THINK INDIA JOURNAL

ISSN:0971-1260

Vol-22-Issue-10-November-2019

A Study on Digital Financial Services with special reference to Retailers of Sarupathar Town

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ABSTRACT

Digital financial services refers to the financial services that can be accessed and delivered through various digital channels such as internet, mobile phones, point of sale terminals, etc. With the increase in the use of technology and better internet connectivity, digital financial services have become easily accessible.The government of India is focusing to make India a cashless economy and to achieve this government has been trying hardto involve people towards higher usage of digital financial services through launching various schemes like Lucky Grahak Yojana, Digi DhanVyapar Yojana and so on. The government of India announced these schemes to encourage the consumers and merchants to adopt digital means for their transactions by offering benefits.

Retail sector in India are the fastest growing and most dynamic sector. They contribute a lot towards the growth and development of Indian economy. But a large portion of the total retailers of India is still dependent only on cash and faces the hurdles of managing cash transactions. So, this paper attempts to study the awareness level of retailers towards digital financial services and the factors that lead them towards the usage of the services. The study also aims to highlight the challenges faced by the retailers in availing digital financial services.The nature of the study are descriptive and analytical. The data required to fulfil the desired objectives have been collected from both primary and secondary sources. Collected data are arranged and analysed by using statistical tools and techniques.

Key words: Digital Financial Services, Technology, Cashless Economy, Retailers.

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INTRODUCTION:

In today's world of digitalisation, each and every service can be accessed or delivered through digital format. Digital financial services involve a range of financial services like credit, savings, payments, remittances and insurancethat can be availed through the use of internet, computers, mobile phones, ATM, Point of Sale (POS) terminals etc.[1] Digital financial services increase the efficiency and quality of the service and also promote financial inclusion.With the help of digital channels, people can have access to many services from their home itself and so can save their time and transportation costs to a great extent. Digital finance expands the ways to increase access to the formal financial system.

Concept of Retailers:

A retailer is a person or a business that sells goods or services to the final customers whether through a physical platform or through an online platform.[2] In other words, a retailer is one who purchases products in large quantities from the wholesalers or manufacturers and sells in smaller quantities to the end customers. Retailer aims to provide maximum satisfaction to the customers by delivering quick and efficient service. They tryto procure goods through the most economical source from the wholesalers so that they can provide better quality goods at cheapest prices to the customers.

STATEMENT OF THE PROBLEM:

With the increase in the use of technology, the prospect for digital financial services is increasing day by day. Moreover, after the post demonetization of Rs. 500 and Rs. 1000 currency notes, the government of India has also been focussing to build a cashless economy and so is trying to indulge people more and more in the world of digitalisation. Retailers being the backbone of the economy, their attitude towards digital financial services would have major impact in the aim of fulfilling the desired goal of cashless economy. The customers can transact digitally only when the retailers, with whom they deal almost daily, provides them digital platform to transfer and receive payments. So, it is of great need for the retailers to adopt digitalisation.

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[1]http://www.google.com/url?sa=t&source=web&rct=j&url=https://www.itu.int/en/ITU-D/Capacity-Building/Documents/IG_workshop_August2018/presentations/session8

[2]https://managementstudyguide.com/characteristics-functions-and-services-of-a-retailer.htm

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Thus, this paper attempts to study the awareness level of the retailers towards digital financial services and also the factors which leads them or restricts them in availing digital financial services.

LITERATURE REVIEW:

Chattopadhyay, S. etal (2018)[3] in their study tried to explore the awareness level and participation level of the small retail businesses towards cashless transactions. They found that only a few respondents are actively participating in cashless transactions and the majority are still dependent on cash because they find dealing with cash safe and easier. The study concludes that various campaigns should be developed to change the attitude of the respondents towards cash.

Vally, K.S. and Divya, K.H.(2018)[4] in their study revealed the impact of various factors like age, education, and income status of respondents towards the usage of digital payments. The study found that age and education has a direct impact in usage of digital transaction. The people who are highly educated make use of digital payments more as compared to those who are less educated. The study also found that level of income does not affect the use of digital mode among the selected respondents.

Okoye, L.U. et al (2018)[5] examined the impact of technology based financial services on the satisfaction level of customers in Nigeria. They gathered data by distributing questionnaire to

[3]Chattopadhyay, S., Gulati, P., and Bose, I.(2018). "Awareness and Participation of Small Retail Business in Cashless Transaction: An Empirical Study". Management Dynamics in the knowledge Economy. Vol. 6, no.2.

