

Impact Of E-Payments on Retail Traders

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Abstract

This paper based upon the survey of 250 retail unorganized shop keepers selected randomly from the different part of the city of Nagpur covering the period of five years, i.e 2016-17 to 2020-21, perceptibly unfolds the facts that:

- a. The system of e-payment not being any marketing tool or techniques did not have only impact on growth of business, but an alternative method of payment of cash only.
- b. The fast increasing number of retailers have expressed their happiness as a consequence of elimination of complete risks involved in cash management and
- c. The number of customer too is expanding significantly enhancing their comforts and benefits in business.

Introduction

After the adoption of the Payment and Settlement System 2007, i.e., more than a decade ago, the green signal was given to the introduction of the electronic payment system that had been in operation in most of the developing countries by the time. The Government of India announced the Digitization of Payment Policy in 2008(1) specifying that “The government has been keen and equally conscious of effective adoption and efficient implementation of electronic payment by the people. However, what is more imperative is to launch massive campaign for creation of awareness among the masses in rural and urban areas. This task is certainly formidable but should be confronted with all our zeal and zest in our command.” This apart, the Reserve Bank of India had set up the High power committee in order to regulate, administer and control over the operations of e-payments. No transaction of payment and settlement in the country takes place without its knowledge, since complete information of transactions stored electronically are in the system. The initial teething troubles were successfully resolved and the system has advantages. Mukherjee S.S (2) stated, “The benefits of the system of e-payment are beyond description as it was accurately perfected by the scientist around the world. The geometric progression whereas it was, on account of poor awareness was in the arithmetic progression. However, enhancement in the utilization of the system in India during last five years may be seen from the following Table1

Table 1: Annual sum of cash payments through major service providers

No.	Modes	2016-17	2017-18	2018-19	2019-20	2020-21	Mean	Growth
01	Pay tm	213	247	297	313	325	279	30.9
02	Google Pay	369	621	658	687	710	649	14.1
03	Phone Pay	138	149	157	168	173	157	13.7
04	Amazon Pay	130	162	121	195	218	173	14.7
05	Airtel	341	382	423	451	463	412	20.6
	Total	1391	1561	1706	1814	1881	-	35.2

Sources: Reserve Bank of India Statistical Information on e-payment Annual Reports Table.83 Page 106 Mumbai.

The above table reveals that:

1. The annual payments by five major players increased from Rs.1391 Crores in the year 2016-17 to Rs.1881 Crores in 2020-21, registering the net increase by approximately 14.1 percent
2. The Indian through Google Pay was the top most provider although the net increase in business was not more than 14 percent

3. The Indian company Airtel stood next that had the average business of Rs.412 Crores during the period under review;
4. The International another service provider Amazon acquired the highest percentage which was nearly 33.1 percent for the period of five years; expectedly this was due to its business of trading in commodities.
5. The portrait of performance of e-payment system during the period of five year was verily encouraging as the majority of people in urban areas were aware and keen to switch over to modern system of payment. Further the instance of Amazon was illustrative indicating that the trading establishments were more successful compared to Airtel and others. Another the most revealing aspect that needs to be properly acknowledged, was the retail grocer after a larger scope for making e-payments as compared to other traders like cloth merchants, pharmacist etc. Further, e-payments have been observed to less preferred mode of payment of installments, of bank loan, fees taxes charges to various organizations as well as purchase of shares, bonds, derivatives or purchase of land, buildings, machines, vehicles etc. Thus, only retail grocers and vendors offer better scope for e-payments. N.S. Parera [3] remarked, “The scope of digital payments in India has been observed to be largely spread over retail shops, while several other commercials, financial and massive cash transactions in purchases of land buildings, shares and bonds, etc., remained outside its scope no precise reasons. He further added. “the retail shops are the high grounds for digital payment” In the light of above observation the present study was deliberately undertaken.

Objectives

The exclusive objective of this paper is to examine how far the retail business has contributed to the growth of digital payments during the period of last five years in urban areas; and the system was helpful in improving the ease of doing business.

Methodology

In pursuit of these objectives, it was deemed essential to adopt the following tools to carry out the process of examination.

1. Co-relation between average annual revenue and average annual receipts of cash through the system of e-payment
2. Periodic magnitude of replacement which will be worked out by applicable following formula:

$$Y_{tL} = 1 - \frac{\{X_c - Z_c\}}{\{X_c\}}$$

Y_{tL} – Annual rate of replacement
X_c- Annual revenue from sales, and
Z_c- Annual cash receipt through e-payment.

The underlying concept implies that due to rising frequency of e-payment gives considerable fillip to the Proportion of cash through the system. In this context, the reality that cannot be ignored is that the method of digital payment is merely an alternative mode of payment of cash but not certainly the marketing tool or strategy for boosting up the sales turnover or attracting the additional number of customers.

The digital payment has been largely preferred on account a few tenuous problems that is obviously eliminated outright and thereby offering immense comfort or ease to the retailers.

