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A Study on Consumer Perception Towards Cashless Economy

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Abstract

Cashless Economy is when the flow of cash within an economy is non-existent and all transactions have to be through electronic 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) in India. India has completely adopted a cashless economy in order to combat black money and counterfeit currency. Cashless society is safe in terms of handling payments between parties. There could be a challenge however if the security of the transactions done on the computer network is compromised by computer criminals. Cashless society may not be easily achieved if a country has poor communication network and worse still if the attitudes of the people are not favouring transacting via remote banking and through other electronic channels. This study has assessed the ability of Indian consumers to realize a cashless society owing to the fact of not having enabling laws, reliable internet connections, and threat of hackers and guarantee of security of the users. The findings will help policymakers to understand how to make the economy cashless without affecting the consumers negatively. Financial and other institutions in the country and elsewhere would be able to learn what to be done to have successful cashless transactions in their societies.

Keywords*: Cashless Economy, IMPS, NEFT, RTGS, Electronic Clearing.*

1. Introduction

The world is evolving every day. Gone are the days when communication was carried out face to face, postage or by courier service. Today, communication takes place easily between two or more people from any part of the world through telephone or internet or other technological means. But the technological world is not stopping at that, new innovations are coming out, making life easier and of course more and more sophisticated. These innovations as

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they come, make serious impacts on the way things are being done all over the world and whatever is dictated as the new trend by the technology power house becomes the target of every nation. Thus, the trend of e-payment that began in the United States of America over some decades ago has become the in-thing globally. For many years, developed countries like Canada, United Kingdom, Sweden, France, among others, have run their economy through electronic payment without hitches. Over the course of history, different forms of payment systems have been in existence. Initially, "trade by barter" was common. However, the problems of barter such as the double coincidence of wants necessitated the introduction of various forms of money. Nevertheless, pundits have been predicting the complete demise of study instruments and the emergence of potentially superior substitute for cash or monetary exchanges that is cashless society.

There are difficulties in implementing the idea of cashless economy in a vast country like India where a large number of people are living under misery and poverty, yet a beginning had to be made someday. Today, there is a sea change in the mind-set of people with regard to digital means of monetary dealings which are safe, easy, convenient and transparent. There is no place for black money or counterfeit currency in cashless India.

2. Statement of the Problem

The idea of a country achieving a cashless society is a dream come true for any advancing economy. It is really vital to appreciate that cashless society will be next to impossible to achieve if the country does not have adequate technology to operate it. Before implementing fully the cash less economy, it is imperative to evaluate the attitude of consumers towards the government's move in adopting cashless economy. It is also necessary to understand the effectiveness of making an economy cashless and also the preparedness of the consumers to face this new development in the economy. This is the reason why the study "Consumers Perception towards Cashless Economy" is undertaken

3. Significance of the Study

A cashless society is safe in terms of handling payments between parties. There could be a challenge however if the security of the transactions done on the computer network is compromised by computer criminals. Cashless society may not be easily achieved if a country has poor communication network and worse still if the attitudes of the people are not favouring transacting via remote banking and through other electronic channels. This study has assessed the ability of Indian consumers to realize a cashless society owing to the fact of not having enabling laws, reliable internet connections, and threat of hackers and guarantee of security of the users. The findings will help policymakers to understand how to make the economy cashless without affecting the consumers negatively. Financial and other institutions in the country and elsewhere would be able to learn what to be done to have successful cashless transactions in their societies.

4. Objectives of the Study

The broad objective of the present study is to evaluate the consumer's perception towards cashless economy. The specific objectives of the study are;

1. To examine the attitude and the perception of the consumer's on cashless economy.
2. To evaluate the preparedness of the people to face cashless economy.
3. To evaluate the awareness level of the consumers regarding cashless economy.

5. Hypotheses

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1. H0: “There is no significant difference between urban and rural consumers regarding their preparedness for cashless economy”.
2. H0: “There is no significant difference among urban and rural consumers regarding the factors that hinder the economy from going cashless”.

6. Research Methodology

The present study is descriptive and analytical in nature. Both primary and secondary data have been collected for the purpose of this study.

a. Research Design

Thiruvananthapuram District in the state of Kerala is selected for the purpose of this study. All the residents in the selected district form the population of the study. From the population, a sample size of 60 respondents was selected following convenient sampling method. The selected sample consists of 30 respondents each from urban and rural areas.

b. Data Source

The primary data were collected from the selected respondents by utilizing a structured interview schedule. While selecting the sample due care was given to include respondents from both genders, different education levels and with various positions and income levels, to make the study a comprehensive one. The secondary data were collected from journals, books, websites etc.

c. Analysis of data

The collected primary data was entered, processed, classified, tabulated and analysed by using Statistical Package for Social Science (SPSS). To analyse the data various statistical techniques such as Percentage, Mean, Chi-square, F-test etc. are used. Results of analysis are presented mostly in the form of tables, Pie charts and bar diagrams.

