



A COMPARATIVE STUDY ON THE PERCEPTION OF CUSTOMERS TOWARDS THE USE OF CASH AND CASHLESS PAYMENTS IN RETAIL SECTOR WITH SPECIAL REFERENCE TO KASARAGOD DISTRICT, KERALA

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Abstract

India is moving towards a digital revolution and the development in digital technology is quickly replacing the conventional mode of cash payments. The retail sector rapidly adopted the digital payment system. The speedy shift from conventional mode of cash payment system to digitalized payment resulted many issues among the consumers, they were suffering from many fears and concerns about the use of digital payments systems. This paper focuses the perceptions and behaviors of customers regarding the use of both cash and cashless transitions in this digitalized era. Attitudes, behavior and opinions of the customer during payment are analyzed and were collected using a structured questionnaire. The study also analyzed the problems that were faced by consumers in relation to security and complexity of usage and preference of alternative payment modes. The study had examined the customer payment behavior during purchase and their mode of payment opted. However, a material transition to a cashless economy will depend on a number of factors. First, the availability and quality of telecom network will play an important role. Presently, people face difficulties in making electronic payments even in metro cities because of poor network. Second, as one of the biggest beneficiaries of this transition, banks and related service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it's easier, certain and safe to make cashless transactions. Third, the government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments. Implementation of the goods and services tax, for example, should encourage businesses to go cashless.

Keywords: Cash less transaction, Digitalized Payment, Cash Transaction, Retail Sector.

1. Background

Digital revolution paved the way to the cashless economic state of affairs. The conventional mode of payments was replaced by digital payment of cash less payment which is commonly known as hi-tech payment system. An economic state whereby fiscal transactions are conducted through the transfer of electronic signal (usually an electronic representation of money) between transacting parties rather than using money in the physical form is referred as cashless society. Lowering the accumulation of revenues obtained from the black economy and prevention of unidentified transaction were the principal objectives of digitalized payment. A giant portion of money transactions in the country happening in the retail sectors, where number of consumers and traders daily engaged in exchanges. Besides cash transactions, one of the escalating payment methods adopted by merchants in the retail sector is payment cards. However, the whole practice of shifting from cash-driven economy to cashless economy has created some predicament among the customers in retail sector. Cashless economy doesn't mean deficiency of cash rather it indicates a culture of people settling transactions digitally. The RBI and the government make phenomenal efforts to reduce the use of cash in the economy by promoting the digital payment system. Shortage of cash as a result of withdrawing higher denomination notes has significantly increased the use of digital modes of payment, but there still exist hoards of skeptics who still doubt the digital transactions and conventional payment system. Even though the Government introduced many scheme and incentives for digitalized payment system, during Post demonetization, there has been frenzy in minds of the general public with regards to the whole digitalization process. There are a number of obstacles in making India a cashless economy. In this backdrop, it is essential to study the customer's perception towards the usage of cash and cashless payments in retail sector. Present enquiry highly focusing the reasons for the slow growth of cashless payments and also for suggesting ways to increase the dependence of cashless payments and also make a comparison between cash and cashless transactions. The study is conducted to know the perceptions of retail customers towards cash and digital payment systems while dealing with transactions and also to find out the reasons which makes them to avoid the payment through digital ways. The study is also aiming to know the factors influencing the choice of payment and suggesting ways to elaborate the concerns of customers towards digital payments in a positive way particularly in Kasaragod District of Kerala State.

2. Literature Review

The cashless society is becoming an increasingly popular matter of discussion in the media one of the key points that the proponents of a society where there is no cash in circulation like to maintain is that anonymity would decrease and along with it a decline in illegal economic activities would follow. (Rogoff, 2014) This is especially the case when the use of electronic transactions is officially endorsed by authorities such as the ECB with similar purposes in mind. (Iliev, 2016) It is worth to note that this development also raises the danger of governments being able to exercise "totalitarian-like" control over their



