

## **Consumers' Perception towards Cashless Transactions and Information Security in the Digital Economy**

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### **Abstract**

A cashless economy is an economic system in which there is little or very low cash flow in society and goods and services are purchased and paid the amount through electronic media. A cashless economy is an economy in which transactions are made by debit cards, credit cards, e-wallet, cheques, or direct transfers from one account to another through e-banking. According to the Government of India, cashless transactions will maximize employment opportunities in the economy, avoid cash-related robbery thereby minimizing the risk of carrying physical cash. Cashless transactions will also decrease cash-related corruption and attract more foreign investors to the country. The present study focuses on the concept and methods of cashless transactions in India. Besides, the study examines the benefits and limitations of a cashless economy to the general public.

**Keywords:** - Cashless Economy, Electronic Media, Transactions, E-banking, Government.

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### **Introduction**

The RBI and the Government of India are making various efforts to minimize the use of physical cash in the economy by promoting digital payment devices or modes including prepaid instruments and cards. RBI's effort to encourage these new varieties of payment and settlement facilities aims to achieve the objective of a 'less-cash society. Here, the term less-cash society and cashless transaction economy indicate the same thing of minimizing cash transactions and settlement rather than doing transactions digitally.

A cashless transaction economy doesn't mean shortage or scarcity of cash rather it indicates a culture of people settling transactions digitally. In a

modern economy, money moves electronically. Hence the spread of digital payment systems along with the expansion of infrastructure facilities is needed to achieve the goal.

On November 8th, Government banned Rs 500 and Rs 1000 two highest denominations notes from circulation. The main objectives were to fight counterfeit money and black money circulation in the economy. The action has given a tremendous boost to cashless transactions as card-based and digital payments systems were not hindered when all high-value denomination cash transactions suffered because of the absence of high denomination currencies in circulation.

The Reserve Bank of India and Government of India has launched different measures for the spread of electronic and other non-cash settlement culture in an economy.

The Vision-2018 for Payment and Settlement Systems in India brought by the RBI in June 2016 reiterates the commitment to encourage maximum use of electronic payments by all sections of society to achieve a “less-cash” society.

“The wide contours of Vision-2018 revolve around five Cs Coverage, Convenience, Confidence, Convergence, and Cost. To achieve these, Vision-2018 will mainly concentrate on four strategic initiatives such as responsive regulation, robust infrastructure, effective supervision and customer-centricity,” – RBI. The vision statement highlights the following plans:

The regulator wants to minimize the share of paper-based clearing instruments. It aims to raise the growth of the digital payments system in an economy It wants to ensure maximize the use of Aadhaar in payment systems Government also made various fiscal measures for the encouragement of card culture in the 2016 budget. Exempting service charges on card-based and other digital payments systems was one such step. Aadhar based payment system will be a big boost for encouraging the cashless transaction culture. A committee of seven members, chaired by a ministry official, Mr. Neeraj Kumar Gupta was formed to recommend some steps for the reduction or minimization of paper cash-based transactions in an economy. The technology has spread internet banking systems or core banking solutions, mobile banking, prepaid instruments, credit, and debit cards, etc. concurrent, electronic payments system is fast growing. All these measures indicate that India is moving towards the RBI’s goal of less cash

economy-steady but slowly.

It's time to go cashless transactions system. The purpose of demonetization is not only to remove or avoid black money in the transaction but also to encourage cashless payment methods. Instead of breaking heads by standing in Automated Teller Machine (ATM) queue, you should adopt a cashless method for the transaction. A cashless method is more transparent as every transaction can be traced easily as it leaves its footprints. Many people have adopted new cashless payment options.

### **Concept of Cashless Transactions**

Cashless Economy can be defined as a situation in which the flow of cash within an economy is non-existent and all transactions must be through electronic channels such as direct debit, credit cards, debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real-Time Gross Settlement (RTGS) in India. In a cashless economy, most of the transactions will be done by digital means like e-banking, debit and credit cards, PoS (point of sales) machines, digital wallets, etc. In simple words, no liquid money or paper currency will be used by the people in a given country. In a cashless economy, the third party will have your money. He will allow you to transact that money whenever it is needed. If it is not needed then the third party can use that money. Third-party can be a government or any other public or private sector bank.

