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## COMPARATIVE ANALYSIS OF THE BARRIERS IN THE GROWTH OF CASHLESS TRANSACTIONS IN RURAL AND URBAN AREAS

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### ABSTRACT

*The study finds out that the key barriers in the growth of cashless transactions in rural areas are non-availability of internet, non-availability of smart phone, slow internet speed, non-familiarity with payment transfer methods, poor mobile network, cost of internet and lack of merchant or seller's acceptance. All these components reveal that there is a serious need of improvement in the mobile and internet infrastructure in rural areas. Moreover, due to poor literacy rate, people are not familiar with the payment transfer methods. Merchant's in the rural areas do not accept digital payment due to the poor literacy rate and poor mobile and internet network. The study also finds that key barriers in the growth of cashless transactions in urban areas are slow internet speed, non-familiarity with payment transfer methods, fear of online fraud and cost of internet. The quality of mobile and internet network seem to be good in urban areas as the study shows that it is not a barrier in the growth of cashless transactions. People in urban areas have fear of online fraud whereas they do not consider transaction cost as barrier in the adoption and growth of cashless transactions.*

### KEYWORDS

rural & urban, cashless economy, digital payment, electronic payment system.

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### INTRODUCTION

Cashless or cash-lite economy has become one of the important goals of the government after demonetization. The act of demonetization suddenly created the crisis of cash in the economy as 86% of the cash in circulation was demonetized on 8<sup>th</sup> November, 2016. Though initially government announced that the objective of demonetization was attack on the black money, counterfeit currency and to fight the corruption. But later, the cashless economy also become one of the prime objectives of demonetization. There was serious shortage of cash in the economy and people found it difficult to even pay for the goods and services of daily needs. Government took this shortage as an opportunity and started promoting the usage of cashless transactions with greater intensity. Government created pressure on banks to rapidly increase the number of PoS on retail outlets. New payment methods like payment through BHIM and UPI were made available by National Payment Corporation of India (NPCI). This shortage of cash was also an opportunity for mobile wallet and mobile banking service providers to bring in more and more people in the purview of cashless transactions as people also did not have any choice but to use cashless payment methods to make payment. Though, the cashless transactions grew at a faster rate after demonetization but at the same time people faced various problems in adopting the same. Moreover, the problems faced by people in rural were more challenging. This study is an attempt to compare the barriers of cashless transactions in rural and urban areas.

### REVIEW OF LITERATURE

(Jonathan Brugge, 2018) argued in a study conducted by **McKinsey & Company** that convenience is an important determinant of cashless transactions. The convenience of making payment and safety and security drive people towards cashless transactions. (M. Humbari, 2017) argued in a study conducted in South Africa that speed of transaction, wider acceptability of cashless payment methods and security are the important determinants of cashless transactions. (Emrah Oney, 2017) argued that the perceived trust and security both have major impact on the growth of cashless transactions. Further, he argued that the technical protection is one of the strongest determinants of perceived security and risk. (Pedro de Almeida, 2018) argued that people are moving from cash to digital or cashless transactions at an extreme pace as it is convenient, secure, speedy and it reduces the cost of transactions. But the growth in the usage of cashless transactions may also result in the increase in security threats and financial frauds. (Mona Sinha, 2018) argued that people are concerned about their privacy and it affects the attitude towards the adoption of cashless payment methods. (Thanh D. Nguyen, 2018) argued in a study conducted in Vietnam, that the ease of use and the usefulness are the key contributors in the growth of cashless transactions. (Van Son Dinh, 2018) also conducted similar kind of study and the findings were almost similar in both the studies. He also argued that errors in transactions, banking fraud, privacy and security are the barriers in the growth cashless transactions. (Mallat, 2007) argued in a qualitative study conducted on the adoption of cashless payment methods that convenience like avoiding long queue for payment, urgency, requirement of loose cash and paucity of time are the determinants of cashless transactions. Whereas, risk, transaction charges and lack of acceptability by seller are the key impediments in the adoption of cashless transactions.

### NEED AND IMPORTANCE OF THE STUDY

Review of literature suggested that many studies have been conducted to identify the determinants and barriers of cashless transactions across the globe. These studies were conducted in different countries, different conditions and during different time frame. Furthermore, many researchers examined the behaviour of people regarding the adoption of cashless payment methods. It was found that people are concerned about the security, privacy and banking frauds but at the same time, they also acknowledge the ease of use and convenience of making payment. But the researches who have examined the barriers of cashless transactions in rural and urban areas are almost non-existent. So, the researcher has attempted to identify the barriers of cashless transactions in rural and urban areas and also conducted a comparative study of the same.

