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CASHLESS TRANSACTIONS IN RURAL AREAS: A STUDY WITH SPECIAL REFERENCE TO SALEM DISTRICT

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Abstract

Cashless Transactions have grown rapidly in the world from the last two decades. Due to an increase of internet and technology, expansion of banking services, incentives given by the government etc., there is increase in cashless transactions in India. Cashless transactions have become an integral part of urban as well as rural life. Cashless transactions have brought security and transparency in the economy. So, the main objective of this paper is to study the extent to which people in rural areas doing cashless transactions. In this study, 50 respondents from rural areas of Salem district of Tamilnadu were interviewed through a well-structured questionnaire. The study found that cashless transactions have increased after demonetization and Covid-19. A use of cashless payments among men more than women in rural areas, adults use digital payments regularly for purchasing goods and services, paying bills, and to make many other transactions, Debit and credit cards, Mobile banking are mostly used by people in rural areas, 1/3 percent peoples use cashless payments mode daily and weekly. More than sixty-five percent peoples are satisfied with cashless transactions in rural areas. Lack of banking facilities, lack of information, online fraud and most importantly low internet connectivity are the challenges in cashless transactions in rural areas. There is need to increase awareness about cashless transactions among illiterate people.

Keywords: *Financial inclusion, Cashless transactions, Mobile banking, Rural areas, Demonetization.*

Introduction

Cashless transactions have grown rapidly in the world due to extensive use of technology in the banking sector, the increase in bank accounts, increase in mobile phones and availability of internet, convenient to use, increase in e-commerce, government incentives etc. The use of cash has declined rapidly in developed countries like Sweden, Norway, United Kingdom, United states and

Euro area. Sweden is the most cashless economy in the world. People in Sweden are always using plastic money or Swish app for transactions. After Covid-19 pandemic, the trend towards cashless transactions has increased. (Riksbank, 2020) The use of cashless transactions has also increased significantly in many low incomes and moderate-income countries of the world after Covid-19 pandemic. In developing economies,

the proportion of adults making or receiving digital payments increased from 35% in 2014 to 57% in 2021. Adults sending or receiving digital payments is practically universal in high-income economies (95 percent). Being paid directly into your account opens the door to using other financial services. In fact, 83 percent of adults in emerging economies who received a digital payment also made one, up from 66 percent in 2014 and 70 percent in 2017. (Asli Demirgüç-Kunt, 2021) Many transactions are being done in cashless mode instead of cash mode in rural areas since last decade. Many older people also use cashless tools for transactions after covid-19 pandemic.

Cashless Transactions in India

The present era is the era of information and technology, use of technology and internet has become beneficial to human life. Due to the use of technology and internet to provide various banking facilities to the customers, many reforms have been made in the banking sector. The revolution in information and communication technology at the global level has brought about fundamental changes in the banking and financial system. Information-technology and electronic funds transfer system have emerged as the two pillars of modern banking development. The Narasimhan Committee II has attempted to outline a number of practical strategies for attaining quick adoption of information technology in the banking system. (RBI, 2001) As per the recommendations of Narasimhan Committee II RBI is providing incentives and guidance to public and private banks as well as customers for safe cashless transactions. The Government of India is promoting cashless transactions to make transparent transactions, control black money. The benefits of many government schemes are also credited directly to the account of the beneficiary. The Government of India has adopted the concept of Digital India in 2015 to transform the economy into a digitally empowered and knowledge economy. Along with this, to provide financial services to poor people, an opportunity to open an account on zero balance is being provided in India under Pradhan Mantri Jan Dhan Yojana. In November 2016, the Govt. of India took a decision to demonetize old ₹500 and ₹1000 notes to reduce corruption, black money and terrorism, which has helped in the growth of cashless transactions. After the global

pandemic of covid-19, cashless transactions have increased in the economies around the world and India is no exception.