### **Objectives of the study**

The study is confined to the following objectives.

1. To identify the consumer's perception of cashless transactions in the digital economy.
2. To analyze the awareness of the consumers concerning the information security in cashless transaction
3. To identify the factors influencing consumers towards cashless transactions.

### **Merits of Cashless Transactions**

1. Electronic payments will be beneficial for business people to increase their customer base even in far of geographic locations and hence will result

in increased business transactions.

2. The real estate prices will come down because of the curb on black money circulation, as most of the black money is invested in the Real estate's business.
3. Electronic payments will enhance transparency and accountability. The majority of the cashless societies are corrupt-free as all the transactions are being traced, are visible, and are transparent.
4. Making online payments are handy and it will lead to slim wallets as people need not carry hard cash.
5. The majority of election funding is done through black money. Cashless transactions will make it impossible for political parties to spend thousands of crores of unaccounted money on election purposes. Purchasing votes by giving cash will also come to an end. True democracy will come into the picture.
6. The amount of tax collected will also maximize, and it can be spent for the betterment of poor and underprivileged people and infrastructure development activities in the economy.
7. The generation of counterfeit currency will be decreased and hence terrorism can be prevented.
8. It will minimize pick-pocketing and robbery of cash in crowded locations and big cities.
9. Through online payment, one can check the history of their financial transactions and smartly plan their budget.
10. Printing costs of paper notes, coins, and maintenance itself is accounting for 27 billion; this can be eliminated by electronic payments as there would be no need for paper currency.

### **Demerits of Cashless Transactions**

1. Many of the rural people and even some urban people still do not have a functional bank account to make online payments.
2. A large number of India's population is in rural areas, and there are no proper internet facilities available to make online payments.

3. People in rural locations are not well educated about the digital model of the payment system.
4. Even today some places take paper cash and do not accept debit and credit cards. Purchasing such places with cards becomes very difficult for customers. Small retailers in India still deal only in paper cash as they cannot afford to invest in digital infrastructure facilities.
5. Cash is not under our control, people will spend an excessive amount for the purchase of goods and services.
6. If you lose your debit/credit card, it takes some time to get a new one.
7. Hacking and cyber theft are major and challenging problems that can be caused by online transactions. Cyber Security measures have to be brought in place to avoid money going into the wrong hands.
8. Even in big cities, sometimes online transactions cannot be made because of poor internet facilities or network problems.

### **Information security and privacy in cashless transactions**

Despite many benefits in cashless transactions, there is a question about privacy concerns. Increasing technological advancement has also increased the level of risks. Because technologies were also begin used for negative purposes. Most mobile payment systems collect personal information about the users to provide them with offers and other benefits based on the information given. This information can be misused by hackers to steal the personal details of the consumers. There are also malware apps that cause other problems. Sidi, F. et al. (2013) [1] found that with the education qualification the awareness level changes for example consumers with high education background change their password often and create unique passwords whereas, consumers with low education qualification are not aware of technical measures such as scanning e-mail attachments, reading privacy and policy information. And also Dean, D. et al. (2013) [2] identified in the survey by Boston Consulting Group (BCG) and Liberty Global that only 10% of the respondents undertake common privacy protection activities such as changing privacy settings or opting into or out of data use. Concern about their personal information differs with every individual. According to Rose, J. et al. (2014) [3] say that millennial generations are less concerned about their privacy than other generations of

consumers. It was also found that developed countries are more concerned about privacy than that developing country. It is understood that depending on the nature of the consumers the concern for security increases. Simon S.M. Ho and Victor T.F. Ng (1994)[4] says that there should be proper awareness in terms of the money-back guarantee, live demonstration, free trials to reduce fears and worries about transactions. Thus, to reduce the privacy issues consumers have to be more aware of using digital transactions, and also regulatory authorities have to provide the consumers with a transparent, secured, and effective payment system.

### Research methodology:-

The primary data for the study was collected through distributing structured questionnaires among the consumers. The sample size is limited to 160 respondents. The study was conducted based on the convenient sampling technique. The data collected was analyzed by Percentage analysis and Chi-Square analysis using SPSS 23.0.