own citizens. (Eisenstein, 2011). The electronic transactions are but a new way of using the same old concept of money transfers and “each new form for money co-exists and interacts with those that preceded it (Maurer 2015) Cash is described as the most transparent payment form due to the extent of visibility that people have while executing a given transaction. When using cash, the awareness of actually making a payment is thought to be “more intense”; the amount of money can be easily counted and sum of money spent can be memorized. Other payment mechanisms do not have the same level of transparency as cash. (Soman, 2003). Cash payments are denoted as being more “painful” in comparison to bank card payments reducing the likelihood of spending excessively when transactions are to be carried out in the form of cash. (Prelec & Loewenstein, 1998). The lack of transparency and the pain of payment are thus often associated with another phenomenon, which can be defined as increased spending that occurs when people use payment methods other than cash (Mercatanti & Montegrappa 2008). The study of Bounie & François (2006) details the specialization effect and the way it is exhibited in different settings and they observed that the use of cash was more frequent in smaller, local shops, whereas debit cards were more often preferred in supermarkets and department stores. It has to be noted that, regardless of the size of the payment, when the infrastructure supporting the use of digital payment options is not present at the point of sale, the consumer is left with no other choice than to pay with cash (the so-called restriction of payment method choice). (Bounie & François, 2006) Another range of relatively subjective factors can also be taken into consideration by consumers when trying to find an optimal solution for their payment needs. These include among others the ease of use (defined by the flexibility and unobtrusiveness of the method), the usefulness of the payment method as well as the cost of maintenance and the transaction as perceived by the consumer (van der Heijden, 2002) Scientific studies have shown that people are more likely to complete a purchase if they intend to pay with a credit card than if they intend to pay with cash. Cash just seems scarcer, so people are more likely to try to conserve it. (Forbes magazine, 2013) With the computerization and modernization plastic money will become the status symbols in the 21st century of Indian traditional bound society. (Changing Dimension, Maganty, 1996).

3. Objectives of the Study

- To study the perception of retail customers towards the usage of cash & other payment methods and to analyze the reasons for customers rejecting the use of digital payment options in Kasaragod District of Kerala State.
- To identify the influence of socio- demographic factors on digital payment behavior.
- To study the pros & cons of customer preference on paying bills and to find out the ways of promoting the usage of digital payment options.

4. Methodology

The main aim of this study is to know the customer payment behavior at retail outlets and find out the key factors for the usage of particular payment methods. Therefore descriptive research is being adopted to find out the customer attitude and characteristics of consumers. The study is based on both primary and secondary data. Primary data collected from consumers by way of conducting interviews, interactive communication and deliberation with consumers mainly by using structured questionnaire. The secondary data were collected from journals, magazines and websites.

Research Design

The main aim of this study is to compare the customer payment behavior in digitalized mode and conventional at organized retail outlets and find out the key factors for the usage of particular payment methods. Therefore descriptive research is being adopted to find out the customer attitude and characteristics of consumers.

Area of the Study

The survey is conducted among customers who make purchase at various organized retail outlets in Kasaragod, District.

Research Approach

A structured questionnaire is used for collecting data from the respondents through survey method.

Sample Size

Sample size taken in this study is 100.

Sampling Technique

Convenience sampling was employed in the study.

Research Instrument

A standard questionnaire was prepared for the collection of data from various respondents. The questionnaire was designed in such a way that the aim of collecting essential information for the study would meet the set of objectives.

