

KCDCC Working Paper

**Awareness of Cashless Economy and its Impact on Small Vendors
of Guwahati City, Assam, India**

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Abstract

Cashless transaction system is growing day - by - day. The market has become globalised and with growth of the retail sector more and more people have moved from cash to cashless. There are many benefits of cashless transaction availed by the people such as faster transaction, convenience, lower risk, less time consuming and reduce trouble of carrying paper money. It also helps in keeping records of all transaction that has been made. However, there are still people who have lack of trust and confidence while using digital payment methods and are not aware about cashless economy. The study reveals some challenges of cashless transactions like digital illiteracy, insecurity and so on. One of the largest markets for smart phone and mobile application providing easy transition towards a cashless economy. The local retail markets have already accepted shift into paperless transactions. Banks and other institutions have also started shifting towards payment through smart phones. The study has also focused in finding the best measure for making cashless transaction. It can be concluded from the research that cashless economy has a greater impact on the operations, performance and growth of retail sector as well as nation.

Keywords: Cashless transaction, small vendors, digital economy, financial illiteracy

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Introduction:

A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical bank notes or coins, but rather through the transfer of the digital information (usually an electronic representation of money) between the transacting parties. In simple sense, it is a society where cash is replaced by its digital equivalent. In other words, legal tender (money) that exists, is recorded, and is exchanged only in electronic digital form.

Unavailability of cash forced the masses to sample alternative digital payment methods, which led to magical surge in the number of cashless transactions and eventually lead to an exhaustive “digital” economy for India.

The demonetization must be viewed as a big effort to make India a cashless economy. The Government’s move to demonetize Rs.500 and Rs.1000 notes to check black money, counterfeit currency and terror financing is a step to encourage digital transactions.

The Reserve Bank of India had also taken a similar step in 2014 of withdrawing completely all bank notes issued prior to 2005, from circulation. People had to exchange these currencies with new ones with enhanced security features.

The review of literature paves a way for clear understanding of the area of research already undertaken and throws a light on the areas which are yet to be covered. In this regard an attempt has been made to present a few studies that have been conducted by various researchers in the past few years.

Anand Choudhury (2018): “As the economy makes the transition from being cash driven to digitally driven, new opportunities galore both for the nation and for the young and talented. However, the path towards a truly cashless economy faces a lot of challenges as a large part of the population continues to remain outside the banking net and is not in a position to reduce its dependence on cash”.

Dr. K. A. Rajanna (2018): “A cashless economy is a situation in which the financial transactions are made by digital currencies. In India, too much of transactions are made through cash. Less than 5% of total payments happen through electronically. Financial literacy and awareness about cashless transactions is paramount in India. Banks and financial institutions offering discounts on purchases with credit/debit cards and online wallets offering attractive deals for payments have made Indians comfortable with paperless transactions”.

Dr. Venkateswararao Podile and P.Rajesh (2017): “After demonetization initiatives, most of the people in India started electronic payments for their transaction. Slowly India is moving from cash to cashless economy. A cashless economy is one in which all the

transactions are done using cards or digital means”.

Mr. Harish Tigari (2018): “The fundamental base for cashless economy is the demonetization. The recent policy decision by the Government of India to tackle the quicker economic progress is the promotion of cashless economy, which creates a platform to maintain accountability for every transaction which helps to control corruption”.

Mr. Pradeep H. Tawde, (2017): “Future and scope of cashless economy in India” this study helps in assessing the future trends and the impact of going cashless in Indian economic scenario. After the study was conducted it was seen that the government of India should consider many steps in digitizing India.

Preeti Garg and Manni Panchal (2017): “The Government has implemented a major change in economic environment by demonetizing the high value currency notes of Rs. 500 and Rs. 1000 from 8th November, 2016 and push India towards a cashless future. The essence of the policy is to shift the economy from a cash-based economy to a cashless one. Efficient and modern payment system is a key enabler for driving growth and development. The policy also aims at improving the effectiveness of monetary policy, managing inflation in the economy, maintaining stable pricing system”.

Dr. Hanumanth S. Patil and Sonali P. Bhujbal (2018): “In a present scenario India is highest cash to GDP in the world. India is cash based economy which is operating 86% of cash payments of total transaction. Higher cash flows causes cash related frauds, terror financing, corruption, money laundering. To eliminate the money and cash related frauds it was necessary to bring cash economy into cashless economy in India”.

Kokila and Ustmadevi, (2017): “A study on consumer behaviour on cashless transaction in Puducherry” this study was focused towards understanding the awareness and trust among the customers on cashless transaction. It was seen that after conducting the study most of the people were aware about the cashless transaction but still in doubt with implementing the same in daily routine.

Deepika Kumari, (2016): “Cashless transaction: methods, Applications and Challenges” This study concluded that as the demonetization applied by government of India. Government trying to aware its people for cashless transaction by various kinds of advertisement method but still a large number of people are awaiting for the introduction of cashless transaction and its different methods, advantages and challenges.

Objectives of the Study:

1. To study the awareness and acceptance towards cashless transactions.
2. To study the opinion and preferences of small vendors towards cashless transactions.
3. To find out the challenges and benefits of going cashless faced by the small vendors in the study area.
4. To provide suggestions if any for adopting the best measure in making cashless transactions.

Significance and scope of the Study:

The study is significant since it emphasizes on the importance of cashless economy. Cashless payments are an important feature of smart cities. Institutions across the spectrum are making efforts to build a sustainable cashless system. Cashless transactions ease daily transportation and payment services, thereby reducing time and saving energy as well as help the economy. Cashless payments are also reduced errors, crimes and cost of labour involved in processing the cash.

This research is conducted to understand on an individual's level, the mindset of the citizens of the country regarding the shift from a cash - based economy towards cashless economy. It concentrates on finding out the benefit adopted by the small vendors because of cashless transaction as well as various challenges faced by them on the path of digitalization. It covers an analysis on the measures adopted for the cashless transaction where a sample of 100 respondents has been taken by the researcher from the major market areas of Guwahati city.

Method of study:

The present study is basically based on primary data via which the most recent and accurate first-hand information was collected. Secondary data have been used to support primary data wherever needed.

For the collection of primary data, a questionnaire containing a total of 20 questions was prepared and the respondents were asked to fill it up marking the preferred option. It has been designed in such a way that maximum relevant information can be gathered. Personal interview of small vendors were taken to collect primary data. Secondary information has been collected from the various sources includes books, websites articles journal and other relevant documents.

