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Adoption of Cashless Payment Method:A Study on Perceptional Constraints of Costermongers

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Introduction

Costermonger sit at the crossroads of the cash economy and can help expand the use of cashless payments by consumers. The regularity and frequency of purchases made from everyday costermongers define the valueof retail payment solutions to consumers, and generate an anchor for them within the formal financial sector. *(World Bank, 2016)*

Costermongers in developing economies, however, exhibit limited acceptance and use of cashless payment service, despite progress in elevating financial access and inclusion at both the global and country level, and the important role retail traders play in the economy. According to the global market sizing study, developing countries have a higher percentage of paper-based payment transactions (cash and checks). The trend is also more prominent with small retailers, where many itinerant and fixed store retailers tend to shy away from cashless transactions, such as using debit or credit cards, because of extra costs (including transaction and bank fees), lack of awareness, difficulty in accessing financial services and other challenges.

Most of the small retailers accept and effect payments mainly in cash, primarily because of their belief in its being “safe”, limited access to formal credit for inventory and working capital, and are poorly integrated into electronic supply chains operated by supplier and consumer goods companies. In developing countries, cashless payments have not yet achieved sufficient scale and widespread adoption specially among the lower section of people, to change user payment behaviour. As long as retailers, their suppliers and customers hold on to cash, scale will remain elusive.*((World Bank,2016a)*

Recently, India has witnessed a surge in cashless payments, backed by Government reforms and initiatives after high denomination currency notes were discontinued in November, 2016. As people are pushed to adopt new payment patterns in face of shortage of notes in circulation, India is increasingly going cashless post demonetisation. The use of cash is being discouraged and demonetisation, which was initially a reform aimed at tacking the problem of black money has now turned into an opportunity for the government and its various agencies to take the county towards a cashless transaction environment. Covid 19 has added the cherry on the top. Use of UPIs, debit and credit cards, mobile/e-wallets alongside other modes are being pushed by both government and private players, as part of the move towards cashless economy.

Problem Statement:

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Cashless payment methods are growing in terms of availability and variety but theystill failed tobecome valid alternatives to cash due to lack of acceptance and the newburdens that they bring *(European Payment Council, 2014)*.costermongers, who generally come from a lower income level group, still don't find comfortable with the cashless payment options. However, it is not yetknown what these burdens are and the extent at which cashless payment methodsdiffer from cash. As long as the gap between cash and new cashless payment methods is not understood and closed, new payment systems will be developed but will still failto attract users who are heavily reliant on cash such as small retail traders and costermongers.

By trading only in cash, retailers miss out on the benefits that cashless paymentsbring such as reduced cash handling costs, reduced risks and expanding sales*(Gorka, 2012).* Furthermore, *(Humphrey, 2010)* points out that some merchants adoptcashless payment methods as a preventive measure to retain their customer base.

In India also a lot of challenges facing in its march towards digitalisation. India used to be a currency dominated economy before the concept of digitalisation came into forefront. Digital payments have recorded a growth of 30.19 per cent during the year ended March 2021, reflecting adoption and deepening of cashless transactions in the country, RBI data showed. As per the newly constituted Digital Payments Index (RBI-DPI), the index rose to 270.59 at the end of March 2021, up from 207.84 a year ago.

The current statistics suggest that Indian economy by and large still operates on cash today. Till today, 80%of transactions take place in cash*(Das, 2019)*. The Committee on Digital Payments constituted by Ministry of Finance, GOI has in its report in December, 2016 observed that cheques continue to be preferred, constituting 54% in terms of volume and82% in terms of value with retail electronic payments. Particularly, most of the retail traders, who are directly interacting with different sections of consumers, are yet to use cashless paymentservicesto the desired level. The factors attributable for such state of affairs are yet to be known. Therefore, it is imperative to ascertain the factors and problems in adoption of cashless payment methods, particularly with regard to costermongers on accepting cashless payment methods.

Review of Literature:

Roya Gholami et. al. (2010) in a study on factors affecting e-payment adoption in Nigeria observed that Individuals can now carryout many kinds of transactions for goods and servicesusing new methods instead of traditionalmethods of cash and cheques. E-Paymentsystems have various properties, some of which include; convenience, safety, transparency, timeand cost savings of transactions. However, they found a low e-Paymentadoption, which might be due to its underdevelopedinfrastructure including low rateof Internet adoption.

