

Digital Transaction Trends among the Rural People in Kerala in the Post-demonetisation Period

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Abstract

A Cashless economy is an economy in which all types of transactions are done without using the money but rather through digital means such as net banking, mobile banking, debit and credit cards etc. India is far behind to other economies with regard to cashless transactions. The government's big push to boost digital transactions began with the demonetisation of two largest denomination notes in November 2016 and followed by a series of incentives for cashless transactions, which gave great fillip to digital transactions in India. This paper attempts to analyse the current digital transaction trends among the rural people in Kerala and also to unveil the various problems faced by the rural people in conducting digital transactions. Demonetization has enhanced cashless transactions in rural areas. Digital payments gained momentum in rural areas immediately after the demonetization due to the shortage of cash. The cashless payments have increased soon after demonetisation for the purchases of goods such as groceries and textiles, and payments for medical bills, utility bills (telephone bills, electricity bills etc.), school/college fees and online purchases. Subsequently, with the easing of the liquidity crunch, the trend has been reversed for all cashless payments for the purchase of goods and services, except for the payment of school/college fees and online purchases. However, there has been a substantial rise in the use of digital banking services in the rural areas such as Debit/Credit Card, Online/Mobile banking. The major issues encountered by the rural people for carrying out cashless transaction are lack of confidence on the security of digital platforms, service charges for using digital banking services and levying penalties for exceeding limits, lack of computer knowledge, less user-friendly, and low internet speed.

Key words: Digital transactions, Cash-based transactions, and Demonetization.

Introduction

A Cashless economy is an economy in which all types of transactions are done without using the money but rather through digital means such as net banking, mobile banking, debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. Digital transactions can bring people into the formal economy, thereby promoting financial savings, reducing tax evasion and curbs the generation of black money. Further, the ease of conducting financial transactions is probably the biggest motivator to go digital. Digitalisation of the economy can broadly impact three sections of society: the poor, who are largely outside the digital economy, the less affluent, who are becoming part of the digital economy; and the affluent, who are fully digitally integrated via credit cards (Economic Survey, 2016-17, Government of India). Currently, India is far behind to other economies with regard to cashless transactions. According to the study report of Boston Consulting Group (BCG) and Google India, the cash-based transactions accounted for around 75 percent of total transactions in India, while it was only 20-25 percent in developed countries such as US, Japan, France, Germany etc. The Watal Committee has recently estimated that cash transactions account for about 78 percent of all consumer purchases.

The government's big push to boost digital payments began with the announcement of the demonetisation of two largest denomination notes, namely, Rs. 500 and Rs. 1000 with immediate effect on November 8, 2016. Consequently, 86 percent of the cash in circulation was rendered invalid. This forced the people of India to go digital. Digital transactions have gained momentum immediately after the demonetisation mainly due to a shortage of cash in the banking system. But with the easing of the liquidity crunch, digital transactions have seen a dip. The reports of National Payments Corporation of India (NPCI) and RBI indicated that the value and volume of digital transactions decreased sharply throughout the country. The volume of digital transactions rose from 672 million in November to 958 million in December 2016. However, after the situation stabilized with increased availability of cash, the number of electronic transactions declined by 20% to 763 million transactions in February 2016. The value of digital transactions fell from \$1.42 to \$1.4 trillion over the same period. A sharp fall in digital transactions was also witnessed in rural areas. In this backdrop, this study is relevant for getting an accurate picture of the current digital transaction trends among the rural people in Kerala. Further, this paper attempts to unveil the various problems faced by the rural people in conducting digital transactions.

Review of Literature

The efforts made by the Reserve Bank of India for the promotion of electronic payments are very significant. The transactions processed by the paper-based clearing systems have shown a continuous decline both in volume and value terms. Substantial growth in e-payments is evident from the study both in terms of diversification and innovation. Development of information and technology has been an important driver in the growth of e-payments. The study highlighted the value and volume of e-payments have increased significantly still its reach is not at much great level in rural areas primarily due to lack of internet connectivity and other infrastructural facilities (Abid, 2016). Demonetization has opened many inroads in the digital payment system in India. People are now becoming less apprehensive of technology, and are becoming more comfortable with the digital world. The software industry has also been given a big boost. There was a high demand for online and other alternative modes of payments during demonetization because of shortage of liquidity in banks, ATMs as well as in the hands of the people. Decision of demonetization resulted in increased use of mobile wallets (Prajapati and Singh, 2017). The digital payments had given relief and force the people to learn digital transactions after demonetization. People adopted technology slowly, but don't wanted to pay extra for digital transactions (Kumar and Chaubey, 2017).