Vikas Arora (4) had drawn the attention towards risks involved in handling cash at the counter thronged by the customers creating pressure for payment. He pointed out the following problems which, more often than not, generate tension and create risk caused by:

- Short cash payments knowingly or unknowingly by customers,
- Surreptitious inclusion of mutilated, fake and torn currencies and
- Theft and miscarriage

P. C. Kikani [5] while attempting to work out the cash losses in cash handling by retailers came to conclusion that loss of cash at the counter cash box is inevitable despite all cautions and precautions taken by the cashier and it is estimated that the highest probability of normal cash losses ranged between 7 to 10 percent.

These cash losses are completely eliminated by adoption of the system of e-payments. This incalculable benefits offer the “comfort” or “ease” have been the consequential disclosure of information regarding the cash receipts in their bank accounts. The apprehensions are not unreal and hypothetical qualitative parameters. The degree of ease of doing business was measured at the scales, i.e. highest, high, satisfactory and negligible.

Presentation and Observations

For the purpose this study 250 retailers from the five zones namely east, west, south and central of the city were selected at random and all of them were provided with a questionnaire for seeking the information relating to the e-payment. The information was collected and processed accordingly.

a. Co-relation between Turnover and E- Payment

This kind of relationship explains the inter factorial dependence upon each other between two variables.

Table 2 describes them evidently as possible.

TABLE 2 Variances of Annual Turnover and E-payment (Rs. Crores)			
	A.T	E-PAY	%
YEARS			
2016-17	15	0.37	2.5
2017-18	18	0.69	3.8
2018-19	20	0.92	4.6
2019-20	26	1.61	6.2
2020-21	28	2.35	8.4
MEAN	21.4	1.19	5.1
S.D	15.1	1.1	3.1
VARIANCE	1.42	1.18	1.67

A.T- Average Annual Turnover

E-Pay- E payment

Table 2 presents data regarding the average annual turnover of sample 250 retailers selected for the study. The average annual receipts of cash from electronic mode were also given for the period of five years.

Observations:

a. The above table reveals that:

- (i) The average annual turnover of the retailers respondents increased from Rs.15 Crores in 2016-17 to Rs.28 Crores in the year 2020-21 recording the increment of approximately 86 percent; The percentage of cash receipts to total revenue, which was as low as 2.5 percent soared to as high as 8.4 percent, the increment was certainly appreciable,
- (ii) The co-efficient of variance in respect of average annual turnover and the average 1.42 as against 1.18 for the cash receipts;

(iii) The co-efficient of correlation between the average annual turnover and the average annual cash receipts through electronic modes was about .95 depicting the close positive relationship.

Thus substantial rise in cash receipts both in terms of specific individual tendency and in terms of the ratio with respect to the average annual turnover has been an unquestionable indication of growing preference for e-payments among the customers and acceptance of retail traders. These observations do not in any manner suggest that the business of retailers got a big push due to e-payments. Both are independent to each other and this was completely agreed by the retailers.

b. Rate of replacement

As described earlier, the annual rate of replacement by electronic mode was calculated and the results are displayed in Table 3 which shows that

TABLE 3: MAGNITUDE OF REPLACEMENT

YEAR	ARR
2016-17	0.03
2017-18	0.07
2018-19	0.18
2019-20	0.21
2020-21	0.26

(i) The rate of replacement had been annually advancing with reasonable pace;

(ii) It increased from 0.04 to 0.26 during the period of five years and

(iii) The mean rate of replacement was around 0.12 that however needs to be pushed up.

Thus, the rising rate of replacement displays the growing awareness about electronic payments in the urban areas. Once awareness expands wider and wider the replacement rate would entail continues enhancement.

c.. Ease of business

The system of e-payments as specified earlier, brings the ease of business to meaningful extent.

TABLE 4. EASE OF DOING BUSINESS	
SCORE	NOR
100-80	
Highest	91
80-60	
High	89
60-40	
Satisfaction	47
40-20	
Tolerable	15
20-07	
Negligible	8
TOTAL	250

NOR- NO. OF RETAILERS

Observations

Gleefully, 91 retailers respondent retailers surveyed distinctly expressed their experience from the use of the digital system as the “highest” ease on account of several advantages;

(i) Gleefully, 91 out 250 respondents retailers surveyed distinctly expressed their experience from the use of digital system as the “highest” ease on account of several advantages;

(ii) Further, 89 retailers too accorded, “High” ease of business thus jointly 72 percent of the retailers accepted the beneficial use of the electronic payment system and

- (iii) As low as 3.2 percent of the retailers did not appear to be happy with the payment system, their percentage is absolutely insignificant. Thus the retailers acquired the highest benefits from the e-payment and they have been conclusively “contended” and “committed” for the growth of the system in the country.

Limitations

This research paper has been veritably subject to the following limitations:

- Not more than 250 respondents retailers could be taken into consideration
- The period of the study was limited to five years;
- The urban area of the city of Nagpur was included in the study.

Conclusion

The conclusion of the study compromises the tendencies that the digital payment system has been encouragingly acquired expeditiously by retail shopkeepers, although its impact on the growth of business was almost insignificant. Nevertheless, it has successfully mitigated the risks relating to handling of cash balances and their by inevitably substantially improved their comforts.

Selected References

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