### Analysis and discussion & findings:

Table 01: Demographic Profile of the Respondents.

Profile	Frequency	Percentage
	Gender:	
Male	58	36.3
Female	102	63.7
TOTAL	160	100
	Age:	
Below 30 years	63	39.4
31-40 years	67	41.9
41-50 years	17	10.6
Above 50 years	13	8.1
TOTAL	160	100
	Marital status:	
Married	107	66.9
Unmarried	53	33.1
TOTAL	160	100
	Educational qualification:	
HSC 24		15

Diploma	50	31.3
Under Graduate	35	21.9
Post Graduate	41	25.6
Doctorates	9	5.6
Others	1	0.6
<b>TOTAL</b>	<b>160</b>	<b>100</b>
<b>Status</b>		
Employed	138	86.3
Homemaker	10	6.3
Students	11	6.9
Retired	1	0.6
<b>Total</b>	<b>160</b>	<b>100</b>
<b>Monthly income</b>		
Below 15000	64	40
15000-30000	48	30
30001-45000	23	14.4
45001-60000	15	9.4
Above 60000	10	6.3
<b>Total 160</b>		<b>100</b>

Source: Authors Calculation based on Primary data

Table 1 illustrates the demographic profile of the respondents in which around 64% of the respondents were female and the remaining 36% of the respondents were male; the majority (42%) of respondents falls under the category of 31-40 years of age, 39% were below 30 years of age, around 11% were between 41-50 years of age and 8% were above 50 years; a majority (67%) of the respondents were married; 31% of the respondents holds a diploma, around 26% of the respondents were post graduates, 22% of the respondent were under graduate degree, 15% respondents hold HSC, 6% of the respondents were doctorates and 1% of the respondent falls under other educational qualification; a majority (86%) of respondents were employed, 7% of the respondents were students, 6% were homemaker and only 1% of the respondent was a retired employee; the majority (40%) of respondents monthly income in the category of below 15000 and only 6% of the respondents monthly income was above 60000.

Table 02: Most comfortable mode of payment

Mode Of Payments	Frequency	Percentage
Credit/debit cards	75	46.9
Mobile Wallets	36	22.5
Net Banking	28	17.5
Cash	19	11.9
Cheque	2	1.3
Total	160	100

Source: Authors Calculation based on Primary data.

Table 2 and Figure 1 show that the majority of the respondents around 47% uses credit/debit card has the most comfortable mode of the payment, around 23% prefers mobile wallets, around 18% prefers net banking, around 12% prefers cash and only 1% prefer cheque has the most comfortable mode of payment.

### Conclusions

The study concludes that a cashless transaction economy is one of the good and strong decisions of the government of India. Many people accept the concept of a cashless transactions system. It helps to fight against major illegal or unethical activities in the economy like terrorism, corruption, money laundry, etc. But the main problems are the working of cashless transactions in India are cybercrime and illegal access of customers' data. Therefore it's important to strengthen internet security from protection against online mischievous. Customers and small retailers are faced a high degree of risk and problems in the application of cash-less transactions. The main reason is the low literacy rate in the rural area. Government should be educated towards cash-less transactions services. The government tries to promote customers' minds towards the risk factors. The cashless transaction helps to develop the Indian economy is stronger. Hence, everyone should access and use digital-based transactions. The Government needs more efforts financial literacy campaign time to time to make the population

aware of the benefits of electronic payments.

The findings of the study show that India in terms of using digital payment methods is still very poor in comparison to other developed countries in the world. As many countries are already adopted payment system in an economy, India is in its developing phase and most of the population are dependent on the cash-based transaction because of unavailability of proper internet connectivity, lack of information and knowledge of the financial transaction, charges on card payments and un operational bank accounts.

### **Suggestions**

India needs to come up with new policies for electronic transactions. It is recommended that government should promote their agencies and private sector service providers to spread financial literacy to a great extent especially in rural areas. Government should provide extra benefits on digital transaction payments and offer extra incentives or interest rates on cash saving in bank accounts. At the same time reduction in charges of digital transactions or exemption completely on digital banking should be offered for a few initial years which can be more helpful for speeding up the process of digitalization of payments in India.

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