

Demonetization: a Path to Cashless Economy- A Study on Consumer Behaviour

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ABSTRACT

Demonetization which took place on Nov 8 2016, of high value of currency notes was made to create a corruption free economy, hoarding of black money which was giving rise to Hawala transaction which was parallel financial transaction happening in the country. The impact of demonetization leading to a cashless economy was one of the major objective of the government through digital means. The introduction of cashless economy is a boon as it helps in growth and development of economy through official means. The empirical study focuses on the present effect of cashless economy and the consumer behaviour after demonetization. This study gathers data from among 100 respondents through a structured questionnaire and personal interviews have been conducted to collect the opinion on demonetization. The study shows how the day to day transactions of the consumer were effected by demonetization. The results highlights the benefits enjoyed by consumers because of cashless transactions which is the result of demonetization The study is open for further research.

Keyword: demonetization; cashless economy; consumer behaviour; economic development.

INTRODUCTION

Demonetization is an act of withdrawal of existing unit of currency from its legal tender and introducing new currency which takes the place of old currency. Demonetization which took place on Nov 8 2016, in India was not the first time in the history of Indian economy, as similar events have already taken place in the year 1948, 1954 and also in the year 1974 with major objective being eradication of anti-social activities and illegal transactions.[1]

The main objective of the Indian government behind demonetization which took place on Nov8 2016, was to purge black money from the country, reducing the existing corruption and to minimize tax evasion. It majorly aimed at reducing economic dependency on cash resulting in cashless economy. Cashless economy has a huge impact on consumer behaviour.

Henceforth with such high conjecture on demonetization and transformation towards a cashless economy. A study was conducted to analyse the behaviour on the same using a survey method.

OBJECTIVES

The objectives of the present study are

1. To analyse the customers perception towards cashless economy and demonetization
2. To analyse the effect on day to day transaction after demonetization.
3. To study the consumer behaviour on cashless economy.
4. To evaluate the benefits of a cashless economy.

LITERATURE REVIEW

Much research work has been carried out on demonetization and its effects on common man's behaviour. Many perceptual studies are also done on cashless economy.

Deepika Kumari (2016) in her paper of "Cashless Transactions, Methods, Application and Challenges" concludes that the government aimed at making the citizens of India aware about the concept of cashless transaction and its advantages. Hence forming the base for cashless economy.[1]

Piyush Kumar (2015) in his study of "Growth Pattern of Cashless Transaction" concludes that the cash less transaction is not only a requirement but also a need. He further states that the transactions are not only safer but is less time consuming and saves money on paper. He comments that future transaction system is undoubtedly a cashless transaction system.

Saini, B.M (2015) in his study of “Demonetisation- Metamorphosis for Cashless India” concludes that cashless transactions will lead to e-transactions leading to a higher rate of cyber frauds hence the people should be made aware of keeping debit and credit cards safe leading to transactions being hassle free. He also states that specially trained human resource should be employed which would help India to be in line with the developing countries.[2]

A survey by Ms.Rahmath Unnisa and Mrs Dhivya Kumari.G(2017) in their survey on” Impact of Demonetisation Cash to Cashless” concluded that majority of the people are already into cashless transaction and the government along with the banks should improve this facility. She comments that the people will only shift if it is easy, safe and convenient to carry out cashless transaction. Majorly common people were affected by demonetization.[3]

Dr.P.R.Kousalya and R.Gurushankar(2018) “Cashless Economy/Transaction”[4] concludes that this move has affected the poor people the most. However the small vendors on the street side also have started accepting electronic payments which is encouraging the people to move towards cashless modes.