Cashless Transactions

In a cashless economy, transactions are conducted more and more digitally and with fewer physical bills. In other words, it refers to a decrease in the supply or shortage of cash rather than a shift towards using digital payment methods such as a debit card, credit card, internet banking, and mobile phone apps in place of cash. In a cashless economy, cash is less used for transactions, rather than more transactions are carried out through cashless instruments like cheque, debit or credit card, mobile wallet etc. Cashless instruments are regularly used to exchange all goods and services. In developing countries, cash is widely used to buy and sell goods and services, but in developed countries like US, Sweden, Canada, Singapore digital tools are used for transactions. Black money is generated in large quantities in underdeveloped and developing countries due to cash. Also, many Naxalite and terrorist activities, tax evasion and corruption are increasing in this country. Financial inclusion is more important to increase cashless transactions in the country. It is necessary to provide banking services to many people. "In developing countries 76 percent of adults have a bank account. Which was 68 percent in 2017 and 51 percent in 2011. In Europe and Asia, account ownership has reached 78 percent, with three-quarters of adults using their accounts to make digital payments. In Asia, 89 percent adults have bank accounts, Sri Lanka and India 78 and 89 percent respectively." (The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19, 2022)

Financial Inclusion and Cashless Transaction in Rural Area of India.

"Financial inclusion typically defined as the proportion of individuals and firms that use financial services." (WB, 2014) Regional Rural Banks were established in 1975 on the recommendation of the Narasimhan committee to bring financial services to the people living in rural areas of India. Many schemes are being implemented to provide financial inclusion to rural people, such as Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Surksha Bima Yojana etc. To increase financial inclusion and cashless transactions in

rural India, all financial facilities of the government are also credited directly to the beneficiary's account e.g., wages of MGNREGA, subsidy of gas, agricultural inputs. Cashless transactions have become a part of daily life in rural India and consumers are using mobile wallets, internet banking, UPI etc. to purchase many goods and services. Rural Consumers are using cashless devices in their daily life like. To purchase households, payments of various bills (Mobile and TV recharge, Electricity bills) also payments various instalments e.g., home loan instalments, premium of insurance, Buying Railway, bus tickets. Sanding Money and many other tasks. Paramasivan. C (2019), Digital financial inclusion involves the deployment of the cost-saving digital means to reach currently financially excluded and underserved populations with a range of formal financial services suited to their needs that are responsibly delivered at a cost affordable to customers and sustainable for providers. DFI involves many intermediates intuitions, banks, NGO's and public.

Objectives of the Study

- To ascertain how much of the rural populace is aware of cashless transactions.
- To identify the problem that has an impact on cashless transactions.
- To examine what motivates rural peoples to choose cashless payment methods.

Importance of the Study

- The study briefly describes the attitudes and practices of the rural people towards cashless transactions.
- It provides the data regarding the issues facing by rural population in cashless transactions.
- It promotes awareness of cashless transactions among the users.
- It gives details regarding various facets of electronic payments.

Limitation of the Study

- The study's sample size is "50" rural residents.
- The study is restricted to rural villages in Tamilnadu's Salem district.
- The study was limited to cashless transactions in rural areas.
- Personal, formally confidential, and other irrelevant information concerning the study is avoided when collecting data from the respondents.

Hypothesis of the Study

"Hypothesis testing begins with an assumption, called a hypothesis. It helps us to make a population parameter. A hypothesis in statistics is simply a quantitative state about a population."(Gupta, 2008) The following were research hypothesis formulated for testing the study.

- Cashless transactions have increased in rural areas of Salem district.
- Internet connectivity is a major problem to cashless transactions in rural areas of Salem district.

Methods of Collecting Data

"Primary data are obtained by a study specifically designed to fulfil the data needs of the problems at hand."(Gupta, 2008) Primary data for this study was collected from the rural population in the form of a well-structured questionnaire. Secondary data is collected from a reference books, newspapers, various reports and official websites such as the World Bank, Rusk bank, RBI, and others.

Sampling Methods

Simple random sampling techniques are used to collect samples for this study. In simple random method each person or element in the population gets an equal chance of being selected.

Sample Size

In research it is necessary to select the samples properly and adequately. The sample size for this study is 50 rural villagers from all rural villagers of Salem district of Tamilnadu.

Review of Literature

Kumari A., Mamatha and Maiya (2018), Both highly educated and less educated individuals in rural areas are familiar with cashless transactions. When it comes to cashless transactions, the majority of highly educated people use them frequently. Because of a variety of factors, including changes in technology, a lack of knowledge, a lack of interest, an individual's age, a lack of convenience, a negative perception, etc., illiterate people are unable to incorporate this concept into their daily life.

