

Cashless Transactions And Small Textile Traders of Aligarh District

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Abstract

Background: The aim of this study is to find out the response of small textiles traders of Aligarh district in U.P. regarding cashless payment system.

Methods: In order to find out whether they accept the cashless payment system or not, 50 small textile traders have been questioned through structured questionnaire.

Results: The study indicates that with the demonetization, small traders are finding it very difficult to sail through their daily operations. Most of the textile shops are proprietor-oriented and are managed by just an individual, which implies that exchanging their money or withdrawing it would require them to shut their shops for the whole day, which again would result in loss. More over they need ready cash in their hands so they prefer cash basis payment system.

Conclusion: Based on the findings, the study recommends measures that can be taken in order to enhance the e-payment system.

Keywords: Cashless Economy, Electronic Payment, Textiles traders.

Date of Submission: 10-10-2017

Date of acceptance: 28-10-2017

I. Background

It has been nearly three decades that paper money has become accepted as legal tender. The concept has changed regarding how we make, sell, and buy goods and services. Now the road to a wider cashless society has started to really take shape. Globally there is incredible curiosity among policy makers, academicians and commercial enterprises to explore the possibility of moving towards a cashless economy. A cashless economy is one in which the flow of cash is non-existent and all transactions are done through electronic modes like mobile wallet, plastic money, etc. However, cash still continues to remain the predominant form of transaction particularly in developing countries like India where less than 5% of all payments are done electronically. Globally cash accounts for about 85% of consumer transactions. According to World Remit CEO and founder Ismail Ahmed, the lives of millions of people in developing countries revolve around cash. They are often forced to save their cash in home safe lockers as these people are habitual to settle their maximum transactions in cash. The reason is a large part of the population particularly rural India doesn't have enough access to the formal banking system and doesn't even have a bank account. Moreover though India has become a Digital India but still the situation of internet is not very satisfactory which is a must for cashless payments. As a matter of fact people in India prefer to settle their transactions in cash. Infact those who can use electronic payments, prefer cash. In 2016 budget speech, Finance Minister Arun Jaitley emphasised about making India a cashless society, with the objective of curbing black money. RBI has decided to give wings to this idea and in this regard unveiled a document –“Payments and Settlement Systems in India: Vision 2018”. The objective of this vision statement is building best of class payment and settlements for a ‘less-cash’ India through responsive regulation, robust infrastructure, effective supervision and customer centricity “PAYMENT AND SETTLEMENT SYSTEMS IN INDIA: VISION-2018” RBI. A cashless or less-cash payment puts an end to the use of paper money as a medium of exchange to get goods and services and paves the way for electronic transfer payments or non-electronic payments via cheques. Cashless payment system offers numbers of advantages. Unlike traditional cash payments, cashless transaction system:

- Reduces the chances of tax avoidance.
- Discourages robbery.
- Halts generation of black money.
- Reduces real estate prices because of rein on black money as people invest their unaccounted money in real estates which inflates the prices of real estate markets.
- Avoids cost of printing and maintaining currency.
- Lowers transaction costs as cashless transactions reduce processing costs.

- Discourages the circulation of fake currency.
- Speeds up transaction settlement as there will be no queues, no delays and most importantly there will be no interactions with bank staff.

Besides these advantages cashless system will help the government to execute the welfare programmes with much transparency and accuracy regarding the distribution of welfare funds as money will directly transferred into the bank account of the beneficiary through DBT (Direct Benefit Transfer) mode. Moreover, it will help in curbing the corruption as details of payments can easily be traced and people will no longer have to pay to get what is rightfully theirs. Cashless system is surely going to improve credit access and financial inclusion which in turn benefit the SMEs in medium and long run. As for vendors, the ease of transaction through various payment modes will increase their revenue, improve operational efficiency and lower operating cost (Tee, H. H., & Ong, H. B. (2016). For all of its advantages, Cashless system is something of a double-edged sword. When an economy like India switches from cash to cashless economy it faces challenges related to cyber security, individuals financial data, and online banking fraud. Moreover, in a cashless economy people hold no cash in hand and for every transaction they have to depend on their cards for which connectivity is necessary. In India where a large part of population is not educated enough to understand the cashless technology so they show resistance while making payment through card or making online payments. As far as small retailers are concerned they need cash in order to purchase stock everyday so they don't prefer payments through cards. More over small retailers are not in a position to own POS (Point of Sale) machine due to which customers are switching to large retail houses The motivation of this paper therefore is to examine the attitude of small textile traders in Aligarh district towards cashless payment system, whether they are accepting this system or not. The first section of this paper gives an introduction about the cashless payment system, its advantages and disadvantages for India. Next section explores the literature review available, to be followed by a discussion on methodology and findings. Finally, some discussion and concluding remarks are presented.

