

The Impact of Knowledge Based Trust (KBT) on the Adoption and Acceptability of Cashless Economy in India

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Abstract:

A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes, but rather through the transfer of digital information between the transaction parties using digital means like debit/credit cards, electronic fund transfer, mobile payments, internet banking etc. and other newly evolved payment channels, which will leave very little scope for flow of hard cash in economy. A cashless economy uses digital currencies. In India innumerable transactions are made through cash and only less than 5% of total payments are digitized. Steps towards cashless societies seem to be more widespread and streamlined in last couple of years but there are lots of issues arising parallel. There are number of challenges associated with a cashless society, and until they can be overcome a 100% cash free economy will still be a long way off. The project, "Is India ready for cashless economy" and would address the gap to be bridged between the existing and cashless economy.

Key word: *Cashless Transaction*

INTRODUCTION:

India going cashless will be as much a story of Prime Minister Narendra Modi's second term as it was of his first. A cashless society was not the original goal of the country's draconian currency ban in November 2016. But when an acute shortage of banknotes gave a fillip to digital wallets, India steered its path towards "Cashless Economy"

A cashless society describes an economic- state whereby financial transactions are not conducted with money in the form of physical banknotes, but rather through the transfer of digital information between the transaction parties using digital means like debit/credit cards, electronic fund transfer, mobile payments, internet banking etc. and other newly evolved payment channels, which will leave very little scope for flow of hard cash in economy. A cashless economy uses digital currencies. In India innumerable transactions are made through cash and only less than 5% of total payments are digitized.

Financial literacy and awareness about cashless transactions is paramount in India to make the cashless economy as up to 60% pertains to rural population and many people lack basic education. There are only 200 million users of digital payments services but Indians became more comfortable with paperless transactions after demonetization. There was a raise in 65% use in debit cards after demonetized India. This might be an indication that India is ready to go cashless.

Statement of Problem:

Steps towards cashless societies seem to be more widespread and streamlined in last couple of years but there are lots of issues arising parallel. There are number of challenges associated with a cashless society, and until they can be overcome a 100% cash free economy will still be a long way off. The project, "Is India ready for cashless economy" and would address the gap to be bridged between the existing and cashless economy.

Issue statement:

- About 60% of Indians are rural population out of which 1/4th does not possess a mobile phone/computer. 90% of laborers belong to informal transaction system as they are from agriculture and manufacturing fields. Most of them do not have computer knowledge, which would make Indian government aim of cashless economy difficult.
- In case of urban population, majority is not comfortable with digital payments and threat for security exists always due to cyber-crime, hacking, changing passwords etc. Though inexpensive smart phones are launched, there are few people who cannot afford it.
- Many are not aware of the available of resources of digital means and its transactions.

OBJECTIVES:

1. To access the customer trust and confidence in cashless transaction.
2. To study benefits of cashless economy.
3. To understand the factors influencing the customer moving towards cashless economy

RESEARCH METHODOLOGY:

The type of research design is Diagnostic. It evaluates the underlying cause of a specific Situation/ phenomenon – Cashless economy. The data and other information require for the study was collected from both primary and secondary sources. Primary data

were collected using techniques like questionnaire and field observation. 21 pilot studies were conducted in the month of July 2021 to structure the questionnaire. The secondary data were collected from published recorded data, thesis, unpublished research book, reports, books, magazines and various websites. For this study convenient sampling method was used to select the sample. The sample size of the study is 251 respondents. Primary data were collected from the public who visited to commercial shops in Coimbatore for Diwali shopping's. The study covered a period of 3 months from August to October 2022. Sample area is confined to hundred feet road, Cross cut road, Opanakara Street and also Malls in Coimbatore, i.e. Brook fields, Fun mall & Prozon.

Scope of the study:

The study is mainly concentrated on the public perception of the movement of cash to cashless economy. It aims at benefiting the digital India programmed by our government which would reduce risk in transaction, can track spends more convenient, increase in tax base and bring in a formal system with reference to Coimbatore. It also indicates to the entrepreneurs the current scenario in relation to digitization.