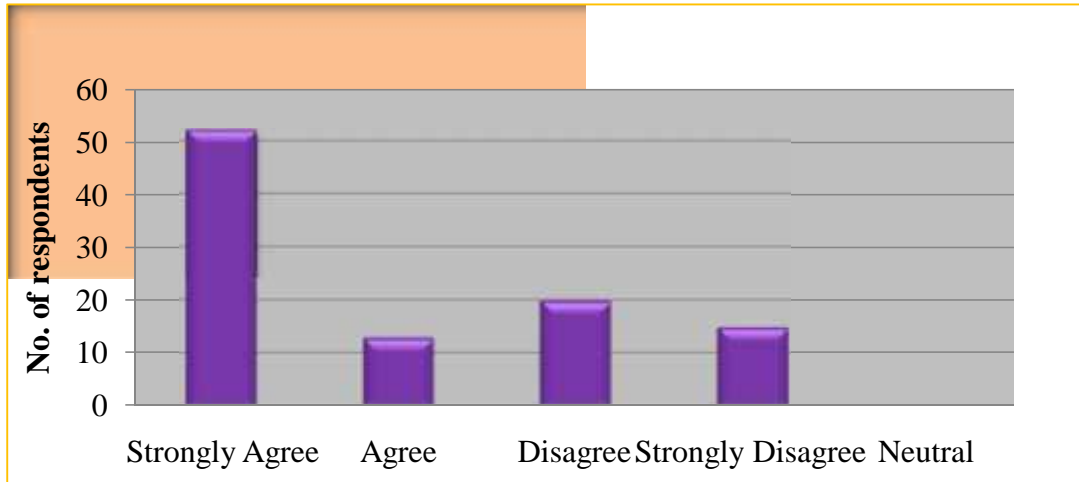


5. Limitations of the Study

- Area of study is confined to Kasaragod district alone, so wide generalization could not be possible.
- The number of sample is too low to make generalization

6. Result and Discussion

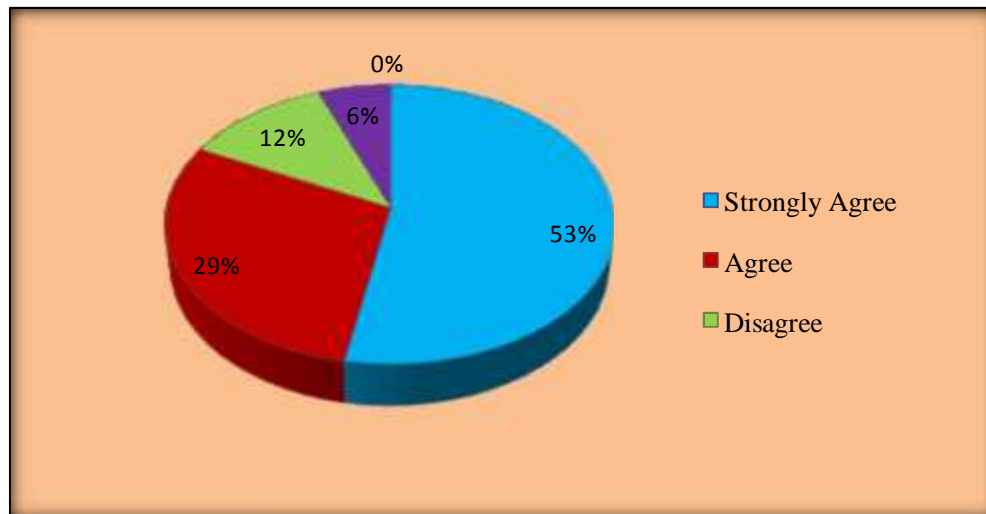
Figure 1.1: Preference of cash payment while dealing with transactions having small amount of payment



Sources: Primary Data

It is evident from Fig.1.1 more than half of the samples will prefer cash transaction instead of digital payment for paying or settling the transactions of small payments. It means they are using cash payments when the amount of the transaction is small. The main reason behind it the carrying problem of cash is at minimum incase of smaller amount. With regards to small cash payment the customer should pay service charges to every online settlement of transactions.

Figure 1.2: Preference of digital payments while dealing with transactions involving larger denomination