The universe of the study is all the small vendors of the Guwahati City including both literate and illiterate population are consulted for the research. A sample of 100 small vendors from Guwahati city were undertaken for the study includes different age group, gender, educational background and income.

Convenient sampling technique has been used in collection of data using structured schedule. The collected data has been properly classified, analyzed, tabulated and the techniques adopted for analyzing the data is simple percentage method.

Data Analysis and Interpretation:

The analysis and interpretation of data obtained during the research study has been analysed and interpreted through various tables, pie charts etc.

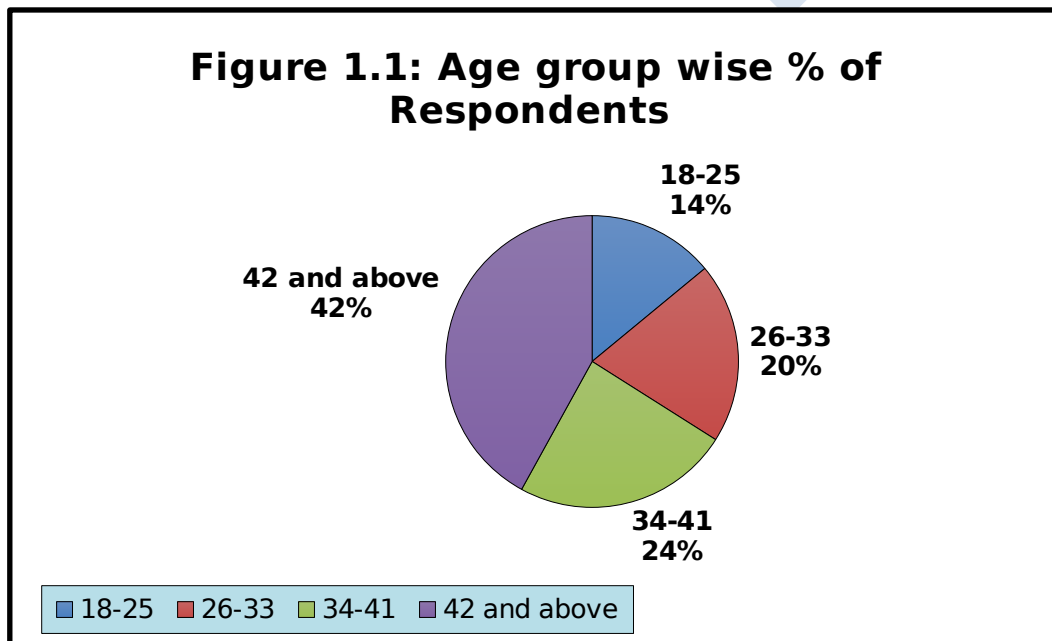
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1. Age group of the respondents:

Table 1.1: Table showing age group of the respondents.

Age	NO. OF RESPONDENTS	% OF RESPONDENTS
18-25	14	14
26-33	20	20
34-41	24	24
42 and above	42	42
TOTAL	100	100

Source: Field study



Source: Table 1.1

Interpretation:

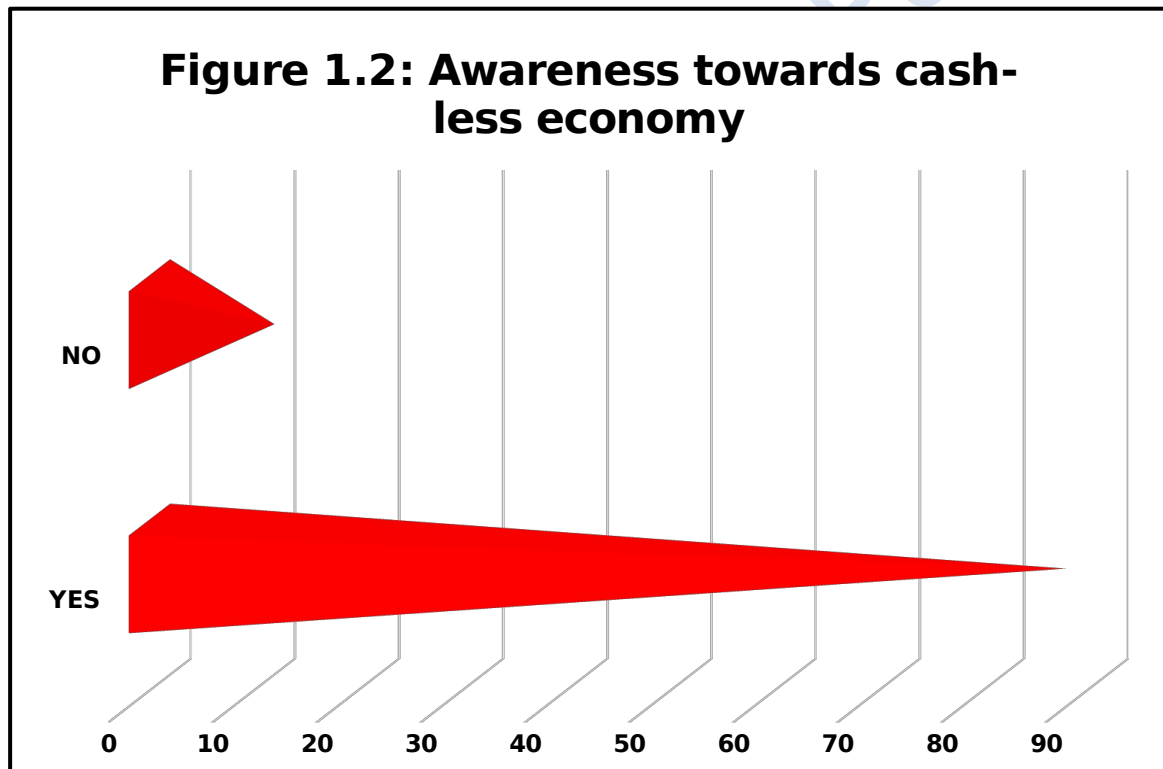
The table depicts 14% of respondents fall in the age group of 18-25, 20% fall in 26-33 year group, 24% in the 34-41 year group and the maximum, i.e 42% falls under the category of 42 and above. This shows that the younger generation are not much into the business of small vendors. On being asked, the respondents said that most of their children are hesitant to carry on the family business.

