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**FACTORS AFFECTING THE ADOPTION OF CASHLESS  
TRANSACTION IN INDIA: AN EMPIRICAL STUDY**

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**Abstract**

The introduction of mobile wallets and online payment options has changed the process of receiving as well as making payments. Due to continuous change in technologies and government policies, various types of mode of payments developed. Cash less economy is the Indian economy future in which there is no less physical cash flow involved. All transactions will be done in virtual world. Credit or debit cards, cheques, e-wallet, transfer of amount through e-banking, mobile wallet are the different modes to make payment digitally. Government is making efforts to make India as Digital India and demonetization was the early step to achieve this objective where plastic money was used mostly. Government feels that cashless transactions will increase opportunities of employment and foreign investment. It will also decrease robberies related to cash and corruption. Irrespective of benefits of cashless transactions, mixed perception

of people was observed for these types of transactions. Some have already adopted, some hesitate, some feel fear of fraud and technologies, some do not trust, and some people are still not aware of cashless transactions. This study will help in understanding the factors that encourage and discourage people in adopting cashless transactions.

## **Introduction**

Cashless transaction refers to the purchase or sale of goods or services or any transactions related to money, which are done without using physical cash. Transactions of cash are replaced with digital platform like plastic money (debit or credit card), online transactions, internet banking, e-wallet, mobile wallet etc. Digital transactions or cashless transactions provide an alternative mode of payment to the people with different point of views. This change in payment mode does not restrict currency rather it just slows down the use of cash. Government has launched various initiatives like Digital India to reduce the cash flow and increase of digital transactions (Upadhyay and Jahanyan, 2016). Banks also must play important part in cashless transactions as they are responsible for all types of activities i.e., cash or cashless. Cashless Transactions include Cheque, Demand Draft, Online Transfer-NEFT or RTGS, Credit Card or Debit Card, E-Wallets, Mobile Wallets, UPI Apps, Gift Card, Aadhaar Enabled Payment System, Unstructured Supplementary Service Data.

Cash is always considered as lifeblood of transactions and commerce all over the world, but cashless payments are getting popularity constantly. Customers prefer to adopt cashless payment mode due to convenience. They can make purchases even from their home and do not need to carry cash. Further, transactions can be done faster. Retailers must provide options of cashless to remain in competition and to make shopping suitable for their customers. These not only include fees but also other expenses like software or hardware needed to perform card processing or point of sale and its maintenance. IT person is also hired sometimes to make sure that system runs without any issue. In case credit machine goes down or POS system stopped working then the party will not be able to collect payment and will result in losses.

Cashless mode of payment also needs that customer must have bank accounts, peer to peer platforms or mobile banking apps. These apps and cashless transactions allow to access purchasing history and personal information. Some people consider it as attack on their privacy and the major risk they face is Cybersecurity risks. Cashless is a convenient service but every person can afford it. People in rural areas or those below poverty line do not feel it suitable as they must open bank account for this purpose and funds and identifications are required to open bank account.

Irrespective of above stated factors, people are adopting cashless transactions as their mode of payment. People who can afford and are aware of cashless transactions benefits are adopting such methods in their daily routine (Mahapatra, 2018). Safe, instant, convenient, easy to use, facilities, compatibility to lifestyle, usefulness, social influence, awareness are some of the factors that encourage people to use cashless transactions. After demonetization and evolution of new and innovative technologies, cashless transactions become very much popular in India. Government believes that with fully digitalization, tax evasion and money laundering can be eradicated. It will also reduce cost and help financial institutions to encourage economic growth. Along with the promotion of digital India, government must take significant steps to control

issues like online fraud, identity theft and cybercrimes etc. With this people can adopt cashless option without any doubt in their mind.

### **Literature Review**

Singh (2019) explored that in the current era of technology digitalization; many people have started using plastic money instead of cash transactions like credit or debit card. Net banking and mobile banking, digital wallets and e-wallets have also provided convenience to people in making transactions instead of carrying cash. Study found that security, easy to use, technical acceptability, speed, trust on service provider, queue avoidance, instant payment, comprehensiveness are some of the factors that influence the person in selecting cashless transaction option. The cashless transactions popularity was increased by Paytm through various services including utility bill payment, mobile recharge, cable bill payment and so on (Agarwal and Tuteja, 2018).

Tiwari and Singh (2019) analyzed and compared the factors that influence customer satisfaction in terms of cashless payment system with reference to BHIM as well as Paytm in India. According to the study it was observed that people like money transfer feature of cashless payment system. People feel it comfortable, easy, and quick. E-wallets allow the facility to make transactions anywhere and anytime with no limitation of odd hours or holiday. Cashless payment process also provides guarantee of return facility. For example, if customer is not satisfied with some product or service then he can get his amount return in few hours.

Roy and Sinha (2017) examined usefulness, easy to use, risk, security, trust, privacy are the factors that influence perception of customers, complexity, demographic profile of users, privacy are the major factors among consumers that affect electronic payment system. It was observed that most of the consumers are not fully aware of all the features of electronic payment process and hence avail only few features to far extent.

