

A STUDY TO UNDERSTND CONCEPT OF CASHLESS TRANSACTION IN INDIAN CONTEXT

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ABSTRACT

The technology has spread to include internet banking systems, core banking solutions, mobile banking, prepaid instruments, credit and debit cards, and so on. At the same time, the electronic payment system is rapidly expanding. All of these indicators show that India is steadily but slowly progressing toward the RBI's aim of a cashless economy. In India, demonetization has compelled all consumers and businesses to accept and develop cashless digital payment solutions. The adoption of a cashless economy is dependent on a number of factors, including reach, availability, and awareness. This study examines the elements that influence customers' adoption of new digital payment systems in India's. For the aim of this study Haryana state encompassing 200 respondents from two areas viz., rural and urban is selected. Present study was aimed to evaluate choice, duration and impact of utilizing cashless payment methods by respondents.

Keywords: Payments, Transactions, Cashless, Money, Economy.

I. INTRODUCTION

A cashless economy is one in which there is no cash flow within an economy and all transactions are completed using electronic media channels such as direct debit, credit and debit cards, electronic clearing and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), and Real Time Gross Settlement (RTGS) (RTGS). In urban India, credit cards and online payment systems are growing more popular, yet paper currency notes remain an important component of daily life. Revenue is vanity, cash flow is sanity, but cash is king, according to one saying. Any lawful instrument of transaction that is immediately negotiable and unrestricted can be defined as cash. We are the world's fourth-largest cash users. In India, the rate of cash to GDP is the highest, at 12.42 percent. In India, the ratio of cash in circulation to private consumption is 20%, and card transactions account for 4% of personal consumption expenditure. Because the majority of people are illiterate, poor, and only conduct little transactions, they have bad banking habits. For them, cash is the most convenient and hassle-free kind of medium of exchange. A cash transaction is instantaneous and does not require the use of a middleman. Individuals and families benefit from the liquidity provided by cash. There's no need to be concerned about a computer system failing, the power going out, or a transaction being lost in the middle. Using cash has no additional costs compared to using debit or credit cards. Cash still accounts for 40% or more of all consumer transactions in even the most cashless countries, such as France and the Netherlands. Cashless economies tend to have lower levels of corruption and black money. Almost every country is preparing for

a cashless economy, and several have already made substantial strides. It's merely a global trend that India is attempting to catch up with.

Cashless India's Current Status:

- Demonetization has had an impact on cash-based informal sectors like as agriculture, real estate, and so on. Experts, on the other hand, believe that this is a short-term scenario with beneficial long-term repercussions.
- To get the economy back on track, the government is supporting a cashless economy because currency is being phased out.
- The World Bank assessed India's black money to be worth nearly a fifth of the country's GDP in 2010. It was a revolutionary step to switch from cash to cashless purchases in a country where 90% of transactions are conducted in cash.
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- In just two years, 250 million bank accounts have been opened under this scheme. According to RBI data, bank branches grew by 5% each year, but ATMs, debit cards, and card swiping machines doubled in four years, and online transactions grew 20 times in six years to 2016. All of these evidence points to a steady shift to a cashless economy. This change has been accelerated by demonetization.

Need for Cashless Transactions

According to the Indian government, the cashless policy empowers the sector, resulting in an increase in employment and a decrease in cash-related fraud. Customers will now be able to save more money in their bank accounts. Because they will have less hard cash in their hands, they will be more likely to disclose their exact income, resulting in a large reduction in income tax fraud. It will also eliminate cash transaction fraud and encourage international investors to invest in the country because this way of payment is secure. When this step was implemented in other countries, it was the appropriate thing to do because it was a step in the right direction. It was assumed that it drove the new payment system's modernization. Increased bank numbers result in lower transaction costs and a decrease in the high security of carrying cash. This bank contributes to the creation of a more manageable platform for customers to interact with and learn about the sector. Financial risk is also an important consideration when promoting the digital channel as a means of advancing the concept of a cashless economy. Although Indians have been using electronic payment methods for many years, the retail sector still relies heavily on cash transactions. They believe it is a more secure and convenient method of conducting business in the retail market.

Continuous innovation in banking systems, products, and services aids in the transition to a more cohesive environment. The MBPS (Mobile Banking & Payment System), which is directly related to digitization, is highlighted in this study. By highlighting critical gaps and exploring the problems and opportunities associated with e-banking deployment, the writers attempted to keep the analysis grounded in historical and present literature. The report clearly offers a new mobile banking system, called MBPS, a multitasking smartphone programme that uses artificial intelligence to facilitate numerous banking and payment processes with a single click. Similarly, it identifies several consequences and constraints that make subsequent moves difficult. Because the study is essentially theoretical, no credible theory has been proposed. The goal is to develop and propose MBPS through various digital banking channels, and to enter

a competitive, innovative digital market. Finally, MBPS will generate great growth and potential that we may anticipate in the not-too-distant future, when mobile communication will outperform all other digital channels and products.