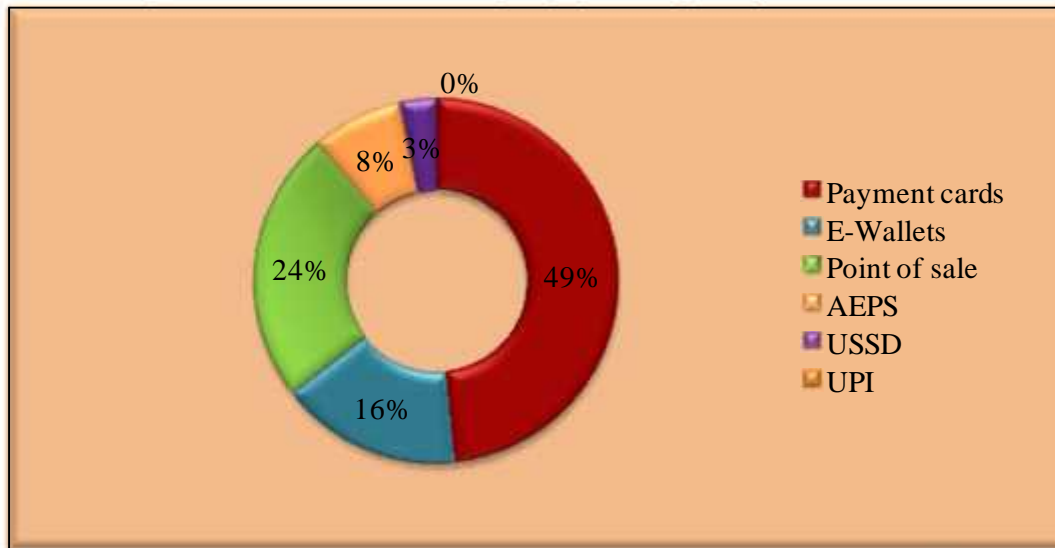


Sources: Primary Data

From the chart it is clear that 53 percentages of the customers prefer hi-tech payment mode for dealing the transactions of lager denomination for that they store money in bank account and use electronic ways to make payments. More than half of the consumers strongly agree that it is better to use digital modes of payments for meeting large financial requirements. They also opined that when they use cash mode or conventional mode of payment in case of transaction of huge amount it is difficult to carry the cash and also the problem of counting the cash.29 percentage of customers agree the digitalized mode is better than the conventional mode with regards to larger financial transaction but due to the fear in digitalized technology (handling problems) they are not ready to use it actively.



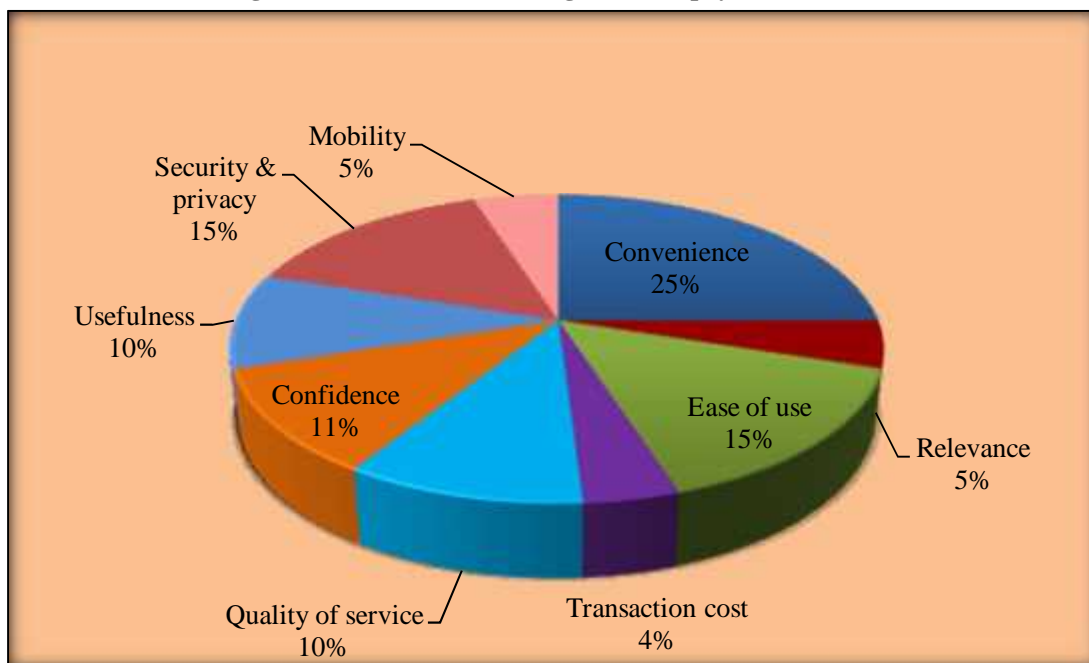
Figure 1.3: Different modes of digital payments opted by retail customers



Sources: Primary Data

Customers have only limited knowledge regarding different modes of digital payments. Most of them heard about payment cards and point of sale only. New modes of digital payment systems are still unaware of them. Furthermore retailers were not ready to make any efforts in this regard. There are number of mode in digital payment which offers high security and user friendliness.

