Influence of Cashless Payments on Spending Behaviour

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Abstract: The role of money in transactions is well established in everyday life. Cash has been used as the primary mode of transactions. With the help of various developments in the electronic payment systems, it created various options for the consumers. There are many factors that influence the buying behaviour of the consumers. But the digital revolution and its importance from social and consumer perspective provides a base for it. This paper depicts the consumer's buying behaviour with regard to the gradual shift from cash transactions to cashless transactions. This paper aims to bring out the extent use of cashless payments and its influence on consumer behaviour with regard to Coimbatore City.

Keywords: cashless payments, consumer behavior, e-wallets.

1. INTRODUCTION

In recent times, the people of India are moving towards cashless transaction than physical cash transactions. Cashless transactions are those financial transactions which takes place electronically without the presence of physical cash. With the advancement of internet, online banking facilities and other mobile applications has made consumers more convenient to do their transaction anywhere and at any time. Going cashless not only eases one's life but also helps authenticate and formalize the transactions that are done. The economy is also called as digital economy or internet economy. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available with some of the modes like banking cards, UPI, Mobile wallets, Banks pre-paid cards, Internet banking, point of sale, Mobile banking, micro-ATMs. Over the periods of time several service providers create a number of apps and wallets for making the payments to others and accepts the same from the others also. Cashless transactions have existed for far longer than any other type of standardized currency. Cheque was the first widely used cashless payment method. Since the 17th century, it has been a fact in most Western countries, laws governing cheques were standardized in the late nineteenth century. An international convention established in the 1930s standardized the use of cheques across international boundaries.

A cashless society is a commercial state in which financial transactions are conducted without the use of currency in the form of physical bank notes or coins, but rather through the exchange of digital evidence between transaction gatherings. Cashless humanities have existed since the dawn of human civilization, dependent on trade and other forms of exchange, and cashless transactions are now possible with the use of digital currencies.

Here are some types of cashless transaction that can be used in day-to-day dealings like cheques and demand drafts, E-wallets, net banking, IMPS and debit cards, etc. These methods also have frequent benefits to go cashless.

Credit cards, also known as charge cards, were first introduced in the 1930s. They were first distributed to ordinary consumers by large retailers and shops In the late 1950s, general- purpose charge cards such as diners club, American Express, and carte blanche began to emerge, and in the 1960s, banks began to develop revolving credit payment systems that ultimately merged under master charge and a rival scheme, visa.

Visa, MasterCard, American Express, and Diners Club are commonly associated with today's new cashless payment system. You could argue that this scheme began in the late 1950s and grew in popularity in the 1970s. Cashless payment systems have existed since the dawn of time, and they will continue to do so for a long time to come. Cash, on the other hand, is unlikely to vanish entirely.

1.1 Problem Statement

A digital transaction is a form of transaction that occurs without the need for a physical presence, such as when purchasing something online and when you pay with a debit or credit card, the purchase or shopping is considered a cashless transaction. This procedure allows the consumer to purchase something from anywhere quickly and easily. In this context , this study makes an

attempt to understand the factors influencing the spending behavior of the consumers with regard to cashless payments.

1.2 Objectives of the study

- To define the demographic profile of the respondents.
- To identify and analyse the influence of cashless payment on spending behaviour for the select category of products.

1.3 Research Methodology

Research methodology is the science of studying how the research is systematically done. Descriptive type of research is used and the researcher has no control over the variables. Primary data was collected from 228 respondents using convenience sampling technique. A structured questionnaire was developed and distributed to consumers with cashless spending behaviour. With the help of statistical tools such as mean score and ANOVA, the collected data were analysed.

2. LITERATURE REVIEW

Neelu Tiwari & Naveen Kumar Singh (2019)[1] the massive adoption of information and communication technology, in the field of digital payment systems, this exploratory research is the first to test consumer satisfaction level towards cashless payment systems through two leading companies (Paytm and BHIM), providing digital payment platform. The primary objective of the current research study is to identify the factors affecting adoption of cashless payment services and consumer satisfaction in India through survey method. Cashless payment provides focus not only on the adoption of cashless payment systems but also the satisfaction of the consumers in India. The study also presents a model for enhancing the rate of customer satisfaction with respect to e-wallets in India. Through comparative analysis it is found that BHIM to be a much more secure platform as compared to Paytm since it is a government-owned platform. However, Paytm aids in providing an instant solution to problems but has a few disadvantages.

