

TRANSITION TOWARDS CASHLESS ECONOMY: A STUDY ON THE PERCEPTIONS AND EXPECTATIONS OF PEOPLE OF KOTTAYAM DISTRICT

1. *Manoj Narayanan K S
(Assistant Professor of Commerce, Baselius College, Kottayam, Kerala)
2. Linmer Jaseentha Souza S.
(FDP Substitute Lecturer in Commerce, Baselius College, Kottayam, Kerala)
3. Nistul Raj Muraly
(M Com Student, Baselius College, Kottayam , Kerala)

ABSTRACT- The Indian Government moves towards a cashless environment after the massive stoke of demonetization. In India, where people use a lot of cash in everyday life which is 95 percent cash transactions, but 85 percent of them are not in electronic forms. According to World Bank Development report 2013, electronic payments can save over one per cent of India's gross domestic product (GDP). "Cash may still be 'king' at times, but compared with electronic payments, cash payments are inefficient," According to the multi-lateral agency, the rising use of payment by electronic medium can help to save 1.6 per cent of India's GDP. At present, India has begun to show its pace in electronic method. The Government of India aims to promote and pace of cashless transactions among the people and all the sectors of economy, the Digital India programme is a flagship programme of the Government with a vision to transform India into a digitally empowered society. Digital India also promotes cashless economy. The cash less transaction means buying or selling products and services by using electronic forms instead of paper currency and excluding the cash based transaction from the all the marketing activities. This study throws light on the perception and attitude of people towards the transformation from cash to cashless economy and their expectations.

Key words: Digital, cashless economy, E- payment, Demonetisation

INTRODUCTION

Money was a leap in the history of civilization of man's economic progress. In today's society money is a necessary part of living and it is considered as the most dynamic element as well as a line between present and future. Money has become the religion in the ordinary business life. Money occupies a central and strategic position in the culture of modern society. Even though money has significant importance in the society, black money is a threat to the society. Black money is unaccounted money illegally acquired wealth or other assets made through accepting bribery or other morally depraved acts.

Cashless Economy is an economic system in which transactions are not done predominantly in exchange for actual cash. It does not refer to an outright absence of cash transactions in the economic setting, but one in which the amount of cash-based transactions are kept to the barest minimum and thereby, transactions will be made by electronic channels like debit cards, electronic funds transfer, mobile payments, multifunctional ATMs, internet banking and other technological based modes.

In India, though the concepts of internet banking, hi-tech banking and plastic money have been in operation for quite some years, a heated discussion on cashless economy has been promoted by demonetisation scheme initiated by the Indian Government in November, 2016. Demonetisation is the act of stripping a currency unit of its status as legal tender. The main aim behind this was to eliminate black money, fake currencies, terrorism funding of illegal activities and enable cashless transactions and aims to achieve less cash society.

STATEMENT OF THE PROBLEM

The growth of cashless transaction system is reaching its new heights day by day. The troubles caused by demonetisation paved way for an increased use of plastic money and other cashless transactions. There is a tremendous increase in mobile banking and other e-payment system usage in post demonetisation. Earlier the transactions were done only through debit/credit cards. These options always had the issue of security and were not regarded as user friendly. But after the evolution of smart phones, there is an explosion of digital payment options.

Cashless society is something that could become a reality in the near future with the introduction of new technologies. Currently the government has been advocating the use of e-payments and technology driven payments. This will push the people to adopt and implement cashless transaction for their needs. The ease of conducting financial transactions is probably the biggest motivator to go digital. In the light of these facts, a study has to be designed to explore the perception of people on transition from cash to cashless economy in order to analyse the attitude and to find out the effect of changes among them. This study addresses the above mentioned situation and assumes significance when conducted in one of the most literate districts of the most literate state.

OBJECTIVES

The present study is undertaken with the following objectives:

- To understand the usage level of cashless transactions and to identify the factors that motivate people to go for cashless transactions
- To study the preferred E- payments mode of respondents.
- To determine the expectations from and major challenges in cashless movement

HYPOTHESES OF THE STUDY

1. There is no association between the usage level of e payment modes and monthly income of respondents.
2. There is no association between the normally used mode of e payment and the educational qualifications of respondents are not associated.
3. There is no significant difference in the factors leading to the adoption of cashless payment system.
4. There is no gender-wise difference in the preference for convenience of cashless mode.
5. There is no occupation-wise difference in the preference for convenience of cashless mode

RESEARCH METHODOLOGY

The study has adopted a descriptive and exploratory research design. The present study incorporates the use of both primary and secondary data for an in depth analysis.