### OBJECTIVES OF THE STUDY

Followings are the specific objectives of the study:

1. To examine the barriers in the growth of cashless transactions in rural areas.
2. To examine the barriers in the growth of cashless transactions in urban areas.

**RESEARCH METHODOLOGY**

To examine the barriers in the growth of cashless transactions, an exploratory study is conducted. Researcher conducted a survey and collected primary data required data for the analysis. A structured questionnaire was designed containing the question regarding the demographic profile of the respondents including their education and family income level. Thereafter, respondents were asked the problems, they faced in adopting the cashless transactions during the period of demonetization. Respondents were given a questionnaire on a five-point Likert scale. So, the current study is empirical and quantitative in approach. The data was collected from 1096 respondents. Thereafter, it was data was coded and recoded in excel so that it can be synchronized with SPSS software for analysis. To conduct the comparative study, ten components of barriers were identified. To, fulfil the objectives of the study, multiple regression model was used. Further, to test the statistical significance of calculated R Square value, Annova for multiple regression was used.

**ANALYSIS**

**Barriers in the Growth of the Adoption of Cashless Transactions in Rural Area - Regression Analysis Model**

Regression analysis model has been used to the determine the barriers in the growth of cashless transactions. Ten components have been identified to use the regression model to determine the barriers in the growth of cashless transactions in rural areas. These components are (i) Non-availability of internet, (ii) Non-availability of smart phone, (iii) Slow internet speed (iv) Non-familiarity with payment transfer method (v) Fear of online fraud (vi) Submission of documents for KYC (vii) Poor mobile network, (viii) Cost of internet, (ix) Lack of merchant/seller acceptance, (x) Transaction cost. A linear relationship is assumed between the barriers in the growth of cashless transactions and these ten factors. The regression equation hence derived, is as under –

Barriers in Growth Cashless Transactions (Rural) = a + b1 \* (Non-availability of internet) + b2 \* (Non-availability of smart phone) + b3 \* (Slow internet speed) + b4 \* (Non-familiarity with payment transfer method) + b5 \* (Fear of online fraud) + b6 \* (Submission of documents for KYC) + b7 \* (Poor mobile network) + b8 \* (Cost of internet) + b9 \* (Lack of merchant/seller acceptance) + b10 \* (Transaction cost)

Where, 'a' is the autonomous part of the equation which indicates the fixed part that will impact the barriers of cashless transactions regardless the impact of the other factors under the regression analysis. The b1, b2, b3, b4, b5, b6, b7, b8, b9, b10 are the induced parts of the equation, which are also known as the regression coefficient of different components.

**TABLE 1.1: MODEL SUMMARY OF THE REGRESSION ANALYSIS - RURAL**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708 <sup>a</sup>	.501	.492	.809
a. Predictors: (Constant), Transaction Cost, Non-familiarity with Payment Transfer Method, Slow Internet Speed, Submission of Documents for KYC, Lack of Merchant/Seller Acceptance, Poor Mobile Network, Fear of Online Fraud, Non-availability of internet, Cost of Internet, Non-availability of smart phone				

It can be seen from the table 1.1 that the value of the adjusted R Square is .501. It indicates that all the ten components taken into consideration in this analysis, contribute around 50 per cent as the impediments of cashless transactions and the remaining 50 per cent may be due to the other factors which have not been taken into account in the analysis of the current study.

Further, to test whether the calculated adjusted R Square is statistically significant or not, ANOVA test for the regression analysis has been performed, the output of the same is shown in table 1.2. It can be observed from the table 1.2 that the calculated F value is 51.267 with a sig. value = 0.000, which is less than 0.05 (i.e. less than the 5% level of significance).

**TABLE 1.2: ANOVA<sup>a</sup> FOR REGRESSION ANALYSIS - RURAL**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	335.702	10	33.570	51.267	.000 <sup>b</sup>
	Residual	333.953	510	.655		
	Total	669.655	520			

a. Dependent Variable: Barriers faced in the growth of cashless transactions in rural area  
 b. Predictors: (Constant), Transaction Cost, Non-familiarity with Payment Transfer Method, Slow Internet Speed, Submission of Documents for KYC, Lack of Merchant/Seller Acceptance, Poor Mobile Network, Fear of Online Fraud, Non-availability of internet, Cost of Internet, Non-availability of smart phone  
 Hence, it can be concluded that the overall impact of all the components (50%) as the barriers in the growth of cashless transactions is statistically significant.

