



## IMPACT OF CASHLESS TRANSACTION WITH SPECIAL REFERENCE TO ERODE CITY

Dr.V.G.Sumathy\*

T.Savitha\*\*

\*Assistant professor, Department of Management Science, Kongu Arts and Science College, Erode.

\*\*M.phil research scholar, Department of Management Science, Kongu Arts and Science College, Erode.

### Abstract

India is a country where 98% of entire economic transactions are done through cash. One of the reason for increasing poverty rate is circulation of black money in the country. Through cashless transaction it can be controlled to some extent. The government has initiated towards cashless transaction in the recent years. Government is motivating the society towards cashless transaction through various means like removing duties on devices like point of sales machine, fingerprint readers, education institutions are insisted to collect fees through digital mode, no charges on cashless transaction till rupees 2000. The research design of this study is descriptive in nature. Simple random sampling technique was used in this study. The sample size was selected on the basis of convenience sampling method. Therefore the sample size of this research will be 220. The study has used both primary and secondary data. Questionnaire was the main tool for collecting the primary data. The secondary data was collected from the books, journals, articles, newspapers and websites.

**Key Words:** Cashless Transaction, Motivation, Problems, Satisfaction.

### Introduction

Cashless transaction is a transaction which can be done through virtual money that is credit card or e-wallet without real cash. The bank are regulating the money on these virtual wallets or cards. When a person moves to digital mode of payment, he/she should have a registered account or an official bank account on sites contributing e-wallet services. Some advantages of cashless transactions are they need not line up for ATM withdrawals, to carry wads of cash. People will enjoy the benefits like discounts and cash back offered by mobile wallets, rewards points and loyalty benefits on debit/credit cards and also store cards.

It will be easy for people to keep track of their spending and also for the government for their tax collection, as all the transactions are on record. If any noticed their error while on transaction user can report to their Card Company or e-wallet and get the transaction turn backed. Also they can block their cards or wallets, if it was stolen.

### Review of literature

1. Nirmala. R. Sonu (2015): analysis of the use of plastic money the author highlighted the advantage of instant transactions; convenience and ease of transaction are major psychologically influencing factors that encourage the use of plastic money instead of real money. The fact was that the plastic money seems to be more portable, saving of time and also change the scenario of money usage in the economy. On the other hand of using plastic money, Security comes forward as a major cause for the population. Therefore, it is easy to conclude that due to ease and convenience of transaction, the population is ready as ever to use plastic money at a greater level.
2. P Manivannan (2013) in his research paper "Plastic money is a less payment of cash checking system" said that usage of credit cards is the measure of a luxury credit card, and has become needed. Only higher income group of people use the plastic money and the electronic payments. The extension of this facility is not only to customers in urban areas or cities, but also to customers who live in rural areas. However, today, with the banking industry development, the fixed income group of people also begins the use of plastic and electronic money payment systems and especially credit cards.
3. Anupama Sharma (2012) "Plastic card frauds and the counter measures: towards a safer payment mechanism" the number of frauds increased considerably in the usage of plastic cards. The merchants of goods and services are affected mostly as they have to bear the full liability for losses due to frauds. The banks also bear some cost especially the indirect cost whereas the cardholders are least affected because of limited consumer liability. She concluded that all these losses can be dealt with by making the careful use of the new technology and taking the respective counter measures.
4. Bansi Patel and Urvi Amin (2012) "Plastic Money: Roadway Towards Cash Less Society" they discussed that now a days in any transaction Plastic money becomes unavoidable part of the transaction. The life becomes easy and development would take better place along with the plastic money. Plastic money controls the money laundry and ineffective utilization of financial system which would also be helpful for tax legislation.



5. Lowenstein and Hafalir in 2012 conducted a study on "The Impact of Credit Cards on Spending". The study persistent on two types of customers: the one who carry debt and the one who do not carry debt. The one who carry debt are called as the Revolvers and the one who do not carry debt are called as the convenience users. This study measured and compared the impact of payment with credit card to cash by an insurance company employees spending on lunch in a cafeteria. It was found that there was change in the Revolvers and convenience users when an incentive to pay with a credit card was given and found that credit cards do not increase spending. Revolvers spend less when induced to spend with a credit card, whereas convenience users exhibit the opposite behaviour.
6. Subhani in 2011 conducted a study on the "plastic money / credit cards for prestige between now and then." The study was based on knowledge of plastic and its impact on the choice for the use of money. The research found that the preference for the use of plastic money / credit card which has several pros and cons although it is affordable and easy to use. According to the consumer behaviour it is stated that for a consumer, plastic money is a form of motivation to spend. This study suggests that the preference to use plastic money to have a positive relationship with the easiness of use it because the principle of a credit card has been linked to use with mental phenomena that people tend to spend less with a credit card and more with the same amount of cash in hand in the same budget. This principle also linked with the consumer self convenience.
7. Ashish Das, and Rakhi Agarwal, (2010) in their article "Cashless Payment System in India- A Roadmap" Cashless payment is an expensive intention for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help to reduce currency management cost, track transactions, check tax avoidance / fraud, fake currency etc., enhance financial addition and combine the parallel economy with main stream.
8. Alvares, Clifford (2009) in their reports "The problem regarding fake currency in India." It is said that the country's battle against fake currency is not easier and many fakes go undetected. It is also stated that counterfeiters restricted printing facilities which made it easier to discover fakes.
9. Mandeep Kaur and Kamaldeep Kaur (2008) Development of plastic cards market: past, present and future scenario in Indian banks. In 1990's banks in India has been actively introduced plastic money in the form of cards. But it was not very popular among Indian consumer at the time of its introduction. The change in demographic features of consumers and up gradation of technology and the awareness plastic cards has brought the relevant changes in consumers' preferences. These changing preferences have also modified the consumers outlook and decision regarding the acceptance and non- acceptance of certain product and services in the market. Thus, the plastic cards are gaining popularity among bankers as well as customers.
10. Jia Loke Yiing (2007) In his study "Determinants of merchant participation in credit card payment scheme". The objective of this study determines the merchant participation in credit card payment schemes. It is also found that a merchant's personal background, type of business and total value of sale which plays an important role in determining a merchant's acceptance of cards in making payments. It is also found that credit cards usage of customer and other merchants' acceptance of credit cards in payments have influenced a merchant's choice. Findings suggest that non-financial factors are the strong drivers and barriers to a merchant's involvement in credit card payments services as compared to the monetary factors.

