

Impact of Cashless Transactions on Retail Business Merchants in Latur City

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Abstract: Cash is necessity for all to attain the human needs. Cash is used to make payments against the purchase of goods and services. In recent years the use of cash has increased rapidly though the consumptions are expanded. So, cash become survival for everyone. With cash it come the corruptions, frauds, tax avoidance, illegal business and so on because people wants more money as reserve stock with them for future requirements. To eliminate these cash related problems electronic transactions or payments through debit and credit cards were introduced and initiated. The cashless transaction started during the 1990's and by 2010 digital payments methods popularized in several countries. India also adopted electronic payments during this phase but only few percent of population were making payments electronically. To promote digital payments in India, Prime Minister Shri. Narendra Modi, government and Finance Minister Mr. Arun Jaitley took the decision of demonetization and declared on 8th Nov, 2016. After demonetization different sectors and people had adverse impact. The government and private companies with technology are launching diverse platforms and schemes to encourage digital payments. Beyond the efforts of governments, still cashless transactions have various problems in many sectors. This paper aims to study the impact of cashless transaction on retail business merchants in Latur city. The Convenience Sampling Method is used in selection of sample size of 30 merchants with the Chi-square method for hypothesis testing.

Keywords: Cashless Economy, Merchants, Demonetization, Digi - Dhan Vyapar Yojana, Lucky Grahak Yojana.

I. INTRODUCTION OF STUDY

In a present scenario India is highest Cash to GDP in the world. India is cash based economy which is operating 86% of cash for payments of total transaction. Higher cash flows causes cash related frauds, terror financing, corruption, money laundering. To reduce these obstacles government made several efforts and recent efforts are 'Making India Digital' and 'Demonetization' where Making India Digital refers to all the government related services are available online to people in country Demonetization refers to the decision of government to demolish the present units of currency. To eliminate the money or cash related frauds it was necessary to bring cash economy into cashless economy in India. By the several attainment of government it was started to turn to cashless transactions specially form demonetization which is assisted by Digital. According to RBI bulletin, E-Payment System is increasing gradually. But still some sectors have drawbacks in adoption, literacy, awareness, availability, financial literacy, security etc.

Cashless economy is top most topics from government, businesses to individual. Post demonetization, still the major part of the population is not making digital or cashless transactions and also not in a position to reduce dependence on cash. The World Bank's Global Findex reported that Indian people are not familiar with digital banking, payments through mobile phone. It has observed in many cities that merchants also not ready to accept payments digitally in order to avoid paying taxes and buyers find cash payments more convenient with no cost of transactions and few second of time for payments. People are facing difficulties of poor network in metro cities. Therefore, the study is undertaken to know the appearance of cashless transaction in day to day business transactions. In this paper the study is undertaken to find the impact of cashless transactions on the day to day business and profit to merchants of Latur city.

Objectives of Study

1. To comprehend the concept of Cashless Economy in India.
2. To highlight the government efforts in the implementation of cashless economy.
3. To know the leading countries making cashless transactions in the world.
4. To analyze and annotate the impact of cashless transaction on Retail Business Merchants of Latur City.

Scope of Study

The study seeks to appraise the impact of cashless transactions on 30 retail business merchants of Latur City. This paper will facilitate solution on problems in utilization of online payment system for merchants and customers who are widely users of cashless system in daily life.

II. RESEARCH METHODOLOGY

The paper is basically deployed on descriptive or fact finding research and analytical research. For this study the data is accumulated from both primary source and secondary sources. Primary data is collected through a structured questionnaire with close ended questions from retail business merchant respondents who have adopted online transactions system and secondary data consisting of research articles, journals, government publications, newspaper and website.

Area of Sample: Latur City is selected for this study

Sampling Method: Convenience Sampling Method has been used

Sample Unit: Retail Business Merchants of Latur City are the sample of this study

Sample Size: 30 Retail Business Merchants are the size of sample

Tools and Techniques: To analyze, the data collected from questionnaire, following statistical methods are used:

Table, Percentage and Average, Chi-Square Test and Scaling techniques.