2. Awareness level of respondents

Table 1.2: Table showing respondents awareness of introduction of cashless economy

RESPONSES TOWARDS AWARENESS	NO. OF RESPONDENTS	% OF RESPONDENTS
YES	88	88
NO	12	12
TOTAL	100	100

Source: Field study



Source: Table 1.2

Interpretation:

The above table shows that out of 100 respondents, 88 respondents responded that they were aware about cashless economy and 12 of them responded in the negative.

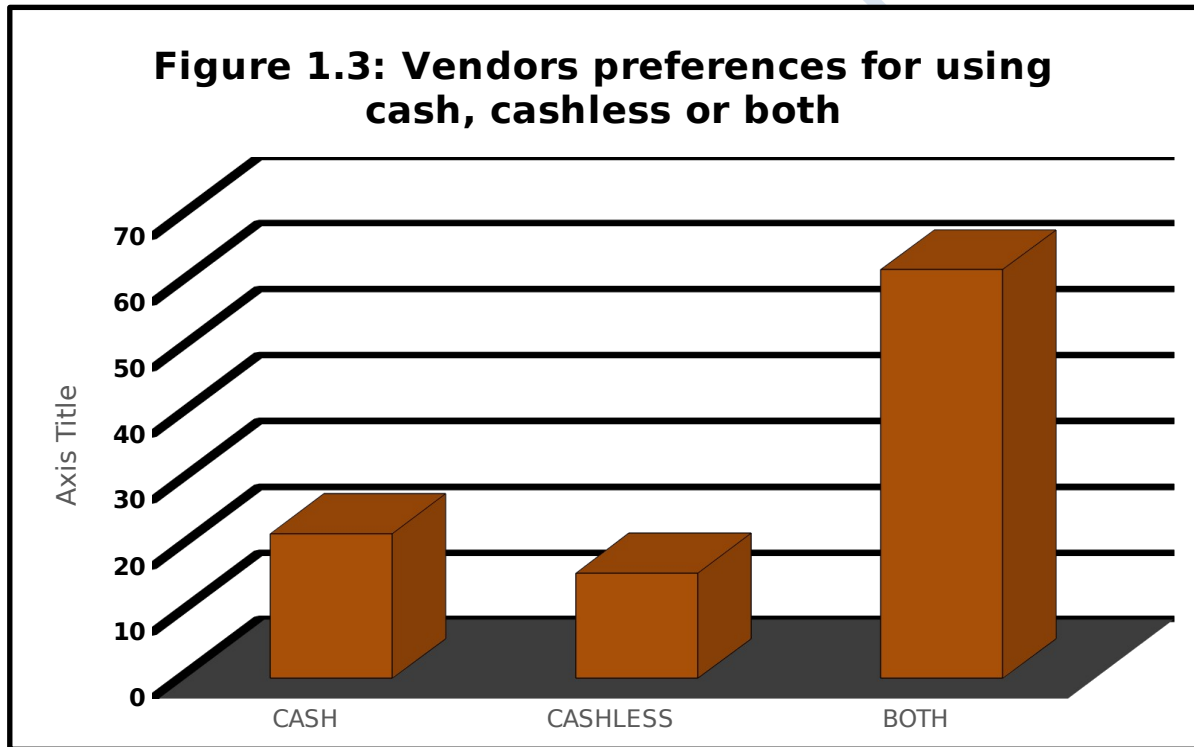
Thus, it is a good sign that after 5 years of introduction of cashless economy, at present majority of respondents i.e. 88% have knowledge and thereby supported cashless economy.

3. Vendors preferences for using cash, cashless or both

Table 1.3: Table showing responses on preference of cash/cashless transaction.

VARIABLES	NO. OF RESPONDENTS	% OF RESPONDENTS
CASH	22	22
CASHLESS	16	16
BOTH	62	62
TOTAL	100	100

Source: Field study



Source: Table 1.3

Interpretation:

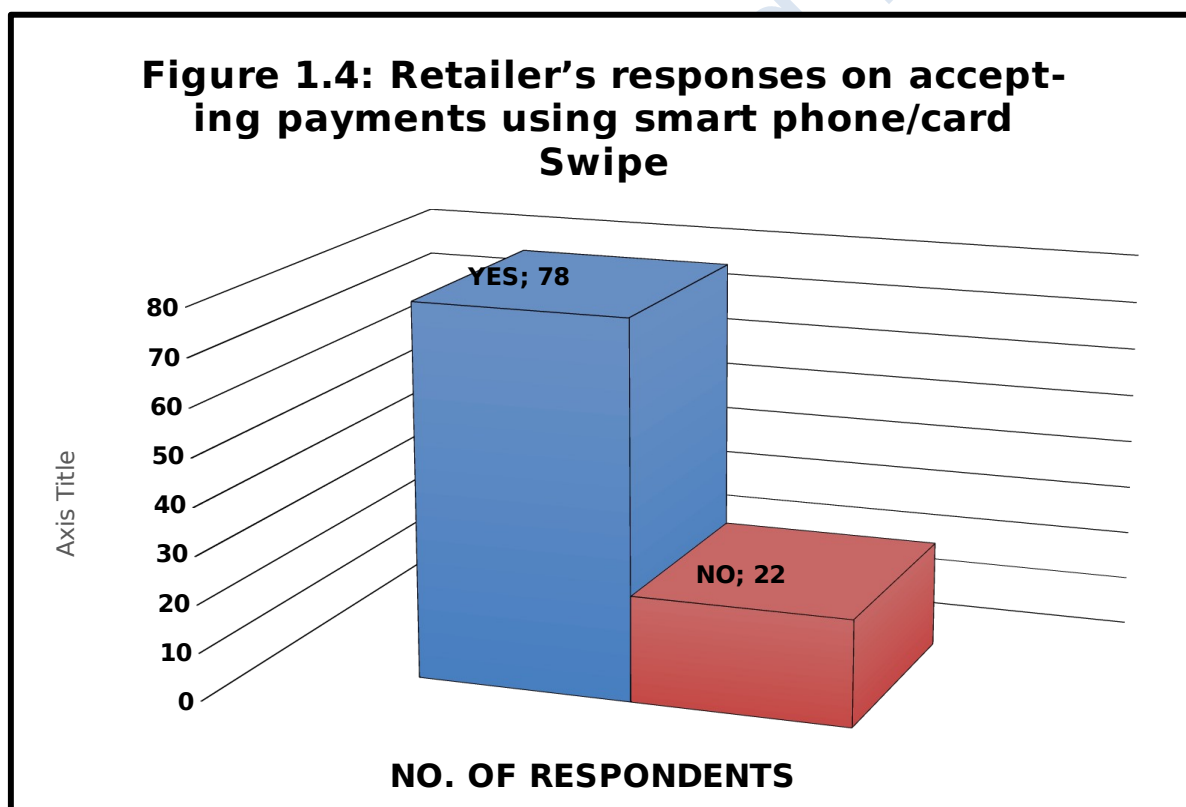
The above table shows that respondent's preference towards using cash, cashless or combination of both for their day-to-day transaction. From the analysis the researcher found that out of 100 respondents 22 (i.e. 22%) respondents are using cash and 16% respondents prefer cashless transaction because it is convenient. The remaining 62% respondents like to use cash and cashless transaction both.