Venkateshwararao Podile and P Rajesh in their paper on “Public Perception on Cashless Transaction in India” concludes that people are getting comfortable but there is certain amount of negative perceptions that are holding them back from accepting the cashless economy.[5]

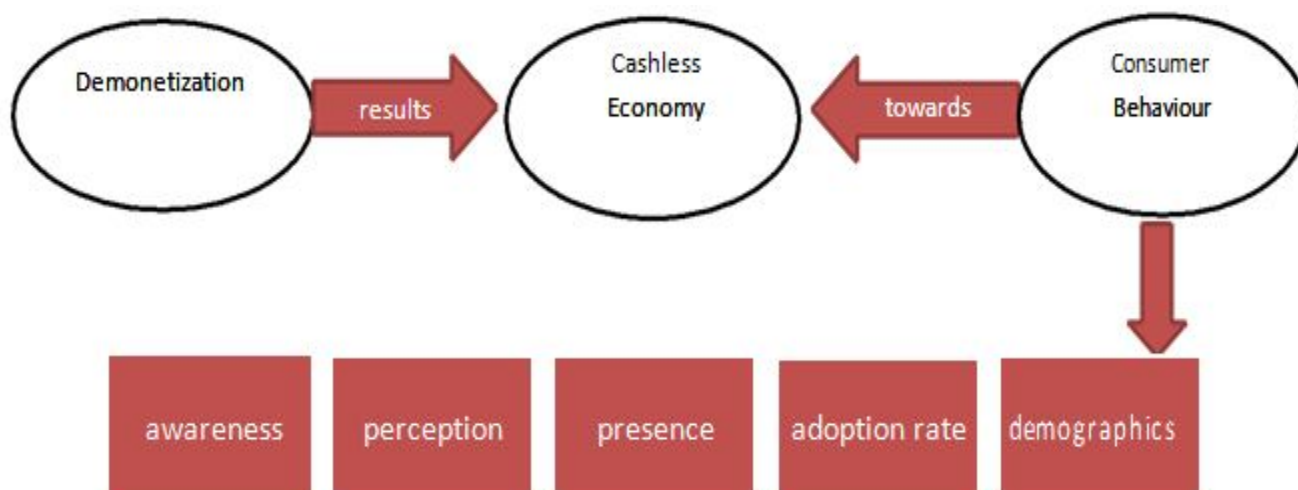
RESEARCH METHODOLOGY

The study is empirical in nature. Both primary and secondary source of data were used. The primary data so collected was through a structured undisguised questionnaire. The questionnaire was divided into 3 main sections the first focused on the demographics while the second focused on individual consumer’s awareness on cashless economy and last focused on consumer perception towards cashless economy and demonetization.

A sample of 119 respondents were taken into consideration. The collected data was analysed using statistical packages for social sciences (SPSS) and various statistical tools . The sampling of the data so collected was done through convenient random sampling. The 119 respondents were selected on the basis of 2 criteria-acceptances towards demonetization and cash less economy and their presences during demonetization.

The secondary data was collected from journals, magazines and entanglements.

Conceptual frame work



ANALYSIS OF DATA

The data is cross tabulated. Chi-square is applied:

- To understand the association between gender and awareness of cash less economy
- To understand the association between occupation and rate of adoption towards a cashless economy.

Table-1: Demographic details (n=119)

1.1 Gender

	frequency	Percent
male	60	50.4
female	59	49.6
total	119	100

1.2 Age

	frequency	Percent
1	67	56
2	28	24
3	15	13
4	9	7
total	119	100

1.3 Occupation

	frequency	percent
1	43	36.1
2	66	55.5
3	10	8.4
total	119	100

1.4 Income p.a(in Rs)

	frequency	Percent
1	69	58
2	22	18.5
3	28	23.5
total	119	100

1.5 Education

	frequency	percent
1	6	5
2	10	8.4
3	54	45.4
4	41	34.5
5	8	6.7
total	119	100

Interpretation: Table1.1 to 1.5 indicates the gender, occupation, age, income level and education of the respondents are considered for the study. Table1.1 shows 50.4% are male and the rest are female, table1.2 shows 56% of the respondents are under the age group of 21-30 yrs,24% belong to the age group of 31-40yrs, 13% belong to the age group of 41-50yrs and only 7% are above 50 yrs. Table1.3 shows 36.1% are students,55.5% are employees and the rest come under the category of homemakers. Table1.4 shows 58% have an income less than Rs.250000, 18.5% have an income between Rs.250000 and Rs.500000 and 23.5% have more than Rs.500000 as income. Table1.5 shows 5% have cleared SSLC, 8.4% have cleared PUC,45.4% are degree holders, 6.7% are post-graduates and the rest are other degree holders.

