

The “Cashless Society”: Consumer Perceptions of Payment Methods

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Abstract

The “cashless society” is becoming an increasingly popular matter of discussion in the media. In fact, it has been a topic of frequent debates in society for several decades now. Futurists see the establishment of such a society as inevitable and indeed in countries where electronic payments have reached a higher degree of acceptance the eventual doom of cash does not seem too distant in the future. In recent times, government of India introduced observable fact to bring a change in the economy, transforming the economy which was cash-based into cashless through digital means. The purpose of this research is to investigate consumer attitudes towards both cash and cashless payments in India (a country where cash is still the preferred payment method). By doing so, we would like to recognize what are the main challenges of adopting the alternative payment methods among Indian consumers.

Keywords: Cashless, perception, payment methods etc.

Introduction:

There is evidence to believe that cash is slowly going away. The year of 2017 marked yet another decrease in the amount of banknotes and coins in circulation world-wide and especially in country such as India due to demonetization. However, the popularity of Electronic Money Transfer Systems (EMTS) is not same in all countries. There are societies which find it hard to embrace the new ways of payment and continue to resort to cash for the most part of their day-to-day transactions.

In terms of usage towards cash, the India situation is related to other rising economies of the market. Around 96 percent of the transactions in India are in cash. Mere 3.6 percent of households make cashless transactions in India. Regardless of the awareness that it is unsafe to carry huge sums of cash, still the consumers favor to hold and use cash. Merchants and consumers who prefer cash, rather than digital often misperceive its limitations and benefits as opposed to paying digitally. (Sagayarani, Dorothy (2017). Digital Payments In India. IOSR Journal of Business and Management (IOSR-JBM) PP 28-33)

Use of debit cards is mainly taking place at ATMs instead of Point of Sale (POS). At ATM's, debit cards usage account for nearly 95 percent in terms of value and 90 percent in terms of volume and around. It has been seen

that India witnessed huge flow in cashless transaction after the demonetization of the currency notes of Rs 500 and Rs 1,000, through the different digital modes like mobile phone applications, credit/debit cards, BHIM (Bharat Interface for Money) app under Aadhaar Enabled Payment System (AEPS), Unified Payments Interface (UPI) or e-wallets etc. (Wilson, James (2017). Did Demonetisation Bring About a Digital Transaction Revolution? Retrieved 1 July 2017, from <http://www.citethisforme.com/guides/apa/how-to-cite-a-website>)

This research aims to observe the differences in consumers' attitudes towards cash and cashless payment methods by spotlighting and comparing how socio-demographic characteristics of India and individual perceptions which have achieved a different degree of digitalization.

Literature Review:

Worthington, 1995 stated that the “cashless society” is becoming an increasingly popular matter of discussion in the media. In fact, it has been a topic of frequent debates in society for several decades now.

Rogoff, 2014 studied in his research, 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.

McArdle, 2016 depicted that other major factors which contribute to the ever more extensive use of electronic transfers include the increased security of storing money in a bank account and of transferring these funds to other accounts electronically and even the superior convenience of paying with e.g. a bank card as opposed to paying with cash.

Bolton, 2015 & Edwards, 2015 described in their paper, that cash is so rarely used in some places like Scandinavia, these countries are almost on the brink of going complete —cashless.

Soman, 2003 found out that throughout a major part of mankind's history there has been only one payment method available to the common public that is cash; however, nowadays consumers have to make a choice from a rather colorful palette of different means of payment.

Prelec & Loewenstein, 1998 revealed that cash payments are denoted as being more “painful” in comparison to bank card payments. This is linked with the payment features of the given method, which basically means that the more obvious a payment method is, the more using it reminds of “waste of money”.

Khan, 2009 stated that because of the decreased transparency and the weaker “pain of paying” which are displayed when using e.g. a bank card, some authors believe that the getting rid of cash completely would be the “pinnacle of consumerism”, a situation where spending would occur without too much thinking about the aftermath for society and the environment.

Mercatanti & Montegrappa (2008), the two authors compare the spending patterns of households that possess various means of payment with those that only use cash for their transactions. Their research concludes that

when compared to those using only cash, the others spent a higher amount of money and bought a larger number of items per purchase.