7. Analysis and Interpretation of Data

The present study is conducted with the broad objective of analysing the perception of the customers towards cashless economy. The primary data is collected from the respondents selected as sample with the help of an interview schedule. The collected data are analysed and presented below.

8. Awareness about the Plastic Money

In cashless economy, all the transactions are done by plastic money i.e., using cards or other digital means. In order to craft a society cashless, high level of awareness regarding plastic money among the citizen is a pre-requisite. The level of awareness about the plastic money among the respondents is shown in the following Table.

Table 1
Awareness among Consumers Regarding Plastic Money

	Area				Total	
	Urban		Rural			
	Number	Per cent	Number	Percent	Number	Per cent
Very Low	1	3.33	2	6.67	3	5
Low	1	3.33	3	10	4	6.67
Medium	10	33.34	15	50	25	41.66

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High	6	20	4	13.33	10	16.67
Very High	12	40	6	20	18	30
Total	30	100	30	100	60	100
Mean Value	3.90		3.30		3.60	

Source: Primary Data

From the above analysis, it can concluded that the awareness about the plastic money is high among the respondents (Mean 3.60). The awareness level is observed as higher in urban area (Mean 3.90) than the rural area (Mean 3.30)

9. Interest towards Online Payment

The term electronic payment can refer narrowly to e-commerce, a payment for buying and selling goods or services offered through the Internet, or broadly to any type of electronic funds transfer. When the economy is turning cashless it is important to understand the interest of the consumers towards the various modes of payment. Table 2 shows the consumers' interest towards various online modes of payment.

Table 2

Customers Interest towards Online Payment

Interest	Area				Total	
	Urban		Rural			
	Number	Per cent	Number	Percent	Number	Per cent
Very Low	0	0	1	3.33	1	1.67
Low	4	13.33	7	23.33	11	18.33
Medium	10	33.34	14	46.67	24	40
High	7	23.33	6	20	13	21.67
Very High	9	30	2	6.67	11	18.33
Total	30	100	30	100	60	100
Mean	3.70		3.03		3.37	

Source: Primary Data

Out of the total respondents, 18.33per cent have very high interest towards online payment followed by 21.67 per cent respondents having high interest toward it, while 40 per cent respondents have medium interest towards it. Only 18.33 per cent of total respondents have low interest towards online payment and 1.67 per cent respondents have very low interest towards it.

It can be said by looking at the total mean (3.37), the mean of the urban area (3.70) is more than the mean of the rural area (3.03), and thus it can say interest towards online payment is more in

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urban area when compared to rural area. The table suggests that more than 30 per cent of the respondents from the urban area have high interest and more than 45 per cent of the respondents from rural area have medium interest towards online payments.

10. Factors which worry consumers while conducting online transactions

While conducting online transactions there are many factors which worry consumers. The consumers may be anxious about providing personal information, lack of adequate security, high expense and charges on online transactions and so on. In today's world where the economies are adopting to plastic money it is relevant to study the factors which worry the consumers. The following table shows the factors which worry the consumers while conducting online transactions.

Table 3

Factor which worry the consumers while conducting online transactions

Factors	Area				Total	
	Urban		Rural			
	Number	Per cent	Number	Percent	Number	Per cent
Providing personal information	12	40	10	33.33	22	36.67
Lack of Security	13	43.33	13	43.33	26	43.33
Time consuming	4	13.33	5	16.67	9	15
Highly Expensive	1	3.33	2	6.67	3	5
Total	30	100	30	100	60	100

Source: Primary Data

Table 3 is a depiction of the factors which fret the consumers while going through a cashless transaction. 36.67 per cent of respondents stated that providing personal information is a factor which worries them while 43.33 per cent respondents said lack of security is a hindrance. 15 per cent of respondents used time consuming as de-motivating factor and 5 per cent of respondents stated the expensive nature of online transactions as a factor.

The above analysis reveals that lack of security, and providing personal information are te major worries related with the online transactions. The customers do not trust enough to provide their personal information while going through a cashless transaction The area wise analysis also shows the same inference.

11. Preparedness to meet cashless economy

With the move towards demonetization, India has advanced towards adopting a cashless economy. It is relevant to study how prepared the consumers are to face a cashless economy. The following table shows whether the economy is ready to face a cashless society.

