

CASHLESS TRANSACTIONS: OPPORTUNITIES AND CHALLENGES AMONGST MSME AT SIVAGANGA DISTRICT, TAMILNADU

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Abstract: Micro, Small and Medium Enterprises segment has developed as a highly effervescent and active part of the Indian economy. Improving the quality and upgrading the technology are the two vital parameters that have developed in the recent past. The Indian economy has witnessed the third-time demonetization process in the year 2016, which results in the need for cashless transactions. Therefore, the objective of this study is to identify the factors influencing suppliers and customers of MSMEs towards cashless transactions and to find out various challenges and opportunities associated with the implementation of the cashless policies in the MSME Sector in Sivaganga district, Tamilnadu. The responses were collected from 150 Proprietor/Managers of MSME in Sivaganga district, Tamilnadu. The data were analyzed using the percentages analysis, Chi-square test, and Analysis of variance (ANOVA). The study exposed that the cashless transaction amongst MSME in Sivaganga district, Tamilnadu is in the developing stage. Privacy and security, convenience were the factors which influence cashless transactions. The study shows that the suppliers and consumers don't have enough awareness of information security in cashless transactions. Therefore, digital payments will take a long time to become a default payment option and this might benefit the economy in the future. The study recommends that MSME should start using digital payment methods which will serve a cashless economy.

Keywords: Cashless transaction, digital economy, technology, e-Payment, and Demonetization.

I. INTRODUCTION

Micro, Small and medium enterprises play a vital role in providing employment opportunities and also helps in industrialization/development of rural areas, thus decreasing the regional imbalances, assuring equitable distribution of income and wealth in Sivaganga district. MSMEs sector contributes enormously to the socio-economic development of the district. The MSME enterprises are directed by the Micro Small and Medium Enterprise Development (MSMED) Act 2006. According to the survey report published by Economic Times in the year 2017, 98 percent of total economic transactions is completed through cash. In particular, the cash transactions are carried out in the country are through the small exchange of goods or services. The Majority of the rural people still do not have high-speed internet network and thus lack using online payment methods. The World Bank's Global Index displays that Indians are considerably less familiar with the digital banking system, Credit or debit cards, trades using mobile phones application software, and online payment methods.

II. PROBLEM DEFINITION

The Indian economy is primarily driven by the informal sector that relies on cash-based transactions. Sivaganga people usually prefer to spend and save in cash. According to an article published by Google India and Boston Consulting Group, 75% transactions are only through cash, whereas in developed countries like the USA, Canada, etc. it was just around 20-25%. In Sivaganga District, MSMEs have a vital role in the growth of employment opportunities and increased income. Improving the quality and upgrading the technology are the two vital parameters that have emerged in the recent past. They are essential for enhancing the competitiveness of the MSME sector in the Sivaganga District. The research focuses on the impact of technology on the MSME sector in India. It attempts to explore various barriers to technology

development focused on cashless transactions among MSMEs in Sivaganga District.

III. LITERATURE REVIEW AND THEORY

According Adeya, (2001) and Dahawy, et al., (2005), the 21st Century has observed remarkable technological development in almost all domains of human endeavor. The most distinct is the system of information technology. Omotunde, et al., 2013 in his research stated that It is an economy where transactions can be done without carrying the physical cash as a means of payment but rather with the use of credit or debit cards for payment of goods and services. According to Agba, (2010), e-payment is a effecting payment medium without manual intervention. Ejiolor & Rasaki, (2012) perceives that the cashless system store money in an electronic purse or a card which is then used to buy a product. Alm, (1985) informed that, in developing economies, cash transactions are usually associated with the informal sector, and the fundamental motive for informality is assumed to be tax evasion.

IV. OBJECTIVES OF THE STUDY

- To identify the factors influencing business partners and customers of MSMEs towards cashless transactions.
- To determine the challenges and opportunities related to the usage of cashless transactions amongst the MSME sector in Sivaganga district, Tamilnadu.