**TABLE 1.3: COEFFICIENTS OF REGRESSION ANALYSIS**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.100	.214		5.137	.000
	Non-availability of internet	.051	.049	.046	1.039	.299
	Non-availability of smart phone	.388	.051	.385	7.620	.000
	Slow Internet Speed	.179	.056	.122	3.184	.002
	Non-familiarity with Payment Transfer Method	.254	.062	.215	4.114	.000
	Fear of Online Fraud	.036	.063	.027	.570	.569
	Submission of Documents for KYC	.071	.067	.052	1.053	.293
	Poor Mobile Network	.249	.069	.160	3.597	.000
	Cost of Internet	.223	.061	.174	3.670	.000
	Lack of Merchant/Seller Acceptance	.228	.054	.190	4.210	.000
Transaction Cost	.075	.049	.057	1.540	.124	

a. Dependent Variable: Barriers in the growth of cashless transactions in Rural Area  
 From the table above, we can derive the regression equation as under -  
**Barriers in the Growth of Cashless Transactions (Rural) = 1.1 + 0.046 \* (Non-availability of internet) + 0.385 \* (Non-availability of smart phone) + 0.122 \* (Slow internet speed) + 0.215 \* (Non-familiarity with payment transfer method) + 0.027 \* (Fear of online fraud) + 0.052 \* (Submission of documents for KYC) + 0.160 \* (Poor mobile network) + 0.174 \* (Cost of internet) + 0.190 \* (Lack of merchant/seller acceptance) + 0.057 \* (Transaction cost)**

It can be seen from the regression equation and table 1.3 that all the ten factors are have positively impacted as the barriers in the growth of cashless transactions in rural areas. It can also be observed that non-availability of internet contributes only 4.6% as the barrier in the growth of cashless transactions in rural areas which is not very significant. As the mobile and internet have penetrated even in the remote areas of the country and these are available in the rural areas also, so it not a significant barrier in the growth of cashless transactions. It can be seen that non-availability of smart phone contributes as 38.5% as the barrier in the growth of cashless transactions in rural areas. It indicates that in rural areas people still do not have smart phones due to which they are unable to use digital transactions. Slow internet speed contributes 12.2% as a barrier in the growth of cashless transactions. Though the internet is available at almost everywhere in India but still there are some connectivity issues specially in rural and hill areas. It can also be observed that non-familiarity with payment transfer method is also a significant barrier as it contributes 21.5% as a barrier in the growth of cashless transactions. Non-familiarity with payment transfer method in rural areas is found mainly due to the lack of technical know-how and lower literacy rate. Further, this is interesting to note that fear of online fraud contributes just 2.7% as a barrier in the growth of cashless transactions. Another component i.e. submission of documents for KYC contributes 5.2% which is also not very significant and it indicates that people in rural areas do not hesitate much in sharing their documents for KYC. Poor mobile network contributes 16% as the barrier in the growth of cashless

transactions. Though mobile and internet has penetrated in rural areas but the quality of network remains an issue. So, this is also a significant contributor. It can also be observed from the table that cost of internet contributed 17.4% as the barrier in the growth of digital transactions. It indicates that in rural areas people still believe that access to internet is expensive. Further, the lack of merchant/seller's acceptance contributed 19% as the barrier which indicates that merchants or the sellers still rely on cash transactions in rural areas and even if people are willing to pay, using digital transactions, they are unable to do due the unacceptability. The last component under consideration is the transaction cost which contributes 5.7% as barrier in the growth of cashless transactions in rural areas. In general, people have a misconception that cash is free as they do not realize the underlying cost, they are incurring in using cash. The opportunity cost of earning interest, fear of theft and the cost of acquiring cash is generally not considered by people. So, even if people are asked to pay any transaction cost, they try to avoid it by using cash.

**Barriers in the Growth of the Adoption of Cashless Transactions in Urban Area - Regression Analysis Model**

Regression analysis model has been used to the determine the barriers in the growth of cashless transactions. Ten components have been identified to use the regression model to determine the barriers in the growth of cashless transactions in urban areas. These components are (i) Non-availability of internet, (ii) Non-availability of smart phone, (iii) Slow internet speed (iv) Non-familiarity with payment transfer method (v) Fear of online fraud (vi) Submission of documents for KYC (vii) Poor mobile network, (viii) Cost of internet, (ix) Lack of merchant/seller acceptance, (x) Transaction cost. A linear relationship is assumed between the barriers in the growth of cashless transactions and these ten factors. The regression equation hence derived, is as under –

$$\text{Barriers in Growth Cashless Transactions (Urban)} = a + b1 * (\text{Non-availability of internet}) + b2 * (\text{Non-availability of smart phone}) + b3 * (\text{Slow internet speed}) + b4 * (\text{Non-familiarity with payment transfer method}) + b5 * (\text{Fear of online fraud}) + b6 * (\text{Submission of documents for KYC}) + b7 * (\text{Poor mobile network}) + b8 * (\text{Cost of internet}) + b9 * (\text{Lack of merchant/seller acceptance}) + b10 * (\text{Transaction cost})$$

