

A Study Examining the Impact of Cashless Economy on Vendors in Bangalore

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Abstract

The process of taking away a currency's legal tender status is known as Demonetization. It takes place each time a change in the national currency is required. On November 8, 2016, the Prime Minister of India declared the demonetization of the Rs. 500 and Rs. 1000 notes. It led to a financial catastrophe in the community. People have to find other ways to transact than using cash. Since five years ago, an increasing number of people—including notable industrialists, Kirana store owners, and auto rickshaw drivers—have depend on payment methods without cash. There are advantages and disadvantages to cashless payment methods. Factual data welfare planning, automated data recording, and a less corrupt society are a few advantages of the approach. The incapacity of the uneducated to adjust to digitization, unreliable internet connections, and small vendors who have to give up a portion of their earnings to digital payment providers like Paytm and Phone Pay are some disadvantages, though. The present study aims to understand the effects of cashless payment transactions on small merchants in Bangalore.

Keywords: Demonetization, digitalisation, cashless payment methods.

Introduction

Following demonetization efforts, the majority of Indians began transacting mostly through electronic means. Digital payment options are being used by all vendors, even the nearby vegetable vendor and tiny vendors. India is gradually transitioning to a cashless economy. An economy that does not use cash is one in which all transactions are made by digital applications such as BHIM, Paytm, Google Pay, Phone Pe, and others. In a cashless economy, very little physical currency is in circulation. The cashless economy has many advantages, but small vendors in India face numerous challenges.

Millions of people still lack bank accounts, have inadequate internet access, and don't know how to use online payment options. These are some of the problems that the country is currently dealing with, especially in rural and small towns as well as in untapped markets in urban India. People need to make sure that their payment methods are digitalized and that these problems are fixed. The government and policy leaders of India face a formidable task in transitioning their society to a cashless or low-cash economy, given the country's constantly growing population.

If more people used digital payments instead of cash, more detailed records of every transaction that takes place in society might be kept. This would reduce tax evasion and money laundering while increasing the transparency of corporate operations. A cashless economy also results in cheaper banking services. It also strengthens the monetary policy that our country employs to manage inflation and promote economic growth. A cashless economy also has the benefit of discouraging robberies and other cash-related crimes.

Statement of Problem:

It's possible that many vendors—especially small and medium-sized businesses (SMEs)—lack access to the technology and infrastructure needed for cashless transactions. This covers mobile payment apps, card readers, and point-of-sale (POS) systems. They find it difficult to accept digital payments without these technologies. Vendors may not be able to afford the upfront costs of deployment, even if they possess the required technology. This entails making hardware and software purchases as well as instructing employees on the efficient use of these systems. It could be hard for vendors with narrow profit margins to justify this expense. Accepting digital payments may be subject to legal restrictions or complications, such as ensuring compliance with tax rules, license requirements, and data protection legislation. For vendors, navigating these regulations can be challenging, particularly if they lack resources or financial knowledge. Vendors might be concerned about fraud or cyberattacks, as well as the security of digital payment systems. If people don't trust these systems' security, they might be hesitant to accept cashless transactions completely.

Objectives:

1. To examine how cashless transactions affect small merchants.
2. Examining the benefits of cashless transactions.
3. Awareness of digital payment applications among the vendors.

Research Gap:

The unusual socio-economic setting of rural India, where infrastructure constraints, low levels of digital literacy, and a dependence on traditional cash-based transactions provide significant barriers to the adoption of cashless payment methods among sellers, this research gap is especially relevant. It is essential to comprehend how these variables interact to influence rural vendors' experiences accepting cashless transactions in order to drive corporate strategies and policy interventions meant to promote equitable economic growth.

Hypothesis:

To examine how cashless transactions affect small merchants.

HO: Cashless transactions have no significant impact on the operations and financial performance of small merchants.

H1: Cashless transactions have a significant impact on the operations and financial performance of small merchants.

Examining the benefits of cashless transactions.

HO: Cashless transactions do not offer significant benefits compared to traditional cash transactions.

H1: Cashless transaction offer significant benefits compared to traditional cash transactions.

Awareness of digital payment applications among the vendors.

HO: Vendors have low awareness of digital payment applications.

H1: Vendors have high awareness of digital payment applications.

Literature review:

The term "cashless economy" no longer refers to a situation in which there is no cash at all; rather, it describes a currency-delivery system in which products and services are purchased and sold, and payments

are made or received electronically.

Aggarwal.K, Malik.S, Mishra.D.K and Paul.D (2021): The study delves into India's cashless transaction devices since 2006, E-banking optimizes services, augmenting funds for banks and clients, Enabled by the virtual revolution, seamless interactions benefit society, Underpinned by the TAM theory, understanding user acceptance drives examination. The Indian government touts cashless coverage for sector empowerment, Aiming to curb coinage fraud and boost employment prospects, Financial risk drives the push towards a cashless economy, Objectives include deeper insights and navigating the ongoing journey, With a focus on expanding access, particularly in rural agricultural regions.