Gustavo A. Del Angel, (2016) opined that there are several reasons why cash persistsand argues that there are three groups of causes. The first group relates to low financial inclusion,which hinders the use of digital financial services. Low financial inclusion is related at least totwo underlying factors; one is the structure and scope of the networks of payments, and the otheris the presence of a large informal economy. The second group is the extent to which digitalpayments work as money, and consequently can substitute cash. The third is that the

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design of payment services still requires toprove convenience and reliability to various segments of the population, particularly those with low financial inclusion.

Christopher S. Henry et. al (2015) found that payment choice is correlated with three factors-demographics,pricing incentives such as rewards, and consumers' perceptions toward payment instruments.Cash is used extensively by older, lower-income and high-school-educated respondents.Pricing incentives matter, since 73% of respondents state that they have rewards on their creditcards. These respondents tend to have higher income and education, but have a lower levelof cash usage. Consumers' perceptions of cash versus debit and credit cards reveal that itis favored because of its low cost, security, ease of use and wide acceptance as a form ofpayment.

World Economic Forum, (2016) observed in a working paper observed that multiple factors hinder the adoption of electronic payments by merchants. major obstacles are identified as significant impediments to deepening these payments, especially in developing countries: an inadequate value proposition for merchants, including product design that does not adequately encourage them to migrate from cash to electronic payments; weak product and stakeholder economics in traditional card models; insufficient aggregate customer demand, needed to reach the "tipping point" that drives demand and supply towards an electronic payments ecosystem; inconsistent technological infrastructure and regulatory environment in developing markets to support electronic payments; ineffective distribution models to serve hard-to-reach merchants in areas with limited economic capillarity (i.e. low density of micro, small and medium enterprises MSMEs and customer populations); and difficulty in formalizing enterprises and reluctance of merchants to pay full taxes on sales.

Objectives:

This study is an attempt to understand the constraints to adopt cashless payment method by costermongers of Golaghat town of Assam; specifically-

1. To examine the level of adoption of cashless payment method by the sample respondents.
2. To examine the factors attributable for low adoption of cashless payment method by the sample respondents.
3. To examine the influence of costermongers characteristics on adoption of cashless payment method

Hypotheses:

For the study, to examine the factors attributable for low adoption of cashless payment method, the following hypotheses were taken into consideration, that-

H_O 1a: the poor customer demand for cashless method has no influences on adoption of cashless payment method

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H_O 1b: the inadequate value proposition of costermongers has no influences on adoption of cashless payment method

H_O 1c: the poor cashless product design has no influences on adoption of cashless payment method

H_O 1d: the ineffective servicesdistribution model has no influences on adoption of cashless payment method

H_O 1e: the inconsistent infrastructure for services has no influences on adoption of cashless payment method

H_O 1f: the informal business establishment of retailers has no influences on adoption of cashless payment method

Further, examine the influence of costermongers characteristics on adoption of cashless payment method, the following hypotheses were taken in to consideration, that-

H_O 2a: the level of education of costermongers has no influences on adoption of cashless payment method

H_O 2b: the level of knowledge of cashless payment method of costermongers has no influences on adoption of cashless payment method

H_O 2c: the level of income of costermongers has no positive influences on adoption of cashless payment method

Methodology:

The study is primarily a descriptive and analytical. The study is undertaken on the costermongers of Golaghat town. The Golaghat one of the largest subdivisions of the Indian state of Assam, later elevated to the position of a full–fledged district headquarter.In Golaghat town both Itinerant costermongers and Fixed Shop costermongers exist. The Itinerant Retailers, engaged in Hawkers and pedlars, Market traders, Street Traders without having a fixed places to carry their trade and generally move from one place to another in order to sell goods in places like road sides, streets, railway compartments, bus stands, and fairs etc. The Fixed Shop costermongers, engaged in Street stalls holders, General Shops, One Price Shops exist. Thus all these categories of costermongers constitute the population of the study.

Sample Size:

The target population was all costermonger of Golaghat town. A total of 120 costermonger participated in this study.A large number of small scale fixed fruits and vegetable sellers are taken as sample as this category constitute a significant part of the population.

Source of Data:

Data for the study was collected from primary data in order to gather information relating to the study.The survey instruments involved in this study were a set of questionnaire forms, which

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were administered personally, which were completed and returned by respondents.Primary data are collected from the sample retailers during the months of May and Nov 2021.
Secondary data are collected from Library work, collecting information from internet sources, consulting persons of related matters etc.