The e-commerce industry suffered with the onset of demonetization, has now tremendous scope for growth. The security of digital payment methods are nowhere near perfect (Saini, 2017). The cashless transaction system is growing day by day, as more and more people move from cash to cashless system due to the widening of globalised market and the growth of banking sector. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done (Kumar, 2017). India is now in the list of top countries where major population transact online. With the introduction of smart phones and mobiles application the usage rate has increased. But there is a long way to go as rural population of India is still waiting for some programme from banks that will facilitate their usage of e-banking services (Singhal, 2017).

Objectives of the Study

1. To compare the digital transaction trends among the rural people in Kerala during the pre and post demonetization periods.
2. To trace out the problems relating to digital transactions in rural areas and to suggest measures to resolve them.

Methodology

The study is mainly based on primary data collected from 100 randomly selected households from four Panchayats of Kottayam district, namely, Mutholy, Thalappalam, Athirampuzha, and Kaduthuruthy, using an interview schedule. Secondary data is gathered from sources such as internet, books and related journals.

Digital Banking Trends among the Rural People in Kerala: Findings

Mode of Payment for Transactions

During the pre-demonetization period, all the respondents used cash as the mode of payment for all transactions. The method of transaction became cashless for 25 percent of the respondents soon after the demonetisation and further it declined to 15 percent in the current period (Table1). It indicates that the demonetization has created some positive trend among the rural people for the use of digital platforms. But their frequency and volume of transactions are relatively very low.

Table: 1 Method of Payment for Transactions

Method of Transactions	Before Demonetization	Soon After Demonetization	Current trend
Cash	100 (100%)	75 (80%)	85 (85%)
Cashless	Nil	25 (25%)	15 (15%)
Total	100 (100%)	100 (100%)	100 (100%)

Source: Primary Data

Use of Digital Banking Services

There has been a substantial rise in the number of rural people using digital banking services such as Debit/Credit Card, Online/Mobile banking and RTGS and NEFT. The percentage of debit/credit card users among the sample respondents rose from 38 percent before the demonetization to 70 percent soon after the demonetization. Now it further expanded to 82 percent. The use of both Online/Mobile banking and RTGS and NEFT transactions by the rural people rolled up significantly from 10 percent to 52 percent and 25 percent respectively in the current period (Table 2).

Table 2: Use of Digital Banking Services

Use of Digital Banking Services	Before Demonetization	Soon After Demonetization	Current Trend
Debit/Credit Card	38(38%)	70 (70%)	82 (82%)
Online/Mobile Banking	10 (10%)	46 (46%)	52(52%)
RTGS and NEFT	10 (10%)	20 (20%)	25 (25%)

Source: Primary Data

Banking Behaviour Trends among the rural people

The demonetization has brought some changes in the banking behaviour of the rural people. They began to carry out online transactions without visiting the bank branch. Such trend is seen more in the payment of utility bills and insurance premium, fund transfer, repayment of loan, changing pin number, and for account statement and balance enquiry. The frequency of visiting bank has been reduced slightly from 96 percent to 90 percent during the post demonetisation period. Almost all of the sample respondents visit bank branch for depositing money and updating KYC (Table 3). Moreover, a vast majority of the respondents (72%) opined that the level of digital banking awareness has increased considerably in the post demonetisation era.

Table 3: Banking Behaviour Trends

Banking Transactions	Pre-demonetization		Current trend	
	Branch Visit	Online	Branch Visit	Online
Balance Enquiry	96 (96%)	4 (04%)	90 (90%)	10 (10%)
Account Statement	100 (100%)	Nil	88 (88%)	12 (12%)
Depositing money	100 (100%)	Nil	96 (96%)	4 (04%)
Transfer Money	94 (94%)	6 (06%)	84 (84%)	16 (16%)
Payment of Utility bills	96 (96%)	4 (04%)	76 (76%)	24 (24%)
Change pin number	90 (90%)	10 (10%)	84 (84%)	16 (16%)
Insurance premium	100 (100%)	Nil	86 (86%)	14 (14%)
Loan repayment	96 (96%)	4 (04%)	86 (86%)	14 (14%)
Update KYC	100 (100%)	Nil	100(100%)	Nil

Source: Primary Data

Trends in Cashless Payments for Purchases

It is evident from the data that soon after demonetisation cashless payments has risen for the purchases of goods such as groceries and textiles, and payments for medical bills, utility bills (telephone bills, electricity bills etc.), school/college fees and online purchases. But, the present trend exhibits that cashless transactions for most of the purchases have been declined except for the payment of school/college fees and online purchases. The rural people always preferred cash payment for bus journey and the purchase of bakery items (Table 4).