Ramya. V et.al (2017)[2] studied about "cashless transaction: modes, advantages and disadvantages". It highlights that RBI is taking several steps to encourage payment and settlement facilities for making less cash saving. Digital transaction brings in better transparency, scalability and accountability. It also shows that convenience, discount, tracking records, budget discipline, and lower risk, small gains are advantages of cashless transaction. Higher risk, difficult for un-tech savvy and overspending are disadvantages of cashless transaction.

Shendge, Shelar & Kapase (2017)[3] Impact and importance of Cashless Transaction in India. The paper focuses on impact and importance of cashless transactions in India. The study shows that if India becomes a cashless economy there will be both positive and negative impact, but negative impacts can be overlooked if the gain from positive impact is considered.

Stitch Shewta Rathore (2016)[4] "Appropriation of Cashless transaction By Consumers" her investigations disclose to us computerized wallets are rapidly getting to be standard method of online installment. Customers are embracing advanced wallets at end unfathomably quick pace, to a great extent because of comfort and convenience. furthermore, additionally prescribe advertising and advancements projects should directed to make mindfulness among non-clients. Rebate offers and reward focuses on making installments through cashless transaction can increment its notoriety and appropriation also. To expand the utilization of advanced wallet, it is required to instruct shoppers about the advantages of a cashless transaction rearranging and streamlining their buying encounters.

Hock-Han Tee & Hway-Boon Ong (2016)[5] in their book named "Cashless Payment and Economic Growth" examined the effect of adopting cashless payment in five European Union (EU) countries, namely, Austria, Belgium, France, Germany, and Portugal, for the period of 2000-2012. The adoption of one type of cashless payment will affect another type of cashless payment in the short run. The impact of adopting cashless payment on economic growth can only be significantly observed in the long run. Hence, any policy that promotes cashless payment will not affect the economy immediately.

Preeti Garg & Manvi Panchal (2016)[6] her paper led light on the views of people on cashless economy in India. Responses from respondents shows that cashless economy will help in curbing black money, counterfeit's fake currency, fighting against terrorism, reduce cash related robbery, helps in improving economic growth of our country. Major challenges that can hinder the implementation of the policy are cyber fraud, High illiteracy rate, attitude of people, lack of transparency & efficiency in digital payment system. The study shows that the introduction of cashless economy in India can be seen as a step in right direction. It helps in growth and development of economy in India.

Kumari. D (2016)[7] her paper spread the light on the basic concept of cashless transaction its security issues. She says that insufficient infrastructure is also a major barricade for cashless transaction. Illiteracy is one of the major issues in the path of cashless transaction, as per UNESCO report. Hacking is one of the issues for cashless transaction as per the Economic time is the major challenges in cashless transaction.

Jashim Khan & Margaret Craig-Lees (2014)[8] in their research paper titled "Cashless' transactions: their effect on purchase behaviour" have revealed that that when a credit card- based payment is used, the volume, value and type of products purchased increase. This is due to the credit element, or to the cashless element of the transaction. The notion that the tangibility of cash influences perceptions is not novel, but it is untested. The perception may well have a direct impact on purchase behaviour.

3. ANALYSIS AND RESULTS

3.1 Demographic Profile of the Respondents

This section deals with the profile of the respondents in terms of their demographic variables like Gender, Age, Educational Qualification, Occupation and Monthly Family Income. Primary data was collected from 228 respondents and their profile is presented in the table below in terms of percentage:

Table 3.1

Demographic Profile of the Respondents

Demographic Variables		No.of. Respondents	Percentage	Cumulative Percentage
Gender	Male	151	66.2	66.2
	Female	77	33.8	100
	Total	**228**	**100**	
Age	21-30	25	11	11
	31-40	53	23.2	34.2
	41-50	74	32.5	66.7
	51-60	59	25.9	92.5
	More than 60	17	7.5	100
	Total	**228**	**100**	
Education	School level	86	37.7	37.7
	Diploma	44	19.3	57.0
	Undergraduate	69	30.3	87.3
	Postgraduate	22	9.6	96.9
	Higher level	7	3.1	100
	Total	**228**	**100**	
Occupation	Employed	86	37.7	37.7
	Business	106	46.5	84.2
	Agriculture	24	10.5	94.7
	Homemaker	10	4.4	99.1
	Retired	2	.9	100
	Total	**228**	**100**	
Monthly Family Income (in Rs.)	Less than 25,000	13	5.7	5.7
	25,000-50,000	116	50.9	56.6
	50,000-75,000	95	41.7	98.2
	More than 75,000	4	1.8	100
	Total	**228**	**100**	

Source: Primary Data

Cashless payment presence has become very prevalent nowadays in the society. With the data collected for the purpose of this study, the demographic outline of the respondents is evolved and presented here and it reveals that 66% of them were male and 32% of them belonged to 41-50 age group, 37% were school level education and 46% of them were doing business and with respect to their family income, 51% were having monthly family income between Rs.25,000 to Rs.50,000.

3.2 Influence of Cashless Payment Modes on Spending Behaviour

In this section, the objective was to analyse the influence of cashless modes of expenditure on their spending behaviour. That is to measure if there is any increase or decrease in the expenditures for select category of products such as clothing and accessories, entertainment and communication, food, travel and home décor products due to the usage of cashless modes of payment.

Section 3.2.1 – Influence of Cashless Payment Modes on Spending Behaviour – Mean Score Analysis

The respondents were asked to record their opinion if cashless payments influence their spending on select category of products on a three-point scale namely increase, no change and decrease. Weights were assigned as +1, 0 and -1 for these three scales and mean scores were calculated for the variable. The results are presented in the following table:

Table 3.2.1

Influence of Cashless Payment Modes on Spending Behaviour – Mean Score Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Clothing and accessories	228	-.50	1.25	.7281	.33690
Entertainment and Communication	228	-.75	1.25	.4463	.36522
Food	227	-1.00	1.00	.4317	.46417
Travel	228	-1.00	1.50	.4430	.48210
Home décor products	228	-1.00	1.50	.3772	.49696
Valid N (listwise)	227				

It is evident from the above table that mean scores of all the five category of products has been positive which is giving a clear signal that the expenditures have increased for all the five categories if they are being made on cashless basis. Hence it can be inferred that the spending behaviour of the respondents have been influenced by the cashless modes of payments.

Among the five categories of products, spending behaviour on clothing and accessories have been influenced highly by the modes of payment followed by entertainment and communication, travel, food and home décor products.

Section 3.2.2 Cashless payment expenditures: Product wise – increased or decreased – ANOVA

In order to analyse the differences in the cashless payment expenditure: product wise – increased or decreased of the respondents grouped according to their demographic variables, in this section the analysis of variance (ANOVA) test was performed for the cashless payment expenditure factors like clothing and accessories, communication, food, travel, product was taken to analysis with respondents' demographic profile like age, gender, education, occupation, monthly income.

Difference between the cashless payment expenditure: product wise – increased or decreased and age of the respondents.
The following table shows the results of the analysis of variance (ANOVA) test that was performed based on the data collected about the user's cashless payment expenditure in product wise – increased or decreased and demographic profile in the group age.

Ho1: There is no significant difference in the cashless payment expenditure on product wise increased or decreased among the respondents grouped according to the age.

Table 3.2.2

Difference in the cashless payment expenditure based on age groups- ANOVA

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
CLOTHING	Between Groups	.776	4	.194	1.732	.144
	Within Groups	24.989	223	.112		
	Total	25.765	227			
ENTERTAINMENT	Between Groups	.296	4	.074	.551	.699
	Within Groups	29.983	223	.134		
	Total	30.279	227			
	Between Groups	.554	4	.139	.639	.635

FOOD	Within Groups	48.137	222	.217		
	Total	48.692	226			
TRAVEL	Between Groups	.563	4	.141	.602	.662
	Within Groups	52.195	223	.234		
	Total	52.759	227			
HOME PRO DUCTS	Between Groups	.918	4	.230	.928	.448
	Within Groups	55.143	223	.247		
	Total	56.061	227			

Level of significance 5%

The result of the analysis of variance test performed in order to analyse the differences in the user's cashless payment expenditure in product wise increased or decreased among the respondents of age groups.