[4]Vally, K.S. and Divya, K.H. (2018). "A Study on Digital Payments in India with perspective of Consumer's Adoption". International Journal of Pure and Applied Mathematics. Vol.119, no.15.

[5]Okoye, L.U., Omankhanlen, A.E., Okoh, J.I., and Areghan, I. (2018). "Technology based Financial Services Delivery and Customer Satisfaction: A Study of the Nigerian Banking Sector". International Journal of Civil Engineering and Technology. Vol.9, Issue 13.

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120 customers. They found that delivery of financial services through the use of technology has improved the quality of the services as well as the level of customer satisfaction.

Narayana, L.K. et al (2013)[6] conducted a study to understand the satisfaction level of respondents towards internet banking services in Bangalore city. The study found that only 34% of the respondents were highly satisfied with the services provided through internet banking. Most of the respondents are highly concerned about the risk and privacy issues. The study suggests that banks should put emphasis to these matters and should do the needful.

Finau, G. et al (2017)[7] conducted a research study to understand the perception of the rural people towards digital financial services and to identify the factors which leads them or restricts them towards the utilization of financial services digitally. The study found that the respondents are reluctant to access digital financial services as they feel the various mobile wallets to be unsafe and are also discouraged by the implicit costs charged by the agents.

Research Gap:

After studying the available literature related to the study, it has been found that very few studieshave been done on digital financial services. It has been seen that studies are conducted on awareness level, perception, and satisfaction etc of the customers towards digitalisation. But no in-depth study has been done on the behaviour of retailers towards digital financial services. So, the present study is an attempt to fulfil the research gap in this area.

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[6]Narayana, L.K., Hari, S., and Paramashivaiah, P. (2013). "A Study on Customer Satisfaction towards Online Banking Services with reference to Bangalore City". Acme Intellects International Journal of Research in Management. Vol. 2, no. 2.

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OBJECTIVES OF THE STUDY:

1. To study the awareness level of retailers towards digital financial services.
2. To identify the factors that leads them towards the usage of the digital financial services.
3. To study the challenges faced by the retailers in availing digital financial services.

RESEARCH METHODOLOGY:

Research Type: The methodology adopted in this study is descriptive and analytical.

Population:The existing retailers of the Sarupathar town are considered as the population of the study. The size of the population is 1116. (As on 1st August 2019)

Sampling Technique: The samples are collected by using stratified random sampling method. Every 4th unit of the sampling frame is considered as the sampling unit.

Sample Size:A total sample size of 285 is taken to collect primary data. The sample size is calculated with 5% margin of error and 95% confidence level by using Raosoft calculator.

Sources of Data: The data that are used in the preparation of the seminar is collected from both Primary and secondary sources. Primary data are collected through a structured schedule from the retailers of Sarupathar Town. The schedule consists of close ended questions and 5-point Likert scaleand secondary data are collected from Books, Internet, Journal, etc.

Data Analysis:The data collected are analysed by preparing tables with percentages. Moreover, impact index[8]method has been applied to measure the impact level of different factors. The formula for calculating the impact-

Impact Index=Total Score/ Maximum Score X 100

Total Score = Sum ($x_i p_i$)

[8]The American customer satisfaction index, methodology part, by Barbara Everitt, PHD and Professor ClaesFornell, April 2005, http://en.wikipedia.org/w/index.php?title=American_Customer_Satisfaction_Index&oldid=546389314

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Where x_i = Scores (i.e. 1, 2, 3, 4, 5)

P_i = No. of Respondents

The results under impact study of Likert scale has been categorised as follows:

0%-20% = Very Low Impact

21%-40% = Low Impact

41%-60% = Moderate Impact

61%-80% = High Impact

81%-100% = Very High Impact

DATA ANLYSIS AND INTERPRETATION:

Table No. 1: Analysis of demographic profile of the respondents:

Serial No.	Variable	Details	No. of respondents	Percentage(%)
1	Gender	Male	279	98%
		Female	6	2%
		Others	0	0%
		Total	285	100%
2	Age	21 years- 30 years	48	17%
		31 years-40 years	56	20%
		41 years -50 years	140	49%
		Above 50 years	41	14%
		Total	285	100%
3	Marital Status	Married	191	67%
		Unmarried	83	29%
		Others	11	4%
		Total	285	100%
4	Educational Qualification	Below class 10	47	16%
		HSLC	56	20%
		HSSLC	106	37%
		Graduation	59	21%
		Post Graduation	13	5%
		Others	4	1%
		Total	285	100%
5	Annual Income	Below Rs 200000	66	23%

