

# ATTITUDES TOWARDS A LESS CASH ECONOMY

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## Abstract

*This paper analyses the consumers' attitudes towards cashless methods of payment. It aims to bring about the acceptance of such methods by looking at the actual usage pattern as compared to their preferences along with reasons for such behaviour. In addition to this, the effect of variables like gender, age, education and socio-economic class were incorporated in the study to understand different responses. The results showed that cash is still used for a greater number of transactions as compared to other methods. It also highlighted that preferences are a main factor in choosing payment methods. The authors arrived at these results by conducting a household survey in Delhi.*

## 1. INTRODUCTION

In a less cash economy a higher percentage of transactions are carried out not by cash, physically, but by other digital methods or electronic devices. These methods include the use of instruments like debit cards, credit cards, mobile wallets like PayTm, Google Tez, UPI apps like BHIM App, SBI Pay etc.

Digital methods are being promoted worldwide because of the ease and convenience associated with it. They are quick and time saving for consumers as well as retailers. Cash can be stolen but a stolen or misplaced card can be easily blocked. In addition to this, digital means let you keep track of your spending and provide several offers. This is the reason why we expect to see that Indian consumers are slowly moving towards other methods.

Sweden is going to be the first country to become totally cashless in the near future. 80% of all transactions are done by digital methods, and debit card is the most popular instrument of payment. Cashless methods are so intrinsic to the economy that even vendors accept cards. Widespread adoption of cards, digitalization of bank accounts, setting up of internet infrastructure and outsourcing of printing and distribution of cash has contributed to

this cashless economy in Sweden.

In India, enough stress has been laid on using cashless methods of payments after demonetization in 2016 as it served as a solution to the cash crunch. Although a shift is seen in the payment pattern away from cash, it is believed that there is still a long way to go. The few consumers who are beginning to use other methods do so because they are able to understand the convenience associated with cashless payments. However, many on the other hand are still counting on traditional payment method out of habit. This research maps the payment pattern of consumers and the factors affecting it. It focuses on the reasons why cash usage is still high and the perceptions associated with digital payments.

## 2. LITERATURE REVIEW

Ever since the government has started promotion of a cashless economy, several studies have been done in this area. Organizations like Better than Cash Organization, Visa and MasterCard are trying to popularize digital payments. According to G20 Report 2014<sup>1</sup>, digital payments lead to increased transparency, lower cost, increased control, incentive to save, financial inclusion and security. Moody's Analytics study<sup>2</sup> found out that card usage add-

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<sup>1</sup> World Bank Development Research Group, the Better Than Cash Alliance, and the Bill & Melinda Gates Foundation. 2014, August. *THE OPPORTUNITIES OF DIGITIZING PAYMENTS.*

<sup>2</sup> Moody's Analytics Study Findings. *Payment Cards and Economic Growth: The Impact of Electronic Payments.*

-ed 0.8% GDP across emerging markets, compared to 0.3% for developed market. Despite these benefits, India still has a higher cash usage<sup>3</sup>. Digital payment methods like cards, mobile wallets, UPIs etc. are starting to show some usage, however, as shown in a study carried out by Bijapurkar, Shukla and Bordoloi, in 2014, it was concluded that card and cash existed alongside by choice. Although digital payment are more convenient, the awareness about their benefit is low and due to the wide cash usage in informal sector, cards were not accepted everywhere<sup>4</sup>. Other studies have also realized the low growth of digital payments in India. Bappaditya Mukhopadhyay<sup>5</sup> suggested that awareness about the advantages of cashless payments should be the first step in the right direction. He also found out that incentivizing payments into accounts would boost digital payments.

Our research focused on the level of cash and digital payment used and what factors could possibly affect it.

### 3. METHODOLOGY

The study was based on primary research conducted in the urban area of Delhi (North campus) and slum area of Delhi (Seelampur). Primary data was collected through individual interviews with the help of a questionnaire. It was a survey of 100 respondents representing various age groups, gender, education levels, income levels and digital literacy to study the reasons and attitude of digital usage. The main focus of the study was to understand barriers to usage of plastic money, people's cash handling behavior, particularly regarding day to day purchases of goods and services, including routine bill payments and work related activities. The final questionnaire was prepared after conducting and evaluating the pilot survey which was carried out on a smaller sample size. The field survey was divided into phases wherein pilot survey was followed by the main survey. The main survey was conducted in June 2018. Households were selected using random sampling. The primary survey included 50 respondents from North campus and 50 from Seelampur.