Hypothesis

H_{01} = There is no significant relation between age of merchants and cashless transactions.

H_1 = There is significant relation between age of merchants and cashless transactions.

H_{02} = There is no significant relation between education level of merchants and cashless transactions.

H_2 = There is significant relation between education level of merchants and cashless transactions.

H_{03} = There is no significant relation between profitability of retail business merchants and adoption of cashless payment system.

H_3 = There is significant relation between profitability of retail business merchants and adoption of cashless payment system.

H_{04} = There is no significant relation between security in cashless transaction and adoption of cashless transaction.

H_4 = There is significant relation between security in cashless transaction and adoption of cashless transaction.

H_{05} = There is no significant relation between utilization of cashless payment system and cost of cashless transactions.

H_5 = There is significant relation between utilization of cashless payment system and cost of cashless transactions.

III. REVIEW OF LITERATURE

According to Mr. Pradeep H. Tawade (2017), Government had to take necessary steps in the formulation of cashless economy and for this, banks had to maintain liquidity for convenience and Government should also try to improve infrastructure so that more and more people can come into net banking and internet. Therefore, at conclusion, cashless provides additional benefits to cashless system and produces more ease than comfort to society, business and government.

Igbara, felis N, Emerenini Fabian, M. Daasi, Gibson L.K. (2015), studied the impact of cashless policy on small scale business in Ogoni Land River State, Nigeria. In their findings the level of adoption of cashless policy statistically was low and had negative impact on the performance and growth of small scale business in Ogoni Land.

Preeti Garg, manvi Panchal (2017), in their opinion, cashless economy assist to fight against corruption and money laundering but the biggest obstacle is cyber crime, illegal access to personal data, lack of transparency and efficiency in E-payments.

Mrinalini Kaul, Purvi Mathur. (2017), Digitalization brings many benefits like transparent flow of funds, reduce tax evasion, easy of working, new job opportunities etc, but it is necessary to have financial literacy and financial knowledge. Their study indicated that there is inconvenience of digital and financial knowledge in cashless transactions and had to overcome by raising awareness programme of its functional benefits to people and businesses.

Ms.Pranjali A. Shendge, Mr. Bhushan G. Shelar Asst.Prof. Smitaraja S. Kapase. (2017). In their study, the benefits and impact of cashless transaction had extracted. After demonetization the people moving cash to cashless by utilizing the digital payment system. Digital transactions have more benefits than cash transactions such as elimination of corruption, transactions can detect and so easy for taxation. Many vendors and shopkeepers started adopting e-payment system. The cashless payment system is become strenuous to people to learn and adopt in day to day life.

Dr. Tushar Chaudhari. (2017). He recommended that to promote cashless transactions prerequisites the internet infrastructure with free Wi-Fi facility at market place. Also he added that charges on transaction by cards should be removed so that can be utilized at all level. Cash back plan should initiate to both merchants and customers and for this it is required PoS and other cashless platform. This should also produced at domestic to reinvestment and achieve the Make in India goal.

Cashless Economy in India

Meaning and Definition of Cashless Economy: An economy in which purchase of goods and services are done by debit/credit cards or electronic fund transfer rather than cash is termed as 'Cashless Economy'. Cashless is a system by which any transactions are done through electronic payment system. The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India. The purpose of cashless economy is reducing the economy's dependence on cash which can helps in elimination of cash related frauds such as corruption, avoidance of tax, conversion of black money into white money. Cashless economy is necessitates of India to save the time and cost between parties and cut down the taxes charged by government because of insufficient funds caused tax avoidance.

Top cashless countries in the world

The countries which are leading in cashless transactions in the world have given below:

Ranks	Countries	Score out of 10
1	Canada	6.48
2	Sweden	6.47
3	United Kingdom	6.42
4	France	6.25
5	USA	5.87
6	China	5.17
7	Australia	4.92
8	Germany	4.14
9	Japan	3.12
10	Russia	1.95

(Source: <https://www.finance-monthly.com/2017/10/the-worlds-top-10-cashless-countries-in-2017/>)

www.financemonthly.com website published the top ten cashless transaction nations on 19th October, 2017 and the top most country is Canada among other top countries. Still India is far away from being cashless country in top ten countries in world. Government in India is assorting efforts with ease of cashless system. Some of government's efforts and schemes are given below.