Tripathy.S, Ali.I and Arya.k (2019): The nation aims to shift from cash-based to cashless payment systems. Seeking to reduce foreign exchange management costs and combat fraud, Enhancing economic inclusion and integrating parallel economies, Technology facilitates swift payments for banks, businesses and citizen abroad. Communication networks and e-bills support the transition, catering to diverse income levels, Plastic money is seen as an incentive tied to consumer behaviour. Ease of use influence the decision to use credit cards. Psychologically, people tend to spend more with credit card than cash. Despite this, coins still dominate 90% of private intake expenditures in India, Different spending behaviours emerge among credit card users based on their comfort levels.

Singhraul.B.P and Garwal.Y.S (2018): The evaluation of a nation's financial growth reflects its financial health, GDP increase, especially driven by technological advancements, signifies economic growth . Online processing saves money on paper and postage, enhancing efficiency Digital payment systems grant greater financial independence to individuals, Opportunities for global innovation adoption can further boost GDP and the economy Economic freedom facilitates adaptation among people across countries. In the 1990s, electronic banking surged, especially in technologically advanced nations .Residents in these nations notably embraced non-coin transactions and settlements. In India, coins still account for 26% of financial transactions, highlighting a significant reliance. However, digital bill services boast around 200 million users, indicating a substantial digital shift.

Rudresha.C.E (2019): A cashless banking system offers various benefits like increased sales and faster transactions. To fortify against online fraud, robust Internet security measures are imperative. Despite lower literacy rates in rural India, there's readiness to learn and adapt. Introducing basic aid devices like laptops and incentivizing internet usage can accelerate adoption. Authorities can facilitate this transition while considering consumption patterns and technological advancements. Authorities must enhance net access infrastructure to support cashless transactions. Creation of open wireless areas, especially in local markets, is crucial. Cooperative societies should be mandated to adopt digital payment systems. India lags behind in digital payment adoption due to issues like poor internet connectivity. Factors like high credit card costs and inactive bank accounts also hinder the transition.

Scope and Significance of Study:

The study of how a cashless economy affects Indian sellers is incredibly important and has a lot of potential for changing the way that financial transactions are seen. Analyzing the effects on sellers is crucial as India gradually transitions to a cashless economy. Such studies might focus on a number of topics, such as how quickly vendors are adopting digital payment methods, how difficult it is to switch from cash to cashless transactions, and how this affects customer relations and corporate operations. Policymakers, financial institutions, and vendors themselves must comprehend these dynamics in order to develop

policies that facilitate a more seamless integration into the cashless ecosystem while resolving any obstacles or issues that may come up.

Moreover, the research has importance in terms of its possible consequences for wider financial inclusion and economic growth. Given the pivotal role that vendors play in India's informal economy, their adoption of cashless transactions may have repercussions for employment trends, financial accessibility, and general economic growth. Through investigating the impact of the transition to cashless transactions on vendors' livelihoods, income security, and business sustainability, this study can help shape focused interventions and policies that aim to optimize the positive aspects of a cashless economy while minimizing any negative repercussions. In the end, this research could influence policies that support robust and inclusive financial systems in India.

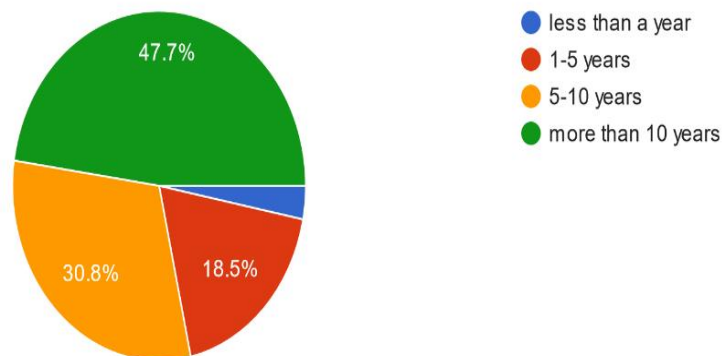
Research Methodology

This paper is descriptive study, based upon the 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 upon the past experience of the researchers and review of literature on the topic is done by the reserachers. Stratified random sampling technique is used for selectingrespondants for the sample. Sample size is 65.

Data Analysis

How long have you been operating as a vendor?