The study of Bounie & François (2006) details the specialization effect and the way it is exhibited in different settings. 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.

Van der Heijden, 2002 stated that the perceptions of consumers along these lines can vary depending on a number of items such as the universality and the critical mass of users, i.e. if a payment method is not widely accepted within the boundaries of a certain society, its use may be frowned upon, preventing it from gaining a further welcoming.

Mishra, Mishra, & Nayakankuppam, 2006 revealed that cash is also known to have its own role when it comes to storing money and even managing one's personal finance. Individuals might choose to store their income in the form of larger banknotes in order to reduce their spending. This is related to the so-called *bias for the whole* or the *denomination effect*, where a single object of a high worth is treated as more valuable than a number of objects with the same total value.

Objectives of the Study

To be more precise, the following research questions have been formulated:

1. To study the consumers' general attitudes on cash and electronic payment systems.
2. To study the consumers' perceptions of different factors influence their choice of payment method.
3. To study the implications of social demographics for the choice of payment method.

Research Methodology:

The core finding of the study is based upon the information collected through primary data i.e. information was collected from respondent with the help of structured questionnaire and secondary data has been gathered from books and journals on the choice of payment method. A structured questionnaire was administrated for the purpose of obtaining information from the respondents. Much care been taken to put the related to the subject, the questionnaire contained closed ended logical questions. The sample of 100 respondents who were familiar with the choice of payment method was taken from Mohali city of Punjab. Due to lack of resources and time the sample was kept 100. Convenience sampling was used to collect the data from the respondents through the structured questionnaire. Percentage analysis was run on the responses of the respondents to find out the results.

Data Analysis and Interpretation

I. Demographic Profile

- 83% of them are male and 17% of them are female. 35% of them are between 18-20 years of age, 31% of them are 21-30, 19% of them are 31-40, 13% of them are 41-50 and rest 2% of them are Above 50. 11% of them had qualification up to school level, 59% of them are graduate and 30% of them are post graduates.
- 41% of them had business, 32% of them are employee, 21% of them are professional, and 6% of them are self employed.
- 73% of them are in nuclear family and 27% of them are in joint family. 11% of them earn Up to Rs.2,00,000, 45% of them 2,00,001 to Rs.3,00,000, 27% of them 3,00,001 to Rs.5,00,000 and rest 17% of them Above Rs.5,00,000.

1. Often make purchases with types of retailers

- 2% of them rarely make purchases from Supermarkets, hypermarkets and department stores, 11% of them occasionally, 40% of them frequently and 47% of them very frequently.
- 7% of them rarely make purchases from convenience stores, 15% of them occasionally, 44% of them frequently and 34% of them very frequently.
- 7% of them very rarely make purchases from convenience stores, 11% of them rarely, 23% of them occasionally, 38% of them frequently and 21% of them very frequently.
- 5% of them very rarely make purchases from marketplaces, bazaars, street vendors, 20% of them rarely, 17% of them occasionally, 35% of them frequently and 23% of them very frequently.
- 5% of them never make purchases from Kiosks, 24/7s, etc., 13% of them very rarely, 13% of them rarely, 35% of them occasionally, 23% of them frequently and 11% of them very frequently.
- 17% of them never make purchases from online stores (web shops), 25% of them very rarely, 31% of them rarely, 5% of them occasionally, 19% of them frequently and 3% of them very frequently.

2. Buying types of goods

- 14% of them occasionally buy food and groceries, 47% of them frequently and 39% of them very frequently.
- 20% of them occasionally buy shoes, clothes and accessories, 48% of them frequently and 32% of them very frequently.
- 38% of them occasionally buy cosmetics, 39% of them frequently and 23% of them very frequently.
- 26% of them occasionally buy medicine and nutritional supplements, 45% of them frequently and 29% of them very frequently.

- 25% of them occasionally buy consumer electronics, 44% of them frequently and 31% of them very frequently.
- 19% of them occasionally buy books, movies, music (in digital format), 48% of them frequently and 33% of them very frequently.
- 18% of them occasionally buy books (printed) CDs, DVDs, Blue-rays, etc., 47% of them frequently and 35% of them very frequently.
- 17% of them occasionally buy furniture and household appliances., 44% of them frequently and 39% of them very frequently.

