

A study of Consumer Preference for Cashless Payment Methods in Delhi NCR

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Abstract

A transparent system proves to be more efficient and people friendly and attracts wider people base for both economic and political benefits. The night of 8th November 2016 shook the economy as the high powered currency notes of denomination 500 and 1000 were taken away from the system of the country. The immediate effects were felt, as the economy lost major control and the unorganized sector and business losing all their money and people losing jobs. The only system people were left with was making digital transactions and use alternate payment methods. Digital Payments is the need of the hour , because it's tough to make an economy cash less but then it can always be with less cash. As digital transactions are making an unexpected, surge due to growing online payment offerings in India. The study determines the level of awareness and the perception of the customers towards digital payments. The study also explains about the services, which are offered, by digital payment services for the certain kind of users and it gives a detailed description of preferences of users

concerning modes of digital payments. Due to demonetization, the usage of digital payment modes had increased. The payment system requires end user to have a basic knowledge of Smartphone's/normal bar phones. It is very important to find out the critical factors, which lead to acceptance of digital payments by the customers and common masses. This also means that the aim of the study is to list out the factors that are barriers to the adoption of e-wallet in India.

Introduction

It has been said that every disruption creates opportunities and one such disruption was the announcement of demonetization by Prime Minister Mr. Narendra Modi on 08 November 2016. Demonetization created huge growth opportunity for digital payment in India and the digital wallet companies grabbed the opportunities with both the hands to expand their market share. Demonetization has presented a unique platform for adoption of digital payment, as an alternative to cash for Indian consumers. Adoption of cashless

transaction has been significantly pushed by Prime Minister Mr. Narendra Modi as part of government reforms after demonetization of high value currency of Rs. 500 and 1000 (86% of cash circulation). The demonetization resulted in unprecedented growth in digital payments. By February this year, digital wallet companies had shown a growth of 271 percent for a total value of US\$2.8 billion (Rs. 191 crores). Indian government and private sector companies such as Paytm, Free charge and Mobikwik had been aggressively pushing several digital payment applications, including the Aadhaar Payment app, the UPI app, and the National Payments Corporation of India (NPCI) developed the Bharat Interface for Money (BHIM) app. Digital transfers using apps has brought behavioral change and helped in the adoption of digital payments. This has resulted in ease of transfer of money in rural areas that were not touched earlier by the digital payment methods. Now many foreign investors want to invest in digital payment industry, which is a new attractive destination because of scope of tremendous expansion in India. There are number of facilitators that are leading to the growth of digital payment and transition from cash economy to less cash economy. These facilitators include penetration of internet connectivity on smart phones, non-banking financial institution facilitating digital payment, one touch payment, rise of financial technology sector and push by government either by giving incentives or by tax breaks. These all factors are

creating positive atmosphere for growth of digital payment in India. As highlighted in the Ministry of Finance's Committee report on Digital Payments published in December 2016, financial inclusion is one of the foremost policy challenges facing India today. As of 2014, approximately 53 per cent of India's population had access to formal financial services. In this context, digital payment acts as a key enabler for accelerating financial inclusion. In fact, troves of insights available through customers' payment transaction patterns can be leveraged to offer fit-for-purpose products and solutions. As per Reserve Bank of India's 'Financial Stability Report of 2015-16', share of electronic transactions as part of total transactions in volume terms moved up to 84.4 per cent from 74.6 per cent, accounting for more than 95.2 per cent in value terms. While majority of these are because of inter-bank RTGS and CCIL transactions, share of retail electronic payments and mobile payments is steadily increasing

Digital Payment Modes in India

There are several modes of digital payment available in India. These are:

Online or mobile wallets: they are used via the internet and through Smartphone applications. Money can be stored on the app via recharge by debit or credit cards or net-banking. Consumer wallet limit is Rs. 20,000 per month and the merchant wallet limit is Rs. 50,000 per month after self-declaration and Rs. 100,000 after KYC verification.

Prepaid credit cards: Pre-loaded to individual's bank account. It is similar to a gift card; customers can make purchases using funds available on the card -and not on borrowed credit from the bank. Can be recharged like a mobile phone recharge, up to a prescribed limit.

