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Cashless Payment Transaction And Its Impact On Small Vendors In Banglore

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ABSTRACT

Demonetization is the act of stripping a currency unit of its status as legal tenders. It occurs whenever there has to be a change in national currency. On 8 November 2016 ,PM of India announced for demonetization of Rs.500 and Rs.1000 notes. This led a cash crunch in the society. People were compelled to find ways through cash less transaction. It's been two years that right from auto rickshaw driver to Kirana shops to big industrialists relying more on cashless payment mode. Cashless payment system has both pros and cons. Factual data welfare plans, automatic data record, corruption less society are some of the merits while uneducated people to cope of with digitalization, poor internet connection, small vendors who sell their goods at very negligible margin also have to give a profit cut to the digital-payment company such as Paytm , Phone Pay, etc. are some of the demerits of the system . The present study makes an

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attempt to understand the impact of cashless payment transaction on small vendors in the city of Bangalore.

Key words:

Demonetization, Digital payment, Small vendors, Bangalore.

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Vol-22- Issue-14-December-2019

1. Introduction:

After demonetization initiatives, most of the people in India started electronic payments for their transactions. Everyone from the small vendors to neighboring vegetable vendor is embracing digital payment solutions. 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 application means like Google Pay, Phone pe, Paytm, BHIM etc.. The circulation of physical currency is minimal in cashless economy. The benefits of Cashless economy are many but there are many problems which are faced by small vendors of India.

An increased use of credit and debit cards and different mobile applications instead of cash enable a more detailed record of all the transactions which take place in the small vendors, allowing more transparency in business operations and money transfers. The increased use of monetary cards and digital payment application will definitely reduce the amount of cash that people have to carry which reduces the risk and the cost associated with that. In this paper an attempt is made to examine the Impact on small vendors in Bamgalore towards cashless transactions and the attempt is also made to identify the challenges and benefit faced by them during their transactions.

2. Literature Review

Annamalaiand Iiakkuvan(2008) have projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money.

Alvares and Clifford(2009) have found that the country's battle against fake currency is not getting easier and many fakes go undetected in India. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

Ashish Das and Rakhi Agarwal (2010) have found Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance\fraud etc.. enhance financial inclusion and integrate the parallel economy with main stream.

Jain,P.M(2006) opined that e-payments will be able to check the current black money. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also Pointed out the need for e-payments and communication networks.

Manivannan (2013) in his study said that use of plastic money is the measure of a luxury credit card, and the need. The plastic money and the electronics payments and used by people of higher income category. The extension of this facility is not only meant for customers in urban areas or cities, but also is for customers who live in rural areas. However, today, with

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Vol-22- Issue-14-December-2019

the development of banking industry, fixed income group also begins the use of plastic and electronic money payment systems and especially credit cards.

Subhani in 2011 conducted a study based on knowledge of the charisma 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 has several pros and cons although it is easy to use and affordable. According to the consumer behavior it is stated that plastic money is a form of motivation for a consumer to spend. The study suggests that the preference to use plastic money to have a positive relationship with the easiness of use because the principle of a credit card has been linked to usage with psychological phenomena that people tend to spent less with a credit card and spent more with the same amount of cash in hand.

Mandeep and Kamalpreet (2008) concluded that Indian banking sector is accepting he challenge of information technology as all the groups of bankers have now recognized it as essential requirement for their survival and growth in future. Despite the strong advances in e-payments. An estimated 90% of personal consumption expenditure in India is still made with cash which indicates the tremendous growth potential of this business. So this can be considered as mere beginning which indicates the bright future prospects of plastic card market in India.

Patel and Amin(2012) in their research they discussed that now a days in any transaction plastic money becomes inevitable part of the transaction and with it life becomes more easy and development would take better place and along with it life becomes more easy and development would take better place and alongwith the plastic money it becomes possible that control the money laundry and effective utilization of financial system would become possible which would also helpful for tax legislation.