Figure 1.4: Factors influencing choice of payment method

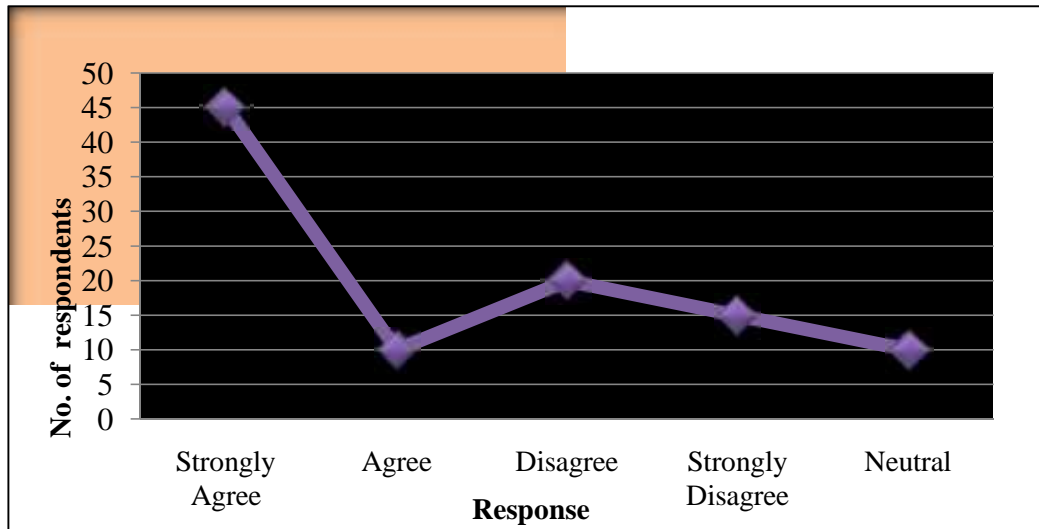


Sources: Primary Data

The most important factors which influence the choice of payment method of customers are convenience, ease of use, security and privacy. People adopt payment systems at their convenience. They give due considerations to the security and trust in payment mode. The mode which has minimal technical errors was accepted by majority of consumers.



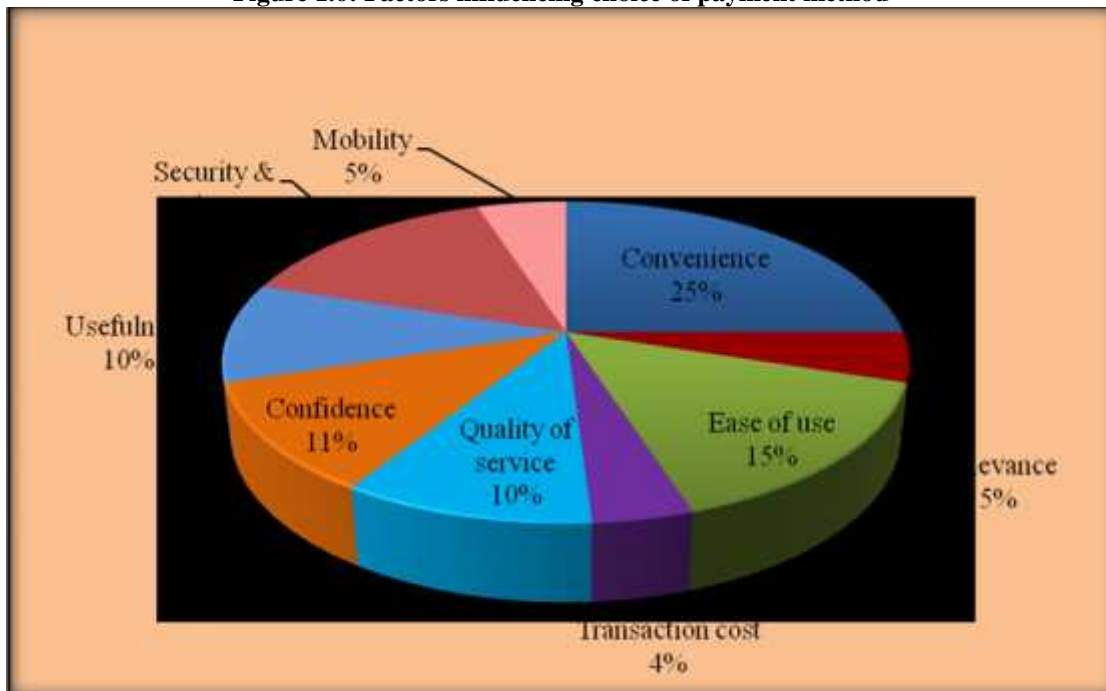
Figure 1.5: Dependence of digital payments on the basis of trust with the retailer