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		Rs 200000- Rs 400000	138	48%
		Rs 400001-Rs 600000	59	21%
		Above Rs 600001	22	8%
		Total	285	100%
Source: Primary Data				

Interpretation: The above table shows that 98% of the respondents are male and only 2% are female. While considering the age, it has been found that majority of the respondents i.e 49% belong to the age group 41-50 years. Respondents in the age group 21-30 constitute 17%, age group 31-40 constitute 20% while 14% of the respondents are in the age group of above 50 years. The analysis shows that 67% of the respondents are married and 29% of them are unmarried while 4% belong to the others category i.e widowed and divorced. Among the respondents, majority i.e 37% has higher secondary level education, 21% are graduates, 5% are post graduates, 16% have educational qualification below class 10 while 20% left their education after HSLC and 1% possesses other qualification. With regard to income level, 23% falls under the income level below Rs 200000, 48% falls under the income slab Rs 200000-Rs 400000, 21% under Rs 400001-Rs 600000 and only 8% falls under the income level of above Rs 600001.

Table No.2:Most convenient mode of payment:

Details	No. of Respondents	Percentage(%)
Cash	173	61%
Cheque	11	4%
Debit/Credit Cards	46	16%
E-wallets	27	9%
Online Banking	25	9%
Others	3	1%
Total	285	100%
Source: Primary Data		

Interpretation: From the above table it has been found that majority of the respondents i.e 61% feels that cash is the most comfortable mode of payment. 16% of the respondents feel debit or credit cards as the most convenient, 9% feel e-wallets, 4% feel cheque, 9% feel

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online banking and 1% of the respondents feel other mode as the most convenient mode of payment.

Table No. 3: Awareness Level of the respondents towards the following digital channels for availing financial services:

Particulars	**5**	**4**	**3**	**2**	**1**	**Total Score**	**Maximum Score**	**Impact index**	**Impact Level**
ATM/Debit Card	120	81	66	12	06	1152	1425	81%	Very high Impact
Credit Card	16	23	24	107	115	573	1425	40%	Low Impact
Internet Banking	29	27	14	66	149	576	1425	40%	Low Impact
Mobile Banking	93	54	39	28	71	925	1425	65%	High Impact
E-Wallets	39	74	56	49	67	824	1425	58%	Moderate Impact
Banking Apps	27	22	37	41	158	574	1425	40%	Low Impact
Point of Sale(POS) Terminal	88	21	36	121	19	893	1425	63%	High Impact
Unified Payment Interface(UPI)	83	12	43	15	132	754	1425	53%	Moderate Impact
Aadhar Enabled Payment System(AEPS)	06	05	21	97	156	463	1425	32%	Low Impact
Source: Primary Data									

Interpretation:The above analysis shows that the majority of the respondents are fully aware about debit cards followed by the mobile banking services and point of sale terminals. It has been also seen that the respondents are moderately aware about the digital channels like internet banking, e-wallets and UPI. However, Internet banking, banking apps,Credit cards and Aadhar enabled payment system (AEPS) are the digital modes about which respondents have only a little awareness.

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Table No. 4:Usage of digital financial services:

Particulars	No. of Respondents	Percentage (%)
Yes	220	77%
No	65	23%
Total	285	100%
Source: Primary Data		

Interpretation: From the table it has been observed that out of 285 respondents, 220 of them uses digital financial services while the rest i.e 23% of the respondents do not use digital financial services.

Table No.5: Motivating factors to use digital financial services:

Particulars	5	4	3	2	1	Total Score	Maximum Score	Impact Index	Impact Level
24 hours accessibility	156	31	17	13	03	984	1100	89%	Very high Impact
Time Saving	148	11	61	00	00	967	1100	88%	Very high Impact
Cost Effectiveness	56	43	31	23	67	658	1100	60%	Moderate Impact
Security from theft	11	36	17	47	109	408	1100	37%	Low Impact
Discounts or rewards	42	36	23	26	93	568	1100	52%	Moderate Impact
Easy to track spending	54	42	16	22	86	616	1100	56%	Moderate Impact
Customer’s demand	12	17	33	60	98	445	1100	40%	Low Impact
Latest and accurate information	116	29	21	13	41	826	1100	75%	High Impact
Source: Primary Data									

Interpretation: From the above table it has been observed that 24 hours accessibility and time saving are the most motivating factors that influenced the respondents to use digital financial services. Moreover, the respondents also got influenced to use digital financial

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services to have accurate and updated information. Cost effectiveness, tracking expenses and discounts offered are some of the factors that moderately influence the respondents. Factors like customer's demand or security from theft do not motivate them to go digital.