Table 4: Trends in Cashless Payments for Purchases

Items	Before demonetization		Soon after demonetization		Current Trend	
	Cash	Cashless	Cash	Cashless	Cash	Cashless
Groceries	100(100%)	Nil	80 (80%)	20 (20%)	90 (90%)	10 (10%)
Entertainment	96 (96%)	04 (04%)	50 (70%)	50 (50%)	60 (60%)	40 (40%)
Medical Bills	96 (96%)	04 (04%)	64 (64%)	36 (36%)	70 (60%)	30 (30%)
Utility bills	94 (94%)	06 (06%)	88 (88%)	12 (12%)	85 (90%)	15 (10%)
Fees	100 (100%)	Nil	80 (100%)	20 (20%)	70 (100%)	30 (30%)
Textiles	90 (90%)	10 (10%)	80 (80%)	20 (20%)	82 (82%)	18 (18%)
Restaurants	100 (100%)	Nil	88 (88%)	12 (12%)	94 (94%)	06 (06%)
Bus Journey	100 (100%)	Nil	100 (100%)	Nil	100 (100%)	Nil
Bakeries	100 (100%)	Nil	100 (100%)	Nil	100 (100%)	Nil
Online shopping	96 (96%)	04 (04%)	80 (80%)	20 (20%)	64 (64%)	36 (36%)
Petrol pumps	100 (100%)	Nil	80 (80%)	20 (20%)	90 (90%)	10 (10%)

Source: Primary Data

Problems of Digital Transactions in Rural Areas

An overwhelming majority of the rural people are still not fully confident about the security of digital platforms. Almost all of them (96%) have security concerns. A vast majority of the respondents also (88%) have complaints with regards to the service charges for using digital banking services and levying penalties for exceeding limits. The other reasons cited for less popularity of digital transactions among the rural people are lack of computer knowledge (48%), less user-friendly (42%), and low internet speed (54%). Hence, the majority of the rural people (52 %) are not feeling comfortable in using digital platforms nowadays.

Table: 5 Problems of Digital Transactions

Problems	No. of respondents	Percentage
Security Concerns	96	96
Lack of computer knowledge	48	48

Less user-friendly	42	42
Service charges	88	88
Low internet speed	54	54

Source: Primary Data

Recommendations

Based on the findings, the study proposes some suggestions to overcome the problems relating to digital transactions and for improving and promoting digital transactions among the rural people.

- ❖ As per the study it is found that one main reason for less adoption of digital transactions by rural people in Kerala is lack of feeling security on digital platforms. The rising number of online frauds supports this argument. So, cyber security frame work should be strengthened, updated or revised periodically.
- ❖ Use of bio-metric information for authentication should be used for various digital transactions. Fingerprint scanners are quite common with smart phones these days likewise ATM and POS terminals should be upgraded with biometric scanners. So users don't have to worry about PIN numbers or passwords.
- ❖ Government should bring down or waive-off the service charges on digital transactions to promote cashless economy.
- ❖ Another important issue of rural people connected with digital transaction is the poor internet connectivity. So Government should take effective steps to address this issue and ensure high speed internet connectivity throughout the country which would definitely boost cashless transactions among the people.
- ❖ Banks should promote online banking awareness among the rural people more effectively by show-casing their benefits through advertisements, and other type of campaigns etc.
- ❖ Time delays in sanctioning certain services should be reduced to the minimum possible. For example for applying or reapplying for debit cards some banks provide/replace the cards on the same date the request has been put forward while for some others it takes some days for the cards to arrive via post.
- ❖ Point reward scheme for cashless transactions should be revised and made more attractive so that rural people would be induced to carry out such transactions.
- ❖ Online banking websites and mobile applications should be updated regularly with more securities and services. Applications and websites should be made available to customers in more regional languages.
- ❖ People should not get confused by choices for digital transactions, for instance, there are a number of methods like UPI, AEPS etc. What people require is a few choices but with better services.
- ❖ Banks should conduct opinion surveys among customers for getting feedback on various banking services for their further improvement.

Conclusion

Demonetization has boosted cashless transactions in rural areas. Digital payments gained momentum in rural areas immediately after the demonetization due to the shortage of cash. Subsequently, with the easing of the liquidity crunch the trend has been reversed for all cashless payments for the purchase of goods and services, except for the payment of school/college fees and online purchases. However, there has been a substantial rise in the use of digital banking services in the rural areas such as Debit/Credit Card, Online/Mobile banking. The major issues encountered by the rural people for carrying out cashless transaction are lack of confidence on the security of digital platforms, service charges for using digital banking services and levying penalties for exceeding limits, lack of computer knowledge, less user-friendly, and low internet speed. Hence, the Government should initiate effective measures to solve these issues, especially, by building confidence and trust among the public through strengthening cyber security framework and provision of necessary infrastructure and better incentives for digital transactions. Such measures would induce the rural people to use the digital payment systems leading to significant rise in the volume and value of digital transactions in rural areas.

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