

# Consumers' Opinion on Cashless Trade in Erode City

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## Abstract

Every nation requires cash to carry out its economic activity. Cash is the legal aspect with which all the transactions occur in a country. The circulation of currency notes provides scope for unaccounted transactions by creating unaccounted money or black money. This increases the disproportionate of expenditure with the accounted income thereby providing less scope for the taxable income. The transparency, efficiency, circulation of money through banking channel, impose of checks on black money necessitates the cashless transactions<sup>1</sup>. Further, the advent of technology has increased the technology driven activities in the country. In this aspect, the present study examines opinion on cashless trade by employing chi-square analysis, ANOVA, Z-test and factor analysis. The result reveals the factors which are considered as significant by the people while using cashless trade.

**Keywords:** Black Money, Economic Activity, Technology and Transparency

## 1. Introduction

Money is the inevitable need of the people. The transactions carried out traditionally involved the physical entity of currency. As the technology has advanced and the economic platform becomes tech savvy, the advent of cashless trade is the trend in today's financial arena. All the transactions from meagre to large, is carried out mostly through paperless mode. The banks also encourage the use of technology driven mode of transactions. With a cashless society in the near future, there are many benefits, as well as, many negative implications<sup>2</sup>. Moreover, after demonetization, the Prime Minister of India has focused on cashless economy. The attempts made by the government to make use of digital payment system and avoidance of cash payment by the people had given a push back to the people towards

cashless economy. In this aspect, the present chapter is an attempt to analyze the opinion of respondents on the factors considered for cashless trade in Erode city.

## 2. Review of Literature

Sunil Harsha<sup>3</sup> conducted a study to know the perception of people towards plastic money and the importance of plastic money in the daily life of consumers. It concluded that usage of plastic money was rising up in the market. Rajendra Kumar<sup>4</sup> explained the effect of demonetization on the life of public in India. The study concluded that it had deeper impact on the life of public as they find it difficult to move from physical to digital currency. Roshan S Patel<sup>5</sup> studied demonetization as a way to cashless payment system in India. They concluded that after demonetization, people got aware and undertook

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different types of mechanism for doing cashless transactions and the whole country as a cashless economy could get more benefits. Vaibhav Shahaji Patil and Jyoti Mishra<sup>6</sup> analyzed to know the merits and demerits of cashless trade. The study concluded that the authorities have to ensure primarily the network to facilitate digital transactions without interruption. Thabani Nyoni and Wellington G Bonga<sup>7</sup> studied the development of cashless transacting economy in Zimbabwe. They concluded that wealth and money creation should be linked to productivity.

### 3. Objectives of the Study

- To understand the opinion level of respondents on factors considered for cashless trade.
- To analyze about the importance of factors considered by the respondents while deciding about cashless payment.

### 4. Methodology

The research was carried out by selecting 250 respondents who were using cashless mode of transactions in the study area by adopting Convenience Sampling Technique. The primary data have been collected with a pre-tested and well structured Questionnaire. The analysis was carried out by using chi-square test, ANOVA and Z-test at 5% level of significance. Further, the important factors

considered in making cashless trade were grouped based on their significance by using Factor Analysis.

## 5. Hypotheses

$H_{01}$ : The independent variables have no association with factors deciding opinion level of the respondents towards cashless trade.

$H_{02}$ : There is no impact of independent variables on the level of opinion of the respondents towards cashless trade.

## 6. Analysis and Discussion

The following are the findings of the study:

### 6.1 Classification of the Respondents by Opinion Score

The level of opinion of the respondents towards cashless trade is classified as low level, medium level and high level which are given in Table 1.

The Table 1 reveals that 20.8% of the respondents have low level of opinion, 68% of the respondents have medium level of opinion and 11.2% of the respondents have high level of opinion on the factors considered for cashless trade. Hence, the majority (68%) of the respondents have medium level of opinion on the factors considered for cashless trade.