Government Efforts in the Implementation of Cashless Economy in India

The RBI and GOI have been making several efforts to reduce the use cash by promoting digital payment system. Cashless economy indicates a system of people in which transacts electronically. Government has been making several efforts to reduce the dependence on cash in Indian economy.

1. **PMJDY:** Shri. Narendra Modi launched Pradhan Mantri Jan-Dhan Yojana which assists Opening bank accounts for the unbanked under adoption of direct benefit transfer to the beneficiaries. PMJDY scheme is the mission of financial inclusion i.e. involvement of unbanked people by opening bank account at zero balance. It is technique to link the bank account with online banking, mobile banking, and debit/credit cards for payments. At the end of December 2017, 30 crore accounts are opened under Jan-Dhan Scheme.
2. **Simple Message by UPI App:** Unified Payments Interface recently launched by National Payments Corporation of India makes electronic transactions is uncomplicated that by sending text message which is useful effectively for non-user of android or smart phones. The most important supreme attribute of Unified Payment Interface swift money transfer without bank accessory or details. So that the people can make unshrinking cashless payments.
3. **Reforms indirect tax to GST:** Government and finance minister has made reforms in indirect tax of the goods and services to encourage businesses to use cashless payment system. It is one tax in country replaced indirect tax. GST eliminates the multiple tax payment at different stages from manufacturing to sell the goods and services in domestic and at international. With this reform government has mandated payment of tax and ITR through online website: www.services.gst.gov.in. It is the mechanism to promote cashless payment system in India.
4. **Financial Literacy Programme:** The RBI and finance ministry have made Financial Literacy Centres (FLCs) a cornerstone of the PMJDY which avail the illiterate people to understand the resources of finance, effective utilization and management of, and connect with bank. Government assumes that is people are opening zero balance bank account having basic finance knowledge can be easily exercise cashless payment system.
5. **Promotion of different and easy modes of Payments:** Government makes effort to promote cashless transactions, which include e-banking, debit and credit cards, card-swipe or point-of-sales (PoS) machines and digital wallets and different mobile apps.
6. **Issuing license for small finance banks:** RBI issued licenses to open new-age small finance banks and payments banks which has started and are expected to activate financial inclusion and bring innovative banking solutions. The small bank supplies the credit to micro and small business.

7. Statutory Status to Aadhar: Government is gearing up to facilitate Aadhaar number enabled financial transactions through mobile phones as a part of its drive to convert the country into a cashless economy. Aadhaar enabled transactions are card-less and pin-less, only require Aadhaar number and fingerprints stated by Ajay Pandey, Director of UIDAI.

8. Introduction of RuPay Cards: RuPay is Indian domestic card payment network set up by NPCI (National Payment Corporation of India) and the objective is to provide card payment service option to many banks in India and decrease the transactions at all levels. It is similar to the international cards like Master cards and Visa.

9. Income Declaration Scheme: The scheme is launched in 2016 by PM Narendra Modi and Government of India. This scheme is a portion of Union budget that provides an opportunity to the tax avoiders or tax defaulters to disclose their income and wealth and pay taxes. But, this scheme wouldn't work out. Hence, it was decided to demonetize the high currency without intention to change it. It is to increase the use of cashless payment platform and these transactions make available all data of income and wealth of individual and business to tax department and other authorised parties.

10. Demonetization of High Value Notes: Shri. Narendra Modi announced to ban of Rs.500 and Rs. 1000 notes from midnight 8 November 2016. The intention of demonetization is to curb the corruption, fraud and black money in India. This is viable only when the financial transactions become cashless transaction.

11. Lucky Grahak Yojana: To promote the **Digi payment** in India government is rewarding the non cash payment users. The prize money goes upto **Rs 1 Crore**. Daily 15,000 people are getting prize money. The prize winner is marked on the basis of **lucky draw**. The lucky winner of this scheme is selected from each category of the transactions. These prizes would be given to those consumers who pay using the cashless mode/digital payment.