Primary source of data collected through self constructed questionnaire. A sample of 150 respondents from different socio-economic characteristics was selected from the various communes of Vaikam and Kottayam Taluks of Kottayam district of Kerala State through convenient sampling. The questionnaire was advocated to the respondents as Google form document. The secondary data used for the study is collected from professional journals and magazines, reports of projects and studies conducted by experts and online sources.

Primary data was analysed using statistical tools like Simple percentage analysis, Mean and standard deviation. For testing of hypotheses, Chi-Square Test, Friedman Test, Mann Whitney U Test and Kruskal Wallis H Test have been used. Data has been analysed with the help of SPSS software

LITERATURE REVIEW

1.Ashima Dominic, K.Saranya, K.G Rajani(2018) point out that there is no doubt that Indians moving towards cashless society ,but many of them are not completely ready to go cashless. The findings reveal that either they are afraid to engage in cashless transactions because of security concerns, fraudulent activities, etc. or they do not have sufficient knowledge to go cashless.

2.Dr.Bindu Jain and Ms.Rashmi Bansal(2017) in their study conclude that electronic transactions are more convenient than traditional payment system as no cash is required in it. The popularity of cashless transactions increasing rapidly day by day, as banking system and government is prompting and supporting e-payment transactions to achieve the goal of cashless economy.

3.Mahor Nirbhay (2017) conducted a study on the perception of risk of cash and cashless transaction. It revealed that social influences, risk, security, privacy, facilitating condition, information technology, willingness to pay more have significant positive influence, Information Technology has minimal impact and the security and privacy has almost no impact on the customer's perception toward the cash and cashless transactions.

4.Bindra Rashmi and Bindiya (2017) in their study try to throw light on the rising trend of digital transactions in India being carried out in various cashless modes over the last few years but simultaneously makes alert of the negative impact of going cashless. The results show that the future of cashless India looks pretty promising and the transparency in the economy will increase through e-commerce transactions and the digital payment gateways which will increase the GDP of the economy.

5.Manpreet Kaur (2017) identified that demonetizing is Progressive shift to a cashless economy with a greater focus on electronic transactions is being envisaged. The study shows that cashless transaction system is reaching its growth day by day, as soon as the market become globalised and the growth of banking sector more and more the people moves from cash to cashless system.

ANALISIS OF PRIMARY DATA

Table 1 - Usage level of e-payment modes

| Level | Frequency | Percentage |
|--------------|------------|------------|
| High | 35 | 23.3 |
| Moderate | 75 | 50 |
| Low | 40 | 26.7 |
| Total | 150 | 100 |

Source : Primary data

Table 1 shows that half of the respondents moderately use e-payment modes for their transactions. Only 23.3 % respondents have a high usage rate of e-payment modes while the respondents using e – payment modes at a lower rate is 26.7%.

Figure 1- Usage level of e-payment modes

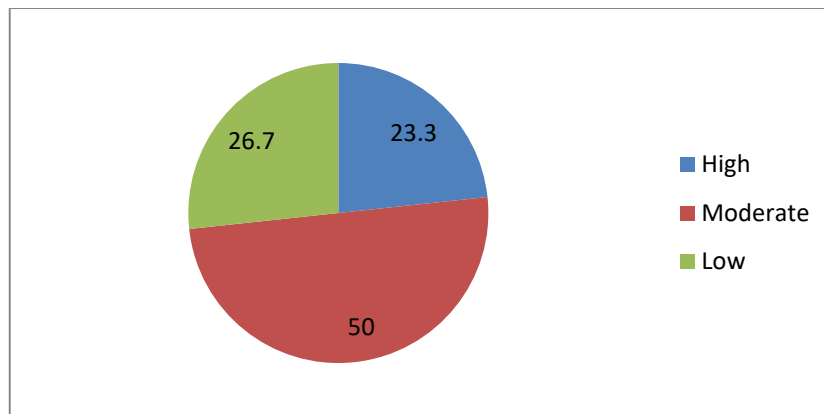


Table 2 - Normally used e-payment modes

| Mode | Frequency | Percentage |
|------------------------|------------|------------|
| Internet Banking | 28 | 18.7 |
| Credit/Debit Card | 106 | 70.7 |
| Mobile Wallets | 8 | 5.3 |
| Apps and other methods | 8 | 5.3 |
| Total | 150 | 100 |