Kumari Aparna, (2018) Sameera Sourabh (2017) Although semi-urban and rural markets are currently expanding more quickly than major centres, a sizable part of recent branch expansion has taken place in these regions. The goal is to make the branches the single point of contact for all services. Branch on Wheels, a mobile-van branch that attempts

to provide banking services to a collection of far-flung unbanked communities, is one example of how technology is a tremendous enabler for financial inclusion. (Sameera, 2017)

Analysis of Data

The analysis of data collected from various sources is a crucial phase in every study. Many statistical tools and mathematical techniques are used to analyse data.(Gupta, 2008)Using procedures and methodologies, data is analysed and interpreted.

“The technique used for interpretation the detail percentage method. Percentage method is a technique which analyse the data in numerical. It helps to compare one variable with another. With this analysis we can easily draw the inference from the data”(Gupta, 2008).The simple percentage technique has been used for the study and tables and pie charts were used to explain the findings.

Gender of the Respondents

| Gender | Respondents | Percentages |
|--------|-------------|-------------|
| Male | 36 | 72.00 |
| Female | 14 | 28.00 |
| Total | 50 | 100.00 |

It is clear from the above table that there are two different sorts of respondents in the survey. These are both men and women. 36 (72%) of the respondents were men, while 14 (28%) were women. A use of cashless payments among men more than women in rural areas.

Age of the Respondents

| Age | Respondents | Percentages |
|---------|-------------|-------------|
| 20-30 | 02 | 4.00 |
| 30-40 | 21 | 42.00 |
| 40-50 | 19 | 38.00 |
| 50-60 | 05 | 10.00 |
| More 60 | 03 | 6.00 |
| Total | 50 | 100.00 |

Table reveals that 84 % of adult’s (respondents)are doing cashless payments. In order to complete transactions, respondents between the ages of 30-50 use cashless methods most frequently.

Education of the Respondents

| Education | Respondents | Percentages |
|------------------|-------------|-------------|
| Illiterate | 04 | 8.00 |
| Primary | 04 | 8.00 |
| Secondary | 11 | 22.00 |
| Higher Secondary | 03 | 6.00 |
| Under Graduate | 09 | 18.00 |

| | | |
|---------------|----|--------|
| Post Graduate | 19 | 38.00 |
| Total | 50 | 100.00 |

There are six different categories of respondents, each with a unique set of qualifications, as can be seen from the chart above. In the study there were 4 illiterate respondents (8%), Primary educated 4(8%), Secondary educated 11(22%), Higher Secondary educated 3(6%), Undergraduate 9(18%), Postgraduate19(38%). This study shows that, the percentages of respondents with postgraduate and secondary education are higher. Illiterate respondents are ignorant of cashless transactions, so cashless transactions are found to be less among them than educated respondents.

Occupations of the Respondents

| Occupation | Respondents | Percentages |
|-------------|-------------|-------------|
| Agriculture | 27 | 54.00 |
| Salaried | 20 | 40.00 |
| Other | 03 | 6.00 |
| Total | 50 | 100.00 |

The percentage of respondents who work in agriculture greater than those who are salaried and other respondents is displayed in the above table.

Cashless payment methods utilized by rural residents

| Option available for cashless payments | Respondents | % |
|--|-------------|--------|
| Cheque, NEFT/RTGS | 12 | 24.00 |
| Demand Draft | 00 | 0.00 |
| Debit/ Credit Card and Mobile Wallet | 34 | 68.00 |
| None of the above | 04 | 8.00 |
| Total | 50 | 100.00 |

According to the above table, 68 % of the total respondents uses debit, credit card and mobile wallet for transactions, while only 24% respondents use Cheque and NEFT/RTGS for transactions, 8 % respondents use cash for transactions.