4. Retailer's responses on payment receipt methods using smart phone/card swipe

Table 1.4: Table showing retailers responses on payment receipt using smart phone/card swipe

RESPONSE	NO. OF RESPONDENTS	% OF RESPONDENTS
YES	78	78
NO	22	22
TOTAL	100	100

Source: Field study



Source: Table 1.4

Interpretation:

The above table indicates that 78% respondents (small vendors) of Guwahati city receive payments from their customers through smart phone and card swipe. However, there are still some areas where shopkeepers do not accept digital transactions from the customers and stick upon traditional cash which is thus creating hurdles in the path of

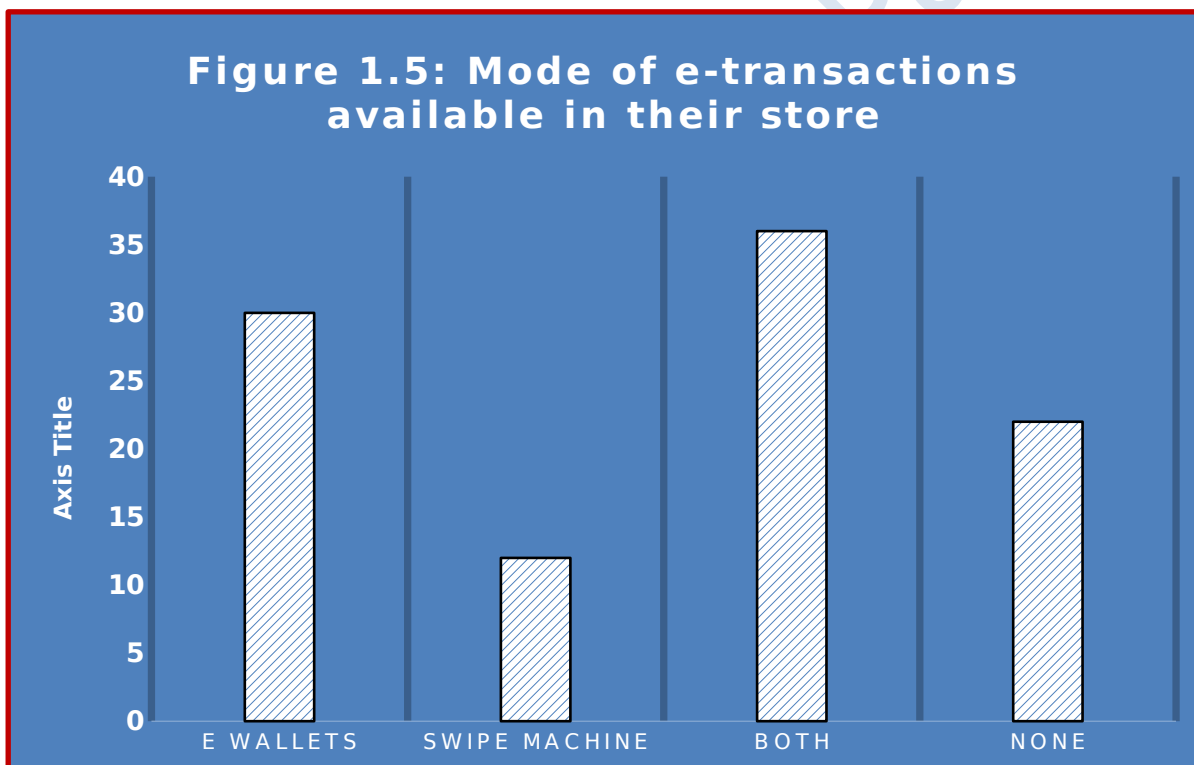
cashless economy.

5. Mode of e-transactions available with respondents

Table 1.5: Table showing mode of E-transactions available

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
E WALLETS	30	30
SWIPE MACHINE	12	12
BOTH	36	36
NONE	22	22
TOTAL	100	100

Source: Field study



Source: Table 1.5

Interpretation:

The above table shows that out of 100 respondents 36% small vendors have e-Wallets in their store because it is economic and faster than the swipe machine, 12% store keep swipe machines in their stores because they found it more useful and easier to use than the e-wallets and 30 % respondents have both swipe machines and e-wallets available in their store for the convenience of their customer because now a days people don't always carry cards. Remaining 22% respondents do not have their either means of e-transactions at their stores.