Mode of Transactions	Daily winners
RuPay Card	11,900
UPI	1,500
AEPS	1,500
USSD *99#	100

(Source: <https://upipayments.co.in/digital-payment-lucky-grahak-yojana/>)

12. Digi-Dhan Vyapar Yojana (Merchants):

- Prizes for Merchants for all digital transactions conducted at Merchant establishments.
- Weekly prizes worth Rs. 50,000, Rs 5,000 and Rs. 2,500
- 7,000 merchants per week stand to win rewards of Rs. 50,000, Rs. 5,000, and Rs. 2,500 each week from December 25, 2016 to April 14, 2017. The mega draw, which will take place on April 14, will have rewards worth Rs. 50 lakh, Rs. 25 lakh, and Rs. 5 lakh.

Definition of Merchant: "A person or a company involved in wholesale and retail trade, especially one dealing with foreign countries or supplying the goods to particular trades." ⁽⁴⁾

Merchant is a person who buys or sells goods in large quantities, especially one who imports and exports them. Also a merchant is a person who owns or runs a shop, store, or other business.

Merchant survey is undertaken to understand the opinion of merchants on cashless transactions, to get the information about adoption and use of cashless pattern by merchants and analyze the impact of cashless transactions on 30 retail business merchants of Latur City.

Analysis of survey of Merchants of Retail Business

Table showing Chi Square Value

Sr. No.	Factor	Chi Square Value	Degree of freedom	Level of Significance	Table Value
1	Age	5.51	12	0.05	21.03
2	Educational Background	16.99	16	0.05	26.30
3	Cashless transactions affects on the profitability of merchants	20.63	12	0.05	21.03
4	Security is major problem in adoption of cashless transaction	31.47	12	0.05	21.03
5	Cost of cashless payment system are is obstacle of cashless transactions	21.31	12	0.05	21.03

(Source: Data collected and analyzed from close questionnaire)

Interpretation:

- The calculated Chi Square Value for 12 degree of freedom at 0.05 level of significance is 5.51 is less than table value which is 21.03, therefore null hypothesis is accepted i.e. there is no significant relation between age of merchants and cashless transactions. It indicates that any age group people understands the cashless payment system and able to handle it.

2. The calculated Chi Square Value for 16 degree of freedom at 0.05 level of significance is 16.99 is less than table value 26.30 therefore null hypothesis is accepted i.e. there is no significant relation between education level of merchants and cashless transactions.
3. The calculated Chi Square Value for degree of freedom 12 and level of significance at 0.05 is 20.63 is less than table value i.e. 21.03. Therefore null hypothesis is accepted i.e. there is no significant relation between profitability of retail business merchants and adoption of cashless payment system among merchants. It indicates that adoption of cashless system for acceptance payments is not profitable and the reason may be customers resistant, lack of knowledge, uneducated, prefer cash only. So, acceptance of total payment by PoS or other non-cash mode not happens all time. If merchants made it mandatory they experienced that consumer turn to next shop where cash payment are accepted.
4. The calculated Chi Square Value is 31.47 for 12 degree of freedom at 0.05 level of significance is greater than table value 21.03, therefore null hypothesis is rejected and alternative hypothesis is accepted i.e. there is significant relation between security in cashless transaction and adoption of cashless transaction. It indicates that, security is one of the major drawbacks for making payments through cashless transactions. People and businessmen are having the fear of insecurity in cashless transactions that is the bank information is leaked then they have to bear loss. Because now a days, the companies either private or public, are creating the list of all people with their private details such as Aadhaar card which is linked to bank account. This massive list can be generated by unauthorized people or organization and can make unfair practices of online facilities. So, people and merchants expect security in adoption in cashless transaction.
5. The calculated Chi Square Value is 21.31 for 12 degree of freedom at 0.05 level of significance is greater than table value 21.03 therefore null hypothesis is rejected and alternative hypothesis is accepted i.e. there is significant relation between utilization of cashless payment system and cost of cashless transactions. It indicates that high cost result less cashless transactions. So, cost of cashless transaction is adversity of using digital payment system by the people and businesses in Latur city.