Frequency using Cashless payment methods

| Frequency of cashless transaction | Respondents | % |
|-----------------------------------|-------------|--------|
| Daily | 23 | 46.00 |
| Weekly | 15 | 30.00 |
| Monthly | 6 | 12.00 |
| Never | 6 | 12.00 |
| Total | 50 | 100.00 |

Percentages of cashless transactions out of total transactions.

| Cashless Transactions | Respondents | Percentages |
|-----------------------|-------------|-------------|
| 0-20 % | 11 | 22.00 |
| 21-40 % | 13 | 26.00 |
| 41-60 % | 17 | 34.00 |
| 61-80 % | 08 | 16.00 |
| 81-100 % | 01 | 2.00 |
| Total | 50 | 100.00 |

The table reveals the respondents' opinion about the ratio of cashless transactions to the total transactions. Out of the total respondent's 34% respondents doing their 41-60 % transactions through cashless, while 26 percent respondents doing their transaction 21-40 percent though cashless. 22 percent respondents doing their transactions through cashless mode between 0-20%.

Reasons of cashless transactions

| Reason to Cashless Transaction | f | % |
|--------------------------------|----|--------|
| Secure and fast Transaction | 13 | 26.00 |
| Transparency | 05 | 10.00 |
| Convenience | 01 | 2.00 |
| To get discounts | 00 | 00.00 |
| All of above | 31 | 62.00 |
| Total | 50 | 100.00 |

It reveals that, 62 % of respondents use cashless mode to get all the benefits of security and fast transactions, for transparency, conveyance and to get discounts. Out of 50 respondents 13(26%) respondents use cashless transactions for secure and fast transactions.

Effect of Demonetization and Covid-19 on Cashless transactions

| Effect | F | % |
|---------------------------------|----|--------|
| Cashless transactions increased | 41 | 82.00 |
| Cashless transaction decreased | 01 | 4.00 |
| Neutral | 08 | 16.00 |
| Total | 50 | 100.00 |

The above table exhibits the feedback of the respondents towards the effect of demonization and Covid-19 on cashless transactions. Out of 41 respondents, 82 % have agreed that cashless transactions have increased after demonetization and Covid-19 and 16 % respondents are neutral regarding this.

The respondents' level of satisfaction in regard to cashless transactions

| Level of satisfaction | Respondents | Percentages |
|-----------------------|-------------|-------------|
|-----------------------|-------------|-------------|

| | | |
|----------------|----|--------|
| More satisfied | 15 | 30.00 |
| Satisfied | 18 | 36.00 |
| Natural | 09 | 18.00 |
| Less satisfied | 06 | 12.00 |
| Dissatisfied | 02 | 4.00 |
| Total | 50 | 100.00 |

Five-point the respondents' degree of satisfaction with cashless transactions was assessed using Linkert's scale. 30% of respondents are more satisfied, 36% are satisfied, 18% are natural, 12% are less satisfied, and 4% respondents are dissatisfied.

Difficulties faced in cashless truncations

| Difficulties | F | % |
|-------------------------------|----|--------|
| Lack of Information | 09 | 18.00 |
| lack of banking facilities | 01 | 4.00 |
| lack of cashless instruments | 00 | 00 |
| lack of internet connectivity | 23 | 46.00 |
| Online fraud | 05 | 10.00 |
| All of above | 12 | 24.00 |
| Total | 50 | 100.00 |

Table indicates that 46% respondents said lack of internet connectivity is the main difficulty in cashless transactions, 24 % respondents face all the difficulties and 18 % respondents didn't know how to do cashless transactions.

Conclusion

In this study "Cashless transactions in Rural Areas: A study with special reference to Salem District" it has been seen that; cashless transactions are being done in large scale in urban as well as rural areas of Salem district. People in rural areas generally use cashless modes for their daily transactions. In fact, cashless transactions have become an important part of rural life. As people regularly use cashless modes like Cheque, Debit and credit card, Mobile banking, Net banking, ATMs for purchasing goods and services, pay various bills, pay installments, online shopping etc. Salaried people, sellers and farmers in rural areas use cashless mode regularly for complete their transactions. Adults in rural areas mostly use the cashless modes for transactions. Post demonetization and Covid-19, cashless transactions have increased in rural areas in Salem District. Lack of banking facilities, lack of information, online fraud and most importantly low internet connectivity are the challenges in cashless transactions in rural areas. There is a need for awareness about cashless transactions among illiterate people in

rural areas.

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