Sharma(2012) has thrown light on the number of frauds increased considerably in the usage of plastic cards as in case of plastic card frauds the most affected parties are the merchants of goods and services as they have to bear the full liability for losses due to frauds, the banks also bears some cost whereasthe cardholders are least affected because of limited consumer technology liability and concluded that all these losses can be dealt with by making the prudent use of the new technology and taking the respective counter measures.

Lownstein and Hafalir(2012) focused on two types of customers: one who carry debts and the one who do not carry debt . The one who carry debt are known as the Revolvers and the one who do not carry debt are called the convenience users. The study measured the impact of payment with credit card as compared to cash by an insurance company employees spending on lunch cafeteria. It was found that there was change in the payment medium of people from cash in a to a credit card when an incentives to pay with a credit card was given. It was then found out that credit cards do not increase spending. However, the use of credit cards has a differential impact on spending for revolvers and convenience users. Revolvers spend less when induced to spend with a credit card, whereas convenience users display the opposite behavior.

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ISSN:0971-1260

Vol-22- Issue-14-December-2019

Santomero(1996) analyzed the various alternative forms of money such as prepaid cards, cash cards electronic purse, smart cards etc and their demand for medium of exchange with the help of Baumli-Tobin Model. It was found that range of use of asset decrease with the fall in household income, usage patterns of medium of exchange differ with the same income but different allocation of income among consumption of goods and households lend to use the higher interest medium of exchange to buy the goods that constitutes the largest amount of the income etc.

Brito and Hartley (1995) in his research found that consumers prefer purchasing through credit cards because of its ease and convenience of use irrespective of its rate of interest. He said when consumers use credit cards as a mode of finance, credit cards compete with bank loans and other forms of financing.

3. Objectives:

The study has the following objectives:

a) To study the impact of cashless transaction in small vendors.
b) To study the benefit of cashless transaction.
c) To find out various problems facing by small vendors with respect to digital payment system.

4. Methodology:

This paper is descriptive study, based upon the primary data. Primary data is collected through survey method. Considering the objective of study descriptive research design is adopted for the study. Questionnaire is used for collecting data. Questionnaire is developed based on past experience of the researchers and review of literature on the topic done by the researchers. Questionnaire consists of total eighteen questions out of which seven questions related to profile of respondent other eleven are related to the impact of cashless transactions on small vendors . Stratified random sampling technique is used for selecting respondents for the sample. Sample size is 160.

5. Analysis

1.1: Gender of the Respondents

Out of 160 respondents surveyed, 91.25 percent are male and 8.75 percent respondents are female.

1.2: Age of the Respondents

Out of 160 respondents surveyed, 7.5 percent respondents' age is below 20 years, 59.38 percent respondents' age is in between 20-40 years, 33.12 percent respondents' age group is in between 40-60 years and remaining 0 percent respondents' age is above 60 years.

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Vol-22- Issue-14-December-2019

1.3: Business Type of the Respondents

Out of 160 respondents surveyed, 62.5 percent respondents are Apparel and accessories, 8.75 percent are Books and stationary, 11.88 percent are Food and Bevarages ,0 percent respondents Medical and remaining 16.88 percent are others.

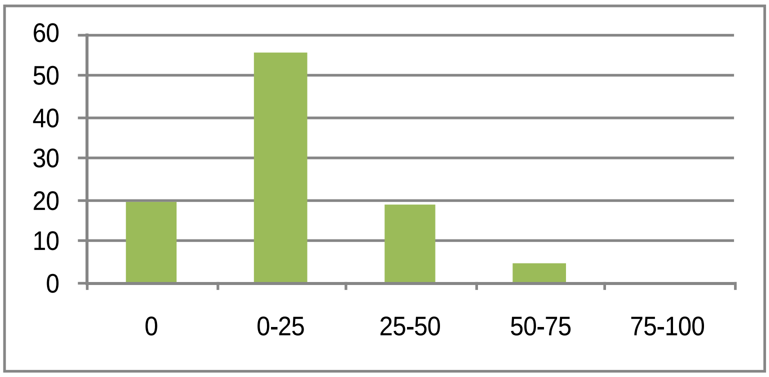
1.4: Qualification of the Respondents

Out of 160 respondents surveyed, 35 percent respondents are Primary Education, 25 percent are UG, 33.12 percent are PG and remaining 2.5 percent respondents are others.