**Table 1.** Classification of the respondents by opinion score

| Opinion Level | Number of Respondents | Total Score | Mean Score | Standard Deviation |
|---------------|-----------------------|-------------|------------|--------------------|
| Low Level     | 52 (20.8)             | 1917        | 36.87      | 5.61               |
| Medium Level  | 170 (68)              | 8568        | 50.40      | 3.85               |
| High Level    | 28 (11.2)             | 1645        | 58.75      | 2.40               |
| Total         | 250 (100)             | 12130       | 146.02     | 11.86              |

Source: Computed

## 6.2 Level of Opinion towards Cashless Trade

The association between various explanatory variables and level of opinion on cashless trade is analyzed by framing a null hypothesis and the same is tested with Chi-square test at 5% level of significance. The details of the findings are shown in Table 2.

It is found from Table 2 that the null hypothesis on age, gender, occupational status, nature of family, area of residence, monthly family income, monthly family expenditure, comfort level and frequency of usage have

been accepted and educational qualification, marital status and size of the family have not been accepted. Hence, it is inferred that there is a significant association between educational qualification, marital status, size of the family and opinion on factors considered for cashless trade.

The impact of various independent variables on the level of opinion towards cashless trade is analyzed by framing a null hypothesis and the same is tested with ANOVA and Z-score analysis at 5% level of significance. The results are shown in Table 3 and Table 4.

**Table 2. Association between level of opinion on cashless trade and explanatory variables – Chi-square test**

| Variables                  | Degrees of Freedom | Chi-square Value | P-Value | Result        |
|----------------------------|--------------------|------------------|---------|---------------|
| Age                        | 4                  | 4.104            | 0.392   | Insignificant |
| Gender                     | 2                  | 5.872            | 0.053   | Insignificant |
| Educational Qualification  | 6                  | 15.151           | 0.019   | Significant   |
| Occupational Status        | 6                  | 3.681            | 0.720   | Insignificant |
| Marital Status             | 2                  | 20.718           | 0.010   | Significant   |
| Nature of Family           | 2                  | 1.881            | 0.390   | Insignificant |
| Area of Residence          | 4                  | 6.415            | 0.170   | Insignificant |
| Size of the Family         | 4                  | 11.258           | 0.024   | Significant   |
| Monthly Family Income      | 4                  | 9.079            | 0.590   | Insignificant |
| Monthly Family Expenditure | 4                  | 0.566            | 0.967   | Insignificant |
| Comfort Level              | 2                  | 0.227            | 0.893   | Insignificant |
| Frequency of Usage         | 4                  | 5.620            | 0.229   | Insignificant |

Source: Computed

**Table 3. Opinion on cashless trade – ANOVA**

| Factor                    | Variable       | Sum of Squares | Degrees of Freedom | Mean Square | F- Value | Result        |
|---------------------------|----------------|----------------|--------------------|-------------|----------|---------------|
| Age                       | Between Groups | 2.159          | 2                  | 1.080       | 1.809    | Insignificant |
|                           | Within Groups  | 147.365        | 247                | 0.597       |          |               |
|                           | Total          | 149.524        | 249                | 1.677       |          |               |
| Educational Qualification | Between Groups | 0.647          | 2                  | 0.323       | 0.460    | Insignificant |
|                           | Within Groups  | 173.753        | 247                | 0.703       |          |               |
|                           | Total          | 174.400        | 249                | 1.026       |          |               |
| Occupational Status       | Between Groups | 0.682          | 2                  | 0.341       | 0.480    | Insignificant |
|                           | Within Groups  | 175.574        | 247                | 0.711       |          |               |
|                           | Total          | 176.256        | 249                | 1.052       |          |               |
| Area of Residence         | Between Groups | 0.970          | 2                  | 0.485       | 0.951    | Insignificant |
|                           | Within Groups  | 125.946        | 247                | 0.510       |          |               |
|                           | Total          | 126.916        | 249                | 0.995       |          |               |
| Size of Family            | Between Groups | 0.325          | 2                  | 0.162       | 0.394    | Insignificant |
|                           | Within Groups  | 101.659        | 247                | 0.412       |          |               |
|                           | Total          | 101.984        | 249                | 0.574       |          |               |