### **Statement of the Problem**

Though the government take various steps to involve the society towards cashless transaction. Nearly 95 percent of the transactions are through cash. People are hesitating to accept the cashless transaction. Hence the researcher has made a attempt to study the impact of cashless transaction.

### **Objectives of the Study**

1. To know about the factors reluctant towards cashless transaction.
2. To identify the factors which are motivating cashless transaction.
3. To find out the level of satisfaction towards cashless transaction.
4. To identify the problems faced by people due to cashless transaction

### Research methodology

The methodology of this study includes the design of the study and collection of data. The research design of this study is descriptive in nature. Random sampling technique was used in this study. The sample size was selected on the basis of convenience sampling method. Therefore the sample size of this research will be 220. The study used both primary and secondary data. Questionnaire was the main tool for collecting the primary data. The secondary data was collected from the books, journals, articles, newspapers and websites. The following tools were used

1. Ranking method
2. Chi-square analysis

### Limitations of the study

1. The respondents' information may not be real due to their busy scheduled work.
2. This study was only based on cashless transactions in Erode city.
3. The analysis was done only during the study period.

### Data Analysis

#### 1. Ranking Method

##### Factors Reluctant Towards Cashless Transaction

**Table No: 1.1 Ranking For Reluctant Factors**

S. no	Factors	Score	Rank
1	Illiterate	2.42	9
2	Poor internet connectivity	2.70	7
3	Lack of tech knowhow	6.50	4
4	Lack of high income	2.46	8
5	Fear of hacking information	8.86	2
6	Lack of merchant acceptance	6.03	5
7	Mindset of keeping & saving cash	8.10	3
8	Infrastructure	5.95	6
9	Struggle to meet basic needs	9.57	1
10	No high awareness of cashless transaction	2.41	10

Source: Primary data

It is inferred from the above table that struggle to meet basic needs is ranked first with a score of 9.57 which was highly reluctant the people on their cashless transaction. Next fear of hacking information and mindset of keeping & saving cash ranked as second and third with score of 8.86 and 8.10 respectively. Lack of tech knowhow and lack of merchant acceptance ranked as fourth and fifth with score of 6.50 and 6.03 respectively. Sixth and seventh are ranked as factor of infrastructure and poor internet connectivity factor with score of 5.95 and 2.70 respectively. Lack of high income, illiterate and no high awareness of cashless transaction are ranked as eighth, ninth and tenth with score of 2.46, 2.42 and 2.41 respectively where the people were reluctant towards cashless transaction.

#### Motivational Factors of Cashless Transaction

**Table No: 1.2 Ranking For Motivational Factors**

S. no	Factors	Score	Rank
1	Convenience	10.46	1
2	Discounts	5.70	6
3	Easy tax filing	2.30	9
4	Easy to access	6.25	5
5	Country welfare	1.78	11
6	Budget discipline	1.92	10
7	Speed of payment	9.21	3
8	Lower risk	8.61	4
9	On time payment	9.72	2
10	Tracking spends	4.86	8
11	Small gains (no change risk)	5.20	7

Source: Primary data

It is inferred from the above table that convenience is ranked first with a score of 10.46 which was highly motivate the people on their cashless transaction. Next on time payment and speed of payment factors are ranked as second and third with score of 9.72 and 9.21 respectively. Lower risk and easy to access ranked as fourth and fifth with score of 8.61 and 6.25 respectively. Sixth and seventh are ranked as factors of discounts and Small gains factor with score of 5.70 and 5.20 respectively. Tracking spends; easy tax filing, budget discipline and country welfare are ranked as eighth, ninth, tenth and eleventh with score of 4.86, 2.30, 1.92 and 1.78 respectively which motivate the people on their cashless transaction.