II. INDIA'S FUTURE CASHLESS PAYMENT OPPORTUNITIES:

Smooth, simple, and secure payment processes will aid in behavioural changes and the speedier adoption of digital payments and banking among the unbanked. Increased competition will benefit the environment and provide more options for customers as new firms enter the market, each with a somewhat different take on the market and different business methods. A wider pie with more competitors is undoubtedly beneficial to the evolving dynamics of India's payments industry, which is still in its infancy.

Cash continues to dominate Indian consumption, with cards accounting for only 5% of total personal consumption expenditure. In wealthy countries, 30-50 percent of purchases are made with credit cards. As a result, there is a lot of room for expansion. These are being supplemented by the rapid rise of smartphones, Internet usage, and e-commerce; card payment volumes have increased by more than 25% year over year. This trend is expected to continue, encouraged by the continuous rise in debit card activation and usage; debit card transactions have been increasing at a rate of 31% every year.

Intense rivalry and strategic collaboration among existing and new market participants, such as payments and small banks and wallets, will help to scale up acceptance while also encouraging more creativity, innovation, and customer choice. According to him, the payments industry in India will experience exciting times in the future as all players and regulatory agencies work together to attain a "less-cash reliant" and eventually "cashless" society.

This year, the credit card business in India is seeing a rise in consumer acceptability. According to the Worldline India Card Payment Report 2014-15, credit card usage increased by 9.8% in the previous year. Worldline India is the country's leader in payment and transaction services. Alternative payment methods such as mobile wallets and prepaid debit cards accounted for 3% of all digital transactions. Over the last few years, this industry has been gradually expanding. Card transactions, including debit and credit card transactions, are on the rise. In India's payments industry, there are some interesting forces at work.

III. MATERIALS AND METHODS

Sample Area

The study was conducted in Haryana state selected purposively in both rural and urban areas.

Sample Size

A total of 200 respondents which comprised of 100 rural respondents (25 female, 25 male) from each village and 100 urban respondents (25 female, 25 male) from each locality having at least higher secondary education were selected purposively.

Tools used

A well-structured interview schedule was used as a tool to explore the preference, duration and impact for utilizing cash less payment methods as a tool for data collection.

IV. RESULTS AND DISCUSSION

Preference for cash less payment methods used by respondents in purchasing

In purchasing, respondents preferred to use different cash less payment methods as presented in Table 1 points out that in rural area, majority of respondents (67%) preferred to pay cash for purchasing, which was followed by cash and online (33%) and online (13%). However, in urban area, majority of respondents (71%) preferred to pay cash for purchasing, followed by cash and online (29%) and online (15%).

Table 1: Preference for cash less payment methods used by respondents in purchasing

Sr. No.	Aspects	Rural	Urban	Total
		(%)	(%)	f (%)
		(n==100)	(n=100)	(N=200)
A. Type of shopping				
1.	Cash	67.00	71.00	138(69.00)
2.	On-line	13.00	15.00	28(14.00)
3.	Both (Cash + Online)	33.00	29.00	62(31.00)
B. Value of items preferred for purchasing				
1.	Less than Rs. 5,000	10.00	12.00	22(11.00)
2.	Rs. 5,000- Rs. 20,000	02.00	03.00	05(02.50)
3.	More than Rs. 20,000	00.00	00.00	00(00.00)

It was observed that, one tenth (10%) of respondents preferred to purchased items less than Rs.5,000, which was followed by Rs.5,000-Rs.20,000 (2%). 12 per cent of respondents preferred to purchased items less than Rs.5,000, which was followed by Rs.5,000-Rs.20,000 (3%).

Duration of utilization of cash less payment system by respondents

Cash less payment system was utilized very frequently, frequently and rarely by the respondents in rural and urban area has been presented in Table 2. It can be seen from the Table that in rural area, majority of respondents utilized debit and credit card frequently which was given first rank, which was followed by respondents who rarely utilized Real Time Gross Settlement System, National Electronic Funds Transfer and Electronic Clearance Service (IInd rank each) and Unified Payments Service, Unstructured Supplementary Service Data and Immediate Payments Service (IIIrd rank) respectively.