## 4. RESULTS AND DISCUSSIONS

### 4.1. FINANCIAL INCLUSION

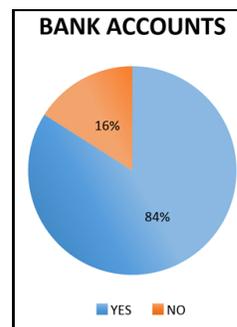
The process of financial inclusion consists of seeking each household and offering their inclusion in the banking sys-

tem. The main feature of the approach involves 'connecting' people with the banking system (Reddy 2007)<sup>6</sup>. This can be measured from ownership of bank accounts, digital methods of payment and usage of ATMs here. Observation of the sample showed that 16% of the respondents did not have bank accounts whereas 84% did. For ownership of digital payment instruments, debit cards are most popular followed by cheques and mobile wallets.

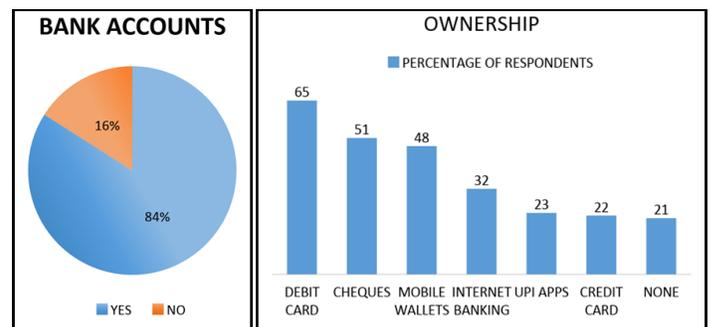
ATM has been used more frequently as compared to other digital payment methods. All of the 84 respondents having bank accounts withdrew money at some point. Out of these, 63 use ATMs for withdrawing cash making ATM penetration 75%. However, similar trends are not seen when it comes to other financial inclusion channels like wallets, cards, UPIs etc.

One important result is that even though 84% people have accounts, there is a significant difference in ownership of digital payment methods lying between 20-60 percentage points. There is still low penetration of mobile wallets, UPI and credit cards as shown in the figure.

**Figure 1. Bank Accounts**



**Figure 2. Ownership of digital payments methods**



Source : Author's calculations based on survey data

Debit Card and cheque ownership is the highest among all instruments being 65% and 51% respectively. High proportion of debit card and cheque ownership is probably a reflection of the fact that most banks promote it at the time when account is opened. This means, it is convenient to get it. Secondly, nowadays ATM cards and debit cards are one and the same thing. Therefore, there is high possibility of owning debit card.

<sup>3</sup> According to People's research on India's consumer economy (PRICE) Cash Survey- 2014, even card users made 73% of their transactions in cash and 17% using card.

<sup>4</sup> Bijapurkar, Shukla, Bordoloi. 2014. REASONS AND ATTITUDES TO USING CASH IN INDIA.

<sup>5</sup> Bappaditya Mukhopadhyay. Understanding cashless payments in India.

<sup>6</sup> Speech delivered by Dr. Y V Reddy, Governor, Reserve Bank of India at Bali, Indonesia on November 8, 2007.

Mobile wallets, despite showing increased usage, are still low in proportion even though a significant amount of promotion has been done to publicize them. Considering the rate of advertisements, cashback offers and the push it received after demonetization, mobile wallet ownership should have been high. 48% respondents own it probably due to the convenient nature of these apps. The same reason should have been followed for UPI apps.

Internet banking ownership has still not reached significant numbers and is owned by 32% of the respondents. This could be due to the fact that general notion is that it requires usage of computers/laptop to carry it out. Moreover, it needs to be activated from bank branch at the time of getting one's account or later.

Credit cards are not achieving high numbers with 22% owning them because credit card marketing target the elite (PRICE Cash Survey-2014). They enforce "not meant for me" perception and hence they are not used by people in the lower sections of society. In addition to these reasons, main factors still come back to digital illiteracy and lack of knowledge and confidence regarding the various methods of payment.

Through the sample, we see that there is a significant difference between bank account ownership and digital payment instruments. This shows that even if a consumer is having a bank account, he/she is not necessarily owning digital methods of payment. However, in case of debit card, promotion by banks can be a reason for its high proportion.