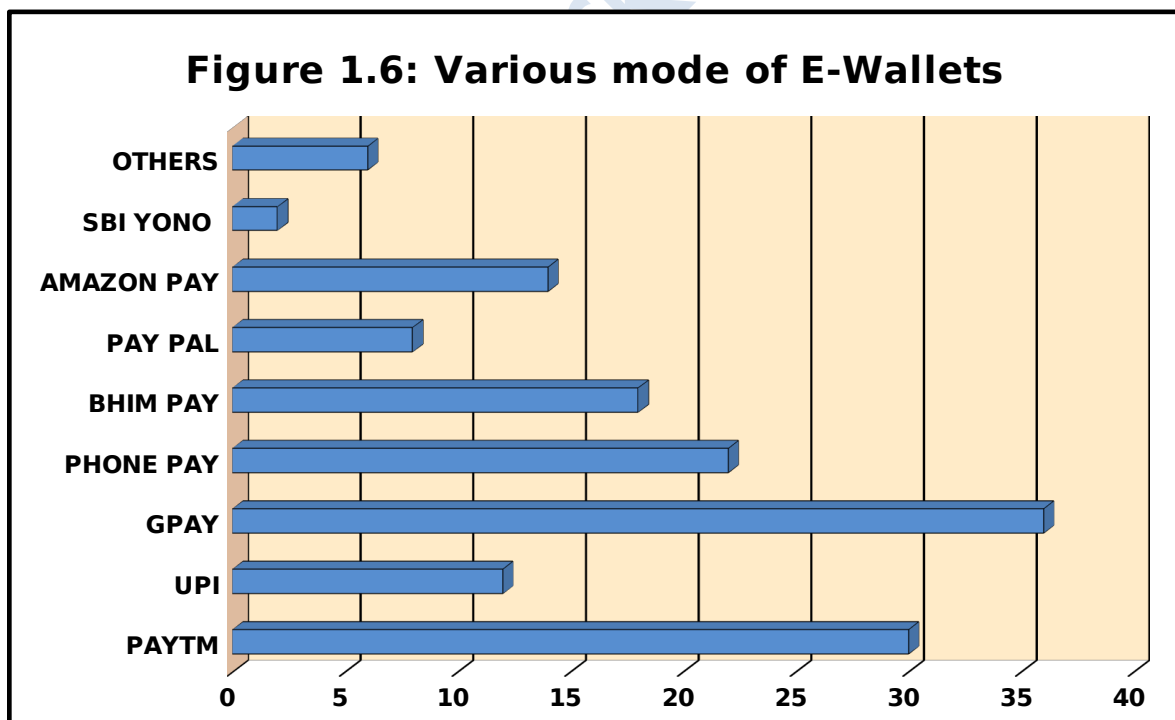
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6. Various modes of E-Wallet

Table 1.6: Table showing various modes of E-wallets used by small vendors

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS (out of 100 Respondents)
PAYTM	30	30
UPI	12	12
GPAY	36	36
PHONE PAY	22	22
BHIM PAY	18	18
PAY PAL	08	8
AMAZON PAY	14	14
SBI YONO	02	2
OTHERS	06	6

Source: Field study



Source: Table 1.6

Interpretation:

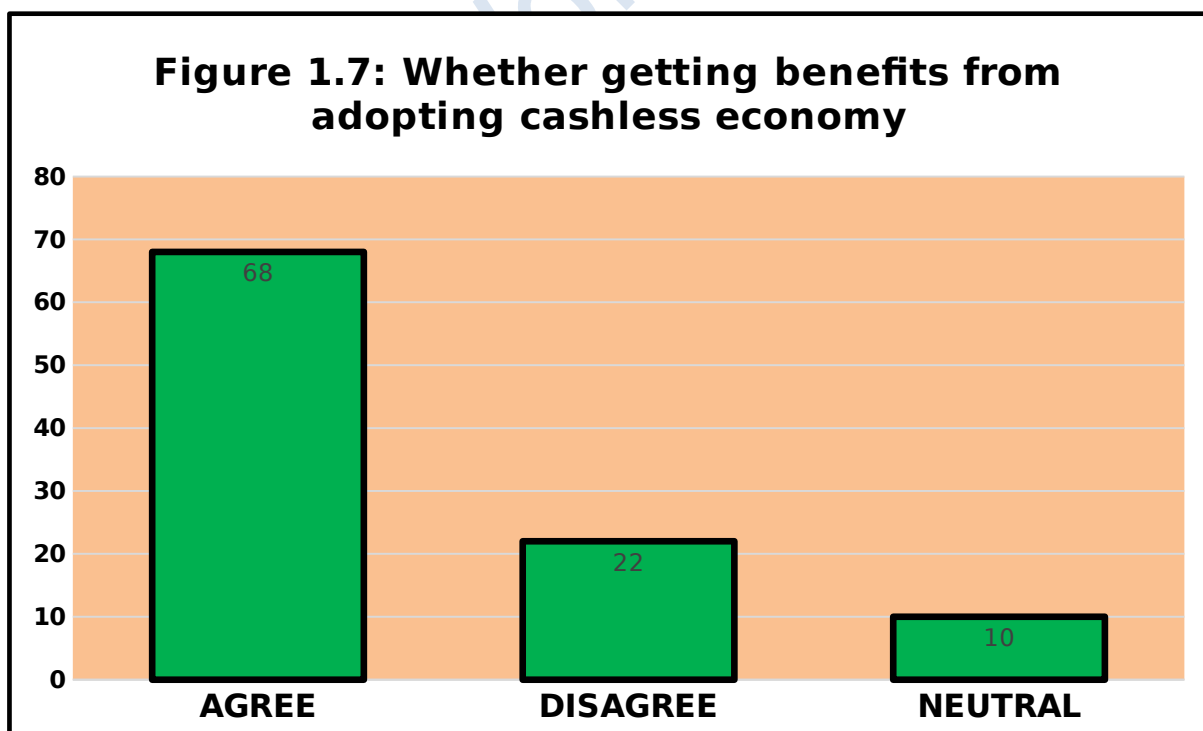
There have been a number of digital wallets that have come into play and gained immense popularity in no time. The use of e-Wallets is growing day by day. The study aims to reveal the various means of e-wallets respondents use. Among 100 respondents, 52% respondents are using Paytm and G-pay, 48% respondents have UPI ID which is required at different e-wallets to make online transactions. 22% respondents are using phone pay, 18% respondents are using Bhim Pay, 8% respondents using Pay pal, 8% respondents using Amazon pay due to its offers and cashbacks and 2% respondents use SBI Yono. 6% still use other apps.

7. Respondents perception of advantages of cashless economy

Table 1.7: Table showing respondents perception of advantages of cashless economy.