**Problems of Cashless Transaction**  
**Table No: 1.3 Ranking For Problems**

S. no	Problems	Score	Rank
1	Individual liquidity reduced	6.14	5
2	Limited POS machines	7.82	1
3	Trust government or third party	5.94	6
4	Lack of internet speed	5.08	7
5	Transparent transaction	7.40	4
6	Struggle to meet basic needs	7.6	2
7	Limited banking facilities in rural areas	4.42	11
8	Fear of identity theft	4.87	8
9	Changes in existing technology	4.78	9
10	Mistakes while on transaction	4.44	10
11	Too many steps in processing transaction	7.51	3

Source: Primary data

It is inferred from the above table that limited POS machines is ranked first with a score of 7.82 which was highly create problem to the people on their cashless transaction. Next struggle to meet basic needs and too many steps in processing transaction factors are ranked as second and third with score of 7.6 and 7.51 respectively. Transparent transaction and individual liquidity reduced ranked as fourth and fifth with score of 7.40 and 6.14 respectively. Sixth and seventh are ranked as trust government or third party and lack of internet speed factor with score of 5.94 and 5.08 respectively. Fear of identity theft, changes in existing technology, mistakes while on transaction and limited banking facilities in rural areas are ranked as eighth, ninth, tenth and eleventh with score of 4.87, 4.78, 4.44 and 4.42 respectively where the people face problems while on cashless transactions.

## 2. Chi Square Analysis

### 1. Age And Accessibility of Cashless Transaction

**Null hypothesis (H<sub>0</sub>):** There is no significant relationship between age of people and accessibility of cashless transactions.

**Alternative hypothesis (H<sub>1</sub>):** There is a close significant relationship between age of people and accessibility of cashless transactions.

**Table no: 2.1**

Variable	Calculated $\chi^2$ value	Table value	Degrees of freedom	Remarks
Age & accessibility	72.119	2.296	16	Significant at 5% level

Source: Primary data

The above table shows that the calculated value 72.119 which is greater than the table value 2.296 at 5% level of significance. Therefore, the alternative hypothesis (H<sub>1</sub>) is accepted. Hence, there is a close significant relationship between age of people and accessibility of cashless transactions.

### 2. Occupation And Transaction Processing of Cashless Transaction

**Null hypothesis (H<sub>0</sub>):** There is no significant relationship between Occupation and transaction processing of cashless transactions.

**Alternative hypothesis (H<sub>1</sub>):** There is a close significant relationship between Occupation and transaction processing of cashless transactions.

**Table No:2.2**

Variable	Calculated $\chi^2$ value	Table value	Degrees of freedom	Remarks
Occupation and transaction processing	8.0171	15.507	8	Not Significant at 5% level

Source: Primary data

The above table shows that the calculated value 8.0171 which is lesser than the table value 15.507 at 5% level of significance. Therefore, the null hypothesis ( $H_0$ ) is accepted. Hence, there is no significant relationship between occupation of people and transaction processing of cashless transactions.

### 3. Income And Trust Worthiness of Cashless Transaction

**Null hypothesis ( $H_0$ ):** There is no significant relationship between income of people and trust worthiness of cashless transactions.

**Alternative Hypothesis ( $H_1$ ):** There is a close significant relationship between income of people and trust worthiness of cashless transactions.

**Table No: 2.3**

Variable	Calculated $\chi^2$ value	Table value	Degrees of freedom	Remarks
Income and trust worthiness	20.6513	26.296	16	Not Significant at 5% level

Source: Primary data

The above table shows that the calculated value 20.6513 which is lesser than the table value 26.296 at 5% level of significance. Therefore, the null hypothesis ( $H_0$ ) is accepted. Hence, there is no significant relationship between income of people and trust worthiness of cashless transactions.

#### Findings

1. It is identified that struggle to meet basic needs which reluctant the people towards cashless transaction ranked first with a score of 9.57.
2. It is found that convenience factor which motivate the people towards cashless transaction which ranked first with a score of 10.46
3. It is identified that limited POS machines factor which was highly problem to the people on their cashless transaction which was ranked first with a score of 7.82.
4. There is a close significant relationship was observed between age of people and accessibility of cashless transactions.
5. There is no significant relationship was observed between occupation of people and transaction processing of cashless transactions.
6. There is no significant relationship between income of people and trust worthiness of cashless transaction

#### Suggestions

1. It is suggested that the government has to create awareness about cashless transaction among people, especially in the rural areas.
2. The government can plan for programmes through NGO to educate the public about the positive aspects of cashless transaction which helps to build confidence in the minds of the public.
3. Merchants can enhance their infrastructure facilities for the convenience of their customers to carry out the cashless transaction.
4. The rural banks can enhance their infrastructure facilities like ATM centres, quick server connectivity, etc., for their customers.

#### Conclusion

India is an economy where the cashless transaction is emerging. Government takes lot of move towards cashless economy. But the challenging aspect is the poor infrastructure facilities in the banking sector and also the awareness level is very low especially in rural areas. Though government is taking necessary steps, still it has not reached the entire economy. There is a need for high awareness, improvement in the bank and merchant infrastructure facilities which is to be noted and improved by the government for the successful journey of cashless transaction in the economy.



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