3. Using payment methods

- 43% of them frequently make payment by cash and 57% of them very frequently.
- 17% of them rarely make payment by Debit/credit card, 15% of them occasionally, 41% of them frequently, and 27% of them very frequently.
- 29% of them very rarely make payment by E-banking, 35% of them rarely, and rest 36% of them occasionally.
- 11% of them rarely make payment by regular bank transfers, 35% of them occasionally, 35% of them frequently and rest 19% of them very frequently.
- 15% of them rarely make payment by mobile payments (Mobile Pay, Swipe, Apple Pay, Android Pay, etc.), 27% of them very rarely, 26% of them rarely, 16% of them occasionally, 11% of them frequently, 5% of them very frequently.
- 13% of them rarely make payment by PayPal, ePay and similar services, 39% of them very rarely, 27% of them rarely, 8% of them occasionally, 10% of them frequently, 3% of them very frequently.
- 17% of them rarely make payment by Cheques, coupons, vouchers, 33% of them very rarely, 10% of them rarely, 23% of them occasionally, 12% of them frequently, 5% of them very frequently.

4. Preferred payment method at the point of sale

- 17% of them frequently make payment at the point of sale by cash, and rest 57% of them very frequently.
- 17% them rarely make payment at the point of sale by Debit/credit card, 15% of them occasionally, 41% of them frequently, and 27% of them very frequently.
- 17% them never make payment at the point of sale by mobile payments (Mobile Pay, Swipe, Apple Pay, Android Pay, etc.), 27% of them very rarely, 26% of them rarely, 16% of them occasionally, 11% of them frequently, 5% of them very frequently.
- 17% them never make payment at the point of sale by cheques, coupons, vouchers, 33% of them very rarely, 10% of them rarely, 23% of them occasionally, 12% of them frequently, 5% of them very frequently.

5. Preferred payment method when shopping online

- 2% of them very rarely make payment through cash on delivery when shopping online, 15% of them rarely, 15% of them occasionally, 35% of them frequently, 33% of them very frequently.
- 11% of them rarely make payment through Debit/credit card when shopping online, 21% of them occasionally, 45% of them frequently, 23% of them very frequently.
- 30% of them very rarely make payment through E-banking (online banking) when shopping online, 25% of them rarely, 9% of them occasionally, 15% of them frequently, 21% of them very frequently.
- 12% of them rarely make payment through regular bank transfers when shopping online, 32% of them occasionally, 39% of them frequently, 17% of them very frequently.
- 25% of them very rarely make payment through mobile payments (Mobile Pay, Swipe, Apple Pay, Android Pay, etc.) when shopping online, 37% of them rarely, 19% of them occasionally, 13% of them frequently, 6% of them very frequently.
- 36% of them very rarely make payment through PayPal, ePay and similar services when shopping online, 29% of them rarely, 17% of them occasionally, 15% of them frequently, 3% of them very frequently.

6. Agree/Disagree with the statement

- 42% of them strongly agree that they prefer to use cash when dealing with smaller amounts of money, 51% of them agree and rest 7% of them are neutral
- 33% of them strongly agree that they prefer to store money in a bank account and use electronic payments when dealing with larger amount of money, 23% of them agree, 25% of them are neutral and rest 19% of them are disagree
- 31% of them strongly agree that their choice of payment method is influenced by their income level, 42% of them agree, 12% of them are neutral and rest 15% of them are disagree
- 35% of them strongly agree that they generally trust the bank system in their country, 40% of them agree, 11% of them are neutral and rest 14% of them are disagree
- 31% of them strongly agree that they believe that using cash stimulates the black economy sector (tax evasion, corruption, etc.), 33% of them agree, 25% of them are neutral and rest 11% of them are disagree
- 31% of them strongly agree that they think that using electronic payment methods makes/can make their life easier, 45% of them agree, and 24% of them are neutral
- 14% of them strongly agree that they feel confident enough when doing electronic payments, 15% of them agree, 36% of them are neutral, 24% of them are disagree and rest 11% of them are strongly disagree

- 25% of them strongly agree that they find it easier to control how much they spend when they use cash, 22% of them agree, 7% of them are neutral, 31% of them are disagree and rest 15% of them are strongly disagree.