RESPONSE	NO. OF RESPONDENTS	% OF RESPONDENTS
AGREE	68	68
DISAGREE	22	22
NEUTRAL	10	10
TOTAL	100	100

Source: Field study



Source: Table 1.7

Interpretation:

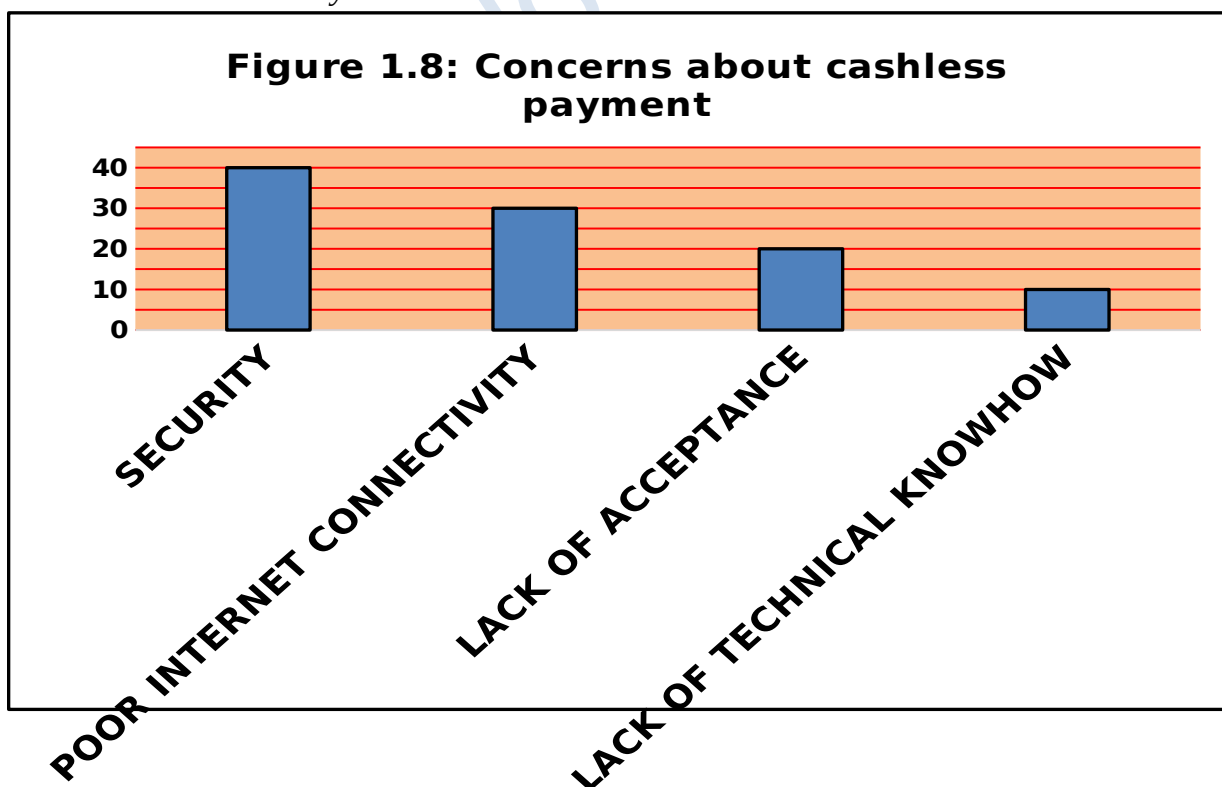
It was found from the analysis that out of 100 respondents 68% respondents agrees that there are several benefits of cashless transaction, 22% respondents disagree that cashless economy can have any benefit. That is because of their unawareness regarding the system. 10% respondents responded as neutral. Therefore, it can be concluded that most of the respondents agrees that adopting cashless economy add some benefits.

8. Respondents perception on the downside of cashless economy

Table 1.8: Table showing concern of the respondents in case of cashless payments.

OPTIONS	NO. OF RESPONDENTS	% OF RESPONDENTS
SECURITY	40	40
POOR INTERNET CONNECTIVITY	30	30
LACK OF ACCEPTANCE	20	20
LACK OF TECHNICAL KNOWHOW	10	10
TOTAL	100	100

Source: Field study



Source: Table 1.8

Interpretation:

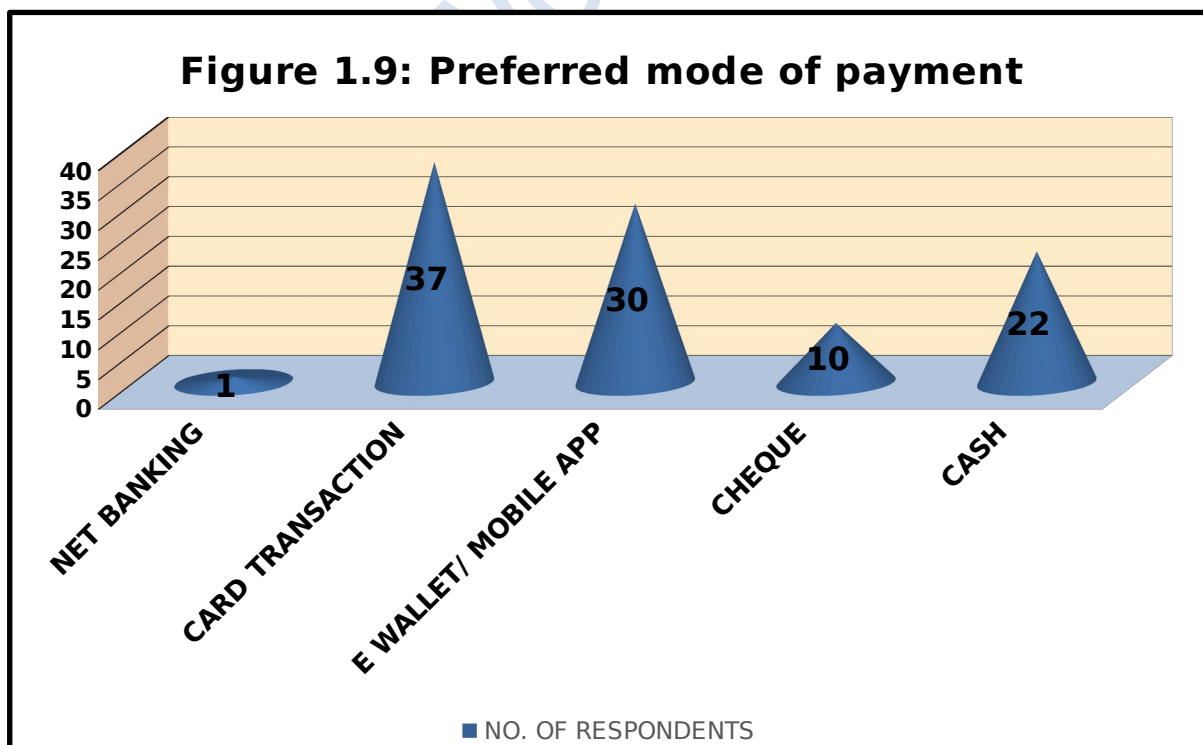
It has been found that security is a factor about which most of the respondents (40%) are concerned. Another 30% are concerned with the problem of poor internet connectivity, 20% have issues with the lack of acceptance while 10% respondents do not have required technological knowledge.