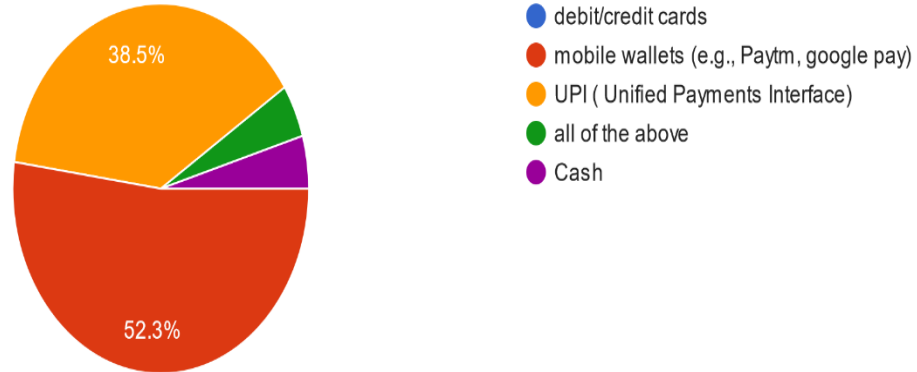
65 responses



Interpretation: The pie chart indicates that 47.7% of vendors have been operating for over 10 years, demonstrating a high level of experience and stability in the market. In contrast, 30.8% have 5 to 10 years of experience, 18.5% have 1 to 5 years, and only 3.1% have been operating for less than a year.

Which cashless payment methods do you currently accept?

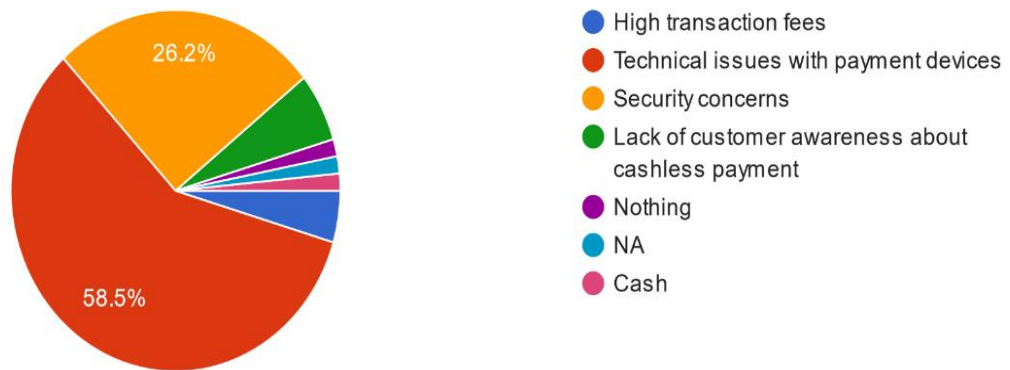
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Interpretation: The pie chart illustrates the distribution of accepted cashless payment methods. Mobile wallets are the most widely accepted at 52.3%, followed by UPI at 38.5%. A smaller percentage accept debit/credit cards, cash, or a combination of all methods.

Have you faced any challenges in transitioning to a cashless payment system?

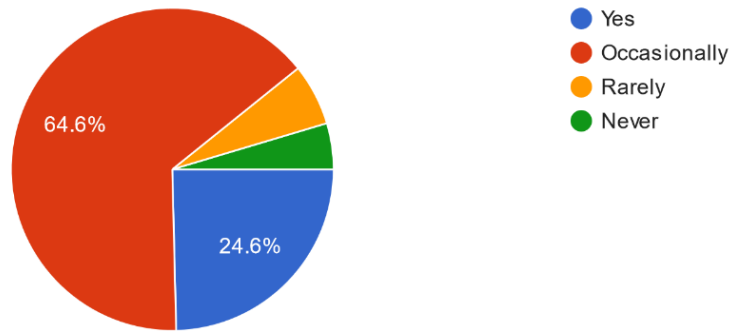
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Interpretation: the pie chart shows that the majority of respondents 58.5% encountered technical issues with payment devices when transitioning to a cashless payment system. High transaction fees were also a significant challenge, faced by 26.2% of respondents. Other concerns included security issues, lack of customer awareness, and minimal instances where no challenges were reported.

Have you experienced any instances of payment delays or disputes with cashless transactions?