II. Literature Review

Odi and Richard (2013) analysed the extent to which electronic payment affect cashless economy of Nigeria. They indicate that the electronic system of payment has a great implication in cashless economy of Nigerian but it will led to significant decrease in deposit mobilization and credit extension by Nigerian deposit money banks. The authors came to the conclusion that as the Nigerian economy is driven by SME and petty traders that is why the cashless system of payment will be examined and develop the e-payment system first so that people will be used to it before talking of cashless economy.

Felix, N., Fabian, M., & Ginson, L. (2015) examined the impact of cashless policy on small scale business in Ogoni of Rivers State, Nigeria by applying regression techniques. The authors found out that in Ogoni small-scale businesses are mostly occupied by small income sole proprietors who are not habitual to banking because their investment in businesses is very small. More over the main business activity of people of Ogoni is provision of services and they carry out their transaction on "cash and carry basis", which is why ATMs usage and online transitions have less or no significance for them. On the basis of results, the authors recommended that the government should make efforts which should be directed at improving the activities of small scale businesses through concerted policies, regulations and actions that will encourage and empower small scale businesses.

Chelladurai and Sornaganesh (2016) analysed the impact of demonetisation on society, stock market, Non-banking Finance Companies, professionals, FMCG, SME sector and on the e-commerce industry. The authors concluded that demonetisation was a good move to reduce black money and will have a huge impact on Indian economy. They pointed out that the execution of cashless scheme should be made better, enough currency notes should be printed and recalibration of ATMs could have been facilitated with more research and recommendations.

Tee & Ong (2016) examines the effect of adopting cashless payment in five European Union (EU) countries namely, Austria, Belgium, France, Germany, and Portugal by applying the Pedroni residual cointegration and Panel Vector Error Correction Model (VECM). The authors found out that there is a significant effect of adopting cashless payment on economy of the five EU countries. They concluded that 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.

Mukhopadhyay (2016) in his study analysed India's gradual transition towards cashless economy. The author found out that the most crucial enablers of cashless payments are inflows of funds into the accounts. On the basis of finding the author suggested possible policy interventions.

III. Statement of the problem

India is a country where a large segment of population depends excessively on cash. Its cash to GDP ratio, at 11%, is much higher than in most economies ^{Chelladurai and Somaganesh, 2010}. Around 98% payments are done in cash. Cashless payment system is a good initiative with a view of curbing black money in economy, easy tax collection, and convenience in payments. But at the same time this initiative is not welcomed by a large section of the society particularly by small retailers.

IV. Objectives of the Study

- 1) To study the cashless payment system and its merits and demerits in Indian context.
- 2) To study the response of small textile traders of Aligarh about cashless payment system (Offline/ Online)

V. Methodology:

The present study is in the form of descriptive analysis where the objectives are evaluated by primary and secondary sources. The primary data was collected from 50 small textile traders of Aligarh district of Uttar Pradesh through a structured questionnaire. The primary data is supported by secondary data. Secondary data was collected from the records and reports published by the Ministry of Textiles, Govt of India, Department of Handloom and Textiles Uttar Pradesh, various reports and articles published in magazines and newspapers.

VI. Sampling Method

50 small textile traders were selected randomly from Aligarh district.

VII. Data Analysis and Interpretation:

Table 1
How do you receive your payments after Nov. 2016?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cash	39	78.0	78.0	78.0
	Cheque	3	6.0	6.0	84.0
	Card (Debit or Credit Card)	4	8.0	8.0	92.0
	Web Payments (eg. PayPal, Mobile Wallet)	2	4.0	4.0	96.0
	Bank Transfer	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

The above table (Table 1) shows the modes of receiving payment by small textile traders of Aligarh district after November 2016. The Frequency column shows that of the 50 textile traders, 39 use cash mode, 3 traders accept cheque, 4 receive payments through cards, 2 through web payments and 2 accepts payment through bank transfer. On the basis of the data shown by the table it can be concluded that after November 2016 i.e. after Demonetization these traders still prefer to receive payments in the form of cash.

