confirmation to be factors of major concern along with the other factors and this symbolises that people are still hesitant because of the security concerns and the procedures involved during transacting through the digital mediums. The scenario has been constantly changing because of improved norms by RBI and constant changes in the government policies. Digital mediums are becoming more popular everyday especially among the millennials generation which formed a major part of this study.

References

- Sunita Aggarwal and Ankit Jain (2011). "Technological Advancements in Banking Sector in India: Challenges Ahead" in *Abhinav Journal*; Volume 2 Issue 1
- Reddy, Y.V. (2005) "Banking Sector Reforms in India: An Overview" RBI Bulletin. June
- N. Kamakodi and Basheer Ahmed Khan (2012). "Looking beyond technology: a study of e-banking channel acceptance by Indian customers." *International Journal of Electronic Banking*, Vol 1 No. 1
- Edward J. Malecki (2003); Digital development in rural areas: potentials and pitfalls, *Journal of Rural Studies*, Vol. 19, pp 201–214

Parveen Sharma (2012); Impact of Information Technology on the Development Of Rural Economy Of India, *International Journal of Information Technology and Knowledge Management*, Volume 4, No. 1, pp. 187-190

A. Surendra Kumar(2013); A Study on Banking Services of New Generation Banking; *International Journal of Science and Research (IJSR)*, ISSN (Online): 2319-7064, Volume 4, Issue 10, pp 459-462

Dr. Preeti Singh (2013); An Exploratory Study on Internet Banking Usage in Semi - Urban Areas in India, *International Journal of Scientific and Research Publications*, Volume 3, Issue No. 8, ISSN 2250-3153, pp 1-5

Sucheeta Kak, Sunita Gond (2015); ICT for Service Delivery in Rural India –Scope, Challenges and Present Scenario, *IOSR Journal of Computer Engineering (IOSR-JCE)*, e-ISSN: 2278-0661,p-ISSN: 2278-8727, Volume 17, Issue 6, Ver. I, PP 12-15

S. Aparna Pavani (2016); A Study on Indian Rural Banking Industry- Issues and Challenges, *International Conference on Recent Innovations in Engineering, Science, Humanities and Management (ICRIESHM)*, ISBN 978-93-86171-02-3, pp 154-163

Roopali Batra and Neha Kalra (2016). “Are Digital Wallets the New Currency”. *Apeejay Journal of Management and Technology*; January 2016, Vol 11, No 1

Bamasak, O. (2011). Exploring consumers acceptance of mobile payments—an empirical study. *International Journal of Information Technology, Communications and Convergence*, 1(2), 173-185.

Doan, N. (2014). Consumer adoption in mobile wallet: a study of consumers in Finland.

Kwan, J., Nadeau, M. C. & Steitz, J. (2015). Digital wallets in the U.S.: Minding the consumer adoption curve. *McKinsey on Payments*, 8(22), 26-31.

Padashetty, S., & Kishore, K. S. (2013). An Empirical Study on Consumer Adoption of Mobile Payments in Bangalore City-A Case Study. *Researchers World*, 4(1), 83.

Rathore, H. S. (2016). Adoption of Digital Wallet by Consumers.Bvimsr’s. *Journal of Management Research*, 8(1), 69.

Soman, D. (2001). Effects of payment mechanism on spending behavior: the role of rehearsal and immediacy of payments. *Journal of Consumer Research*, 27(4), 460–474.

Soman, D., & Gourville, J.T. (2001). Transaction decoupling: How price bundling affects the decision to consume. *Journal of Marketing Research*, 38(1), 30–44