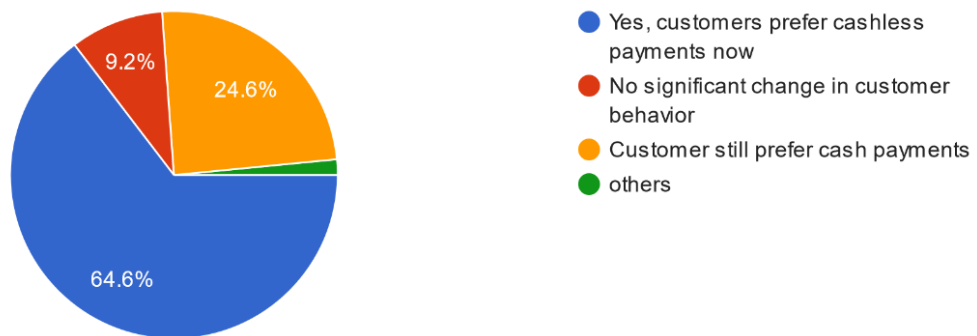
65 responses



Interpretation: the pie chart reveals that 64.6% of respondents occasionally experience payment delays or disputes with cashless transactions. About 24.6% have never faced such issues, while a smaller proportion, 7.7% rarely, and 3.1% experience them frequently. This indicates that occasional issues with cashless transactions are relatively common.

Have you observed any changes in customer behavior since the promotion of cashless transactions?

65 responses



Interpretation: the pie chart shows that 64.6% prefer cashless payments, 9.2% respondents tell that there is no significant change in customer behaviour, 24.6% respondents still prefer cash payments even now, others are okay with cash and cashless payments too.

Findings:

1. According to research, companies that implement cashless transactions frequently see an increase in sales. More consumers who might not always have cash on hand are drawn in by the ease of digital payments.
2. The chance of theft and loss is much reduced when there is less cash handling. Vendors feel more secure knowing that big sums of money are not on their property.

3. The use of digital payments simplifies processes. Vendors can concentrate more on their business operations because they don't have to spend as much time managing actual currency, counting cash, or making change.
4. The quickness and ease of cashless transactions are valued by customers. Customer loyalty may increase as a result of this.
5. Electronic payment records assist suppliers in creating a financial history, which facilitates their access to formal institution loans and other financial services.
6. Although beneficial, the transition to a cashless economy necessitates vendors to make technology investments and acquire new skills, which may be challenging for some, particularly those who are digitally literate.
7. Vendors may reach a wider range of customers by accepting digital payments, including individuals who want to shop online and do not carry cash.
8. Providers that cater to tech-savvy clients who favor cashless transactions might attract a competitive advantage over their rivals by providing a variety of payment methods.
9. The shift to a cashless economy emphasizes the necessity of training programs to assist vendors, particularly those in rural regions or with low levels of education, in utilizing digital payment systems to their full potential and maximizing their advantages.
10. A few government initiatives provide incentives to adopt cashless transactions, such as reduced transaction fees or subsidies for Point-of-Sale equipment, which are advantageous to merchants.

Suggestions:

Government

Implement stabilised digital literacy programs for vendors, for the total-ranged rural and older population. The government should be preparing to move the country towards cashless by providing them with the required training to understand digital payment platforms.

Allocate funds to strong cyber security infrastructure to prevent fraud and data breaches for both vendors and consumers. The implementation of proper guidelines and help mechanisms to deal with the frauds related to digital payment can help in increasing the confidence and the trust for a completely cashless transaction.

Customers

Vendors can receive insightful feedback from customers about their experiences with cashless transactions. This input can assist suppliers in enhancing their offerings and resolving any problems, resulting in a seamless and happy clientele. It is important to encourage customers to support neighborhood vendors who accept cashless purchases. Customers may encourage more vendors to become cashless by giving priority to businesses that offer digital payment choices, which will improve financial inclusion and overall economic growth.

Vendors

Vendors should provide a variety of cashless payment methods, including UPI, credit/debit cards, and mobile wallets, in order to accommodate a wide range of client preferences. Offering a range of choices can draw in more customers and boost revenue. In order to properly comprehend and utilize digital payment systems, vendors should proactively look for training and assistance. Enrolling in public or private training programs can assist businesses in staying current with emerging technology and best practices, enabling them to fully capitalize on the shift to a cashless economy.

Conclusion:

The shift to a cashless economy in India is a double-edged sword for merchants. Digital money (1) Reaping (2) Security and (3) Operational profit. The adoption of the digital payment system is beneficial in terms of enhanced revenue, maximum safety, and efficiency. Additionally, digital payment records enable vendors to become eligible for financial services which in turn help in financial planning and scale of business. But the move to a cashless society also made things burdensome for vendors, especially those who were not comfortable using digital tools, or did not have the financial resources to do so. Small merchants may be squeezed by transaction fees and the technological investments needed. It is also a reminder of the ongoing need for training and transition to new systems - making a case for continued government and private support.

A cashless economy becomes more useful and efficient when the approach is collaborative. By also offering financial incentives, providing digital literacy programs and improving cybersecurity measures, the government can further support the process of building trust and encourage change. The process for transitioning to a cashless society is far from simple, however, It can pay off in massive rewards for vendors. Back with the right support and the vigilance of the vendors, any vendor with the help of a good system can sail through the transition and end their day with a truly modern, efficient, and inclusive financial system.

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