Table 3 Continued

|                            |                |         |     |       |        |               |
|----------------------------|----------------|---------|-----|-------|--------|---------------|
| Monthly Family Income      | Between Groups | 3.095   | 2   | 1.548 | 3.301* | Significant   |
|                            | Within Groups  | 115.789 | 247 | 0.469 |        |               |
|                            | Total          | 118.884 | 249 | 2.017 |        |               |
| Monthly Family Expenditure | Between Groups | 0.061   | 2   | 0.30  | 0.055  | Insignificant |
|                            | Within Groups  | 135.923 | 247 | 0.550 |        |               |
|                            | Total          | 135.984 | 249 | 0.850 |        |               |
| Frequency of Usage         | Between Groups | 0.370   | 2   | 0.185 | 0.388  | Insignificant |
|                            | Within Groups  | 117.730 | 247 | 0.477 |        |               |
|                            | Total          | 118.100 | 249 | 0.662 |        |               |

Source: Computed

\*Significant

Table 4. Opinion score on cashless trade : Z-Test

| Factor           | Mean I | Mean II | Difference | S.D    | S.E   | Z-Value | Result        |
|------------------|--------|---------|------------|--------|-------|---------|---------------|
| Gender           | 48.660 | 48.4    | 0.261      | 15.338 | 0.970 | 0.269   | Insignificant |
| Marital Status   | 50.354 | 45.903  | 4.451      | 15.051 | 0.952 | 4.676*  | Significant   |
| Nature of Family | 49.526 | 48.080  | 1.446      | 15.164 | 0.959 | 1.508   | Insignificant |
| Comfort Level    | 48.413 | 48.735  | 0.322      | 15.838 | 1.002 | 0.321   | Insignificant |

Source: Computed

\*Significant

It is found from the Tables 3 and 4 that null hypothesis on age, gender, educational qualification, occupational status, nature of family, area of residence, size of the family, monthly family expenditure, comfort level and frequency of usage have been accepted and marital status and monthly family income have not been accepted. Hence, it is inferred that there is a significant impact of

marital status and monthly family income on the opinion of the respondents towards cashless trade.

### 6.3 Respondents' Opinion – Factor Analysis

The factors rated by the respondents which influence their opinion level towards cashless trade are taken up for factor analysis. Bartlett's test of Sphericity and Kaiser-

**Table 5. KMO and Bartlett's test of sphericity**

|   |                    |          |
|---|--------------------|----------|
| Kaiser-Meyer-Olkin measure of Sampling Adequacy |                    | 0.776    |
| Bartlett's Test of Sphericity                   | Approx. Chi-Square | 716.781* |
|   | df                 | 105      |
|   | Sig.               | .000     |

\*Significant at 5% level

**Table 6. Component matrix of opinion variables**

| No. | Factors   | Components |       |        |       |
|-----|---|------------|-------|--------|-------|
|     |   | 1          | 2     | 3      | 4     |
| 1   | Ability to use the payment choice in multiple locations | 0.605      | 0.147 | -0.098 | 0.415 |
| 2   | Fraud Concerns  | 0.678      | 0.243 | -0.173 | 0.265 |
| 3   | Privacy of Information                                  | 0.563      | 0.350 | 0.264  | 0.004 |
| 4   | Time Saving   | -0.027     | 0.097 | 0.239  | 0.743 |
| 5   | Lower Rate of Tax                                       | 0.002      | 0.022 | 0.633  | 0.279 |
| 6   | Risk of Counterfeit Money                               | 0.088      | 0.104 | 0.694  | 0.159 |
| 7   | Convenience   | 0.245      | 0.343 | 0.580  | 0.003 |