Table 2: Duration of utilization of cash less payment system by respondents

Sr. No.	Bankcards	Rural (n=44)	Urban (n=89)	Total (N=133)
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No.		Very Frequently (3)	Frequently (2)	Rarely (1)	Weighted Mean Score	Rank	Very Frequently (3)	Frequently (2)	Rarely (1)	Weighted Mean Score	Rank	Weighted Mean Score	Rank
i.	Debit Card	03	19	22	1.568	I	20	61	08	2.134	I	0.027	I
ii.	Credit Card	03	19	22	1.568	I	10	51	28	1.797	II	0.025	II
iii.	Real Time Gross Settlement (RTGS)	02	00	42	1.090	II	00	07	82	1.078	VII	0.016	V
iv.	National Electronic Fund Transfer (NEFT)	02	00	42	1.090	II	00	07	82	1.078	VII	0.016	V
v.	Electronic Clearance Service (ECS)	02	00	42	1.090	II	08	07	74	1.258	IV	0.017	IV
vi.	Unified Payments Interface (UPI)	01	00	43	1.045	III	06	08	75	1.224	V	0.017	IV
vii.	Unstructured Supplementary Service Data	02	00	42	1.090	III	05	04	80	1.157	VI	0.016	V

	(USSD)												
vi ii	Immediate Payment Service (IMPS)	02	00	42	1.090	II I	08	14	67	1.337	II I	0.018	II I

(Low: 1.00-1.66 Medium: 1.67-2.32 High:2.33-3.00)

However, in urban area, majority of respondents utilized debit card frequently which was given first rank, which was followed by credit card (IIInd rank), Immediate Payments Service (IIIrd rank), Electronic Clearance Service (IVth rank), Unified Payments Service (Vth rank), Unstructured Supplementary Service Data (VIth rank) and National Electronic Funds Transfer and Electronic Clearance Service (VIIth rank).

It is evident from Table 3 that in aggregated, debit card was utilized by majority of respondents which was given first rank, followed by credit card (IIInd rank), Immediate Payment Service (IIIrd rank), Electronic Clearance Service and Unified Payments Service (IVth rank each), Real Time Gross Settlement System, National Electronic Funds Transfer and Unstructured Supplementary Service Data (Vth rank each) respectively.

Utilization of bankcards before demonetization by respondents

Utilization of bankcards by the respondents towards these aspects in both rural and urban area has been presented in Table 3.

Table.3 Utilization of bankcards before demonetization by respondents

Sr. No.	Aspects	Rural	Urban	Total
		<u>% (n=100)</u>	<u>% (n=100)</u>	<u>f (%) (N=200)</u>
1.	Used	39.00	91.00	130 (65.0)
2.	Not Used	61.00	9.00	70 (35.0)

It can be concluded from the Table that 39 per cent and 91 per cent in rural and urban area utilized bankcards before demonetization. While, 61 per cent and 9 per cent of the respondents in rural and urban area did not utilize bankcards before demonetization. In case of pooled sample mean, majority of respondents utilized and 35 per cent of the respondents did not utilize bankcards before demonetization.