Scaling Technique

The schedule was developed using 5 – point Likert type scale. Each question has 5 options they are as below:

Points are given as follow:

Scale	Points
Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

From above scale, given points are using for calculate total points and analyzed it. After calculating the points, the impact of cashless transactions has been shown as:

Scale	Points
121-150	Strongly Agree
91-120	Agree
61-90	Neutral
31-60	Disagree
0-30	Strongly Disagree

DATA ANALYSIS AND INTERPRETATION

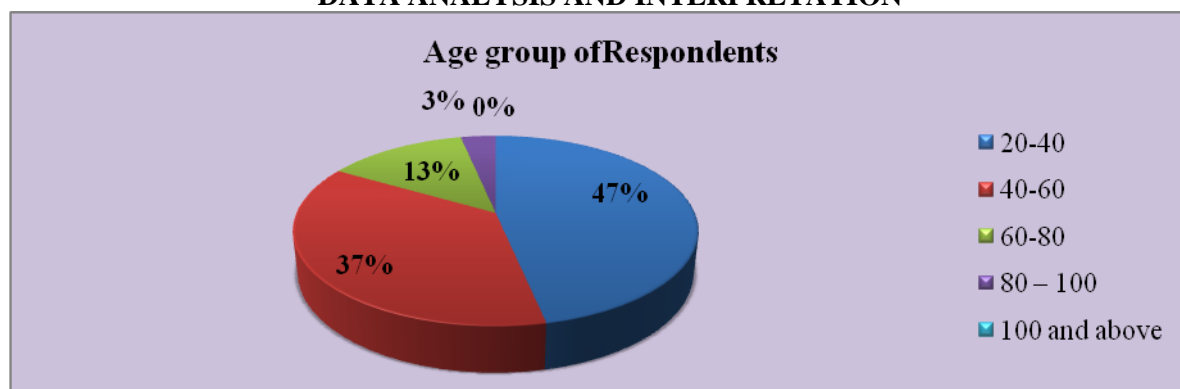


Figure I: showing the age group of the respondents

Interpretation: The above table indicates that 47 % respondents come under the age of 20-40 years. 37% respondents come under the age of 40-60. 13% respondents are having the age group of 60-80 and 3% falls under 80-100 age group. The majority of respondents falls under 20-40 age group followed by 37% of 40-60 age group of merchants who are efficiently using several modes cashless system.

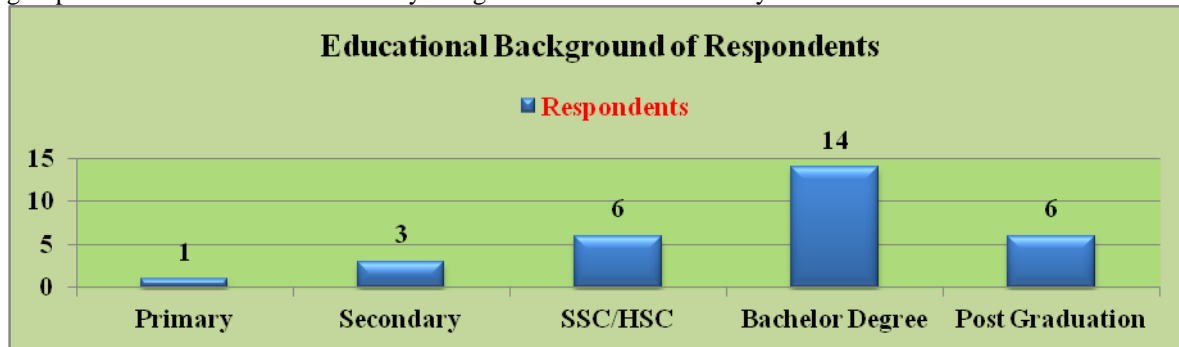


Figure II: showing the age group of the respondents:

Interpretation: Out of 30 respondents 3% of respondents are having primary education. 10% respondents having secondary education and 20% respondents are from SSC/HSC background. 47% merchants are from Bachelor Degree and 20% merchants are having Post graduation.