Debit/RuPay cards: These are linked to an individual's bank account. Can be used at shops, ATMs, online wallets, micro-ATMs, and for ecommerce purchases. Debit cards have overtaken credit cards in India. The number of debit cards in December 2015 increased to 630 million compared to 22.75 in 2014.

AEPS:The Aadhaar Enabled Payment System uses the 12-digit unique Aadhaar identification number to allow bank-to-bank transactions at POS. AEPS services include balance enquiry, cash withdrawal, cash deposit, and Aadhaar to Aadhaar fund transfers.

USSD: Stands for Unstructured Supplementary Service Data based mobile banking. It is linked to merchant's bank account and used via mobile phone on GSM network for payments up to Rs. 5,000 per day per customer.

UPI:The United Payments Interface (UPI) envisages being a system that powers multiple bank accounts onto a single mobile application platform (of any participating bank). Merges multiple banking features, ensures seamless fund routing, and merchant payments. It facilitates P2P fund transfers.

Objectives of the Study

- To examine the awareness levels and opinion of customers about digital payment mechanisms.
- To find out the customer perception and impact of demographic factors on adoption of digital modes of payment.
- To study the benefits that accrue to the customers from the using the digital payment mechanisms.
- To enquire into the impact of merchant and customer related factors including enthusiasm of merchants and lack of technical knowledge to customers and reluctant to disclose financial information by the customer on cashless transactions in India.
- To assess the uses pattern and nature of transaction done by the customer for its different uses.
- To identify the factors promoting Cashless Transaction System.

Research Methodology

RESEARCH DESIGN

The research design used for this study is of the descriptive type. Descriptive research studies are those studies, which are concerned with describing the characteristics of a particular individual or a group. A descriptive study is one in which information is collected without changing the environment (i.e., nothing is manipulated). Sometimes these are referred to as "correlation" or "observational" studies. A

systematic research with structured and specified steps in specified sequence was designed and is as follows:

- The data collection method to be used is questionnaires, observations and discussions. While designing data collection procedure, adequate safeguards against bias and unreliability are ensured.
- The questions are prepared in a clear, understandable manner.
- The sampling technique used is Convenience Sampling.

SOURCES OF DATA COLLECTION

The data for the present research study is collected through two different sources namely:

- Primary data sources
- Secondary data sources

PRIMARY DATA SOURCES:

The primary data is collected through the following methods:

