

## TRANSITION TOWARDS CASHLESS ECONOMY: A STUDY ON THE USAGE LEVEL OF CASHLESS TRANSACTIONS AND THE PREFERRED MODE OF E- PAYMENTS OF PEOPLE OF SIKAR DISTRICT- RAJASTHAN

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### ABSTRACT

*India being a cash-centric economy needed a force to become a cashless economy. Demonetization has been one of the most important and impactful financial event of our time. Apart from the direct motives such as eradicating black money, money laundering, the hidden and important motive was to transform India a cashless economy. Cashless economy means an economy in which people use digital payments methods such as Debit and Credit cards-wallets to make payments. 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. India Government's 'Digital India programme' started with a view to transform India into a digitally empowered society and promotes cashless economy. The cash less transaction means buying or selling products and services by using electronic forms instead of paper currency. This study throws light on the perception and attitude of people towards the transformation from cash to cashless economy and their expectations.*

*Keywords: Digital, cashless economy, E- payment, Demonetisation*

### INTRODUCTION

In the last one decade, there is a remarkable interest among various groups of people to discover the opportunities of moving towards a cashless economy globally, Policy makers, and academicians among the few. Many believed that the transition from cash to cashless economy has substantial benefits. In any country if large percentages of payments are carried out in cash due to any reasons, we can call them as cash-intensive economy. Whereas Cashless economy is an economic system where small amount of cash is used in transactions, and depends more on by credit cards, debit cards, wallets or digital modes. If we accept to become cashless, it not only simplifies life but also helps to substantiate and formalize the transactions that are done. It also helps to control movement of black money and leads to an increase of economic growth. It also reduces the cost of printing as well as cost of transportation of currency notes. Based on the Moody's Analytics report in 2013, reviewing the influence of card usage on gross domestic product (GDP), it was found that electronic card usage increases private consumption and GDP in many countries. Though many countries are moving from cash to cashless, there are few countries of the world where electronic transactions are not growing faster than cash. Kenneth Rogoff, an economist who wrote "The Curse of Cash," about how paper money enables crime and tax evasion. But there are critics who claim that electronic payments can marginalize poor people who lack easy access to bank accounts and the internet and can make it much easier for government

### CASHLESS ECONOMY

Cashless economy is a circumstance in which the movement of cash within an economy is absent and all transactions must be through digital mode 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) etc. For the financial year 2019-20, the tax deduction for cash withdrawal exceeding 1 crore will be 2% as a part of leveraging the concept cashless economy. Business that are having yearly income of more than 50 crores are allowed to offer low-cost digital modes of payments and they won't have to incur extra charges on Merchant Discount Rate. As the E-Payment is overtaking the liquid cash transaction method, the Reserve Bank of India has to suffer very fewer charges on maintaining the cash. This eventually will help in having a constructive cash flow in the economy.

### IMPORTANCE

Going cashless has helped in creating a positive impact on society as the paper based methodology in financial transactions has been reduced thereby economy in operations, time and cost. When an

economy moves from cash to cashless it has substantial benefits. It creates a positive influence on society also it reduces time and cost and creates economy in operations. There are other benefits too. Mainly

**(a) Control on Black Money**

It will help in restricting the creation of black money and control the parallel economy. It restrict transfer of money by, by passing banking channels, and controls those people who supports the terrorists who need money to finance their terror will find difficulty in cashless economy.

**(b) Reduce Tax evasion**

All the transactions can be monitored and hence traced back to an individual. Income tax officials can easily trace out the transactions and it will become difficult for individuals to evade taxes. Reducing of tax evasion increases the revenue of the government and can be carried out for more productive activities in the economy.

**(c) Reduce Real Estate Prices**

Black money mafia usually invest in real estate, which increases in real estate price. In cashless economy transactions are through electronic means and are tracked and are accountable, it leads to reduction in real estate prices and also reduces corruption

**(d) Reduce red tapism and bureaucracy**

Since transactions are restricted to electronic means the wire transfers are tracked and people are accountable, which in turn reduces corruption and improves service time

**(e) Reduction in robbery**

In cashless economy no one has to carry currency notes, it reduces the fear of snatching of money. People can do transactions or payments either through cards or through mobile banking. Discounts are offered by various groups like booking railway tickets online, payment of highway toll or purchase of insurance etc. reduces costs. Reward points and loyalty benefits on existing credit and store cards, and it could help improve cash flow marginally

**(f) Lower risk:**

If the cards are stolen, it is easy to block a card or mobile wallet whereas if cash is stolen it is impossible to get it back and also create inconvenience

**Digitalization**

With the growth of social networks, mobile, big data, etc., organizations in almost all industries are taking numerous initiatives to explore and exploit their benefits. The society as a whole is facing a fast and drastic change due to the maturation of digital technologies and their universal penetration of all markets. The increased demand from customers, companies are facing ever tougher competition due to globalization and putting pressure to go digital.