Table 6 Continued

|    |                             |        |        |        |        |
|----|-----------------------------|--------|--------|--------|--------|
| 8  | Speed of Making the Payment | 0.631  | -0.116 | 0.344  | 0.162  |
| 9  | Cost of Payment             | 0.638  | -0.196 | 0.390  | -0.083 |
| 10 | Payment Tracking            | 0.373  | -0.195 | 0.280  | 0.573  |
| 11 | Security                    | 0.324  | 0.104  | 0.018  | 0.603  |
| 12 | Easy of Refunds             | 0.127  | 0.277  | 0.186  | 0.554  |
| 13 | Merchants Acceptance        | 0.140  | 0.643  | 0.246  | -0.132 |
| 14 | Technical knowhow           | 0.004  | 0.724  | 0.071  | 0.172  |
| 15 | Internet Connection         | -0.068 | 0.701  | -0.063 | 0.255  |

Extraction Method: Principal Component Analysis

Meyer-Olkin (KMO) measure of sampling adequacy are used to the correlation matrix to know the significance of relationship among the variables. The details of the findings of KMO and Barlett's test are shown in Table 5.

Table 5 reveals that the test value is 716.781 at 5% significant level. Further, there exists correlation between the variables. The value of test statistic is 0.776 which is more than 0.5 indicating that the factor analysis for the selected variables is appropriate to the data. The factors are extracted by using principal component analysis. The model identifies 4 factors based on Eigen values. The Table 6 shows the component matrix for the factors.

Table 6 evinces that principal component analysis has derived four factors. These are called as factor loadings. The total of 15 factors is thus reduced to 4 factors which is presented in Table 7.

The Table 7 shows that the Factor 1 named as utility services comprises of variables viz. ability to use the payment choice in multiple locations, fraud concerns, privacy of information, speed of making the payment and cost of payment. The Factor 2 named as technical services comprises merchant acceptance, technical knowhow and internet connection. The Factor 3 named as risk

and convenience comprises lower rate of tax, risk of counterfeit money and convenience. The Factor 4 named as protective measures comprises time saving, payment tracking, security and easy of refunds.

## 7. Suggestions and Recommendations

Following are the suggestions offered to improve the level of opinion on cashless trade.

- The card system should be designed in such a way that it removes defects in the risk of counterfeit money, fraud concerns, cost of payment and security.
- The banks and financial institutions should create awareness and arrange more training campaign thereby encouraging the customers to increase the usage of cashless trade.
- It should make online payment methods easier and simpler, make them more secure, risk free and provide incentives like discounts on online payment.

**Table 7. Factor definition – opinion on factors determining usage of cashless trade**

| Factor                               | Variables   | Factor Loading |
|--------------------------------------|---|----------------|
| FACTOR I<br>(Utility Services)       | Ability to use the payment choice in multiple locations | 0.605          |
|                                      | Fraud Concerns  | 0.678          |
|                                      | Privacy of Information                                  | 0.563          |
|                                      | Speed of making the Payment                             | 0.631          |
|                                      | Cost of Payment   | 0.638          |
| FACTOR II<br>(Technical Services)    | Merchant Acceptance                                     | 0.643          |
|                                      | Technical Knowhow                                       | 0.724          |
|                                      | Internet Connection                                     | 0.701          |
| FACTOR III<br>(Risk and Convenience) | Lower Rate of Tax                                       | 0.633          |
|                                      | Risk of Counterfeit Money                               | 0.694          |
|                                      | Convenience   | 0.580          |
| FACTOR IV<br>(Protective Measures)   | Time Saving   | 0.743          |
|                                      | Payment Tracking  | 0.573          |
|                                      | Security  | 0.603          |
|                                      | Easy of Refunds   | 0.554          |

- The government authorities should provide awareness about the benefits of cashless trade through advertisements.

## 8. Conclusion

The cashless trading is the buzz word today. Even though some people find it difficult to make cashless trade, it is imperative in the present tech savvy scenario. The cashless trade reduces the burden of shopping. Online trading companies survive through the help of these cashless payment facilities. The present study focuses on finding

the level of opinion on cashless trade and the importance of factors considered while making the cashless transaction by the respondents. The study revealed that most of the respondents have medium level of opinion on cashless trade. The suggestions thus provided will enable the concerned authorities to create a scenario wherein the entire nation becomes the user of cashless trade.

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