

A Study of Users' Perceptions of Cashless Transactions

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ABSTRACT

The Indian Government promotes cashless environment after the demonetization. In India, where people use a lot of cash in everyday life that is 85 percent of the transaction 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 can carry significant handling and transportation costs and the risks of theft, loss, and counterfeiting. The electronic system motivates the people to money-free transactions. In a growing global economic environment, many world countries are successfully implementing cashless electronic methods. 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. "Faceless, Paperless, Cashless" is one of the professed role of Digital India. Digital India becomes a new program by the Government of India, which also promotes cashless economy. The cashless transaction means to buy or sell the products and services by using electronic forms instead of paper currency and excluding the cash-based transaction from all the marketing activities. The increasing use of internet and smart phone, apps, mobile banking, internet banking service, credit card, debit card and electronic exchange are simplified and promote the consumer payments and settlements.

INTRODUCTION

Meaning of Cashless Transaction

Cashless Transaction can be defined as a situation in which the flow of cash within an economy is nonexistent and all transactions must be through electronic channels such as direct debit, credit cards, debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) in India.

Modes of Cashless Transactions

As part of promoting cashless transactions and converting India into a less-cash society, various modes of digital payments are available, such as

1. Banking Cards (debit / credit / cash / travel / others)
2. Unstructured Supplementary Service Data (USSD)
3. Aadhaar Enabled Payment System (AEPS)
4. Unified Payments Interface (UPI)
5. Mobile Wallets - Paytm, Freecharge, Mobikwik, Oxigen, Mruppee, Airtel money, Jiomoney, Sbi buddy, Itz cash, Citrus pay, Vodafone M-pesa, Axis bank lime, ICICI pockets, Speedpay etc.
6. Banks Pre-paid Cards
7. A Point of Sale (POS) is the place where sales are made.
8. Internet Banking also known as Online Banking, E-banking or Virtual Banking.
9. Mobile Banking is a service provided by a bank or other financial institution.
10. Micro ATM meant to be a device that is used by a million business correspondents (BC).

The card based payment system

Payment card systems such as MasterCard and Visa involve four main parties, i.e.

- 1.the cardholder;
- 2.the institution that provides the card to the cardholder – the issuer;
- 3.the merchant that provides the goods or services to the cardholder;
- 4.the institution that provides services to the merchant – the acquirer.

Thus, the system consists of a customer who holds a credit / debit card from his issuing bank (issuer), a merchant who has been given the facility of accepting credit cards by his acquiring bank (acquirer) and the payment network MasterCard / Visa, etc. In this system, first a merchant who decides to accept credit or debit cards in exchange for goods or services establishes a merchant account by forming a relationship with an acquiring bank. This relationship enables the merchant to receive sale proceeds from credit / debit card purchases through credits in his account.

However, the acquirer, while paying such credits to the merchant, applies a Merchant Discount Rate (MDR), which is a proportion of the sale proceed that is paid by the merchant to the acquirer in consideration for card acceptance services. Thus, the MDR is a percentage of sales that a merchant pays to the acquiring bank to process credit / debit card transactions. In India on MasterCard and Visa card transactions this rate generally varies from 1% to 2%. The MDR is generally greater for premium cards than for standard cards. Thus, considering the average MDR to be 1.5%, the revenue generated in the card business, through MDR only, is of the order of 1,340 crore. A component of MDR on every card transaction, called interchange, flows from the merchant acquiring bank to the card issuing bank. The settlement and credit transactions between the issuer and the acquirer are done using the network of MasterCard / Visa, who also gets a share of the fee in exchange.

E-Wallet

In the post-demonetization era, debit and credit cards have offered respite to those who have struggled to withdraw cash from banks and ATMs. While plastic money has been around for decades, adoption rates continue to be low in India. As per RBI statistics, there were 24.51 million credit cards and 661.8 million debit cards in India in March 2016. However, the number of transactions carried out between March 2015 and March 2016 were just 72.22 million and 112.87 million respectively. No doubt, these statistics would have received a boost after demonetization. But to those who remain skeptical about plastic money and can't be bothered about cheques and demand drafts either, there is a handful of other options which can be easily exercised from their cellphones.