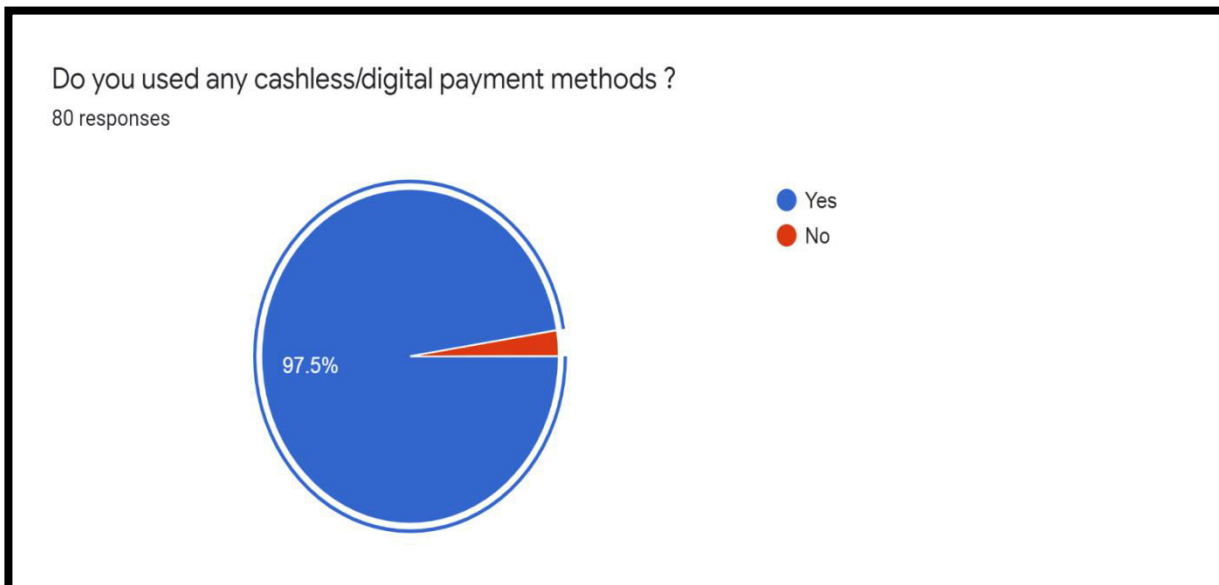
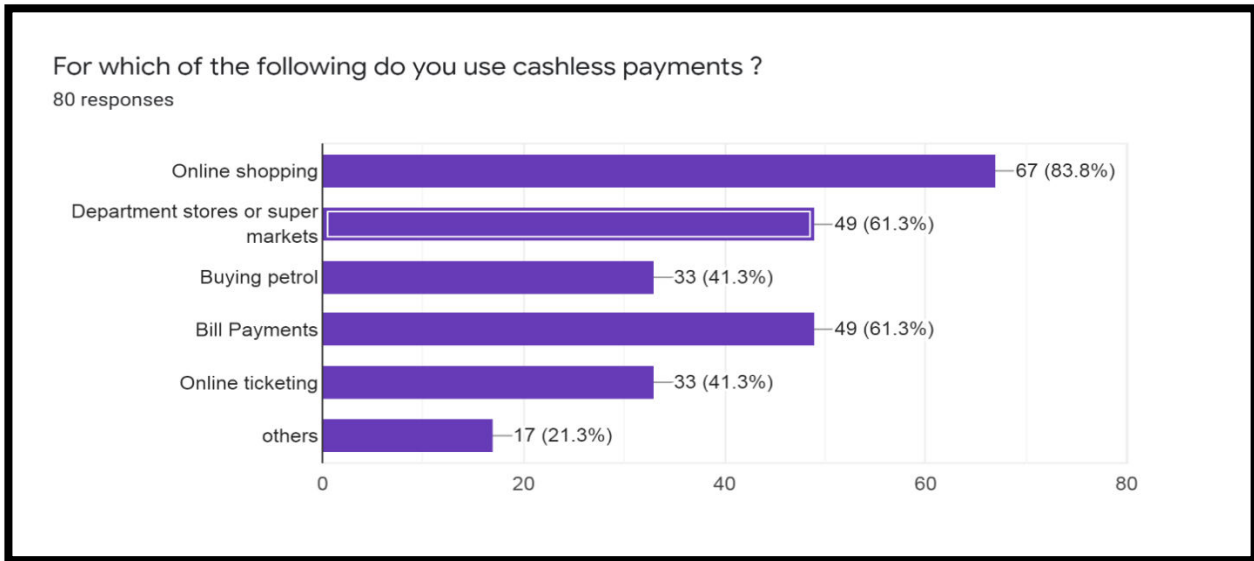
1. Questionnaire
2. Direct interaction.

SAMPLING PROCEDURE

Sampling is that part of practice concerned with the selection of individual observations intended to yield some knowledge about a concern, especially for the purposes of conducting research. Each observation measures one or more properties of an observable entity enumerated to distinguish objects or individuals.