Source : Primary data

It is evident from the above table that the respondents’ most preferred mode of e-payment is credit/debit cards(70.7%). Mobile Wallets and Other Apps and Methods are rarely used by the respondents. Internet Banking is popular among almost one – fifth of respondents

Figure 2- Normally used e-payment modes

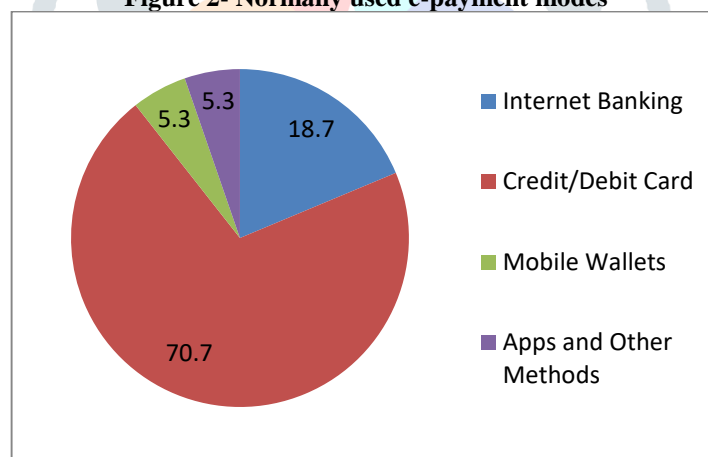


Table 3- Factors leading to adoption of cashless payment system

| Factors | Mean | Std. Deviation | Rank |
|-----------------------------|--------|----------------|------|
| Convenience | 2.1400 | 1.38074 | 1 |
| Anytime payment possibility | 2.5067 | 1.26781 | 3 |
| Quickness | 2.4733 | 1.07876 | 2 |
| Easy tracking of spending | 4.1467 | 1.24989 | 4 |
| Discounts/Cash back rewards | 4.5867 | 1.17117 | 5 |
| Saves cost | 5.0733 | 1.41941 | 6 |

Source : Primary data

Table 3 indicates that convenience (Mean value- 2.14) is the major reason behind the adoption of cashless payment system as it attracts more people towards the online platform for economic transactions. The quickness of transaction is the next preferred reason. However, savings in cost is the least influencing factor.

Table 4 -Convenience of cashless mode for daily transactions

| Opinion | Frequency | Percentage |
|----------------|------------|------------|
| Convenient | 121 | 80.7 |
| Not Convenient | 29 | 19.3 |
| Total | 150 | 100 |

Source: Primary data

While considering preference for cashless modes for daily transactions, majority of respondents favour the opinion that cashless modes are more convenient for daily transactions tallying upto 80.7% and a few are of the opposite view. Although respondents have not started using cashless mode much, they reckon that it is the convenient mode.

Table 5 - Agreement level regarding merits of cashless economy

| Merits | Mean | Std. Deviation |
|--|--------|----------------|
| Prevents Money Laundering | 3.8067 | 0.99459 |
| Reduces cost of operations of banking sector | 3.7733 | 0.98408 |
| Promotes environment friendly transactions | 3.8533 | 0.95106 |
| Improves banking habits | 4.2067 | 0.92175 |
| Strengthens the economy | 3.8133 | 1.06429 |

Source: Primary data

Table 5 points out that respondents are very much impressed with the various merits of cashless economy. Majority of them agrees that cashless economy leads to improved banking habits in people. The high mean score of 4.2067 indicates the same. They also agree with the other merits possessed by cashless economy like Promoting environment friendly transactions, strengthening of the economy, prevention of money laundering and reduction in cost of banking operations.

Table 6 - Expectation regarding future of cashless economy

| Statements | Mean | Std. Deviation |
|--|--------|----------------|
| Awareness on cashless economy is growing at a rapid rate | 4.1867 | 0.67939 |
| Steady increase in digital payments | 4.2267 | 0.62548 |
| People will rely more on digital payments in the near future | 4.2800 | 0.74293 |
| Digital payments have improved the conditions of our economy | 3.8200 | 0.89795 |

Source : Primary data

Table 6 points out that the respondents are expecting a better future for the cashless economy. They agree that people will rely more on digital payments in the near future and it will have a steady growth due to increased awareness among the people. This will result in an improved growth for the economy.