Where, 'a' is the autonomous part of the equation which indicates the fixed part that will impact the barriers of cashless transactions regardless the impact of the other factors under the regression analysis. The b1, b2, b3, b4, b5, b6, b7, b8, b9, b10 are the induced parts of the equation, which are also known as the regression coefficient of different components.

**TABLE 1.4: MODEL SUMMARY OF THE REGRESSION ANALYSIS - URBAN**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.377 <sup>a</sup>	.142	.127	1.058

a. Predictors: (Constant), Transaction Cost, Non-familiarity with Payment Transfer Method, Slow Internet Speed, Submission of Documents for KYC, Lack of Merchant/Seller Acceptance, Poor Mobile Network, Fear of Online Fraud, Non-availability of internet, Cost of Internet, Non-availability of smart phone

It can be seen from the table 1.4 that the value of the adjusted R Square is .142. It indicates that all the ten components taken into consideration in this analysis, contribute around 14.2 per cent as the impediments of cashless transactions and the remaining 85.8% may be due to the other factors which have not been taken into account in the analysis of the current study.

Further, to test whether the calculated adjusted R Square is statistically significant or not, ANOVA test for the regression analysis has been performed, the output of the same is shown in table 1.5. It can be observed from the table 1.5 that the calculated F value is 9.330 with a sig. value = 0.000, which is less than 0.05 (i.e. less than the 5% level of significance).

**TABLE 1.5: ANOVA<sup>a</sup> FOR REGRESSION ANALYSIS - URBAN**

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	104.404	10	10.440	9.330	.000 <sup>b</sup>
	Residual	630.009	563	1.119		
	Total	734.413	573			

a. Dependent Variable: Barriers faced in the growth of cashless transactions in rural area  
 b. Predictors: (Constant), Transaction Cost, Non-familiarity with Payment Transfer Method, Slow Internet Speed, Submission of Documents for KYC, Lack of Merchant/Seller Acceptance, Poor Mobile Network, Fear of Online Fraud, Non-availability of internet, Cost of Internet, Non-availability of smart phone  
 Hence, it can be concluded that the overall impact of all the components (14.2%) as the barriers in the growth of cashless transactions in urban areas is statistically significant.

From the table 1.6, we can derive the regression equation as under -

$$\text{Barriers in the Growth of Cashless Transactions (Urban)} = 1.336 + 0.031 * (\text{Non-availability of internet}) + 0.084 * (\text{Non-availability of smart phone}) + 0.176 * (\text{Slow internet speed}) + 0.271 * (\text{Non-familiarity with payment transfer method}) + 0.078 * (\text{Fear of online fraud}) + 0.011 * (\text{Submission of documents for KYC}) + 0.000 * (\text{Poor mobile network}) + 0.162 * (\text{Cost of internet}) + 0.017 * (\text{Lack of merchant/seller acceptance}) + 0.024 * (\text{Transaction cost})$$

**TABLE 1.6: COEFFICIENTS OF REGRESSION ANALYSIS - URBAN**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.336	.195		6.858	.000
	Non-availability of internet	.034	.080	.031	.427	.670
	Non-availability of smart phone	.086	.076	.084	1.128	.260
	Slow Internet Speed	.195	.060	.176	3.271	.001
	Non-familiarity with Payment Transfer Method	.249	.053	.271	4.692	.000
	Fear of Online Fraud	.082	.056	.078	1.475	.141
	Submission of Documents for KYC	.013	.059	.011	.221	.825
	Poor Mobile Network	.000	.064	.000	.002	.998
	Cost of Internet	.186	.063	.162	2.976	.003
	Lack of Merchant/Seller Acceptance	.017	.060	.017	.288	.774
Transaction Cost	.024	.060	.024	.406	.685	

a. Dependent Variable: Barriers in the growth of cashless transactions in Rural Area