Limitations of the study:

- ✓ Due to Corona restriction and time factor the sample size is limited to 251 respondents.
- ✓ The respondents pertain to only specific areas in Coimbatore from August to October 2022. Hence, the result cannot be generalized other areas.

Review of Literature:

Dr.Syamala G, Ahir Geeta Dilip (2018)ⁱ in their study titled "A study of cashless transactions- the future mode of payments" is based on demonetization which created a situation in the Indian economy by dropping sales in all businesses. Demonetization made an attempt in changing the habit of payment through cash. The aim of cashless economy is to bring better governance, transparency and ethicality in business operations and transactions.

Renu Singh, Garima Malik(2019)ⁱⁱ in their study titled "Impact of digitalization on Indian banking rural customer: with reference to payment system" examined the internet banking, mobile banking, launch of BHIM and UPI application. The article attempts to present the opportunities and challenges recently emerging in rural banking sector with special emphasis on digitalization and to analyze the importance of digital literacy in today's banking scenario. The study provides the insights of digital technology and the ways adopted by banks in rural India and to understand the perception and behavior of rural customers.

Joshi Priyanka (2017)ⁱⁱⁱ in her study titled, "Cashless Economy: A swot analysis" explored the Strength, Weakness, Opportunities and Threats of cashless economy and its effects on people of every class. Practical suggestions are also given for successful implementation of the decision. The main initiative of this study is to curb black money and then termed it as an effort in making India a cashless economy.

Mr. Kumar Vijay, Mr. Archar V Santhosh (2019)^{iv} in their study titled, "Digital India :a way towards cashless society" examined the vision of digital India is the development in the field of electronics, products, manufacturing and job oriented schemes. The digital India programme launched with the aim of transferring the country into digitally empowered society and knowledgeable economy. The paper focuses on the reality about the readiness of rural population towards the adoption of rural banking systems.

Dr. Agarwalabha (2018)^v in his study titled, "Demonetization and cashless economy" stated the crux of the issue as how to make Indians to switch over to use more of electronic mode of payments even without changing the other economic parameters. It is found to that with respect to mode of electronic payment mechanism, formal sector is significantly weak from demand side which informal sector is from both demand as well as supply side. Shawl Javid Ahmed (2017)^{vi} in his study titled, "Demonetization and its impact on the Indian economy" says that demonetization is a device to encounter the inflation corruption and depress a cash dependent economy and to assist the trade. After this process only the primary sector of Indian industry was developed but the secondary and tertiary sector were down and it will affect the Indian market.

Rudresha C.E.(2019)^{vii} in his study titled, "Cashless transaction in India: A study" explained that cashless economy is an economic system in which there is a little or very low cash flow in a society. Cashless transactions will also decrease cash related corruption and attract more number of foreign investors to the country. Cashless economy means transactions that are made by debit or credit cards, cheques, e-wallet or direct transfer from one account to another through e-banking.

Dr. Jhamb Rajesh Kumar (2019)^{ix} in his study titled, "Impact and challenges of digital economy" is based on digital economy where maximum transactions are done without using the physical cash. Digital economy initiative has not only helped the fast transactions but also to avoid corruption. The study examines the impact and challenges of digital economy.

Dr. Rashmi, Guru Gobind Singh (2017)^x in their study titled, "India's march towards faceless, paperless, cashless economy" stated that faceless, paperless, cashless is one of the declared roles of digital India. This is probable in mostly those countries where there is better financial knowledge and citizens are well known about the cashless economy.