1.5:Average Per Day Income of the Respondents

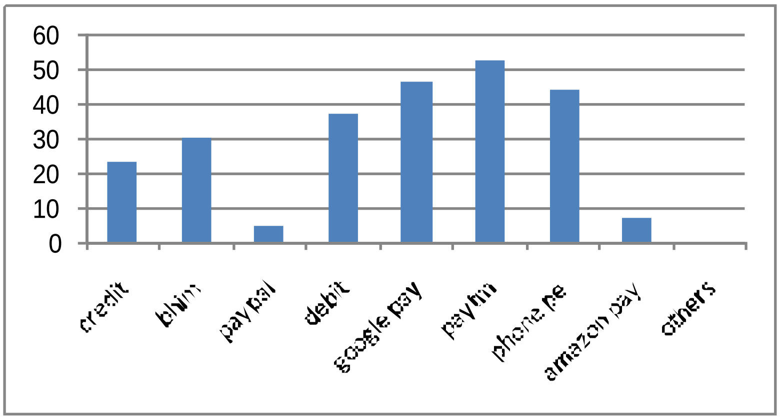
Out of 160 respondents surveyed, 25 percent respondents are Below 500, 23.75 percent are 500-1000, 20 percent are 1000-1500, 8.12 percent are 1500-2000 and remaining 23.125 percent respondents are above 2000.

Graph 2.1 Cashless Transaction done by Vendors



In the above graph, the bar shows cashless transaction done by vendors out of 160 respondents surveyed, 20% are 0, 55.62% are 0-25, 19.38% are 25-50, 5% are 50-75 and 0 are 75-100.

Graph 2.2 Payment methods used by vendors



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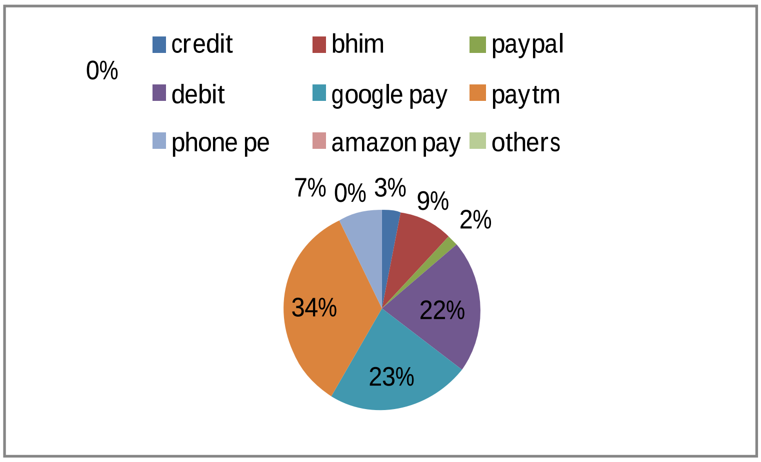
Vol-22- Issue-14-December-2019

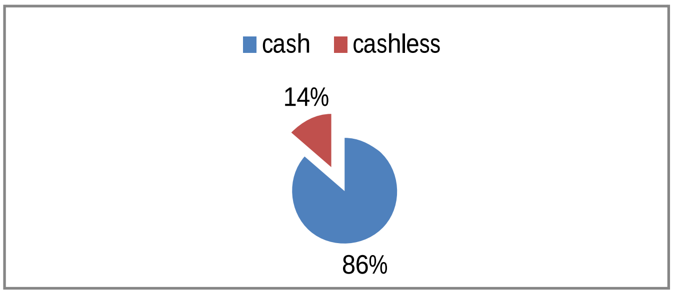
In the above bar graph represents the payment methods used for cashless transaction, 23.75% are credit, 30.67% are BHIM, 5% are paypal, 37.5% are debit, 46.25% are google pay, 52.5% are paytm, 43.75% are phone pe, 7.5% are amazon pay and 0% other applications.