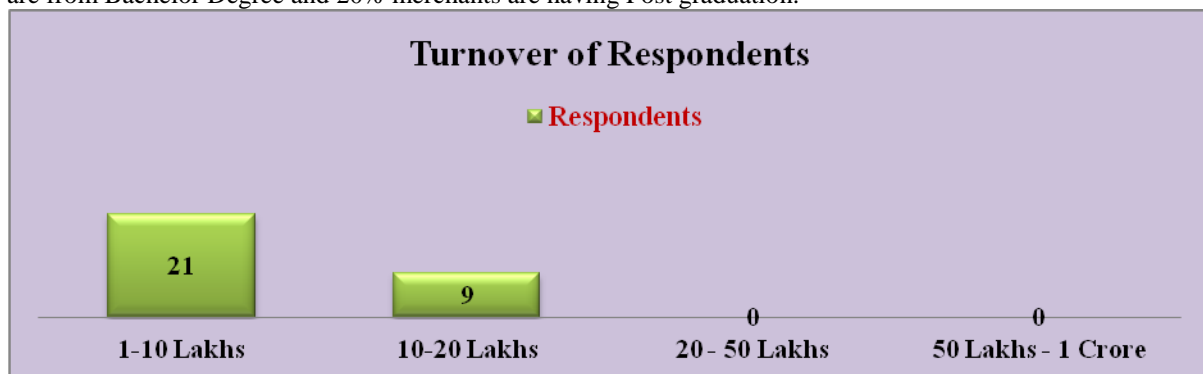


Figure III: Table showing the turnover of business of the respondents:

Interpretation: Out of 30 respondents 70% of respondents are having their business turnover of Rs.1 Lakhs – 10 Lakhs. 9% respondents are having turnover of rupees 10-20 Lakhs. 0% respondents falls between the turnover of Rupees 20-50 Lakhs and 50 Lakhs – 1 Crore.

Table showing calculation of total points on impact of cashless transactions by Scaling Technique		
Q. No.	Questions	Total Points
1	Table Showing cashless transactions is complex to merchants	87
2	Table showing the cashless payment system is lengthy procedure	94
3	Table showing poor internet connection in cashless payment system	87
4	Table showing customer resist to use cashless payment system	108
5	Table showing Less security in cashless system	82
6	Table showing cashless transaction are costly than cash transactions	119
7	Table showing merchants are aware about various cashless payment schemes	105
	Total	682

The average score of impact of cashless transaction is 97.43 so, the above table shows that merchants are agree that there is impact of cashless transaction on their day to day business.

IV. CONCLUSION

Cashless economy is an economy where the financial transactions are done by several cashless modes such as – UPI, AEPS, Banking /smart Cards, USSD, Mobile Banking, M-Wallets, and Point of sale and so on. As it is find that India is abstracted form top 10 cashless economy among in the world. Government making mandate for promoting digital payments in many ways like demonetization, prizes on cashless transaction like Lucky Grahak Yojana, Digi-Dhan Vyapar Yojana etc. There are many more option of cashless payments and its benefits for users but yet in Latur it is found by survey that cashless transactions is not much utilised because of many obstacles as the complex transactions, lengthy procedure, poor internet connection, resistance of customer, less security, costly transactions and merchants are unaware about various schemes of cashless transactions. The study reveals that the impact of cashless transactions on retail merchants is not so effective among the merchants

of Latur city because of cost in cashless transactions are high and security is also major drawback of cashless transaction. Merchants as well as customers are ready to adopt cashless system when it equips security with minimum/free cost of transactions.

Therefore it is suggested that it is necessary to have Simplification in process of cashless transactions accompanied digital literacy and financial education. The major problem is cost of cashless transactions that can overcome through by maximizing the utilization of assorted cashless options. Another drawback of cashless transaction is security in the modes of payments system of cashless. Internet facility is also most leading part of cashless payments, it is recommended to bring online transactions in offline transactions. The implementation agencies and government must address these issues seriously to boost up the cashless transactions among the merchants and customers i.e. community or society.

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