Sources: Primary Data

45 percentage of the customer’s strongly agree that their choice of payment method is influenced by the trust they have with the retailer. If they have a strong relationship with the retailer they will try to adopt digital payment modes. Before opting the digital payment mode consumers will consider their trust in retailers and also how the retailers honestly deal the transactions. Consumers fear about there is chance of stealing the amount by unfamiliar or un trustworthy retailer by using hi tech device, so they prefer cash mode at that time.

Figure 1.6: Factors influencing choice of payment method

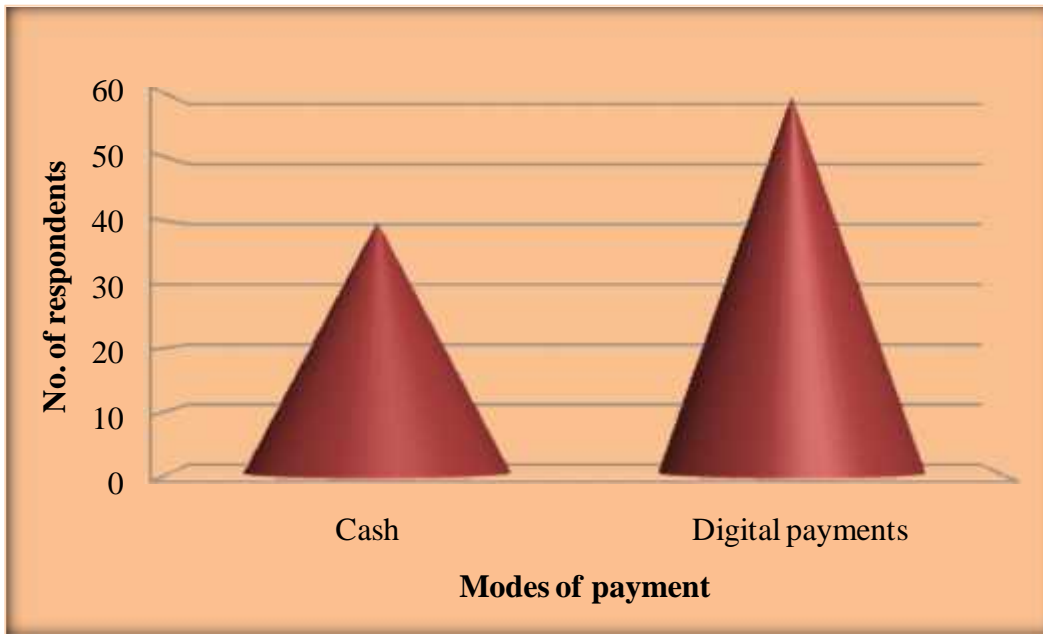


Sources: Primary Data.

The most important factors which influence the choice of payment method of customers are convenience, ease of use, security and privacy. People adopt payment systems at their convenience. The more ease and flexible system of payment was the highest priority.