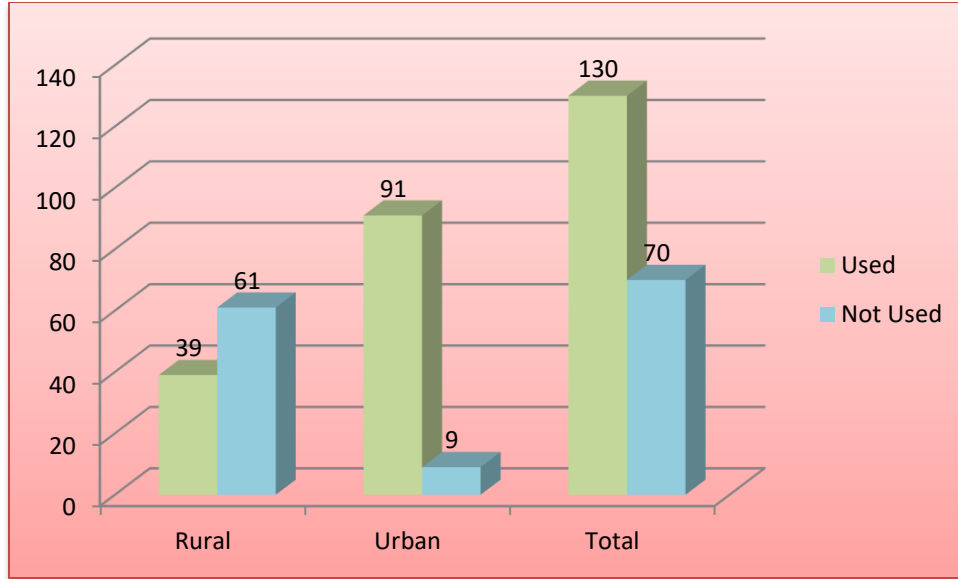


Figure 1: Utilization of bankcards before demonetization by respondents

Impact of cashless transactions on purchasing behavior of respondents

On the basis of three aspects, impact was noticed in both rural and urban area in Table 4 points out that in rural area, majority of respondents (79%) no change on purchasing behaviour, which was followed by respondents whose purchasing behavior increased (21%). However, in urban area, majority of respondents (58%) reported that their purchasing behavior remains same, which was followed by respondents whose purchasing behavior increased (38%) and decreased (4%). It was found that individuals who possess both credit bankcards and in store cards were more likely to buy than those who own only bankcards or in-store cards. Further, it was also found that cardholders were more likely to make bigger purchases than non-card holders and mentioned that credit cards facilitate and induce purchases as compared to cash (Fig. 2).

Table 4: Impact of cashless transactions on purchasing behaviour of respondents

Sr. No.	Locality Aspects	Rural	Urban	Total
		(%)	(%)	f (%)
		(n=100)	(n=100)	(N=200)
1.	Increased	21.00	38.00	59(29.50)
2.	Same	79.00	58.00	137(68.50)
3.	Decrease	00.00	4.00	04(02.00)

Figures in parentheses indicate percentage

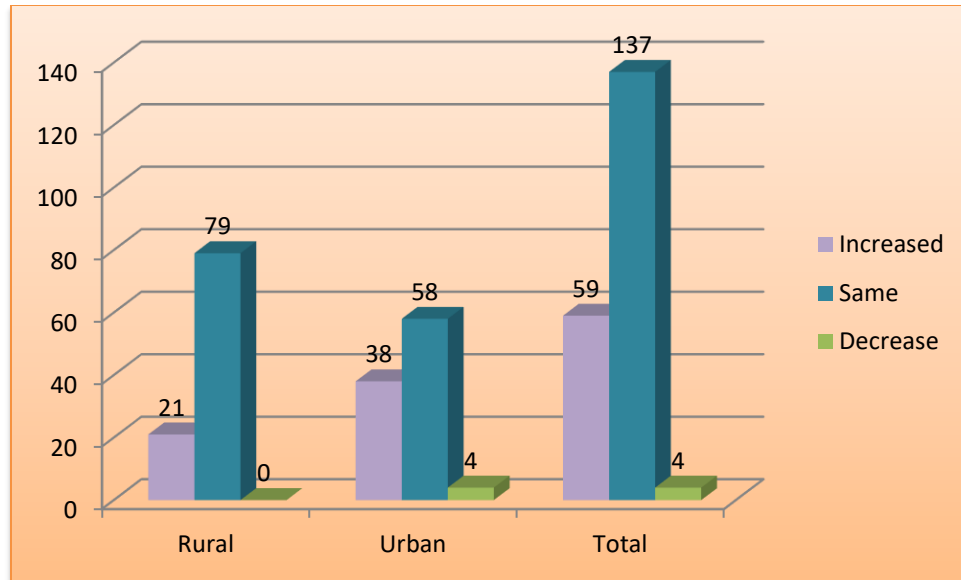


Figure 2 Impact of cashless transactions on purchasing behavior of respondents

It may be concluded that majority of respondents preferred to use cash in purchasing of items less than Rs.5, 000. None of the respondents preferred cash for purchasing more than Rs. 20,000. Debit card was utilized by majority of respondents, followed by credit card and Immediate Payment Service (IMPS). Majority of respondents in urban area utilized and respondents in rural area did not utilize bankcards before demonetization and no change was observed on their purchasing behaviour.

V. CONCLUSION

The article concludes that the government of India made a good and strong judgement by implementing a cashless transaction economy. The concept of cashless transactions is widely accepted. It aids in the fight against large illegal or unethical economic activities such as terrorism, corruption, and money laundering, among others. However, the biggest issues with cashless transactions in India are cybercrime and unauthorised access to client data. As a result, it's critical to improve internet security in order to protect against cyber criminals. Customers and small businesses are exposed to a significant level of danger and difficulty when using cashless transactions. The fundamental reason is that rural areas have a low literacy rate. The government should be educated on the benefits of cashless transactions. The government strives to change people's minds about risk factors. Cashless transactions aid in the development of a stronger Indian economy. As a result, everyone should be able to access and use digital transactions. The government will need to put in more effort on a financial literacy campaign from time to time to educate the public about the advantages of electronic payments.

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