It can be seen from the table 1.6 that non-availability of internet contributes just 3.1% as the barrier in the growth of cashless transactions in urban areas. Telecom companies have been strengthening their mobile network specially in urban areas. Moreover, these companies have been ensuring the users that their network is strong and users can check the network coverage themselves. So, the non-availability of internet is a small contributor as the barrier in the growth of cashless transactions. Further, it can be observed that non-availability of smart phone contributes 8.4% as the barrier in the growth of cashless transactions. The next component i.e. slow internet speed contributes 17.6% which indicates that people feel that the speed of internet is not up to the mark and it creates doubt regarding the success rate of the transactions in the mind of the users. Non-familiarity with payment system contributes 27.1% as the barrier in the growth of cashless transactions. It indicates that even in urban areas people are not familiar with the payment transfer methods. Fear of online fraud contributes 7.8% which indicates that people have fear in their mind that if they share their bank account details online with vendors of cashless transactions, they may be the victim of cyber fraud and lose their money. It can be seen that submission of document for KYC contributes just 1.1% as the barrier which indicates that people in urban areas do not hesitate in submitting their documents for KYC. This is interesting to note that poor mobile network's contributions as the barrier in the growth cashless transaction in zero. It shows that people in urban areas are generally satisfied with the coverage and quality of mobile network. Cost of internet was the next component under consideration and it contributes 16.2% as barrier in the growth of cashless transactions. Though, Indian consumers enjoy the cheapest data

rates in the entire world but they still feel that the cost of data is a barrier. It can be observed from that table that lack of merchant's acceptance contributes just 1.7% as the barrier in the growth of cashless transactions which indicates that most of small and large merchants accept the digital payments in various modes. The last component under consideration was the transaction cost which contributes 2.4% as the barrier. It is an indication that very few people consider transaction cost as barrier in the growth of cashless transactions.

## FINDINGS

The impediments or the barriers in the rural and urban areas differ from each other. In rural areas, non-availability of smart phone, slow internet speed, non-familiarity with the payment transfer methods, poor mobile network, cost of internet and lack of acceptance by merchants are the key barriers in the growth of cashless or digital transactions. Whereas, non-availability of internet, fear of online fraud, submission of documents for KYC, and transaction cost also contributed positively as the barriers in the growth of cashless transactions but the contribution is not significant. In urban areas, slow internet speed, non-familiarity with payment transfer, fear of online fraud and cost of internet are the key barriers in the growth of cashless transactions. Whereas, non-availability of internet, non-availability of smart phone submission of documents for KYC, poor mobile network, lack of sellers acceptance and transaction cost also contributed positively as the barriers in the growth of cashless transactions but the contribution was not significant.

## RECOMMENDATIONS

On the basis of the findings, it is recommended that there is a need to create awareness in rural areas about the benefits of the cashless transactions among people so that more and more people can start using the cashless transactions. Apart from it, telecom companies are required to make their telecom infrastructure more strong and reliable in rural areas. Government need to devise policies which can help in increasing the literacy rate in rural areas. Moreover, the safety and security is a major concern of people specially in urban areas, so there is an urgent need to work upon the technological advancements in this direction to build faith among people that their money will remain safe if they use online payment transfer methods.

## CONCLUSION

The study revealed that the key barriers in the growth of cashless transactions in rural areas are non-availability of internet, non-availability of smart phone, slow internet speed, non-familiarity with payment transfer methods, poor mobile network, cost of internet and lack of merchant or seller's acceptance. All these components reveal that there is a serious need of improvement in the mobile and internet infrastructure in rural areas. Moreover, due to poor literacy rate, people are not familiar with the payment transfer methods. Merchant's in the rural areas do not accept digital payment due to the poor literacy rate and poor mobile and internet network.

The study also revealed that key barriers in the growth of cashless transactions in urban areas are slow internet speed, non-familiarity with payment transfer methods, fear of online fraud and cost of internet. The quality of mobile and internet network seem to be good in urban areas as the study shows that it is not a barrier in the growth of cashless transactions. People in urban areas have fear of online fraud whereas they do not consider transaction cost as barrier in the adoption and growth of cashless transactions.

## LIMITATIONS OF THE STUDY

The study has taken only ten components under consideration to do the comparative analysis whereas there can be many more factors or components whose impact can be analysed and tested statistically to understand and identify the barriers in the growth of cashless transactions. Moreover, the demographic profile of the respondents has also not taken into account like age, education, profession, income level which may have significant impact in the growth of cashless transactions in rural and urban areas which can further help in developing the greater insights of the barriers of cashless transactions.

## SCOPE OF FURTHER RESEARCH

The barriers or the impediments in the growth of cashless transactions can further be explored from other perspectives like literacy rate, occupation, gender, consumer behaviour and other psychological factors. Moreover, apart from the barriers, the reasons of growth or the determinants of cashless transactions can also be explored in future studies.

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