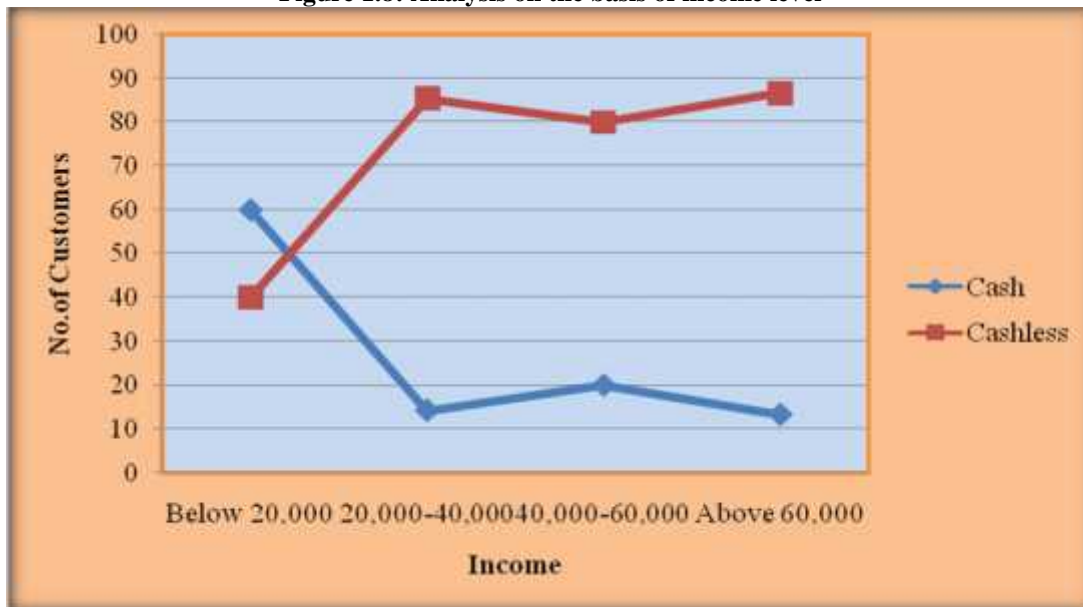
Figure 1.7: Possibility of effective debt management



Sources: Primary Data

Customer's opinion is that effective debt management is possible with the use of digital payments while dealing with transactions than using currency notes. 60 percentages of the total customers agree that through digital modes of payment they can control and limit their spending. Digital mode of payments enables them to aware about effective spending. The conventional mode of cash payments leads them to the over spending and also less savings or investments.

Figure 1.8: Analysis on the basis of income level

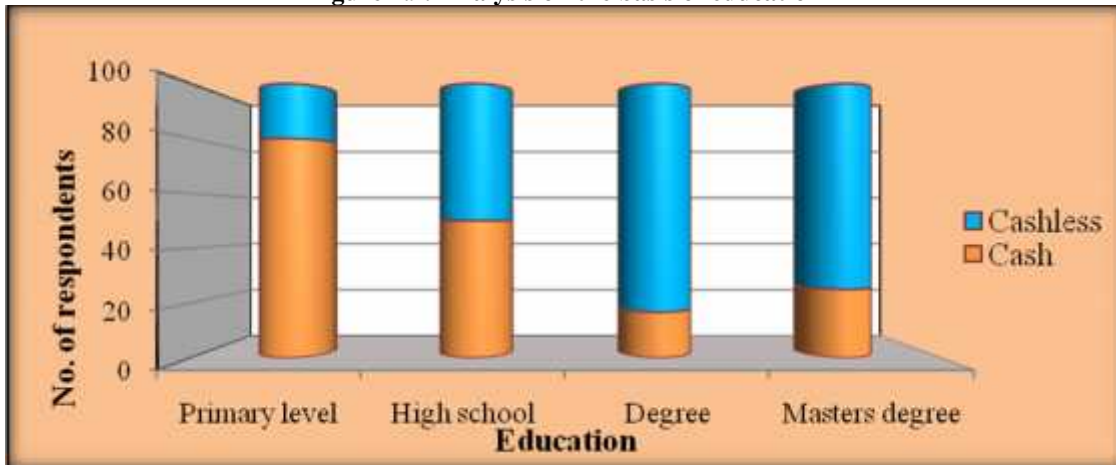


Sources: Primary Data

From the table it is clear that higher income groups are the most preferred of cashless or digital payments. Because most of them store their money in bank accounts and use cards or net banking for dealing with cash transactions. More than 80percentage of higher income group prefer digital modes of payment. It is noted that the lower income group prefer the conventional mode of payments than digital payments due to shortage of balance in bank or less savings or deposit in the bank.