Table 2
Please rate your comfort level with cash less payment?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	23	46.0	46.0	46.0
	Low	13	26.0	26.0	72.0
	Neutral	11	22.0	22.0	94.0
	Very High	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

Table 2 shows the frequencies regarding the comfort level of traders with cash less payment. The frequencies show that out of 50, 36 textiles traders are not satisfied with cash less payment whereas only 3 textile traders are satisfied with cashless payment. This shows that most of the traders are not satisfied with cash less payment method of receiving payments.

In tables 3, 4 & 5 traders were asked that in order to decide whether to receive the payment through online or offline which factor they consider most i.e. Chances of Fraud, Tax Avoidance & Promptness in receiving payments.

Table 3
When making a decision about how to receive a payment (online/ offline), please rate the following in terms of your convenience? - Fraud Concern

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	5	10.0	10.0	10.0
	Low	6	12.0	12.0	22.0
	Neutral	12	24.0	24.0	46.0
	High	11	22.0	22.0	68.0
	Very High	16	32.0	32.0	100.0
	Total	50	100.0	100.0	

The above table (Table 3) shows that 27 textile traders out of 50 are highly concerned about the chances of fraud while deciding online or offline mode of receiving payments whereas 11 out of 50 textile traders don't pay much attention to chances of fraud. This shows that because of chances of fraud most of the textile traders prefer to receive payments offline.

Table 4
When making a decision about how to receive a payment (online/ offline), please rate the following in terms of your convenience? – Tax Avoidance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	4	8.0	8.0	8.0
	Low	8	16.0	16.0	24.0
	Neutral	20	40.0	40.0	64.0
	High	12	24.0	24.0	88.0
	Very High	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

Table 4 shows the frequencies of textile traders regarding reducing tax liability while deciding about online or offline mode of receiving payments. Frequencies shows that out of 50, 18 textile traders consider avoiding their tax liability where as 12 don't consider this factor. This shows that in order to reduce tax liability, textile traders prefer offline payment method.

Table 5
When making a decision about how to receive a payment (online/ offline), please rate the following in terms of your convenience - Promptness in receiving payment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	4	8.0	8.0	8.0
	Low	7	14.0	14.0	22.0
	Neutral	9	18	42.0	40.0
	High	12	24	20.0	64.0
	Very High	18	36	16.0	100
	Total	50	100	100	

Table 5 shows the frequencies of textile traders regarding the promptness in receiving payment while deciding about online or offline mode of receiving payments. 30 out of 50 textile traders are highly concerned regarding the promptness in receiving payment where as 11 textile traders are not concerned. This shows that in order to receive payment easily and quickly, textile traders prefer offline payment receiving method to online payment method.

VIII. Conclusion

This paper studies the cashless payment system and reasons for its acceptance and non-acceptance by small textile traders of Aligarh District. On the basis of the above data it can be encapsulated that the small textile traders are not accepting cash less payment system. The reason behind their refusal to accept cashless payments is that they do not have faith in cyber security, some of them do not want to disclose their total income in order to avoid taxes, and the most important reason is they need ready cash in their hands.

On the basis of above analysis some following suggestions and recommendations can be underlined:

1. The journey of cash based society to cashless society would call for reforms and efforts on the part of government and financial institutions, principally for the customers belonging to low income group, who are deeply attached to the use of cash for receiving and making payments.

2. People will take time to absorb the cashless system of making and receiving payments so effort should be undertaken to make them realise the importance of cashless payment system like safety of money, time saving, etc.
3. E-Payment transaction charges should be curtailed so as to attract the customers towards cashless payment system.
4. Mobile-banking should be made more users friendly and efficient.
5. Internet facility which is a part and parcel of cashless payment system should be made available at easy cost and with no halts.
6. The transformation of cash based economy into a cashless economy would need time so the introduction and implementation of new rules and regulations should be made gradual.
7. In order to make cashless system widely accepted efforts should be made to enhance the trust and confidence of customers in the system, which demands the following:
 - Barrier free communication.
 - High level of security against all types of online frauds.
 - Simple and time saving process especially for less educated customers.
 - Easy accessibility.

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Dr. Sabiha Khatoon Cashless Transactions And Small Textile Traders of Aligarh District.”
IOSR Journal of Business and Management (IOSR-JBM) , vol. 19, no. 10, 2017, pp. 01-05.