Analysis of Data:
The analysis was conducted using percentage, distinguishable attributes, five point scalesfrom highly agreed to highly disagreed and hypotheses are tested by applying chi-square test.In order to ensure validity of frequency where it is less than five, the frequency was pooled with preceding frequency and D.f. also reduced by one for such pooling.

Analysis and Discussion:
The characteristics of sample respondents exhibit *[Table-1]* that majority were belongs to age groups > 25-<35 years and >35-<50 years (30.83% and 43.33% respectively). With respect to level of education, it was found that 40.00% sample respondents had education up to matriculation and 36.67% are below matriculation level. Regarding nature of business of sample respondents, it was found that itinerant retailers were mostly engaged in hawkers & pedlars (37.5%), market traders (25%) and street traders (37.5%). The sample fixed shop costermongers were mostly engaged in general shop (60%) and street stall shops (20.00%). The level of income also varies among the retailers, the itinerant costermongers opined either low (50%) or very low (42.5%), and fixed shop costermongersopined high (35%) to moderate(40%).
On an enquiry to usage pattern of CLP by sample respondents, it revealed that *[Table-2]* 47.5% retailers had not adopted till date; more prominently by itinerant retailers (70.00%). All the CLP adopted costermongers had been adopting such method partially only. Except 10% fixed shop retailers, all the respondent retailers opined to have moderate to low level of knowledge on CLP. 20.83% respondents accept all types of CLP instruments while 12.5% and 15% accept card and e-wallet only respectively. The uses of CLP appeared to be low as 38.33% and frequency of uses also observed to be occasional (20.83%) and rare (28.33%) as opined by the sample respondents.

Based on survey of literatures Gustavo A. Del Angel (2016), Christopher S. Henry et. al (2015), World Economic Forum (2016) and observations; few variables as considered factors attributable for low adoption of cashless payment method were taken into consideration to examine among the samples categorised as itinerant costermongers, and fixed shop costermongers. The variables were poor customer demands due to “sticky” habits of financial behaviour; inadequate value proposition in terms of expected sales, less active cardholders; poor product design-lack of interoperability and cost involved in CLP method; ineffective distribution model-poor sales, training and customer service; inconsistent infrastructure-poor and unreliable connectivity and electricity and informal business establishment. *(Table-3)*

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It was observed that majority of all category respondents opined either highly agreed and agreed (34.17% each) that poor customer demand is an important factor for low adoption of cashless payment method. However, 50% itinerant costermonger respondents opined neither agreed nor disagreed due to poor knowledge on cashless payment system.

Regarding inadequate value proposition also majority respondents opined either highly agreed and agreed (46.67% and 26.67% respectively) as another important factor for low adoption of cashless payment method, particularly by itinerant costermonger; which did not encourage them due to cost involved and return thereon.

As to the poor product design of cashless payment methods, 47.50% respondents opined neither agreed nor disagreed, which is more prominent among itinerant costermonger (70%). This observation might be due to poor knowledge on product types, features and related merits among the retailers.

The ineffective distribution model was also considered as a critical factor for low adoption of cashless payment method as opined by majority respondents either agreed or highly agreed (60%). Of course 20.83% respondents were found to be undecided, which might be due to non adoption of such methods.

Inconsistent infrastructure, particularly non availability of uninterrupted power supply and frequent network coverage failure including non accessibility to some localities, were opined as factor hindering adoption of cashless payment methods (31.67% respondents opined highly agreed and 35.00% agreed). 20.83% respondents opined neither agreed nor disagreed, who were yet to adopt such payment methods.

Another factor, informal business establishment, were observed as hindering for adoption of cashless payment methods; as opined (36.67% highly agreed and 43.33% agreed) by sample respondents, particularly noticeable among fixed shop costermonger (100% and 93.34% respectively).