Table 7- Preference for cashless economy considering the benefits and challenges

| Level | Frequency | Percentage |
|--------------|------------|------------|
| 1-20% | 1 | 0.7 |
| 20-40% | 7 | 4.7 |
| 40-60% | 24 | 16 |
| 60-80% | 58 | 38.7 |
| 80-100% | 55 | 36.7 |
| 100% | 5 | 3.3 |
| Total | 150 | 100 |

Source: Primary data

Table 7 makes it clear that more respondents after considering the benefits and challenges regarding cashless economy, give a rating on an average of 60-100 %. 38.7% give a rating of 60–80% whereas another 36.7% respondents place it in the slab 80–100%

Figure 3- Preference for cashless economy considering the benefits and challenges

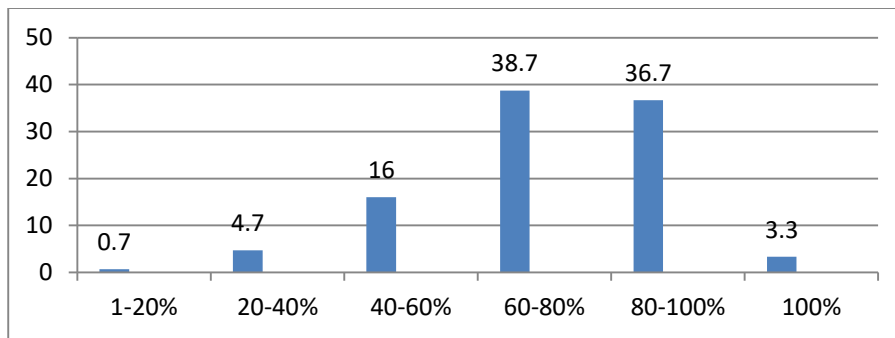


Table 8- Opinion regarding drawbacks of cashless economy

| Drawback | Mean | Std. Deviation |
|----------------------------|--------|----------------|
| Security issues | 4.0267 | 0.79382 |
| Poor internet connectivity | 4.1067 | 0.83663 |
| Hidden costs | 3.9333 | 0.89493 |
| Poor merchant acceptance | 3.2800 | 1.19349 |
| Transaction failure | 3.9533 | 1.10725 |
| Lack of technical know-how | 4.0800 | 1.02007 |
| Excessive spending | 3.0400 | 1.41364 |

Source : Primary data

Table 8 shows that the respondents in general agree that cashless transactions suffer from drawbacks. The most important concern shared is with regard to poor internet connectivity, lack of technical know-how and security issues. It is noticed that transaction failure and hidden costs are also matters of concern.

TESTING OF HYPOTHESIS

The following hypothesis is put to test :

- 1. H₀: There is no association between the usage level of e payment modes and monthly income of respondents.
- H₁: There is association between the usage level of e payment modes and monthly income of respondents.

Table 9- Chi Square Test –Usage level and Income

| Test Statistics | Value | Df | Asymp. Sig. (2-sided) |
|--------------------|--------|----|-----------------------|
| Pearson Chi-Square | 33.474 | 6 | .000 |

As the significance value at 5% level of significance is less than 0.05(0.000<0.05), the null hypothesis is rejected. The level of income influences the usage level of e-payment modes.

- 2. H₀: There is no association between the normally used mode of e payment and the educational qualification of respondents are not associated.

H₁: There is association between the normally used mode of e payment and the educational qualification of respondents are not associated.

Table 10 - Chi-Square Test- Mode of usage and Educational Qualification

| Test Statistic | Value | Df | Asymp. Sig. (2-sided) |
|--------------------|--------|----|-----------------------|
| Pearson Chi-Square | 13.532 | 12 | .332 |

(Computed)

As the significance value at 5% level of significance (0.332) exceeds 0.05 the null hypothesis is accepted.

- 3. H₀: There is no significant difference in the factors leading to the adoption of cashless payment system.
- H₁: There is significant difference in the factors leading to the adoption of cashless payment system.

Table 11 - Friedman Test- Factors leading to cashless transactions

| | |
|-------------|---------|
| N | 150 |
| Chi-Square | 344.702 |
| Df | 5 |
| Asymp. Sig. | .000 |

(Computed)

As the significance value at 5% level of significance (.000) is less than 0.05, the null hypothesis is rejected. There is factor-wise difference leading to the adoption of cashless payment mode. Convenience of transaction with the lowest mean score is the most influencing factor.

- 4. H₀: There is no gender wise difference in the preference for convenience of cashless modes.

H₁: There is gender wise difference in the preference for convenience of cashless modes.