Figure 1.9: Analysis on the basis of education



Sources: Primary Data

As far as education level is increasing customers prefer to use digital payment systems. From the graph we can understand that customers having below high school level educational qualification prefer cash payments. But degree holders mostly prefer digital payment options. Among 30 degree holders more than 80% prefer digital modes of payment.

Table 1.1: Chi square analyses on the relationship between gender and modes of payments

Gender	Mode of payment		Total
	Cash	Digital	
Male	10	40	50
Female	30	20	50
Total	40	60	100

Sources: Primary Data

H₀: The two attributes namely gender and mode of payment are independent.

H₁: The two attributes namely gender and mode of payment are not independent.

Observed frequencies (O)	Expected frequencies (E)	(O-E) ²	(O-E) ² /E
10	12.5	6.25	0.5
40	33.3	44.89	1.35
30	37.5	56.25	1.5
20	16.7	10.89	0.65
			4

Calculated value $\chi^2 = 4$

Degree of freedom = (c-1)*(r-1) = (2-1)*(2-1) = 1

Level of significance = 0.05

Table value = 3.841

Since calculated value is greater than table value we reject the null hypothesis and accept the alternative hypothesis that the two attributes gender and modes of payment are not independent or these are closely associated to each other.

7. Discussions and Recommendations

From the survey it is clear majority of Customers are preferring cash while dealing with smaller amounts of transactions. Customers adopt digital modes of payment when they are making purchases of huge amount (this may be due to the convenience factor). Majority of the customer's choice of payment method is highly influenced by the trust they have with the retailer. Socio demographic factors such as gender, age, income, education level etc. have strong influence on choice of payment method. Gender and selection of modes of payment are associated to each other. Customer's choice of payment



method is based on certain factors such as convenience, confidence; security and privacy etc. Most of the customers are intended to shift from cash payments to digital modes of payment. But they are keeping away from such methods because they are facing many difficulties such as security problems, lack of facilities etc. Customers will definitely shift from cash payments to digital payments if they are provided with enough knowledge and awareness about the system. Customers agrees that usage of cash will stimulates the black economy sector like corruptions, tax evasions etc. Customer's opinion is that payments through digital ways will facilitate them in effective debt management. In this digitalized era customers are still unaware of the existence of many modes of payment such as AEPS, USSD etc.

Recommendations

For increasing the habit of digital transactions the government is required to organize and implement awareness programs. Proper facility should be provided to encourage the customers to go cashless. Government should make laws and amendments to make the usage of digital payments compulsory. Discounts, offers and other incentives are required to be provided to encourage the customers to shift to digital modes of payments. Retailers are also to be encouraged to adopt digital methods to make payment by customers. Proper measures should be taken to avoid the risk of theft, fraud, hacking etc. in order to protect the personal information's of the customers. The government should introduce standardization in the field of digital payments, technology and also in the process of such payments. The costs involved in the usage of digital payments should be reduced and also try to enhance the efficiency of such systems. Proper measures should be introduced to reduce the delay associated with digital payment options. The government should try to decrease the circulation of currency notes in a step by step manner in order to increase the usage of digital modes of payment.

8. Conclusion

A survey of consumer use of new modes of digital payments and cash was undertaken. Attitudes, behavior and opinions of the customer during payment are analyzed and were collected using a structured questionnaire. The influence of factors like income, education, convenience, advantages and disadvantages over the payment modes were been studied. The study also analyzed the problems that were faced by consumers in relation to security and complexity of usage and preference of alternative payment modes. The study had examined the customer payment behavior during purchase and their mode of payment opted. However, a material transition to a cashless economy will depend on a number of factors. First, the availability and quality of telecom network will play an important role. Presently, people face difficulties in making electronic payments even in metro cities because of poor network. Second, as one of the biggest beneficiaries of this transition, banks and related service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it's easier, certain and safe to make cashless transactions. Third, the government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments. Implementation of the goods and services tax, for example, should encourage businesses to go cashless. The government will have to create conditions, not necessarily by creating cash shortages, but to push cashless transactions to a threshold level after which the network effect will take over. India may not become a cashless economy in the foreseeable future, but it needs to reduce its unusually high dependence on cash to bring in much needed transparency and efficiency in the system.

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