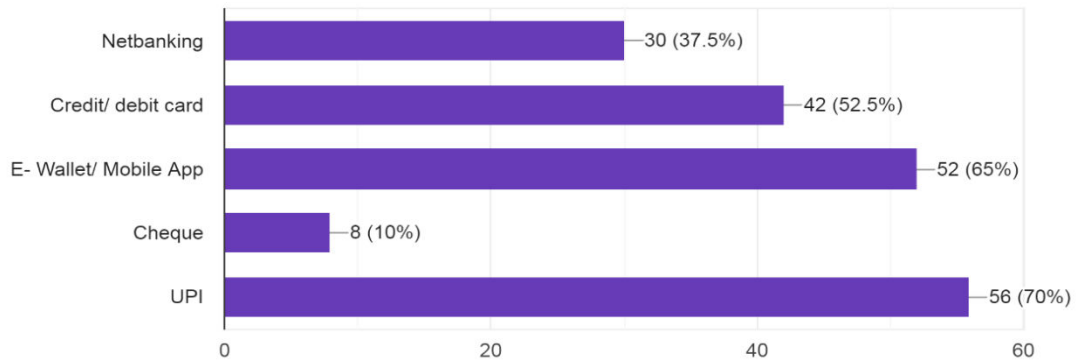
1. **SAMPLE SIZE**– The size of sample selected for the study was 80.
2. **SAMPLING TECHNIQUE** –The sampling techniques used is Convenience Sampling.

Result Analysis



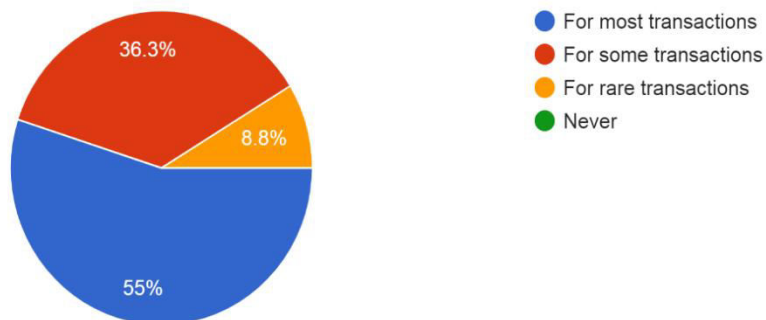
Which of the following Cashless payment methods do you use ?

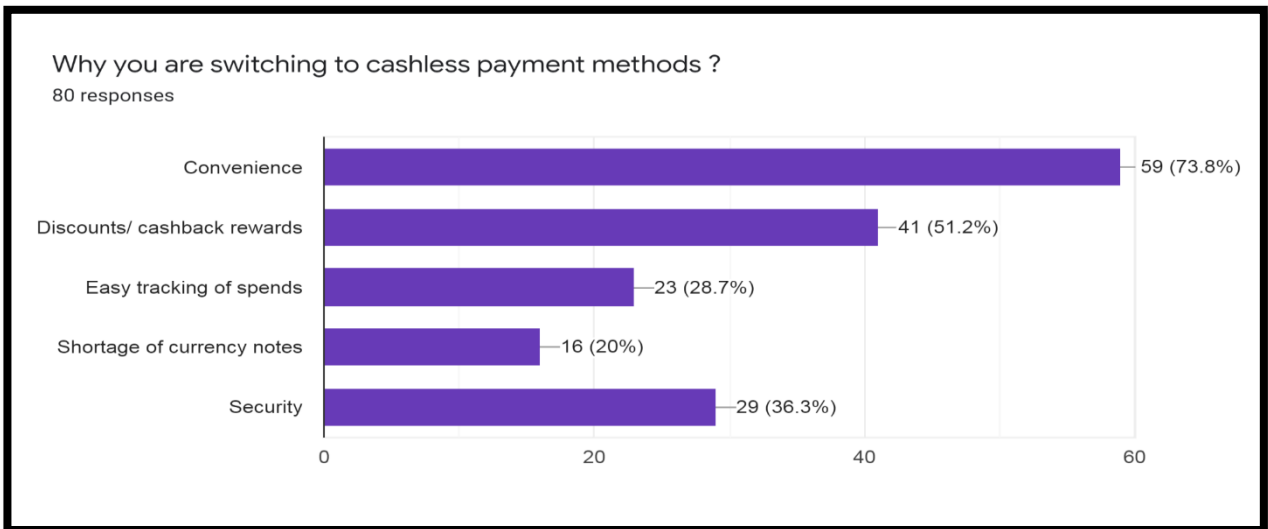
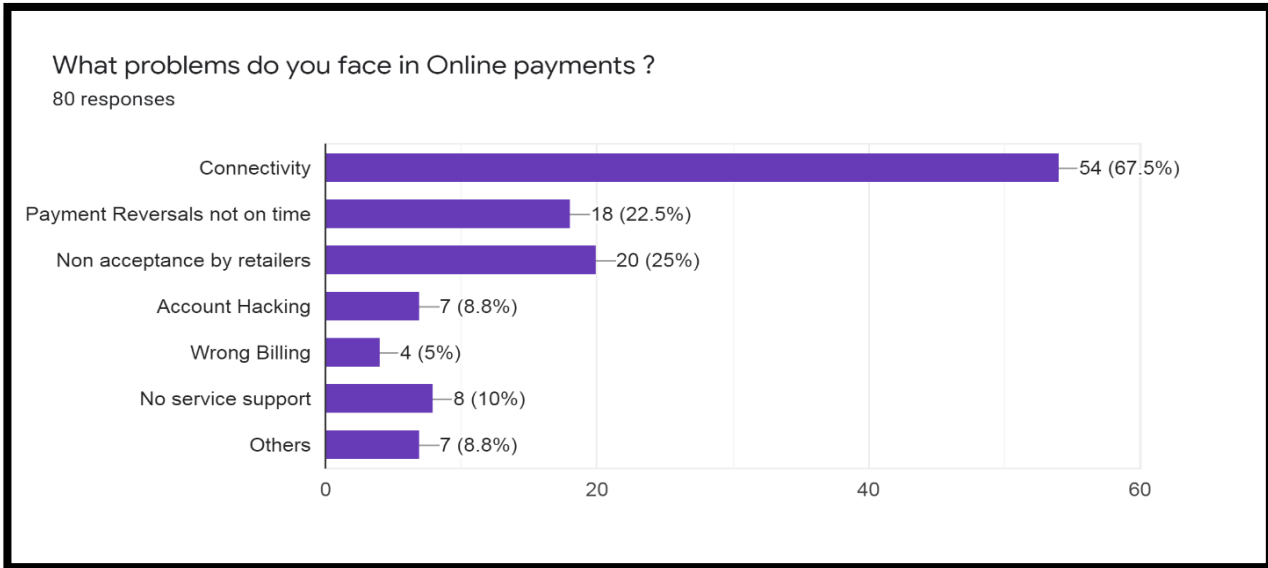
80 responses