With regards to the clothing and accessories, communication, food, travel, home décor product, the f value is not significant and hence the hypothesis is accepted. There is no significant difference between the respondents of age and in their cashless payment expenditure on product wise increased or decreased.

3.2.3 Difference between the cashless payment expenditure: product wise – increased or decreased and gender of the respondents.

The following table shows the results of the analysis of variance (ANOVA) test that was performed based on the data collected about the user's cashless payment expenditure in product wise – increased or decreased and demographic profile in the group gender.

Ho: There is no significant difference in the cashless payment expenditure on product wise increased or decreased among the respondents grouped according to the gender

Table 3.2.3

Difference in the cashless payment expenditure based on gender groups- ANOVA

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
CLOTHING	Between Groups	.235	2	.117	1.034	.357
	Within Groups	25.531	225	.113		
	Total	25.765	227			
ENTERTAINMENT	Between Groups	.306	2	.153	1.149	.319
	Within Groups	29.973	225	.133		
	Total	30.279	227			
FOOD	Between Groups	.581	2	.290	1.352	.261
	Within Groups	48.111	224	.215		
	Total	48.692	226			
TRAVEL	Between Groups	.231	2	.116	.495	.610
	Within Groups	52.527	225	.233		
	Total	52.759	227			
HOME PRO DUCTS	Between Groups	.697	2	.349	1.416	.245
	Within Groups	55.364	225	.246		
	Total	56.061	227			

Level of significance 5%

The result of the analysis of variance test performed in order to analyse the differences in the user's cashless payment expenditure

in product wise increased or decreased among the respondents of gender groups.

With regards to the clothing and accessories, communication, food, travel, home décor product, the f value is not significant and hence the hypothesis is accepted. There is no significant difference between the respondents of gender and in their cashless payment expenditure on product wise increased or decreased.

3.2.4 Difference between the cashless payment expenditure: product wise – increased or decreased and education of the respondents.

The following table shows the results of the analysis of variance (ANOVA) test that was performed based on the data collected about the user's cashless payment expenditure in product wise – increased or decreased and demographic profile in the group education.

Ho: There is no significant difference in the cashless payment expenditure on product wise increased or decreased among the respondents grouped according to the education

Table 3.2.4

Difference in the cashless payment expenditure based on education groups- ANOVA

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
CLOTHING	Between Groups	.449	4	.112	.988	.415
	Within Groups	25.317	223	.114		
	Total	25.765	227			
ENTERTAINMENT	Between Groups	.124	4	.031	.229	.922
	Within Groups	30.156	223	.135		
	Total	30.279	227			
FOOD	Between Groups	.155	4	.039	.178	.950
	Within Groups	48.536	222	.219		
	Total	48.692	226			
TRAVEL	Between Groups	.325	4	.081	.345	.847
	Within Groups	52.434	223	.235		
	Total	52.759	227			
HOME PRO DUCTS	Between Groups	.557	4	.139	.559	.693
	Within Groups	55.505	223	.249		
	Total	56.061	227			

Level of significance 5%

The result of the analysis of variance test performed in order to analyse the differences in the user's cashless payment expenditure in product wise increased or decreased among the respondents of education groups.

With regards to the clothing and accessories, communication, food, travel, home décor product, the f value is not significant and hence the hypothesis is accepted. There is no significant difference between the respondents of education and in their cashless payment expenditure on product wise increased or decreased.

3.2.5 Difference between the cashless payment expenditure: product wise – increased or decreased and occupation of the respondents.

The following table shows the results of the analysis of variance (ANOVA) test that was performed based on the data collected about the user's cashless payment expenditure in product wise – increased or decreased and demographic profile in the group occupation.