Table No. 6:Problem faced in availing digital financial services

Particulars	No. of respondents	Percentage (%)
Yes	196	69%
No	89	31%
Total	285	100%
Source: Primary Data		

Interpretation: From the table it has been seen that maximum of the respondents i.e. 69% faces problem in availing digital financial services while 31% of them do not face any kind of problem.

Table No.7: Reasons behind facing challenges in availing digital financial services:

Particulars	5	4	3	2	1	Total Score	Maximum Score	Impact Index	Impact Level
Lack of technical knowledge	54	25	46	12	59	591	980	60%	Moderate Impact
Risk of losing money	126	54	4	9	3	879	980	90%	Very high Impact
Unreliable Internet Connection	47	33	66	33	17	648	980	66%	High Impact
Lack of Physical presence	24	41	38	34	59	525	980	54%	Moderate Impact
Reluctance to disclose financial information	137	21	13	19	6	852	980	87%	Very high Impact
System Error	109	67	10	8	2	861	980	88%	Very high Impact
Source: Primary Data									

Interpretation:From the analysis it has been seen that risk of losing money, reluctance to disclose financial information and system error are the main problems that majority of the

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respondents are facing while availing digital financial services. Most of the respondents also faces problem due to unreliable internet connection. Lack of technical knowledge and lack of physical presence are also some of the factors which act as a challenge for a few respondents.

FINDINGS:

- From the study it has been found that majority of the respondents are male and only 2% are female.
- Most of the respondents belong to the age-group 41-50 years.
- The study found that 37% of the respondents have higher secondary level education, 21% are graduates, 5% are post graduates, 16% have educational qualification below class 10 while 20% left their education after HSLC and 1% possesses other qualification.
- Majority i.e 48% of the respondents has annual income between Rs 200000-Rs 400000.
- It has been seen that majority of the respondents feel cash as the most convenient mode of payment followed by card payment. Only a few respondents prefer other modes of payment like Cheque, E-wallets, online banking and others.
- The study also found that majority of the respondents is fully aware of debit cards. They are moderately aware of mobile banking UPI and Point of Sale Terminal.
- Majority of the respondents have very little awareness about other digital channels like internet banking, banking apps,credit cards and Aadhar Enabled Payment System(AEPS).
- 77% of the respondents are availing digital financial services and 23% do not use digital financial services.
- The respondents are mainly motivated to use digital financial services as it can be availed 24 hours and it is also a time saving process. Cost effectiveness, tracking expenses and discounts offered are also some of the factors that moderately influence the respondents.
- The study also shows that Customer’s demand is not influencing the retailers to use digital financial services.

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- It has been found that majority of the respondents i.e 69% faces problem in availing digital financial services and their problems mainly includes risk of losing money, financial information security and system error.

SUGGESTIONS:

- As the retailers are not much aware about the digital channels other than ATM, so banks should try to make the retailers fully aware about the internet banking facilities and the banking apps so that they can use it in their business.
- Financial institutions, government and other organisations should try to provide various kinds of incentives and discounts to motivate more and more retailers to indulge themselves in the digital world.
- The institutions should try to provide strict cyber security and personal data security so that people do not face challenges in availing the services**.**
- System error is a major issue which creates problem for the users, so the financial institutions and intermediaries should try to find solution to avoid such kind of issue.

CONCLUSION:

Digital Financial Services acts as a major driver towards the success of cashless economy. Government of India has been taking certain initiatives to build a cashless economy and to indulge people more and more but the goal can be achieved only when people start adopting digital means. Digital financial services irrespective of having a few disadvantages providemaximum benefits to the users.

From the study it has been found that most of the retailers still feel that cash is the most comfortable mode of payment. They are aware about ATM, mobile banking, e-wallets etc but are not much aware about other digital channels. Retailers who uses cashless transaction feels motivated to use the digital channels so that they can make the transaction anywhere and at any time and also due to low risk of theft and fraud but it has been found that there is not much demand by the customers to make the retailers use digital channels.

However, if the government and financial institutions takes certain initiatives and make people more aware towards digital financial services, there is a scope that using of cash can

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be minimised and more cashless transaction would take place. There will be demand by the customers to make the retailers accept digital money which ultimately help the country to reduce the physical flow of cash.

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