Roy (2017) examined the factors that influence people to adopt cashless payment system in India. Study found that public awareness and education related to e-payment services like use of ATM card, process of doing transactions online are very important to encourage among people to adopt these services. Fear of internet frauds and perception of insecure online transactions discourage people to use cashless payment options. Due to availability, convenience, easy accessibility and understanding e-payment services can be used by all types of customers even physically challenged.

Jain and Babu (2018) explored that demonetization helps India to become cashless economy from cash-based economy. Although direct motive was to eradicate black money, money laundering etc. but one more important motive was to make India as cashless economy. It was observed that demonetization is one of the major factors that influence the people to adopt cashless mode of payment like e-wallet or digital transactions. After demonetization, it will be more effective if government also take necessary steps to generate awareness among people for cashless transactions.

Gaonkar (2018) examined that in India digitalization of economy is inevitable and very much essential if it wants to be in competition with other fast growing developing countries in cashless economy. This study analysed the factors that influence cash as well as cashless transactions among people, low literacy rates in rural areas, poor usage of smart phones for online

transactions, non-availability of internet connections, lack of financial literacy, poor banking habits, domination of small retailers and hawkers, high online transaction fee charged by banks, privacy issue, breaching or hacking of the system and frauds through digital transactions are some of the factors that restrict the cashless transactions among people.

Chaudhary (2017) examined that demonetization leads to urgent need of cashless transactions in India. Cashless transactions were present in India before this process but most of the people were using cash transactions only. People realize its importance and benefits and start adopting cashless transactions. Growth of digital payments has increased due to digital and technology revolution and increase in customers demand and expects an instant and one touch payment system. Government is also making efforts to make India a digital country and transforming from cash economy to cashless economy. However, Ozturk (2016) found that there are many reasons for users' intention to adopt cashless methods. The most important reason is the Perceived Ease of Use (PEOU).

### Objectives of Study

1. To find the factors affecting the adoption of cashless transactions in India
2. To ascertain the significance of the factors affecting the adoption of cashless transactions in India

### Research Methodology

This study is descriptive, in which a sample size of 130 was taken. The information was gathered with the assistance of an organized survey. Data Analysis was done with the assistance of the mean qualities and t test.

Table 1 presents that there are 45% males and 55% females in the study. Among the respondents 35% are of the age group 25-35 years, 45% are of the age group 35-40 years and 20% are of the age group 50-65 years. The 25% of the respondents are businessmen, 30% are IT professionals, 18% are teachers, 10% are doctors and 17% are engineers. The percentage of respondents who are married is 68% and unmarried is 32%.

**Table1: Demographic Profile**

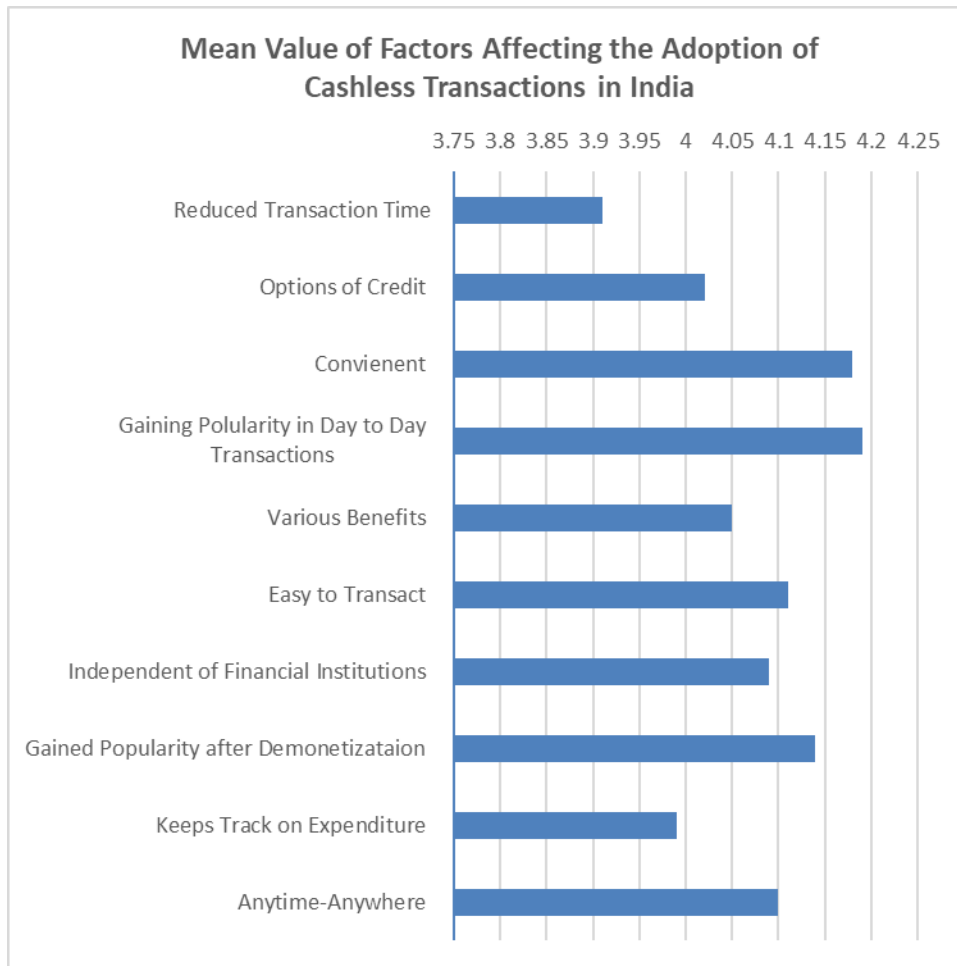
<b>Variables</b>	<b>Number of Respondents</b>	<b>% age</b>
<b>Gender</b>		
Males	59	45%
Females	71	55%
<b>Total</b>	<b>130</b>	<b>100%</b>
<b>Age</b>		
25-35	46	35%
35-50	58	45%
50-65	26	20%
<b>Total</b>	<b>130</b>	<b>100%</b>
<b>Occupation</b>		
Businessmen	32	25%