ANALYSIS AND INTERPRETATION:

TABLE 1 THE PREFERENTIAL FACTOR FOR DIGITALIZATION

S.NO	FACTORS/ BASIS		LEVEL OF SATISFACTION IN VALUE GIVEN BY RESPONDENTS					RANK OF FACTORS
			Strongly agree	Agree	Neutral	Disagree	Total	
1.	Convenience	Value	110	111	25	5	251	I
		Score	550	333	50	5	938	
2.	Discount	Value	53	144	47	7	251	III
		Score	265	432	94	7	798	
3.	Easy tracking of spends	Value	67	119	62	3	251	II
		Score	335	357	124	3	819	
4.	Shortage of currency notes	Value	49	112	65	25	251	IV
		Score	245	336	130	25	736	

(Primary Sources)

The depicted table shows the preferential reasons of 251 respondents to make digital transactions. The factors are strongly agreed or agreed or kept neutral or disagreed by the respondents. As per the above mentioned scoring pattern, Convenience seems to be the most preferential factor. In the second place is Easy tracking of spends is in the Rank II of preference and discounts given is in Rank III of preference. Shortage of currency notes could be the least reasonable factor as to why people prefer digital transactions.

TABLE 2 BIGGEST CONCERN AROUND CASHLESS PAYMENTS

S. No	Biggest concern	Level	R1	R2	R3	R4	R5	Total	Weighted Average Score	Rank
		Score								
1	Security	Level	94	66	53	27	11	251	3.82	I
		Score	470	264	159	54	11	958		
2	Poor Internet Connectivity	Level	42	110	70	23	6	251	3.63	II
		Score	210	440	210	46	6	912		
3	Merchant acceptance	Level	38	79	103	24	7	251	3.47	III
		Score	190	316	309	48	7	870		
4	Costs	Level	35	85	93	31	7	251	3.44	IV
		Score	175	340	279	62	7	863		
5	Lack of tech knowhow	Level	55	56	93	30	17	251	3.41	V
		Score	275	224	279	60	17	855		

The table depicts the rank analysis for the purpose of biggest concern around cashless payments by the 251 respondents taken for the study. The weighted average score is ranged from 3.41 to 3.82. The Security is one of the biggest concern used by the respondents

to identify cashless payments and it scored the first rank, poor internet connectivity scored the second rank, merchant acceptance scored the third rank, costs scored the fourth rank and finally lack of tech knowhow scored the least rank. It could be observed that security have scored the highest rank and lack of tech knowhow have scored the least rank.

TABLE 3 LEVEL OF SATISFACTION

S.No	FACTOR / BASIS	LEVEL OF SATISFACTION IN VALUE GIVEN BY RESPONDENTS						RANK BASED ON FACTORS AGREED BY RESPONDENTS	
			Strongly agree	Agree	Neutral	Disagree	Strongly disagree		Total
1	Mobile payments are growing and expected to be continued	Level	122	96	30	3	0	251	RANK – I
		Score	610	384	90	6	0	1090	
2	People will hardly use cash for payment	Level	45	131	64	8	3	251	RANK – III
		Score	225	524	192	16	3	960	
3.	Credit card and Debit card are the most preferred payment mode	Level	72	94	74	6	5	251	RANK – II
		Score	360	376	222	12	5	975	

The shows the factor analysis of various statements which decide on digital economy given by 251 respondents. As per the above mentioned standards of agreement and disagreement given, mobile payments are highly expected to grow as per respondents. Respondents take a neutral stand on ATM cards being preferred and disagree on the statement that people will hardly use cash

TABLE 4 REASONS WHY DEBIT AND CREDIT CARDS ARE PREFERRED OVER OTHER MODES OF PAYMENT

S.NO	FACTORS	OUTLOOK OF RESPONDENTS			RANK OF FACTORS	
			AGREE	DISAGREE		TOTAL
1.	Safety	Level	206	45	251	RANK – I
		Score	412	45	457	
2.	Comfortable Usage	Level	192	59	251	RANK – III
		Score	384	59	443	

3.	Cashless Convenience	Level	199	52	251	RANK – II
		Score	398	52	450	
4.	Availability of updation	Level	153	98	251	RANK – VI
		Score	306	98	404	
5.	Easier payment option	Level	195	56	251	RANK – III
		Score	390	56	446	
6.	Easy acceptability	Level	173	78	251	RANK – V
		Score	346	78	424	

The above table shows the factors upon which ATM cards are preferred by 251 respondents. Safety is the first factor on which people prefer cards. The second factor to prefer cards is cashless convenience. The third factors as to why ATM cards are preferred are easy available payment option followed by it would be for comfortable usage. In rank five and six stands the factors – Easy acceptability and availability of update.