Table 4
Preparedness to face cashless economy

Preparedness	Area	Total

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	Urban		Rural			
	Number	Per cent	Number	Percent	Number	Per cent
Yes	19	63.33	13	43.33	32	53.33
No	11	36.67	17	56.67	28	46.67
Total	30	100	30	100	60	100
Pearson **Chi square** value= **4.593**, df = 1, sig = **.032**						

Source: Primary Data

Majority of the respondents (53.33 per cent) are of the opinion that they are prepared to meet cashless economy while 46.67 per cent respondents are of the opinion that they are not yet ready to face cashless economy.

In order to test the difference is statistically significant, chi square test is used. The result of chi square test is calculated as Pearson Chi square value as 4.593, df -1 and Asymp. sig as .032. As the sig. value is less than .05, the difference is statistically significant. Thus there is significant difference in the preparedness for cashless economy among the urban and rural customers. Thus, the **hypothesis Ho** that "There is no significant difference between urban and rural consumers regarding the preparedness for cashless economy" is **Rejected**.

12. Perception of the consumers to various aspects related cashless economy

To meet the cashless economy it is necessary to know the consumers approach and perception towards various aspects of the economy. The following table comprises of various statements to which consumers may agree or disagree.

Table 5
Agreement to various statements regarding cashless economy (Mean values)

Statements	Urban	Rural	Total
Cashless economy will prevent money laundering	3.77	2.93	3.35
An increase in cashless transactions will lead to an increase in internet fraud	3.97	3.57	3.77
Majority of Indians can operate basic technological appliances with regard to e-payment services	3.20	3.27	3.23
Literacy is an important factor for the use of cashless transactions	4.30	4.13	4.22
A cashless economy can reduce the risk of carrying cash	3.17	3.53	3.35
Our economy can go fully cashless	2.43	2.70	2.57
Demonetisation move will lead to a cashless economy	2.57	2.83	2.70

Source: Primary Data

The analysis shows that both urban and rural consumers agree that literacy is an important factor for carrying out cashless transactions. The customers fear that an increase in cashless transactions will lead to an increase in internet fraud. However, they hope that cashless economy will prevent money laundering and a cashless economy can reduce the risk of carrying cash.

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13. Summary of Findings

The following are the major findings of the study:

- Consumers are highly aware regarding the existence of plastic money.
- Consumers believe to an extent that cashless transactions are reliable.
- The interest for online transactions is high among the consumers but urban consumers are more interested when compared with rural consumers..
- Majority of the consumers are prepared to meet cashless economy while there is a minority group of consumers not prepared to face cashless economy.
- Consumers are of the opinion that lack of cyber security is a major factor which hinders the economy from going cashless followed by internet connectivity issues, charges on cards, smart-phone non availability and public not having a bank account.
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14. Suggestions

1. Since there is a high rate of illiteracy, and all people must be brought into the system, the government must take measures to educate all the consumers.
2. The internet speed is another deterring factor as for real-time transactions; the current speed of Internet in most of the regions in India is pretty slow. The government and the private companies in charge of telecommunication should provide high speed internet connectivity to all regions in India.
3. Provide more benefits for conducting online transactions.
4. Provide a stable internet connection to the areas which are deprived of internet connectivity.
5.Must provide awareness to rural people regarding plastic money and how cashless transactions are to be carried out
8. Indian banks are more prone to get hacked compared to foreign banks due to lack of cyber security layer in banks. So measures should be taken by the bank to add more security measures so the consumers feel safe to make transactions online.

15. Conclusion

It can thus be concluded that with the increasing popularity of transactions through cards, cash is slowly but surely expected to die a natural death. In a world where payments go online, cash serves very little purpose apart from creating a burden on the State. Doing away with cash addresses a very wide spectrum of problems, starting from counterfeiting, money laundering and bribery to tax dodging and criminal businesses. While a cashless economy might take some time to get fully realized, it is something that's surely coming our way in the near future. Like everything else, a cashless society has its own set of pros and cons. But the positives that we can get out of it outweigh any negative impact that it might haveOverall in a nutshell, a cashless society has an innumerable number of benefits over the current monetary system. The paper currency stays on because it is the only form of money that is built in our psyche. The future generations though will live through a time when the idea of money creates an image of credit and debit cards inside their head. That will be the time when cash will have to give way to a world where exchange will take place as it does now, but without the money being visible to us.

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Biosketch

Mr. Soju L Johnson is an Assistant Professor in the Department of Commerce at Sree Shankara College, Kottarakara,Kerala. He has got B Ed in commerce and has conducted many studies with respect to the learning habits and learning disabilities among higher secondary students. He has presented two national seminars and has published an article on 'Intense diversification strategy of HUL ltd'. He has been focusing on research with respect to banking sector reforms and practices.