Table2: Mode of cashless transaction till date.

	Frequency	Percent
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1.00	104	87.4
2.00	15	12.6
Total	119	100.0

Interpretation: Table2 depicts 87.4% have used cashless transactions till date. While 12.6% have not used the mode of cashless transaction.

Table3: Cashless mode of payments after demonetization.

	Frequency	Percent
1.00	52	43.7
2.00	67	56.3
Total	119	100.0

Interpretation: Table3 indicates 43.7% have used cashless modes only after demonetization where in 56.3% have used cashless modes of payment earlier as well

Table4: Confidence and comfortability in using ATM services.

	Frequency	Percent
1.00	103	86.6
2.00	16	13.4
Total	119	100.0

Interpretation: Table4 represents 86.6% are confident and comfortable with the usage of ATM services and just 13.4% are not that confident and comfortable with the ATM services.

Table5: Ease of exchange of currency after demonetization.

	Frequency	Percent
1.00	57	47.9
2.00	62	52.1
Total	119	100.0

Interpretation: Table5 shows that 47.9% found it easy to exchange old currency with new currency at the bank after demonetization while 52.1% didn't find it easy in exchanging of currencies.

Table6: Withdrawal of money at ATM's after demonetization.

	Frequency	Percent
1.00	63	52.9
2.00	56	47.1
Total	119	100.0

Interpretation: Table6 shows that 52.9% were able to withdraw money from the ATMs as and when required after demonetization and the rest 47.1% couldn't withdraw money.

Table7: Cashless system saving time.

	Frequency	Percent
1.00	106	89.1
2.00	13	10.9
Total	119	100.0

Interpretation: Table7 indicates that 89.1% find that cashless system saves their time and 10.9% don't find it saving their time.

Table8: Payment gate ways are helpful.

	Frequency	Percent
1.00	108	90.8
2.00	11	9.2

Total	119	100.0
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Interpretation: Table8 depicts that payment gateways are helpful to 90.8% , for the balance of 9.2% it isn't helpful.

Table9: Discount on payment through payment gate ways.

	Frequency	Percent
1.00	95	79.8
2.00	24	20.2
Total	119	100.0

Interpretation: Table9 shows that 79.8% have got discounts by making payments through various gateways while 20.2% haven't received any discount.

Table10: Payment of small denominations through cashless transaction.

	Frequency	Percent
1.00	103	86.6
2.00	16	13.4
Total	119	100.0

Interpretation: Table10 shows that 86.6% agree that payment of small denominations can be done through cashless transactions , 13.4% don't agree with it.

Table11: Tracking of expenses through cashless transaction.

	Frequency	Percent
1.00	63	52.9
2.00	56	47.1
Total	119	100.0

Interpretation: Table11 shows that 52.9% could track their expenses due to cashless transactions and the rest couldn't track their expenses through cashless transaction.

Table-12: Awareness of concept of cashless economy.

12.1

	Observed		
	Aware	Not Aware	Total
Male	34	26	60
Female	36	23	59
	70	49	119

12.2

	Expected		
	Aware	Not Aware	Total
Male	35.29411765	24.7058824	60
Female	34.70588235	24.2941176	59
	70	49	119

Chi-square=0.993748155 Table value=3.841

HYPOTHESIS

- H0: There is no statistical significant difference in the perception about awareness on cashless economy between male and female.
- H1: There is statistical significant difference in the perception about awareness on cashless economy between male and female.