TABLE 5 WHICH SECTOR BENEFITTED AFTER DIGITALIZATION

S.NO	Sector	No. of respondents	Percentage (%)
1	IT	75	29.9
2	Education	59	23.5
3	Service	56	22.3
4	Agriculture	43	17.1
5	Others	18	7.2
	TOTAL	251	100

It is clear from the above table that out of the total respondents taken from the study 29.9% of the respondents observe that IT sector would be benefitted after digitalization , 23.5 % of the respondents observe that education sector would get benefitted after digitalization, 22.3% observe that service sector would be benefitted after digitalization , 17.1% observe that agricultural sector would be benefitted after digitalization and 7.2% of the respondents feel that other sector will get benefitted after digitalization.

TABLE 6 OPINIONS REGARDING THE ADOPTION OF DIGITAL CHANGE BY RURAL POPULATION

S.NO	Rural Population	No. of respondents	Percentage (%)
1	Yes they can	185	73.7
2	No I don't think so	66	26.3
	TOTAL	251	100

It is perspicuous from the table that 73.7% of the respondents have an idea that rural population could adopt the digital change whereas 26.3% of the respondents feel that rural people cannot adopt the digital change. Majority (73.7%) of the respondents have the opinion that rural population can adopt the digital change in the economy.

TABLE 7 AREAS OF CONVENIENCE AFTER DIGITALIZATION

S.NO	Areas	No. of respondents	Percentage (%)
1	Reservation	35	13.9
2	Banking	82	32.7
3	Educational institutes	62	24.7
4	All of these	72	28.7
	TOTAL	251	100

It is understood from the above table that 32.7% of the respondents feel that banking sector have given them more convenience and 24.7% of them feel that educational institutions given them more convenience and 13.9% out of total respondents feel that reservation sector given them more convenience and 28.7% of the respondents feel that all of the above sectors given them more convenient. Majority (32.7) of respondents feel that banking sector have made them convenient after digitalization.

TABLE 8 SATISFACTION LEVEL OF APPLICATIONS

S. No	Applications	Level	R1	R2	R3	R4	R5	Total	Weighted Average Score	Rank
		Score								
1	Google pay	Level	130	36	36	24	25	251	3.88	I
		Score	650	144	108	48	25	975		
2	Pay tm	Level	44	112	48	39	8	251	3.59	II
		Score	225	448	144	78	8	903		
3	Phone pay	Level	47	43	109	34	18	251	2.99	IV
		Score	235	172	327	68	18	752		
4	Amazon pay	Level	50	36	65	88	12	251	3.09	III
		Score	250	144	195	176	12	777		

The above table depicts the rank analysis for the purpose of cashless applications by the respondents. The weighted average score is ranged from 2.99 to 3.88. Applications are Google pay scored the first rank, Pay tm scored the second rank, Amazon pay scored the third rank and finally Phone pay scored the least rank.

It could be observed that Google pay have scored the highest rank and Phone pay scored the least rank.

TABLE 9 OPINIONS THAT MAKING INDIA CASHLESS, UPLIFT THE STANDARD OF LIVING

S.NO	Uplift standard of living	No. of respondents	Percentage (%)
1	Yes	200	79.7
2	No	51	20.3

	TOTAL	251	100
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It is inferred from the above table that 79.7% of the respondents have a sensation that making India cashless will uplift the standard of living and similarly 20.3% feel that making India digitalized will not uplift the standard of living of the people. Majority (79.7%) of the respondents have the opinion that making India cashless will uplift the standard of living.