For which transactions do you used cashless payment methods ?

80 responses





Findings

- It is found that 97.5% of consumer prefer cashless payment system while 2.5% consumers do not prefer cashless payment system.
- It is found that that mostly 83.8% preferred cashless payment methods for online shopping and 61.3% preferred for paying at super markets.
- It is found that that 37.5% consumer use Net Banking, 52.5% use debit/credit card, 65% use mobile wallet, 70% use UPI for payment and 10% use cheque to pay for shopping.
- It is found that 55% consumers use cashless payment methods for most transactions, 36.3% and 8.8% use for some and rare transactions and 0% are

those who never use cashless payment methods.

- It is found that 67.5% consumer faced Connectivity problems in online payments, 22.5% consumer face payments reversals not on time, 25% consumer face Non Acceptance of online payments, 5% faced wrong billing and 10% faced No service support.
- It is found that 73.8% consumer use cashless payment methods due to Convenience, 51.2% consumer use due to Discount&Cash backs, 28.7% use due to Easy tracking of spends, 20% use due to shortage of currency notes and 36.3% use due to Security of transactions.

Conclusions

- The research study explains that majority of customers has good knowledge of cashless payment system in India.
- Study clearly shows that majority of the people are performing cashless payment transactions in India. Most of them are educated as graduate and post graduate people.
- Respondents felt that cashless payment system is good for Indian conditions.
- Majority of respondents felt that cashless payment transaction is very

easy compared to traditional payment system.

- Respondents felt that cashless payment is safe and secure, but at the same time almost the same number of respondents felt that it is not secure.
- Study shows that Cashless payment won't give better discounts in terms of payment transactions.
- Respondents felt that cashless payments reduce fake currency, prevent money laundering, transparency and also reduce corruption.
- Study shows that cashless payment transactions will help in economic growth but not effectively.
- Cashless payments may lead to internet frauds.

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