9. Preferred mode of payment since the introduction of cashless system

Table 1.9: Table showing mode of payment preferred by the respondents since the introduction of cashless system.

PREFERRED MODE	NO. OF RESPONDENTS	% OF RESPONDENTS
NET BANKING	01	1
CARD TRANSACTION	37	37
E WALLET/ MOBILE APP	30	30
CHEQUE	10	10
CASH	22	22
TOTAL	100	100

Source: Field study



Source: Table 1.9

Interpretation:

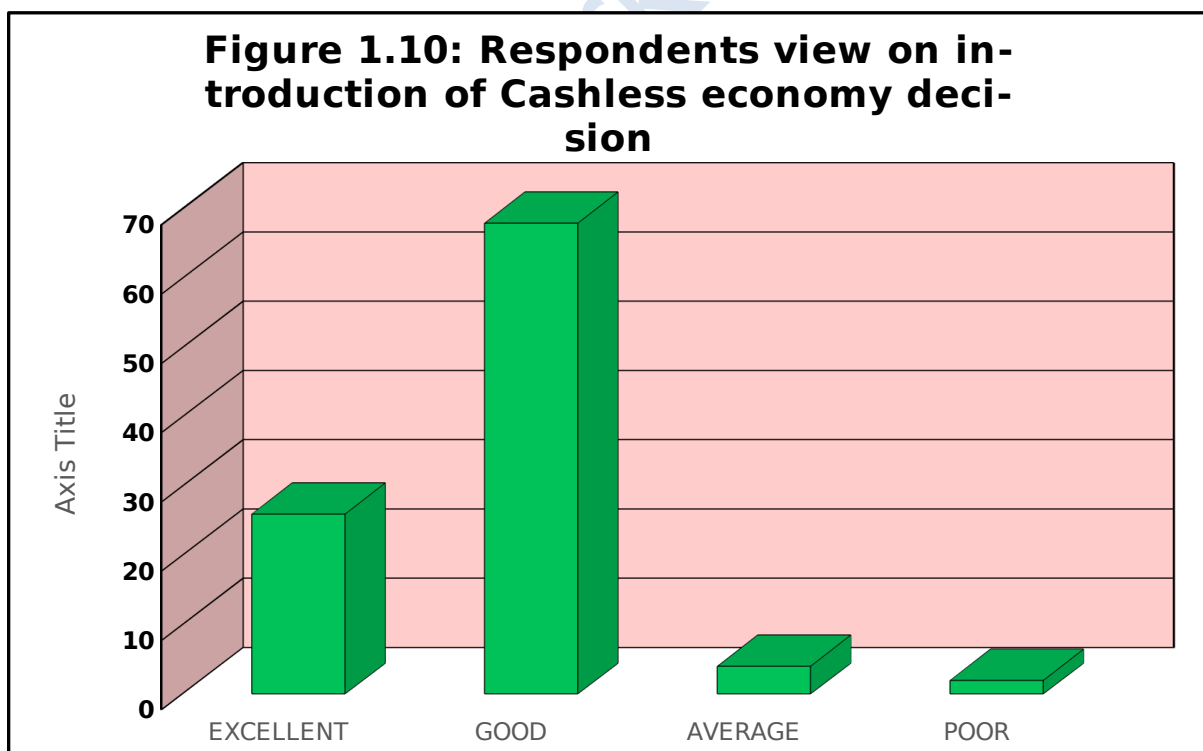
It can be observed from the table and figure that card transaction is the most preferred mode of payment (37%) since the introduction of cashless system. Net banking is the lowest preferred mode of payment (1%), followed by mobile app (30%), cheque (10%) and cash being the least, i.e., 22%.

10. Respondents' view on introduction of Cashless economy decision

Table 1.10: Table showing respondents' view on Cashless economy decision.

RESPONSE	NO. OF RESPONDENTS	% OF RESPONDENTS
EXCELLENT	26	26
GOOD	68	68
AVERAGE	04	4
POOR	02	2
TOTAL	100	100

Source: Field study



Source: Table 1.10

Interpretation:

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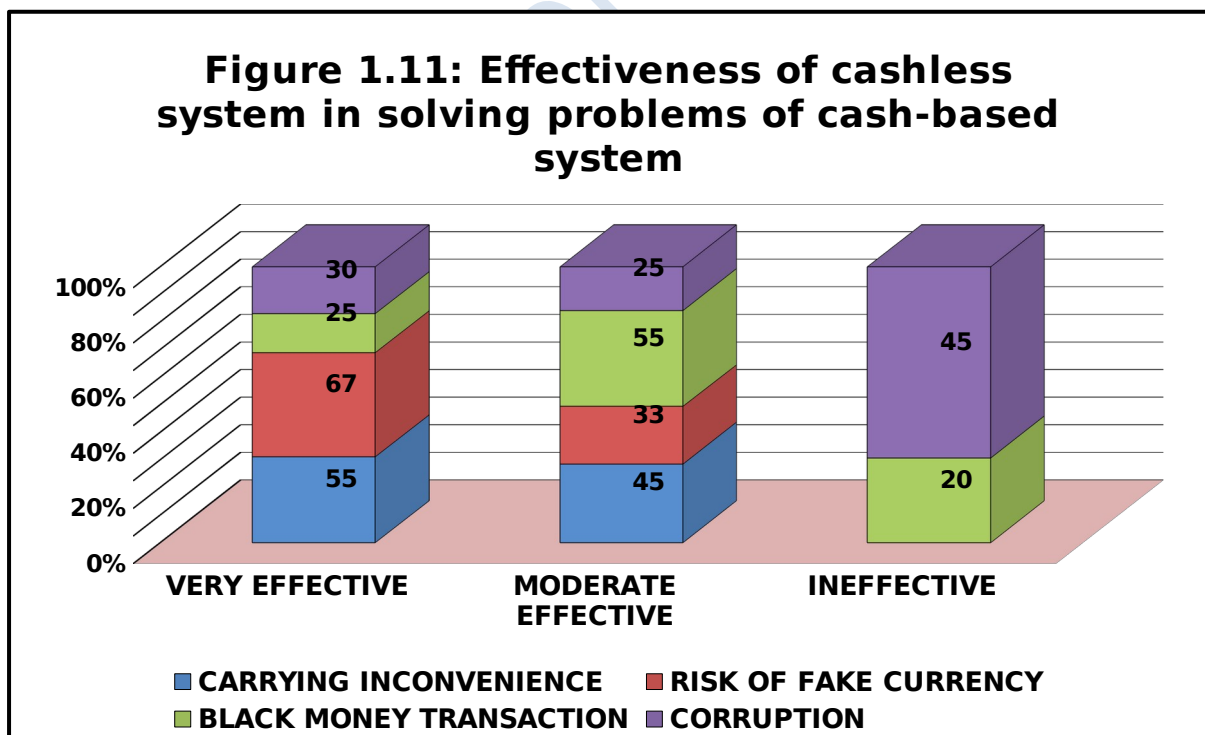
The above table shows that out of 100 respondents most of them (26% & 68% respondents respectively) rated cashless economy as excellent and a good step towards economic development of the country. The remaining 4% respondents rated as average and 2% rated poor decision because of their unwillingness towards cashless economy.