7. Using services provided by e-banking

- 34% of them rarely use services provided by e-banking (online banking) for Checking the balance of their bank account, 45% of them occasionally and rest 21% of them frequently.
- 33% of them rarely use services provided by e-banking (online banking) for monitoring recent transactions, 27% of them occasionally, 35% of them frequently and 5% of them very frequently.
- 28% of them rarely use services provided by e-banking (online banking) for executing transactions, 29% of them occasionally, 37% of them frequently and 6% of them very frequently.
- 26% of them rarely use services provided by e-banking (online banking) for managing personal finance, 39% of them occasionally, 28% of them frequently and 7% of them very frequently.

8. Encounter technological challenges using electronic payments.

- 33% of them while using electronic payments they can never pay with their bank card, 39% of them very rarely, and 28% of them rarely.
- 35% of them while using electronic payments they can never pay because of a system error, 41% of them very rarely, and 22% of them rarely.
- 23% of them while using electronic payments they can never pay because they are not familiar how the system works, 35% of them very rarely, 40% of them rarely and 2% of them occasionally.

9. Importance of security and privacy risks.

- 43% of them says that security and privacy risks to be neutral for theft of personal data (including card bank number) and rest 57% of them says that security and privacy risks to be highly important for theft of personal data (including card bank number)
- 47% of them says that security and privacy risks to be neutral for Hacker attacks and rest 53% of them says that security and privacy risks to be highly important for Hacker attacks
- 47% of them says that security and privacy risks to be neutral for website collecting too much personal information and rest 53% of them says that security and privacy risks to be highly important for website collecting too much personal information
- 43% of them says that security and privacy risks to be neutral for lack of control over how companies are using their Personal information, 53% of them says that security and privacy risks to be highly important for lack of control over how companies are using their Personal information and rest 5% of them says that

security and privacy risks to be highly important for lack of control over how companies are using their Personal information

- 32% of them says that security and privacy risks to be neutral for loss/theft/forgery of cash and rest 68% of them says that security and privacy risks to be highly important for loss/theft/forgery of cash

SUGGESTIONS

- Individuals, bank customers should be aware that bill payment, premium payments can be made using electronic wallets and one can safely maintain money in e-wallets and use it as and when required.
- Banks like HDFC, ICICI Bank, YES Bank and SBI have launched their own bank apps to cater to the needs of customers on the go.
- Bank customers can use Real Time Gross Settlement (RTGS) for transferring funds on line.
- Making payments using a debit card, a credit card is one of the best and easy way to make payments. It saves time as you need not withdraw cash from ATM or Bank, and can easily keep track of the payments made.

CONCLUSION

After demonetization, finally Indian people have started believing in the supremacy of the plastic money in the variety of credit card/debit card, and other electronic payment channels. Banking online has achieved importance due to scarcity of sufficient cash in the market.

The main motto of program based on Digital India, the cashless economy concept is centred around the revelation of transforming the country into a society, which is enabled digitally and capable to implement numerous modes of cashless transactions.

In a country like India where most of the population survived under poverty and misery, realizing the idea of cashless economy is very difficult. The scenario is changing with the implementations of digital environment as people begin their cashless monetary dealings and considering it as easy, safe, transparent and convenient.

But ultimately, the step taken by the government results out to be a big leap towards cashless system in India that is bound to cover the way for a cashless economy, in order to maintain transparency, convenience and ease in monetary transactions.

LIMITATIONS OF THE STUDY

This study was based on primary data collected from sample consumers by survey method.

The study area was limited to Mohali district and the findings may not be applicable to other markets, as vast differences exist among the consumers with regard to demographic and psychographics characteristics.