Ho19: There is no significant difference in the cashless payment expenditure onproduct wise increased or decreased among the respondents grouped according to the occupation

Table 3.2.5

Difference in the cashless payment expenditure based on occupation groups- ANOVA

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
CLOTHING	Between Groups	.416	4	.104	.915	.456
	Within Groups	25.349	223	.114		
	Total	25.765	227			
ENTERTAINMENT	Between Groups	.102	4	.025	.188	.944
	Within Groups	30.177	223	.135		
	Total	30.279	227			
FOOD	Between Groups	1.867	4	.467	2.213	.068
	Within Groups	46.824	222	.211		
	Total	48.692	226			
TRAVEL	Between Groups	.053	4	.013	.056	.994
	Within Groups	52.705	223	.236		
	Total	52.759	227			
HOME PRO DUCTS	Between Groups	.422	4	.105	.423	.792
	Within Groups	55.640	223	.250		
	Total	56.061	227			

Level of significance 5%

The result of the analysis of variance test performed in order to analyse the differences in the user's cashless payment expenditure in product wise increased or decreased among the respondents of occupation groups.

With regards to the clothing and accessories, communication, food, travel, home décor product, the f value is not significant and hence the hypothesis is accepted. There is no significant difference between the respondents of occupation and in their cashless payment expenditure on product wise increased or decreased.

3.2.6 Difference between the cashless payment expenditure: product wise – increased or decreased and monthly income of the respondents.

The following table shows the results of the analysis of variance (ANOVA) test that was performed based on the data collected about the user's cashless payment expenditure in product wise – increased or decreased and demographic profile in the group monthly income.

Ho20: There is no significant difference in the cashless payment expenditure on product wise increased or decreased among the respondents grouped according to the monthly income

Table 3.2.6

Difference in the cashless payment expenditure based on monthly income groups- ANOVA

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
CLOTHING	Between Groups	.159	3	.053	.462	.709
	Within Groups	25.607	224	.114		
	Total	25.765	227			
ENTERTAINMENT	Between Groups	.256	3	.085	.638	.592
	Within Groups	30.023	224	.134		
	Total	30.279	227			

FOOD	Between Groups	1.630	3	.543	2.574	.065
	Within Groups	47.062	223	.211		
	Total	48.692	226			
TRAVEL	Between Groups	.188	3	.063	.267	.849
	Within Groups	52.571	224	.235		
	Total	52.759	227			
HOME PRO DUCTS	Between Groups	.339	3	.113	.455	.714
	Within Groups	55.722	224	.249		
	Total	56.061	227			

Level of significance 5%

The result of the analysis of variance test performed in order to analyse the differences in the user's cashless payment expenditure in product wise increased or decreased among the respondents of monthly income groups.
The result reveals that with respect to food factor, the f value is significant at 5% level of confidence; in this case, the hypothesis is rejected, there is significant difference between monthly income respondents in their perception regarding cashless payment expenditure.
With regards to the clothing and accessories, communication, travel, home décor product, the f value is not significant and hence the hypothesis is accepted. There is no significant difference between the respondents of occupation and in their cashless payment expenditure on product wise increased or decreased.

On analysis of variance in the spending behaviour of the respondents due to the modes of payments, it is observed that there is no significant difference in their spending behaviour in any of the groups classified based on age, gender, education, occupation and monthly income.

4. RESULTS AND DISCUSSION

It is evident from the above table that mean scores of all the five category of products has been positive which is giving a clear signal that the expenditures have increased for all the five categories because they are being made on cashless basis. Hence it can be inferred that the spending behaviour of the respondents have been influenced by the modes of payments.

Among the five categories of products, spending behaviour on clothing and accessories have been influenced highly by the modes of payment followed by entertainment and communication, travel, food and home décor products.

On analysis of variance in the spending behaviour of the respondents in various modes of payments, it is observed that there is no significant difference in their spending behaviour in any of the groups classified based on age, gender, education, occupation and monthly income.

5. CONCLUSION

The progress in digitization has been driven by a healthy mix of technology innovation, policy interventions, and expansion and strengthening of existing infrastructure on the supply side, coupled with an increasing proportion of the population adopting financial and digital instruments on the demand side. The government of India and the RBI have been working in synergy to push for policy and regulatory reforms and the intent to incorporate modern-day technologies such as tokenization and contactless payments will further the progress.

Despite this progress, cash use still seems to be on the uptick in India. Our research paper seeks to highlights the important factors at the individual level, which influence the consumers decisions to use cash or digital payment. This study is a small step towards filling the research gap in the context of such analysis. Our key findings point towards a significant impact of perception of the payment system on how people choose to pay.

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