Digitalization finds its expression in the transformation of business processes based on digital technologies and addresses all forms of the business model, .

**Demonetisation**

It is an act of cancelling the legal tender status of a currency unit in circulation. The main aim behind this was to eliminate black money, fake currencies, terrorism funding of illegal activities and enable cashless transactions and aims to achieve less cash society. In India, though the concepts of internet banking, hi-tech banking and plastic money have been in operation for quite some years, but cashless economy has been promoted by demonetisation scheme initiated by the Indian Government in November, 2016.

The growth of cashless transaction system is reaching its new heights day by day. The troubles caused by demonetisation paved way for an increased use of plastic money and other cashless transactions. There is a tremendous increase in mobile banking and other e-payment system usage in post demonetisation. Earlier the transactions were done only through debit/credit cards.

These options always had the issue of security and were not regarded as user friendly. But after the evolution of smart phones, there is an explosion of digital payment options. Cashless society is something that could become a reality in the near future with the introduction of new technologies.

Currently the government has been advocating the use of e-payments and technology driven payments. This will push the people to adopt and implement cashless transaction for their needs. Digital transactions are quiet comfort in conducting which might have been one of the motivators for people to go digital. And smart phones become really smart and which made people also become to act smart and it helped perception of people on transition from cash to cashless economy

### **Sikar District – Rajasthan**

Sikar is a city located midway between Agra and Bikaner on the National Highway 52 in the state of Rajasthan in India. It is the administrative headquarters of the Sikar District. It has a population of about 237,579 people according to the census of 2011. As per provisional reports of Census India, the population of Sikar in 2011 is 237,579; of which there are approximately 123,156 males and 114,423 females. The sex ratio of Sikar City is 929 females per 1000 males. Regarding education, total literates in Sikar city are 158,413 of which 91,403 are males while 67,010 are females. The average literacy rate of Sikar City is 77.13, male and female literacy status is 86.29 and 67.37 respectively.

### **OBJECTIVES OF THE STUDY**

The present study is undertaken with the following objectives:

To understand the usage level of cashless transactions and to identify what motivates people to go for cashless transactions

To study the preferred E- payments mode of respondents

### **RESEARCH METHODOLOGY**

The study has adopted a descriptive and exploratory research design. The present study incorporates the use of both primary and secondary data for an in depth analysis. Primary source of data collected through self-constructed questionnaire. A sample of 115 respondents from different socio-economic characteristics was selected from the various communities of Sikar district of Rajasthan State through convenient sampling. The researcher had interaction with the respondents and then the questionnaire was advocated to the respondents. And it was analysed using statistical tools like Simple percentage analysis and Mean. The secondary data collected through books, journals, articles, papers, reports and online source also.

### **LITERATURE REVIEW**

Studies of **Saima Khan & et al 2015** mentioned the digitization impacts on dropping unemployment, refining quality of life, and enhancing citizens, access to public services. Digitization allows governments to function with greater transparency and competence, and it has a dramatic effect on economic growth, but not all at once

**In 2016, Dr.Kavita Rao & et al**, found that the government has implemented a major change in the economic environment by demonetizing the high value currency notes – of five hundred and thousand denomination. The reason is to eliminate the “black economy”

**Anil Agarwal et.al in December 31, 2019, mentioned in their review that** e-Payments is an e-Wallet that helps bloggers and marketers to easily manage their online funds. E-Payments is the safest, easiest and most convenient digital wallet for those who make money online.

**Olalekan S. Akinola (2012)** in his paper, “Cashless Society, Problems and Prospects, Data Mining Research Potentials” studied benefits and challenges associated with cashless economy. He also evaluated various cashless instruments. Technology and infrastructure are the vital facets of setting digital society.

**Gupta et.al (2013)** studied about the role of ICT based payment system in Indian banking security as a part of cashless society. These factors have been focused to lessen threats associated sector for better smoothening and transparency of payment system rural people faced lots of problem due to remote location of villages so to reduce these types of problems ICT play a major role.