V. RESEARCH METHODOLOGY

A quantitative approach is used in this research, and the research is descriptive in nature. The conceptualization and development of the questionnaire are based on the existing literature. A typical 5-point Likert scale is used in this research. The survey instrument was refined during a pilot study to ensure the internal consistency of the instrument, with the involvement of 40 respondents. The questionnaire contained

34 items in total. The first part of the instrument contains six questions about the demographics of the respondents such as age, gender education, and profession. The second part of the questionnaire contained ten questions about cashless transactions and the third part of the questionnaire included seven questions pertaining to Perceived problems of using cashless transactions in Sivaganga district, and the last part of the questionnaire contains nine questions related to factor influencing towards cashless transactions. The questionnaires were administered by personal delivery. A Stratified sampling technique was used in this study. The individuals targeted for the collection of data for this research project were owners and Managers of MSME at Sivaganga district, Tamilnadu. During four-weeks, 187 respondents completed the survey. Thirty-one responses were discarded due to duplicate submissions or incompleteness, a net sample of 150 (Size is determined based on the sample standard deviation) usable questionnaires were used in this study.

For the data analysis, a statistical package for social sciences (SPSS) version 20 is used. The weighted average method, ANOVA and Percentage analysis were conducted to identify the relationship between the variables.

VI. DATA COLLECTION, ANALYSIS AND DISCUSSION

Table 1 shows that most of the respondents (50%) are more than 41 years of age, followed by 35.3% of the respondents are in the age group between 31 and 40 years. The Majority of the MSMEs (50%) are less than 200 sq. Ft. in size and 41.3% of the MSMEs are between 200 sq. Ft. to 400 sq. Ft. The Majority of the respondents (46%) are graduates followed by 44.7% of the respondents are uneducated/studied up to Higher Secondary.

Table 1: Profile of respondents

Factors	No of respondents	Percentage (%)
Age of the respondents		
Less than 30 Years	22	14.7
between 31 and 40 Years	53	35.3
Greater than 41	75	50.0
Size of the MSME :(in sq. Ft.)		
Less than 200 sq. Ft.	75	50.0
200 to 400 sq. Ft.	62	41.3
Greater than 400 sq. Ft.	13	8.7
Educational Qualification		
uneducated / up to Higher Secondary	67	44.7
diploma / Graduates	69	46.0
Post Graduate and above	14	9.3

Table 2 shows that most of the MSME (36%) are operating in the Sivaganga district between 21 and 30 Years followed by 25.3% of the MSME working in Sivaganga district for more than 31 years. The Majority of the MSME (51%) are having less than five employees followed by 34.7% MSME are having employees between 6 and 10.

Table 2 Profile of MSME

Factors	No of respondents	Percentage (%)
How long this MSME is operating in Sivaganga district:		
Less than ten years	22	14.7
Between 11 and 20 Years	36	24.0
Between 21 and 30 Years	54	36.0
31 and above	38	25.3
Number of personnel working		
Less than 5	77	51.3
Between 6 and 10	52	34.7
11 and above	21	14.0

Table 3 Manager/Proprietor's perceptions of Cashless Transactions

S N o	Statements	SD	D	NA /DA	A	SA	Mean
1	Do you agree that the cashless transaction will reduce cash related fraud?	11.3	20.7	30	36.7	1.3	2.96
2	Do you agree that the e-payment method leads to transparency in the Economic system?	12.7	16.7	34	28	8.7	3.03
3	The cashless system results in reducing fraud and encourage accountability	4.7	8.7	36	42	8.7	3.41
4	Do you agree that money laundering will decrease due to the cashless system	14.7	20	28	31.3	6	2.94
5	Do you agree that the implementation of the cashless transaction will increase tax collection?	18	9.3	28	40	4.7	3.04
6	Cashless transactions are more convenient	15.3	14	30	33.3	7.3	3.03
7	Are you willing to switch to cashless transaction	10.7	10	28.7	48	2.7	3.22
8	I have the basic Knowledge about cashless transactions	22	7.3	28	36.7	6	2.97
9	Cashless transactions are Easy to Operate	9.3	5.3	42	42.7	0.7	3.20
10	Cashless transactions are Safe to use	18.7	9.3	32.7	37.3	2	2.95