Table 12 - Mann Whitney U Test- Gender wise difference tested

| | |
|------------------------|----------|
| Mann-Whitney U | 2770.500 |
| Asymp. Sig. (2-tailed) | .881 |

(Computed)

As the significance value (0.881) exceeds 0.05, the null hypothesis is accepted. There is no gender-wise difference in the preference for convenience as the most influencing factor.

5. H₀: There is no occupation wise difference in the preference for convenience of cashless modes.

H₁: There is occupation wise difference in the preference for convenience of cashless modes.

Table 13.B - Kruskal Wallis H Test for occupation wise difference

| | |
|-----------------------|--------|
| Kruskal Wallis H Test | 10.495 |
| Df | 4 |
| Asymp. Sig. | .033 |

(Computed)

As the significance value (0.033) is less than 0.05, the null hypothesis is rejected. There is occupation wise difference in the rating of convenience of cashless transactions. Businessmen and professionals mainly prefer cashless transactions on account of convenience.

MAJOR FINDINGS OF THE STUDY

- Half of the respondents are moderately using e-payment modes for their transactions.
- The most preferred mode of e-payment is credit/debit cards (70.7%).
- Majority of respondents (mean 2.14) opined that convenience is the major motivating factor towards cashless payment system.
- A major share of the respondents(80.7%) are of the opinion that cashless modes are actually more convenient for daily transactions
- Respondents are very much impressed with the various merits of cashless economy. Majority of them agree that cashless economy leads to improved banking habits in people.
- Respondents agree that people will rely more on digital payments in the near future and it will have a steady growth due to increased awareness among the people.
- The respondents in general agrees that cashless transactions suffer from drawbacks with a major share of them concerned with the poor internet connectivity, lack of technical know-how and security issues.

RESULTS OF HYPOTHESES TESTING

- It is revealed there is association between the usage level of e-payment modes and monthly income of respondents, with high income group having more usage.
- The normally used mode of e payment and the educational qualification of respondents are not associated.
- There is significant difference in the factors leading to the adoption of cashless payment system.
- There is no gender-wise difference in the preference for convenience of cashless mode as indicated by the Mann Whitney U test
- There is occupation-wise difference in the preference for convenience as revealed by Kruskal Wallis H Test.

CONCLUSION

Cashless economy is an economic system in which there is little or very low cash flow in a society and goods and services are bought and paid through electronic media. Cashless economy is the economy in which transactions are made by debit cards, credit cards, cheques and other digital payments. A cashless society would be very beneficial once everyone got accustomed to it even though it has its security risks and may leave some people in tough situations. Moreover, having everything done electronically leaves less likelihood for error and makes things more secure. Reducing the economy's dependence on the cash and making it more deviated towards e-payments would result into the betterment of the country and the economy.

SUGGESTIONS

- Government has to bring transparency and efficiency in e-payment system.
- Government may ensure safe and secure digital infrastructure to protect the privacy of people. Internet connectivity has to be perfect and smooth.
- Government and RBI may encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments.
- Programmes may be conducted for the merchants regarding online payment systems.
- Hidden cost may be reduced so that people will not be hesitant to use cashless systems.

REFERENCES➤ **Journals**

1. Ashima Dominic, K.Saranya, K.G Rajani- "A Study on Transformation in Behaviour of Individuals Towards Cashless Economy". International Journal of Pure and Applied Mathematics, Jan 2018,Vol.118 No.18,pp.1365-1372.
2. Bindra Rashmi and Bindiya"Going Cashless Stepping Towards Digital India". International Journal of Science Technology and Management,2017,Vol No.6,Issue No.05,May 2017.
3. Dr.Bindu Jain and Ms.Rashmi Bansal "E-payment:Necessity and Cashless Economy".Inspira-Journal of Commerce,Economics and Computer science,Vol.03,No.03, March 2017,pp.199-204.
4. Mahor Nirbhay A Study on the Perception of Risk of Cash and Cashless Transactions.Kaav" International Journal of Economics, Commerce and Business Management,Apr 2017,Vol.4,Page No.103-119.
5. Manpreet Kaur Demonetisation:Impact on Cashless Payment System".International Journal of Science Technology and Management,2017,Vol.6,Issue No.01,Jan 2017.

➤ **Websites**

- www.cashless.gov.in
- www.kaavpublications.org
- www.sarkariyojna.co.in
- www.shodhana.inflibnet.ac.in
- www.slideshare.net