Having observed ownership of digital instruments, we believe that it is important to study how these instruments play a role in carrying out digital payments. The next subsection tries to explain whether this ownership leads to actual usage of instruments. Different categories of expenditure like food, clothes, rent etc. (refer to appendix 2) were looked at to see what kind of expenditures are done using which instrument.

## 4.2. USAGE

By looking at the overall transactions for various consumption expenditures, it was observed that cash usage is as high as 76% of the total 1175 transactions. Following this is debit card which is used for 26% of the transactions. The other instruments' usage lies between 1% to 4%, thus making cash and debit card the two most im-

portant methods. At times an individual used more than one method and therefore the percentages would not add up to hundred.

It was not enough to study the usage pattern for all the respondents together. The possibility exists that there could be some variation for sub-categories of respondents. The important sub-categories which could influence digital payments are gender, age, education, digital literacy, socio-economic class and income.

The sub-categories are further explained below:

### 4.2.1 GENDER

The existence of a gender gap in digitalization is not uncommon. The ownership of digital tools is unequal and so is the usage. The term "digital gender divide" is used to describe such inequalities in efficient utilization and accessibility of digital methods. This is due to reasons like hurdles to accessibility, lack of education and technological literacy, affordability, inherent biases and social norms.<sup>7</sup> Gender divide is seen in areas such as ownership of smartphones and financial inclusion as well. Women in rural areas are 72% less likely to own a smartphone and in urban areas are 63% less likely.<sup>8</sup> Disparity in financial inclusion exists because women still depend on their partners which leads to unequal representation in the labor force and less control over economic resources. When expenses and businesses are controlled by men, they have access to more assets which enables them to pay digitally.

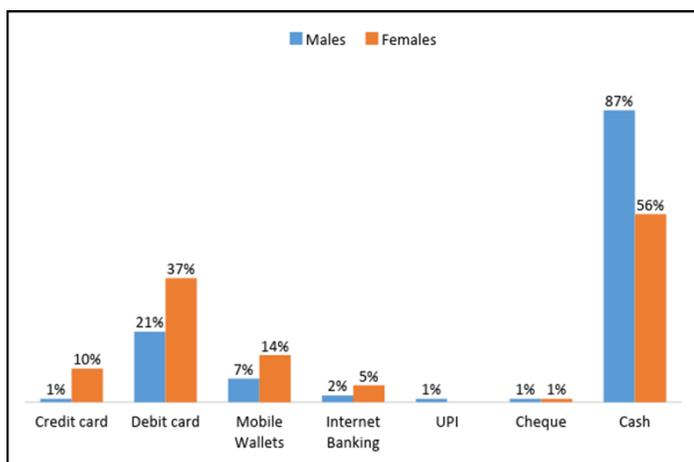
Having said this, data showed that females used less cash as compared to males and more digital payment methods. Meaning, women used more digital methods of payments than men. Their cash usage accounted for 56% as compared to males which was 87%. Debit Card showed more usage by females with a difference of 16 percentage points and so did Credit card with a difference of 9 percentage point. Mobile wallets and internet banking also showed some difference with more females using it.

After exploring it further, all the women who used digital methods had some characteristics in common. They were all young, educated and belonged to middle or high socio-economic background. This led us to think that this pattern is not affected by gender and the characteristics mentioned before were responsible usage of digital payment methods.

<sup>7</sup> Report by Organisation for Economic Co-operation and Development. 2018. BRIDGING THE DIGITAL GENDER DIVIDE INCLUDE, UP-SKILL, INNOVATE.

<sup>8</sup> GSMA 2018.

Figure 3. Digital payment usage pattern-GENDER.