**Ashima Dominic, K.Saranya, K.G Rajani(2018)** point out that there is no doubt that Indians moving towards cashless society ,but many of them are not completely ready to go cashless. The findings reveal that either they are afraid to engage in cashless transactions because of security concerns, fraudulent activities, etc. or they do not have sufficient knowledge to go cashless

**ANALYSIS OF PRIMARY DATA**

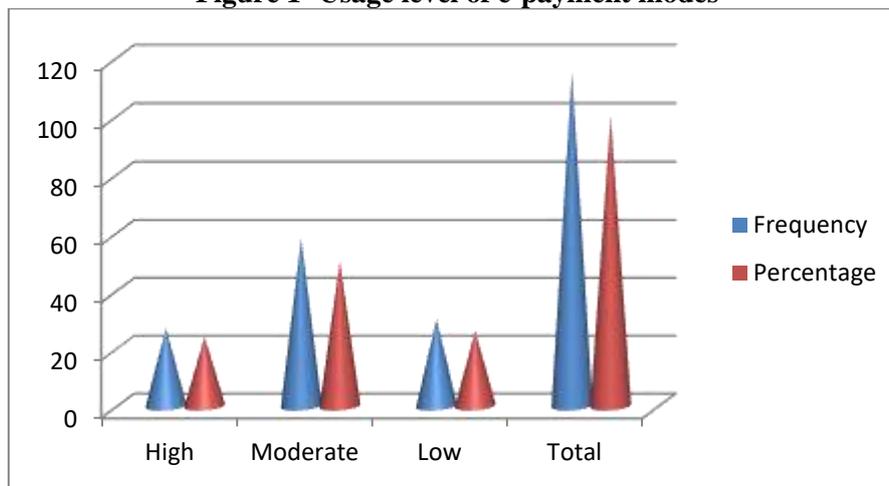
**Table 1 - Usage level of e-payment modes**

Level	Frequency	Percentage
High	27	24
Moderate	58	50
Low	30	26
Total	115	100

Source : Primary data

Table 1 show that half of the respondents moderately use e-payment modes for their transactions. Only 24 % respondents have a high usage rate of e-payment modes while the respondents using e – payment modes at a lower rate is 26%.

**Figure 1- Usage level of e-payment modes**



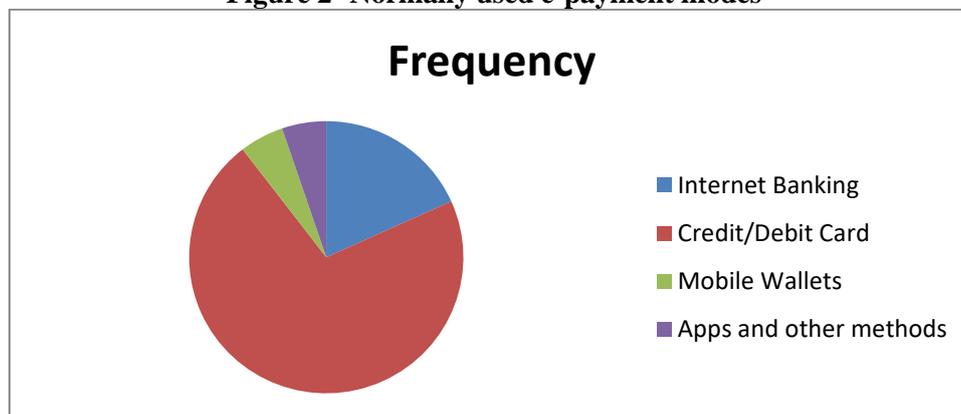
**Table 2 - Normally used e-payment modes**

Mode	Frequency	Percentage
Internet Banking	21	18.3
Credit/Debit Card	82	71.3
Mobile Wallets	6	5.2
Apps and other methods	6	5.2
Total	115	100

Source : Primary data

It is evident from the above table that the respondents' most preferred mode of e-payment is credit/debit cards(70.7%). Mobile Wallets and Other Apps and Methods are rarely used by the respondents. Internet Banking is popular among almost one – fifth of respondents

**Figure 2- Normally used e-payment modes**



**Table 3- Convenience of cashless mode for daily transactions**

Opinion	Frequency	Percentage
Convenient	93	80.9
Not Convenient	22	19.1
Total	115	100