11. Effectiveness of cashless system in solving problems of cash-based system

Table 1.11: Table showing respondent’s opinion on effectiveness of cashless system.

PARAMETERS	VERY EFFECTIVE	MODERATE EFFECTIVE	INEFFECTIVE	TOTAL
CARRYING INCONVENIENCE	55	45	--	100
RISK OF FAKE CURRENCY	67	33	--	100
BLACK MONEY TRANSACTION	25	55	20	100
CORRUPTION	30	25	45	100

Source: Field survey



Source: Table 1.11

Interpretation:

From the table and figure it is found that more than 50% respondents think that a cashless system will be very effective in solving the problem of “inconvenience of cash” and “risk of fake currency”, for the rest it is moderately effective, while none of the respondents assumes cashless system to be ineffective in solving the above mentioned two problems.

On the other hand, in case of solving the problem of “black money transaction” 55% respondents think that a cashless system will be moderately effective, for 25% it is very effective and the remaining 20% respondents is of the opinion that it is ineffective. As far as solving the problem of “corruption” is concerned, 45% assumes cashless system to be ineffective, 30% considers it very effective and 25% to be moderately effective.

Findings:

From the analysis of the primary data collected by means of questionnaire, the following major findings can be established.

1. Most of the people prefer cashless transaction over cash transaction. More than half of the respondents believe that cashless payments are safer than cash payments.
2. Convenience was found to be the most common reason behind adopting cashless system, followed by reasons like easy tracking of spends, shortage of currency notes and discount/cash back reward was the least selected reason.
3. Most of the people hesitate to use cashless payments due to security and poor internet connectivity issues.
4. Card payment has been the most preferred mode of payment for the people after the introduction of cashless system, followed by other options like net banking, mobile app, cheque and cash. However, the percentage of cash users is only 22%.
5. Maximum number of people use online banking or cash in order to pay their regular household expenses.
6. Half of the respondents change their ATM PIN only once in a year, very few change it once in 6 months and more than 40% never change their ATM PIN, which indicates that the people are ignorant of the various security measures that needs to be maintained in case of cashless transactions.
7. Maximum percentage of people believe that a cashless system would be very effective in solving the problem of inconvenience of cash and risk of fake currency and moderately effective in case of black money transactions. When it comes to corruption more than 40% believes that cashless system would be ineffective in solving this issue.
8. Cash system has been in India since forever and thus cashless system seems to be unnecessary to some people particularly grocery shops and fruit and vegetable vendors.

Suggestions:

Based on the findings of the study, the following suggestions may be taken into consideration:

1. Government should provide uninterrupted power supply and internet facilities in all areas to solve the problem of poor internet connectivity which is a major cause for people to avoid cashless payments.
2. In order to increase the number of users of cashless payments, campaigns must be conducted to make the public aware of the various benefits they can enjoy by using cashless payments.
3. There are many places in India where only cash is accepted as a mode of payment and this makes it difficult for the people to use cashless payments. The Government should target the rural population and try to educate them on how to use cashless payments and educate them about the benefits of going cashless.
4. Lack of technological know-how is another hindrance which can be dealt with by arranging demo classes to make the people learn on how to conduct cashless payment.
5. Payments made through cashless mode often charges an additional amount in the name of internet handling charges, due to which people often prefer to use cash in order to avoid such additional costs. Not only should such additional charges be removed but discounts/rewards should be provided for using cashless payments. This will encourage the people to use cashless mode of payments over cash payments.
6. Cashless payments mostly take place through virtual platform which means it involves cybercrimes, loss or theft of bank balance, lack of security and many other internet related fraudulent activity. All these if not completely removed can at least be reduced by making the people aware of what security measures needs to be taken to prevent such occurrence.
7. The following steps can be taken by the public to make India a cashless economy:
 - a) Try to inculcate the use of cashless payments in their daily lives and reduce cash payments as much as possible.
 - b) Take all the necessary security measures while doing a cashless transaction in order to avoid problems like cybercrimes, loss/theft of bank balance, etc.
 - c) Encourage other people to use cashless payments over cash payments.
 - d) In case of any fraudulent activity, report immediately to the appropriate authority without any delay so that proper and timely action can be taken.
 - e) Help those who are facing difficulty in conducting cashless payments.

Conclusion:

The Indian economy is cash based. So much that MNCs like Amazon had to incorporate 'cash on delivery', just to be able to tap into the Indian market. Thus, changing India from cash-based economy to a cashless one is a long term and challenging process.

From the analysis done in this paper it appears that many people actually agree with the Government on the usefulness of cashless economy as it helps to fight against terrorism, money laundering, corruption, risk of fake currency, etc. However, problems like cyber-crimes, loss/theft of bank balance, illegal access, etc associated with cashless transactions also persists. It is important to strengthen the internet security for protection against online frauds.

Parity between cash and digital money is probably very difficult to achieve, but there are means of getting closer to it. Cashless India is a movement towards the path of growth and development of the country. Thus, along with the Government's effort, the people also must support the initiatives taken by the Government and try to inculcate the habit of choosing cashless over cash at any day.

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