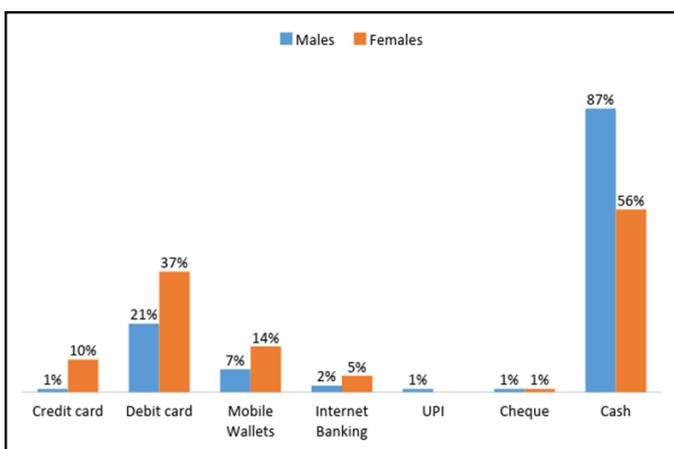


Source : Author’s calculations based on survey data

### 4.2.2. AGE

If we are to compare young and middle aged respondents, we can expect that young people are more aware about how technology works as compared to middle aged. A digital divide exists here as well which results in the tendency that middle aged or older people are less likely to use internet than younger adults.<sup>9</sup> Aged people lack the confidence because of fear of losing money unknowingly. Young people, on the other hand, are aware of solutions like following up with banks, customer services etc., and are therefore more confident. The sample showed a similar pattern. With increase in age, cash usage rises significantly from 68% to 92%. Similarly, debit card usage decreased from 32% to 16%. A slight difference is also observed for credit cards, mobile wallets and internet banking.

Figure 4. Digital payment usage pattern-AGE.



Source : Author’s calculations based on survey data

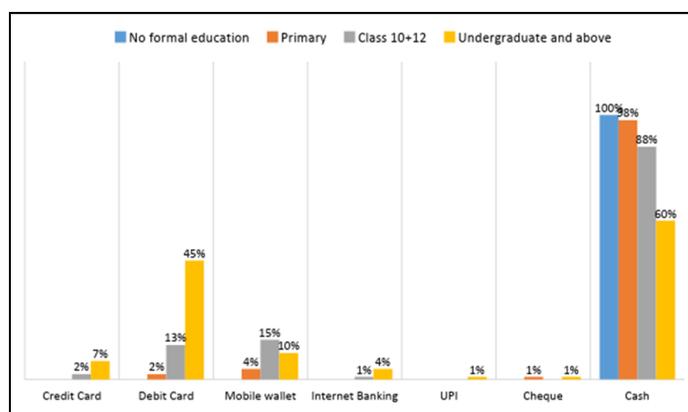
### 4.3. EDUCATION

The problem of complexity and low confidence level attached to digital payments can be resolved through education. Educated respondents had a higher level of self-efficacy and were ready to try instruments commonly perceived as complicated. Education could be measured by looking at the level of schooling which is a direct indicator and digital literacy which is an indirect indicator.

As a person’s education level increases, his digital payment usage also increases as observed in figure 6. For people with no education and primary level of education, usage pattern is similar across all instruments. People belonging to class 10+12 education level (secondary and higher secondary) still used digital payments for transactions as mobile wallet and debit card usage is 15% and 13% respectively. Undergraduates and above had the highest debit card usage and lowest cash usage among all other levels.

For someone with no education, it would be difficult to go through the complicated process of issuing cards as it involves filling of several forms. Moreover, low education level influences confidence level and most of the respondents perceived themselves to be ineligible to use other methods as they lacked the knowledge. Problem is further highlighted when there are hardly any centers to reach out to these people to increase their involvement unlike the educated people who are more aware about the benefits of digital payments.

Figure 5. Digital payment usage pattern-EDUCATION.



Source : Author’s calculations based on survey data

A person is considered to be digitally literate when he/she is able to operate basic features of at least one electronic device. We see that digital literacy strongly affects the lev-

<sup>9</sup> Carol C McDonough. 2016. The Effect of Ageism on the Digital Divide Among Older Adults. HSOA Journal of Gerontology & Geriatric Medicine.

-el of digital payments because none of the digitally illiterate people used any digital modes of payment. They used cash for all expenditures. There was no pattern for other payment instruments. This is mainly due to the reason that they do not have the ability to use technology which is highly intrinsic to digital payments.

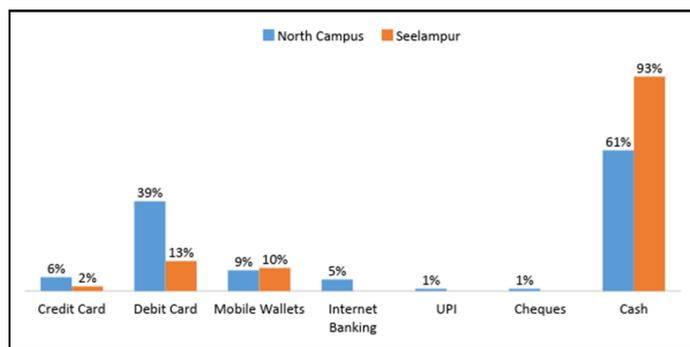
**4.4. SOCIO- ECONOMIC CLASS**

To check influence of class, we compared respondents from North Campus and Seelampur, where, Seelampur respondents belonged to low socio-economic class as compared to North Campus. Seelampur is considered an urban slum, comprising people with low income level. On the other hand, North Campus comprises students and residents with a middle class income. To compare the two, one would say that more cash usage in Seelampur is expected.