IT Professionals	39	30%
Teachers	24	18%
Doctors	13	10%
Engineers	22	17%
<b>Total</b>	<b>130</b>	<b>100%</b>
<b>Marital Status</b>		
Married	88	68%
Unmarried	42	32%
<b>Total</b>	<b>130</b>	<b>100%</b>

Table 2 and Figure 1 show the opinions of the respondents. It is observed that Cashless methods of transactions are gaining popularity for day-to-day transactions with the mean value of 4.19. It is followed by 'Cashless transactions are quite convenient' (4.18), 'Cashless transactions gained popularity after demonetization in India' (4.14), 'With cashless transaction methods, and it has become easy to make transactions' (4.11). 'Cashless transaction methods can be made from anywhere and thus you don't have to be physically present for making the transaction' (4.10), 'With cashless methods in place, we don't have to depend on banking and financial institutions for availability of money' (4.09), 'We get a lot of benefits with cashless transactions' (4.05), 'Cashless methods of transactions offer the option of credit which is very useful' (4.02) and 'Cashless transactions help in keeping a track of the expenditure' (3.99) were also considered important. Reasons like 'Cashless methods have reduced the transaction time' (3.91) were also viewed as important.

**Table 2: Mean Value of Factors Affecting the Adoption of Cashless Transactions in India**

Sr. No.	Statements	Mean Score
1.	Cashless methods have reduced the transaction time	3.91
2.	Cashless methods of transactions offer the option of credit which is very useful	4.02
3.	Cashless transactions are quite convenient	4.18
4.	Cashless methods of transactions are gaining popularity for day-to-day transactions	4.19
5.	We get a lot of benefits with cashless transactions	4.05
6.	With cashless transaction methods, it has become easy to make transactions	4.11
7.	With cashless methods in place, we don't have to depend on banking and financial institutions for availability of money	4.09
8.	Cashless transactions gained popularity after demonetization in India	4.14
9.	Cashless transactions help in keeping a track of the expenditure	3.99
10.	Cashless transaction methods can be made from anywhere and thus you don't have to be physically present for making the transaction	4.10



**Figure 1: Mean Value of Factors Affecting the Adoption of Cashless Transactions in India**

Table 3 shows the results of t-test. It is found from the table that the significance value for all the statements is below 0.05. Hence all the statements regarding the factors affecting the adoption of cashless transactions in India are significant.

**Table 3: T-test for Factors Affecting Adoption of Cashless Transactions in India**

Sl. No.	Statements	t-Value	Sig
1.	Cashless methods have reduced the transaction time	5.076	0.000
2.	Cashless methods of transactions offer the option of credit which is very useful	6.054	0.000
3.	Cashless transactions are quite convenient	7.721	0.000
4.	Cashless methods of transactions are gaining popularity for day-to-day transactions	6.692	0.000
5.	We get a lot of benefits with cashless transactions	5.598	0.000
6.	With cashless transaction methods, it has become easy to make	7.002	0.000

	transactions		
7.	With cashless methods in place, we don't have to depend on banking and financial institutions for availability of money	7.036	0.000
8.	Cashless transactions gained popularity after demonetization in India	8.441	0.000
9.	Cashless transactions help in keeping a track of the expenditure	5.874	0.000
10.	Cashless transaction methods can be made from anywhere and thus you don't have to be physically present for making the transaction	7.239	0.000

### Conclusion

Cash is always considered as very important for transactions, but this scenario is changing as the whole world is adopting cashless society. India is also making lots of efforts to convert their cash economy to cashless economy. It was observed from the study that various factors influence the adoption of cashless transactions in India. Convenient, easy, instant, social influence, lifestyle compatibility and awareness of cashless transactions are some of the factors that encourage people to adopt digital mode of payment. But some factors like fear of fraud, identity theft, misuse of personal information, cybercrime, complex, need of bank account, expensive, trust are some of the factors that create doubt in the mind of people to adopt or not these cashless transactions. It was observed that irrespective of efforts of government, still there are many challenges to fulfil the dream of digital India. Government must take initiative to control fraud related activities with cashless transaction and create more awareness among people to use digital options.

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