E-wallets such as Paytm are thriving in the absence of cash in the market. An e-wallet is an app that can be downloaded via the Internet and installed on your hand-held device, such as a smartphone.

To a first-time user, the app allows the creation of a unique ID based on the user's phone number and email address. The registration process is completed by OTP to prevent misuse of identity. Once created, the account then needs to be loaded with cash, digitally. This is done by linking the e-wallet account with your netbanking, credit card or debit card accounts. Once the amount is transferred to your e-wallet, it can then be spent on a host of options. You can transact with any merchant who accepts payments from the same e-wallet company. This could mean everything between buying a cup of coffee, recharging your DTH connection, booking flight tickets, to making a down payment on a car. You can not only spend money, you can also receive it.

While there are multiple e-wallets apps in the marketplace, it would be sensible to use only the most popular ones in order to access the largest number of merchants who would be on the same platform. It would also allow you access the promotional offers and discounts. Currently, you are allowed to transact up to Rs 20,000 per month through an e-wallet. But after KYC, this limit can be raised to Rs 100,000. Also, there may be transaction charges for rolling back your wallet money into your bank account.

UPI

The Unified Payment Interface is a revolutionary development in Indian banking. Launched earlier this year, the UPI is now available with 21 banks. It was created by the RBI-backed National Payments Corporation of India. It allows you to send and receive money in real time, at no charge, using your bank account connected to its netbanking app or any third party UPI app.

This potentially works better than e-wallets. With UPI, transactions happen directly between bank accounts, whereas e-wallets are intermediaries between bank accounts.

If you're with a UPI-enabled bank, you need to use your netbanking account and create your own virtual private address (VPA) for your bank account – johnsmith@icici, for example.

With the VPA, transferring money becomes as simple as writing an email. To transfer money, you need to direct the transaction at the recipient's VPA. You do not need his payee name, account number, IFSC, MICR, bank name, and branch details. Nor do you need to go through the time-consuming process of registering and authenticating payees.

UPI can be used to pay as well as to collect money. The per-transaction limit on UPI is Rs. 100,000, which is where it compares favorably with e-wallets. However, it being a new innovation, adoption rates are low and currently there are no discounts and offers on UPI.

USSD

Cellphones often reach where banks don't. Therefore cellular technology is critical to economic inclusion. However, smartphones aren't as popular as feature phones in India.

Those using feature phones will have limited access to the financial app marketplace, meaning that they can't depend on e-wallets and UPI for everyday transactions. However, they still have the USSD option, which works even on feature phones.

Unstructured Supplementary Service Data can help you send and receive money. To enable this service on your phone, you must be registered for the mobile banking service at your bank.

This would allow you to generate your MMID – mobile money identifier – which would link your cell phone number to your bank account.

To initiate a transaction, you need to call *99# from your cellphone. You would then need to input your bank details (three-digit bank code, or the first four digits of your IFSC) to proceed. This would then provide you numbered menu options: check balance, mini statement, transfer money, generate MPIN, etc.

For example, option 3 could be transfer money. If you choose it, you would need to provide the recipient's MMID and your pin to proceed.

You only have 10 seconds to proceed with your menu options, else the transaction gets cancelled. Also, each such call will cost you 50 paise, though carriage has been waived off by Telco's till December 31 to ease the cash-crunch.

If you live in a connected, urban area, most of your transacting requirements can be met with plastic money or Internet money.

Around the world, there's a push towards digitizing the economy and reducing dependence on paper money. You could be part of this gradual shift by acquainting yourself with digital transactions, and also helping those around you to adopt technology. It's safe, secure and brings tons of conveniences.