Pie Chart 3.1 Mostly Used Method



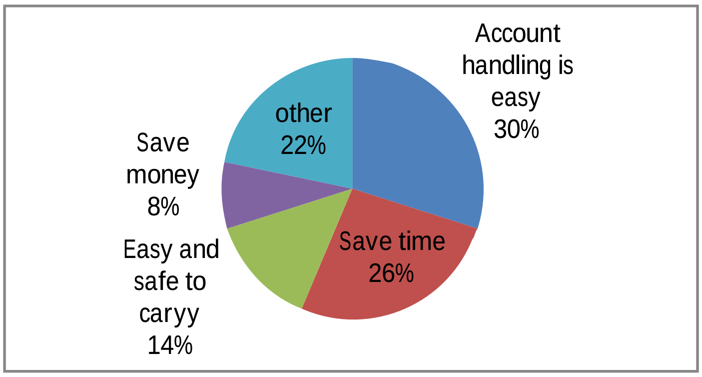
In the above chart, Paytm is mostly used as compared to other payment method of cashless transaction.

Pie Chart 3.2 Cash/Cashless preferred by Vendors



In the above pie chart, according to survey 86% prefer cash and 14% prefer cashless.

Pie Chart 3.3 Benefits of Cashless Transaction



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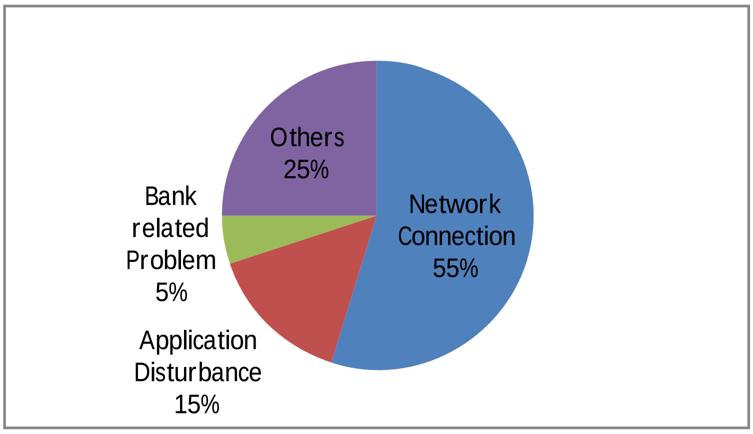
Vol-22- Issue-14-December-2019

In the above pie chart, according to survey Account handling is easy for 30% vendors, Time is saved by 26% vendors, Easy and safe to carry for 14% , 8% vendor save money and remaining 22% are others like offers , scratch card and cashback etc..

Pie Chart 3.4 Challenges faced by vendors



In the above Pie chart, according to survey 55% are facing Network connection problem, !5% are facing Application Disturbance, 5% are facing bank related problems and remaining 25% are facing other problems like Fraud transaction, dual transaction etc.

6. Conclusion:

The findings reveal that while people are getting comfortable with cashless payments, some kind of negative perceptions are holding back many from adopting the new system. The negative perceptions are like security problems, poor network connection, Application disturbance and lack of merchant willingness, lack of users' knowledge on technology. Some benefits are also there such as Account handling is easy, Save money, Save time and Easy and safe to carry. Finally the study concludes that small vendors may not prefer fully cashless transaction unless the network problem is resolved and the perception of the people will be rightly addressed by the government. They should pave the way for the safe and secure mean to cashless transactions.

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