Interpretation: Table12.1 depicts that a number of 34 males and 36 females are aware of the concept cashless economy while 26 males and 23 females are unaware of the concept.

From the above table, it is inferred that 0.99(calculated value) is less than 3.841(table value), H0 is accepted and H1 is rejected at a significant level of 0.05. Hence, it is clear that there is no statistical significant difference in the perception about awareness on cashless economy between male and female.

Table13: Rate of adoption of cashless economy.

	Observed		
	High	Low	Total
Student	23	20	43
Employee	46	20	66
Homemakers	7	3	10
	76	43	119

13.2

	Expected		
	High	low	Total
Student	27.46218	15.53782	43
Employee	42.15126	23.84874	66
Homemakers	6.386555	3.613445	10
	76	43	119

Chi-square=0.790812 Table value=5.991

HYPOTHESIS

H0: There is no statistical significant difference in the rate of adoption between student, employee and homemakers.

H1: there is statistical significant difference in the rate of adoption between student, employee and homemakers.

Interpretation: Table13.1 shows that 23 students,46 employees and 7 homemakers agree that the rate of adoption towards the cashless economy is high whereas 20 students, 20 employees and 3 homemakers say that the rate of adoption towards the cashless economy is low.

From the above table, it is inferred that 0.79(calculated value) is less than 5.991(table value) the H0 is accepted and H1 is rejected at significant level of 0.05. Hence it is clear that there is no statistical difference in the rate of adoption between student, employee and homemakers.

Impact of demonetization on country’s economic growth:

Mean: 4.008403 , Standard deviation: 1.045538

Interpretation: Based on the statistical result majority of the respondents agree that demonetization has an impact on the economic growth of the country(mean:4.008403)

Increase in number of tax payers after demonetization:

Mean: 3.756302521 , Standard deviation: 1.033066741

Interpretation: Based on the statistical result majority of the respondents agree that there is an increase in the number of tax payers after Nov 8th 2016

Support to cashless India:

Mean: 4.151260504 , standard deviation: 1.09419621

Interpretation: Based on the statistical experiment majority of the respondents support cashless India.

FINDINGS

1. Majority of the respondents have used cashless mode of transaction, this could be due to their education level.

2. Since most of the employees are into e-payment and getting salary online , they are well versed on the usage of any mode of cashless payment.
3. There is an increase in the number of tax payers after demonetization ,this could be because of the increase in the usage of cashless transaction where all the transactions are assessed online.
4. It is found that there is major support from the sample population towards cashless India, because they found cashless transaction to be more beneficial than physical transaction.
5. Majority of the respondent are aware about the concept of cashless economy the reason could be that majority of them are students and employees who are highly aware about the economic condition.

SUGGESTION

1. The government must take initiative in conducting workshops on how to use the various payment gateways so that even lay man can understand and start with using them, making them familiar with the concept of a cashless economy.
2. The bank officials should bestow trust of the clients especially the senior citizens making them carry out cashless transactions which is a safe and less time consuming process.
3. Slow reduction in the withdrawal limit at ATM's and banks may encourage cashless transaction.
4. Cash on delivery option should be removed so that it encourages consumer's to make payment through the various payment gateways resulting in transformation to a cashless economy.
5. Government can place incentives for merchants to prefer digital payments.
6. Production of paper currency and coins can be reduced so that people can move towards cashless payments.
7. Both government and banks should come together and invest in the technology in order to improve cashless transaction.

CONCLUSION

The government has administered various methods for the overall economic development of India. Wherein demonetization and cashless transaction are major among all. The government majorly took the step of demonetization to purge the black money and to put an end to Hawala transactions but it had a massive impact on the common man and workers as they had to not only stand for the withdrawal of money for themselves but also their owners. Therefore it can be observed from the research that in the consumer perception there is a rapid change towards cashless India .The dream of cashless India can come true if the citizen's of the country work together to achieve it.

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