TABLE 10 CEASE BLACK MONEY CIRCULATIONS

S.NO	Cease black money	No. of respondents	Percentage (%)
1	Yes	207	82.5
2	No	44	17.5
	TOTAL	251	100

It is evident from the above table that 82.5% of the respondents identify that digital transaction would cease black money circulation in the economy and 17.5% of the respondents identify that making India digitalized cannot cease black money circulation in the economy.

Majority (82.5%) of the respondents agree that cashless economy would cease black money circulation.

TABLE 11 CASHLESS SYSTEM WOULD ELIMINATE THE NEED TO BRING MONEY TO SHOP

S.NO	Beneficial	No. of respondents	Percentage (%)
1	Yes	204	81.3
2	No	47	18.7
	TOTAL	251	100

It is clear from the above table that 81.3% of the respondents feel that cashless system would eliminate the need to bring cash to shop. Similarly 18.7% of the respondents feel that the cashless system would not eliminate the need to bring money to shop. Majority (81.3%) of respondents have the opinion that cashless system would eliminate the need to bring money to shop.

TABLE 12 SIGNIFICANT FACTORS IN MAKING INDIA A CASHLESS ECONOMY

S.NO	FACTOR	RESPONSES		RANKS OF FACTORS
		VALUE	PERCENTAGE	
1.	Campaigns on digital India to Rural Population	57	22.7%	II
2.	Education and Awareness	101	40.2%	I
3.	Updated technology	54	21.5%	III
4.	Upgrade in security features	39	15.5%	IV
	TOTAL	251	100%	

The above table depicts the significant factor in making India a cashless economy as per the views of 251 respondents. Education and awareness is observed to about 40% and is a significant factor followed by Campaigns on Digital India to Rural population which covers about 22.7% of the responses and in rank III would be the factor of upgrade in security features. The least dominating factor as of now is the update in technology required.

SUGGESTIONS:

The applications launched by government – BHIM,UPI requires more awareness compared to Private mobile wallet companies like Pay tm, Google Pay, Phonepe.As the results show customers prefer ATM cards and mobile wallet applications, nationalized banks can launch their own mobile wallet ecosystem for the long term and offer simple yet secure mobile payment experience. This will avoid the concern around the security to greater extent. Digital transactions should be penetrated by available electronic modes to rural market for its acceptance and adoption as there is a domination of rural customers in India Indian government can provide incentives for merchants to prefer digital payments. This method is adopted by the country, Uruguay. At present only 13 out of every 100 Indian in Rural area has quality internet access, it has been the biggest concern to most of the respondents. Telecommunication companies at the top level shall and should look into this gargantuan challenge as both the sides get profited. Payment terminals should be instilled in local markets and retail shops which will reduce the basic concern around merchant acceptance the youth shall become the ambassador of change. Results from respondents shows that education to public is the need of demo. Government should take responsibility for educating public about available digital platforms.QR code reader/ scanner should be available and used in every shop as mobile wallet applications are highly in usage. Banks can be advised to put in additional factor of authentication for all cards using the information which is not available on card for all transactions. Banks can be insisted on authenticating through biometric measures apart from ATM pins which paves more way to security. Customer induced options can be applied in mobile wallet applications and other payment service applications. Government and RBI can encourage digital transactions by withdrawing service charges imposed on Credit/debit card and other digital payments.

CONCLUSION:

The project on the impact of knowledge- based trust on the adoption and acceptability of cashless economy (with special reference to Coimbatore). Public are actually able to understand the usefulness of cashless economy as it rectifies various other problems like corruption, black money circulation etc. Thereby the basic acceptability among the public is visibly seen through the results but the perception of public regarding its adoption is still doubtful. Though we see a raise in the standard of living after digitalization, poor network coverage, and security are still some areas of concern. We all know 70% of Indian population constitutes, rural public but the respondents of the project can visualize them adopting sooner. The Government needs to take more efforts in giving financial literacy campaign time to time to make people aware of benefits of electronic transactions. The study concludes with the statement that India can become cashless only if the perception of the public is rightly addressed by Government, banking and other financial institutions and pave way towards safe means of cashless transactions.

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