Table 3 shows that cashless transactions will reduce cash related fraud with a mean of 2.96. The respondents, however, informed that the e-payment system will stimulate an increase in transparency with a mean of 3.03. The respondents believe that the cashless system will help in reducing fraudulent financial reporting and promote accountability with a mean of 3.41. The respondents believe that the Money laundering and other top management crime will decrease as the cashless system is implemented with a mean of 2.94. The respondents agreed that the full implementation of the cashless policy in India would stimulate an increase in tax collection in India with a mean of 3.04. 40.6% of the respondents agreed that Cashless transactions are more convenient, 50.7% of the MSME

Managers/Proprietor decided that they are willing to switch to the cashless transaction. 42.7% of the respondents informed that they have enough Knowledge about cashless transactions. 42.7% of the respondents reported that cashless transactions are Easy to Operate and 39.3% of the respondents informed that Cashless transactions are Safe to use.

Henry Garrett Ranking Method

MSME respondents' opinion towards the frequently used medium of cashless transactions ranked based on Henry Garrett Ranking Method are listed in Table 4.

Table 4: MSME Medium of Cashless transactions

Factors	Weighted Average	Rank
Debit/credit card	82	1
Mobile banking	43	2
Mobile wallet	21	3
Payment through apps	19	4
online transaction	18	5
Other methods of payment	8	6

Table 5: ANOVA Test Results

No.	Hypothesis	Results	Reasons
H1	Educational Qualification of the respondents and their Knowledge about cashless transactions.	Not Supported	ANOVA results, F value = 0.455, Mean Square=0.720, Sig.=0.635
H2	Size of MSME and their opinion that the cashless transaction will reduce cash related fraud.	Supported	ANOVA results, F value = 2.861, Mean Square=3.030, Sig.=0.49
H3	Years of the existence of MSME in the Sivaganga district and their willingness to switch to cashless transactions.	Not Supported	ANOVA results, F value = 1.145, Mean Square=1.069, Sig.=0.364

One of the three hypotheses were supported by the data, consistent with previous literature in most circumstances. In the cases, the Size of MSME influences their opinion that the cashless transaction will reduce cash related fraud.

Table 6: Perceived Problems

Perceived Problems	Mean	Std. Deviation	Variance
Lack of Security and Safety	3.39	1.048	1.098
Cyber Crime	2.71	1.127	1.269
Hacking Problems	3.28	1.075	1.156
The Problem of Internet connection	2.84	1.248	1.558
Service Charges of Transaction	3.34	1.048	1.098
Illiteracy	3.37	1.059	1.121
Tax	2.93	1.153	1.330

The benefits of cashless transactions are that all economic transactions can be recorded properly and also helps in the context of negative global inflation and quantitative easing. It also reduces corruption prevailing in the country. When

respondents are asked about the significant problems encountered in using cashless transaction the respondents informed that Lack of Security and Safety, Cyber Crime, Hacking Problems, The Problem of Internet connection, Service Charges of Transaction, Illiteracy, and Tax with a mean values of 3.39, 2.71, 3.28, 2.84, 3.34, 3.37 and 2.93 respectively.

VII. CONCLUSION

The conclusion reached in this research is that a cashless economy is an essential tool for transparency, reduction of cash related fraud, and more importantly, economic growth and development of the country. MSME at Sivaganga district, Tamilnadu is primarily to be driven by the use of cash and less than 20% of all payments happen electronically. It is observed that the majority of the transactions are carried out via cash in the Sivaganga district. The findings of the study show that MSME at Sivaganga district are not using the digital payment methods effectively in comparison to other regions. It is still in its initial stage, and most of the population are dependent on cash-based transaction due to the unreachability of internet connectivity, lack of awareness of the online financial transaction, and service charges on card payments. Therefore, Banks needs to come up with the new policies of digital transactions. It is recommended that the government should promote its agencies, and private sector service providers to spread financial literacy to a great extent, especially in rural areas. The Government should provide extra benefits on digital transaction payments and offer extra incentives or interest rates on cash saving in bank accounts.

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