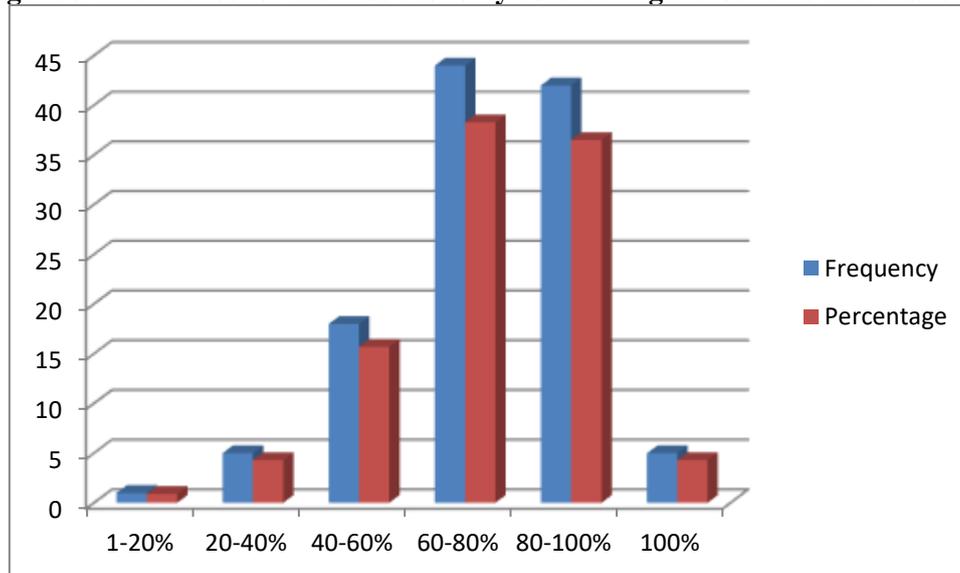
Source: Primary data

While considering preference for cashless modes for daily transactions, majority of respondents favour the opinion that cashless modes are more convenient for daily transactions tallying upto 80.9% and a few are of the opposite view. Although respondents have not started using cashless mode much, they estimate that it is the convenient mode

**Table 4- Preference for cashless economy considering the benefits and challenges**

Level	Frequency	Percentage
1-20%	1	.9
20-40%	5	4.3
40-60%	18	15.7
60-80%	44	38.3
80-100%	42	36.5
100%	5	4.3
TOTAL	115	100

Table 4 makes it clear that more respondents after considering the benefits and challenges regarding cashless economy, give a rating on an average of 60-80%. 38.3% whereas another 36.5% respondents place it in the slab 80-100%

**Figure 3- Preference for cashless economy considering the benefits and challenges****Opinion regarding drawbacks of cashless economy**

During interaction the respondents in general agree that cashless transactions suffer from drawbacks. The most important concern shared is with regard to poor internet connectivity, lack of technical know-how and security issues. It is noticed that transaction failure and hidden costs are also matters of concern.

**Table 5- Opinion regarding drawbacks of cashless economy**

Drawback	Mean
Security issues	4.02
Poor internet connectivity	4.10
Hidden costs	3.93
Poor merchant acceptance	3.28

Transaction failure	3.95
Lack of technical know-how	4.08
Excessive spending	3.04

### MAJOR FINDINGS OF THE STUDY

- Half of the respondents are moderately using e-payment modes for their transactions.
- The most preferred mode of e-payment is credit/debit cards (70.7%). • Majority of respondents (mean 2.14) opined that convenience is the major motivating factor towards cashless payment system.
- A major share of the respondents (80.9%) are of the opinion that cashless modes are actually more convenient for daily transactions
- Respondents are very much impressed with the various merits of cashless economy. Majority of them agree that cashless economy leads to improved banking habits in people.
- Respondents agree that people will rely more on digital payments in the near future and it will have a steady growth due to increased awareness among the people.
- The respondents in general agrees that cashless transactions suffer from drawbacks with a major share of them concerned with the poor internet connectivity, lack of technical know-how and security issues.

### SUGGESTIONS

1. It is essential that the government should take the required measures make some policy deliberations when they are arranging for a cashless economy.
2. The major drawbacks like lack of cyber security have to be removed and to be protected from the cyber-attacks, which may create confidence in the mind of the customers.
3. Government should also take measures to create awareness among the people the use and benefits being cashless.
4. Government should also take measures to increase liquidity into the system so that people face less inconvenience
5. Infrastructure should be improved so that more and more people can come into banking net and internet
6. Society has to understand the importance of cashless economy and appreciate measures taken by the government.

### CONCLUSION

Cashless economy can be measured by the increase in usage of the people living in India. The usage of cashless modes of payments is affected by the awareness of different kinds of cashless modes of payments, liquid cash carried, and the motivational factors such as cash backs, discount and various other limiting factors such as lack of merchant acceptance, poor technology. Demonetization was a much needed force to shift our economy towards a less-cash society. A less-cash society has many benefits such as ease of transactions, less corrupted cash into circulation. Most of the people in India have now become friendly to digital transactions. Demonetization drive did increase the usage of cashless modes of payments. There are many benefits of a cashless framework such as avoidance of wear & tear of money, all transactions done are recorded, less money laundering which in turn develops an economy. People agree that cashless economy leads to improved banking habits in people also they agree that people will rely more on digital payments in the near future and it will have a steady growth due to increased awareness among the people.

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