REVIEW OF LITERATURE

Simon and Victor (1994) conducted a study on "Customers' Risk Perceptions of Electronic Payment Systems" finds that one reason for the slow adoption rate of electronic fund transfer at point-of-sale (EFTPOS) is that consumers perceive that EFTPOS has a higher level of risk than other traditional payment methods. Study shows that EFTPOS has the lowest physical risk and highest financial risk, the credit card has the lowest psychological risk and highest time loss risk, while cash has the highest physical risk and lowest performance risk. Physical risk, financial risk and time loss risk for cash payment are significantly higher when purchase is large while performance risk for EFTPOS and credit card payment is significantly higher when the purchase is small. Users of EFTPOS have a significantly higher level of perceived financial and time loss risk than non-users, while non-users have higher level of psychological risk. Article suggests that in order to reduce customer's fears and worries, it is also appropriate to consider introducing

some risk reduction techniques. e.g. endorsements by key people in society (reducing psychological risk), money-back guarantee (reducing financial risk) and livedemonstration and free trial (reducing time loss risk). Research indicates that technological excellence cannot dictate success; a good marketing mix, prompt servicesupport, sufficient legal protection and educational efforts, etc. are also relevant.

Das A. and Agrawal R. (2010) conducted a study on “Cashless Payment System In India – A Roadmap”. This paper proposes that the India has been using electronic payment systems for many years now. However, the retail sector still has predominance of cash transactions, and payment through cards is yet to pick up. Cards (both credit and debit) are one of the most secure and convenient modes of cashless payment in retail market. The card payments data shows that even though we have 19 million credit cards, 190 million debit cards and half a million point-of-sale terminals, on an average there is just one transaction annually for every debit card and 11 transactions annually for every credit card. While trying to look for the reasons of poor usage of payment cards, this paper studies the costs involved in India by holding independent interactions with all players in the system— the banks, the card companies and the merchants; and by comparing the practice in different countries. The objective is to rationalize the costing in such a way that the merchants and customers prefer card payments as against cash and it becomes the attractive mode of payment even in the country’s hinterland. With the rationalization in costs, the banks and card companies would continue to gain, as revenues would increase due to increase in usage and user base. Additionally, for the Government, with the new pricing the gain will be twofold— firstly there will be sizable reduction in the growth of currency management cost, and secondly, the system will generate volumes of data on spending behavior of individuals that can be used by the Government for developmental planning. It is expected that the report would prove useful for RBI and Government to further their endeavor towards bringing in an efficient cashless payment system in the country.

Kaur Manpreet (2017) conducted a study on “Demonetization: Impact On Cashless Payment System” with the objectives that to study the Role of Demonetization And to Examine Status of Electronic Payment System. The study is based on secondary sources of data/ information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one. The 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. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction system.

Mitra A., Rath S., Nayak J.K. (2017) conducted a study on “Impact Of Demonetization On Cashless Transaction” with the objectives that to study the usage of various mode of electronic payment ,to study the effect of demonetization on cashless transaction in India and to suggest measures to successfully promote cashless India. The study is based on secondary sources of data/ information. Secondary data is collected from official website of Reserve Bank of India. Simple statistical tools like measures of central tendency and graphic methods are used to comprehend the data. According to data released by the Reserve Bank of India there was lower amount of use of digital mode of payment in India before and after demonetization. The cash crunch during November and December pushed the citizens to adopt electronic payment modes. But after demonetization period there is a backward movement; as data for February 2017 show an accelerated pace of decline in electronic transactions. The reason being improved cash availability. The decline in digital transactions in two successive months goes against the government’s objective of a “less cash” economy. During the scarcity of funds people preferred to use debit and credit cards at point of sale terminals and mobile banking but these are also the two to be disposed of quickly. To counter the negative effect and encourage digital transactions, many private banks in the month of March, reintroduced charges on transactions of cash deposits and withdrawals beyond the stipulated number of free transactions. The step yielded positive result.