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Annexure

I. Demographic Profile

Basic Factors	Categorization	Frequency	Percentage
Gender	Male	83	83%
	Female	17	17%
Age	18-20	35	35%
	21-30	31	31%
	31-40	19	19%
	41-50	13	13%
	Above 50	2	2%
Educational Qualification	Upto School Level	11	11%
	Graduate	59	59%
	Post Graduate	30	30%
Occupation	Business	41	41%
	Employee	32	32%
	Professional	21	21%
	Self-Employed	6	6%
Type of Family	Nuclear Family	73	73%
	Joint Family	27	27%

1. How often do you make purchases at the following types of retailers?

	Never	Very Rarely	Rarely	Occasionally	Frequently	Very Frequently
Supermarkets, hypermarkets and	0	0	2	11	40	47

department stores						
Convenience stores	0	0	7	15	44	34
Shopping centers and malls	0	7	11	23	38	21
Marketplaces, bazaars, street vendors	0	5	20	17	35	23
Kiosks, 24/7s, etc.	5	13	13	35	23	11
Online stores (web shops)	17	25	31	5	19	3

2. How often do you buy the following types of goods?

	Never	Very Rarely	Rarely	Occasionally	Frequently	Very Frequently
Food and groceries	0	0	0	14	47	39
Shoes, clothes and accessories	0	0	0	20	48	32
Cosmetics	0	0	0	38	39	23
Medicine and nutritional supplements	0	0	0	26	45	29
Consumer electronics	0	0	0	25	44	31
Books, movies, music (in digital format)	0	0	0	19	48	33
Books (printed) CDs, DVDs, Blue-rays, etc.	0	0	0	18	47	35
Furniture and household appliances	0	0	0	17	44	39

3. How often do you use the payment methods listed below?

	Never	Very Rarely	Rarely	Occasionally	Frequently	Very Frequently
Cash	0	0	0	0	43	57
Debit/Credit Card	0	0	17	15	41	27
E-Banking (Online Banking)	0	29	35	36	0	0

Regular Bank Transfers	0	0	11	35	35	19
Mobile payments (Mobile Pay, Swipe, Apple Pay, Android Pay, etc.)	15	27	26	16	11	5
PayPal, ePay and similar services	13	39	27	8	10	3
Cheques, coupons, vouchers	17	33	10	23	12	5

4. What is your preferred payment method when shopping online?

	Never	Very Rarely	Rarely	Occasionally	Frequently	Very Frequently
Cash on Delivery	0	2	15	15	35	33
Debit/Credit Card	0	0	11	21	45	23
E-Banking (Online Banking)	0	30	25	9	15	21
Regular Bank Transfers	0	0	12	32	39	17
Mobile payments (Mobile Pay, Swipe, Apple Pay, Android Pay, etc.)	0	25	37	19	13	6
PayPal, ePay and similar services	0	36	29	17	15	3

5. To what extent do you agree/disagree with the following statements?

	Strongly Agree	Agree	Neutral	Dis- Agree	Strongly Disagree
I prefer to use cash when dealing with smaller amounts of money.	42	51	7	0	0
I prefer to store money in a bank account and use electronic payments when dealing with larger amount of money.	33	23	25	19	0
My choice of payment method is influenced by my income level.	31	42	12	15	0
I generally trust the bank system in my country.	37	42	12	15	0
I believe that using cash stimulates the black	31	33	25	11	0

economy sector (tax evasion, corruption, etc.).					
I think that using electronic payment methods makes/can make my life easier.	31	45	24	0	0
I feel confident enough when doing electronic payments.	14	15	36	24	11
I find it easier to control how much I spend when I use cash.	25	22	7	31	15

6. How often do you use the following services provided by e-banking (online banking)?

	Never	Very Rarely	Rarely	Occasionally	Frequently	Very Frequently
Checking the balance of your bank account	0	0	34	45	21	0
Monitoring recent transactions	0	0	33	27	35	5
Executing transactions	0	0	28	29	37	6
Managing personal finance	0	0	26	39	28	7

7. When using electronic payments how often do you encounter the following technological challenges?

	Never	Very Rarely	Rarely	Occasionally	Frequently	Very Frequently
Cannot pay with my bank card	33	39	28	0	0	0
Cannot pay because of a system error	35	41	22	2	0	0
Cannot pay because I am not familiar how the system works	23	35	40	2	0	0

9. To what extent do you consider the following security and privacy risks to be important?

	<i>Not important at all</i>	Neutral	Highly Important
Theft of personal data (including card bank number)	0	43	57
Hacker attacks	0	47	53

Website collecting too much personal information	0	38	62
Lack of control over how companies are using your Personal information	5	43	52
Loss/theft/forgery of cash	0	32	68