The x^2test of hypotheses for factors attributable for low adoption of cashless payment methods by costermonger revealed that *(Table-4)*:

The poor customer demand for cashless method has no influences on adoption of cashless payment method reveals that the calculated value (61.15)> table value (7.81) and hence the hypothesis is rejected. Regarding the hypothesis that the inadequate value proposition of retailers has no influences on adoption of cashless payment method, it was found that the calculated value (67.56)> table value (7.81) and hence this hypothesis is rejected. Another hypothesis that the poor cashless product design has no influences on adoption of cashless payment method revealed the calculated value (64.00)> table value (7.81) and hence this hypothesis also rejected. The hypothesis that the ineffective servicesdistribution model of has no influences on adoption of cashless payment method also rejected as the calculated value (37.06)> table value (7.81). The calculated value (44.40) was found to be higher than the table value (7.81) in the x^2test for the hypothesis that the inconsistent infrastructure for services has no influences on adoption of

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cashless payment method and, therefore, the hypothesis did not hold true and rejected. The case was also same regarding the hypothesis that the informal business establishment of retailers has no influences on adoption of cashless payment method where calculated value (81.42) was found higher than the table value (9.49) and hence the hypothesis is rejected. From the analysis, it may be inferred that informal business establishment, inadequate value proposition, poor customer demands, poor product design, inconsistent infrastructure and ineffective distribution model are some of the important factors attributable for low adoption of cashless payment method by retailers.

The variables like level of education, level of knowledge of cashless payment method, type of costermonger and level of income of costermonger were taken as costermongers characteristics to examine the influence on adoption of cashless payment method using x^2 test.

The hypothesis that the level of education of costermonger has no influences on adoption of cashless payment method, the calculated value (5.559) was found less than the table value (7.815) at 3 df, means the hypothesis holds true *[Table 5 (a)]*. Regarding the hypothesis that the level of knowledge of cashless payment method of costermonger has no influences on adoption of cashless payment method, it was found that calculated value(9.84) > table value (5.991) at 2 d.f., which falls in the rejection region *[Table 5(b)]*. Hence, the hypothesis is rejected. The calculated value (13.534) > table value (5.991) at 2 df *[Table 5(c)]* observed for hypothesis that the type of costermonger has no influences on adoption ofcashless payment method. The hypothesis was not true and hence, rejected. The test of hypothesis that the level of income of costermonger has no positive influences on adoption ofcashless payment method revealed that calculated value (2.80) < table value (7.815) at 3 df *[Table 5(d)]*, hence the hypothesis holds true and accepted.

From the above analysis it may be concluded that the level of education and level of income of costermonger were not dependent, hence these characteristics have no influence on adoption of cashless payment methods. On the other hand, the characteristics level of knowledge of cashless payment methods and type of costermonger have a positive influences on adoption of cashless payment methods.

Conclusion:

Despite this large market opportunity, business face disincentives in migrating to cashless payment methods. Adopting new ways to make payments, such as electronically, must be accompanied by a high degree of trust. While trust is the essential element of economic transactions, trust in financial institutions is particularly low among low-income populations,*[Bachas et al, 2016]*who may face fees or other costs to withdraw funds or make payments to suppliers. Thus, while paying by cash may indeed be costlier for users, *[World Bank, 2015a]* they may perceive it to be more convenient compared to paying electronically. But, innovations that promote cashless payments for retailers are still emerging. They represent, however, an enormous potential to accelerate commerce among underserved populations and deepen financial inclusion for retailers and consumers alike.

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However, few steps may be initiated on priority basis to expedite adoption of cashless payment methods. Efforts may be made to create awareness about the advantages of cashless payments. A concerted effort to makeindividuals aware of the advantages of cashless payments is the starting point.

The positive relationship between regular inflowsinto accounts and cashlesspayments is strong. Apart from the G2P payments, which are now being directly credited toaccounts, an incentive (in terms of tax rebates) to individuals who make payments/remittances in accounts will see a major boost.

Merchant Discount Rates and convenience chargesassociated with e-payments must be reduced.

Although mobile payments dominatethe cashless scenario, loading the mobile wallet is currently allowed almostentirely through bank accounts. What could be more effective is allowingindividuals to directly deposit cash in the mobile wallet. Indeed, if this wasallowed in the demonetization exercise, it would have tremendousshort- and long-term gains.

In India, the roadmapof how the cashless payments infrastructure can promote financial inclusion isperhaps the most exciting issue to be addressed. Further, with the enactment of GST,linking cashless payments to ensure a more efficient collection of taxes would be an interestingpolicy intervention. The demonetization of high valued currency presentsa new scenario. With available data, one needs to see the impact of this suddenshock on cashless payments. (*Mukhopadhyay Financial Innovation, 2016)*

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