Dr. Ushadevi R. and Ms. Koklia (2017) in their study “A Study On Consumer Behavior On Cashless Transactions In U.T Of Pducherry” with the objective to study the concept of cashless transaction, to know the consumer awareness on Cashless Transaction, to assess the customer trust and confidence in Cashless Transaction and to analysis the problems faced by the consumers while using Cashless Transaction. Primary and secondary source of data were used. Primary data was collected from the target population by using self-structured questionnaire.

A sample of 300 respondents from different socio-economic characteristics were selected from the various communes of both Pducherry and Karaikal district were taken for the study. The study based on Simple random sampling method. The collected data have also been tested with the help of simple percentage, ranking method and chi square test. Based on the findings of the analysis from the responses of the respondents, it can be said that the cashless transaction is not only requirements but also emerging need of today for transparent economic development.

In U. T of Puducherry concerns it can achieved easily because of small city with majority of educated population, there is only need of Government and banks should adopt strategy of incentivize for cashless transactions, awareness of digital payments and discourage cash payments by the way of proper implementation and supervision of restrictions for cash based transaction then the cashless Puducherry will come to true.

Objectives of the Study

- 1) To study the concept of Cashless transactions in India.
- 2) To study the awareness level of users towards Cashless transactions.

Hypothesis of the Study

H₀: People are not aware about cashless transactions at all.

H₁: People are aware about cashless transactions.

RESEARCH METHODOLOGY

The present study is basically related to perception of users' cashless transactions. To achieve first objective the secondary data sources used. And to achieve the second objective primary data sources used.

Sampling: This study conducted in Jhajjar districts of Haryana state. In total 200 respondents from Jhajjar studied by using random sampling. The collection of primary data processed through developed questionnaire.

Data Analysis Techniques

The collected data is processed and analyzed with the help of statistical tools, so as to achieve the objectives of the research. In the present study appropriate statistical tools such as descriptive analysis, Percentage Analysis used for analysis the data.

FINDINGS:

- 1) Majority of the respondents (57%) belong to the age group of 20-40 years.
- 2) Majority of the respondents (52%) are female, in gender wise distribution of respondents.
- 3) Majority of the respondents (57%) are unmarried, in marital status wise distribution of respondents.
- 4) Majority of the respondents (50%) are qualified up to post graduation, in education wise distribution of respondents.
- 5) Majority of respondents (47%) are belonging to Rs. 25,000-50,000 per month income group, in family income wise distribution of respondents.
- 6) All the respondents selected for study purpose were aware about cashless transactions. Among them, majority of respondents (63%) have heard about and became aware of cashless transactions from their friends/relatives. Their friends/colleagues are their source of awareness about cashless transactions.
- 7) Majority of the respondents (96%) are aware of different methods available for cashless transactions.
- 8) It has also been found that majority of respondents (34%) like E-Wallet for using cashless transactions.
- 9) Majority of the respondents (95%) are aware of different modes of cashless payment, available for users', like- credit card, debit card, POS, E-Wallet etc.
- 10) It is also founded that majority of the respondents (68%) used Cashless mode for payment in online shopping.
- 11) Majority of respondents (72%) trust cashless transaction system.
- 12) Majority of the respondents (86%) are satisfied with the cashless transaction system.
- 13) Majority of respondents (82%) feel secured doing cashless transaction.
- 14) It is also founded that majority of respondents (76%) do not have encountered any problem while doing cashless payment.

CONCLUSION

The findings reveal that majority of respondents use cashless transactions. Therefore, users are well aware of cashless transactions and its usage. So, the finding of the study rejects the **null hypothesis** which states that "People are not aware of the concept of cashless transaction at all" and accepts the **alternate hypothesis (H₁)** i.e. "People are aware about cashless transactions" is **accepted**.

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