Cash usage is more in Seelampur than North campus, being 93% and 61% respectively. Debit card, the most common digital payment method so far, is used more in North campus for 39% transactions as compared to 13% in Seelampur.

For the pattern in mobile wallets and debit cards, we know that most of the shops in Seelampur accepted PayTm but did not have PoS terminals for cards, hence debit card usage is more in North Campus. Also, mobile wallet use requirement is related to one’s ability to use a smartphone whereas, cards require bank accounts and a minimum balance in those accounts. Other methods saw low usage in both North Campus and Seelampur.

*Figure 6. Digital Payment usage pattern- DIGITAL LITERACY.*



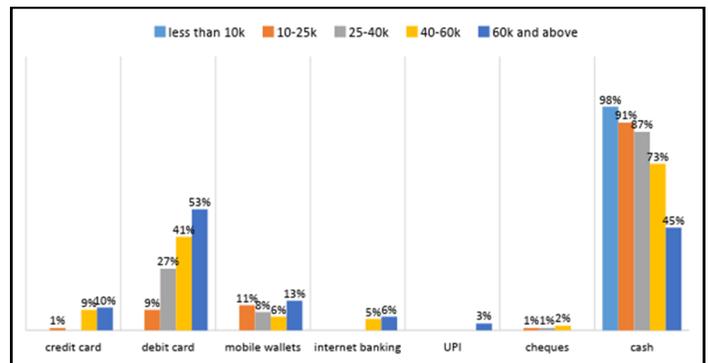
*Source : Author’s calculations based on survey data*

**4.5. INCOME LEVEL**

Income was divided into 5 subcategories to observe that there is a significant increase in the debit card usage and a sharp fall in cash usage as income increases with no major changes in the internet banking, cheque and the UPI usage patterns.

People with less income led a “hand to mouth” lifestyle wherein they spent whatever they earned on essential expenditures like food and clothes and hence used only cash. Low income results in low savings and therefore, fewer amounts could be deposited in bank accounts for digital payments to function. Therefore, they highly depend on cash. Higher income groups showed less cash usage. Their nature of expenditure comprised online shopping, internet bills, purchase of electronic goods among others. For this, digital payments are used more and that is why there is a high percentage of debit card usage.

*Figure 7. Digital Payment usage pattern- INCOME LEVEL.*



*Source : Author’s calculations based on survey data*

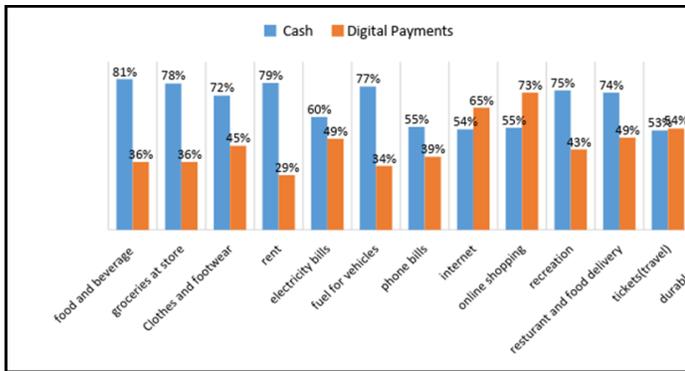
This section concludes that education, age, income and digital literacy can have an effect on a consumer’s payment method. The independent impact of each category and the most important one among these will be developed later by the authors. Having looked at sub-categories, patterns among different expenditure categories are analyzed next. The usage pattern previously showed 76% cash transactions. Observing expenditure separately helps us understand whether this proportion was a reflection of all kinds of payments or depended on the nature of payment.

**4.6. ANALYSIS BY EXPENDITURE CATEGORY**

As mentioned earlier, expenditures were divided into 13 types. To find out whether there is a different usage pattern for different types of payments, we looked at the digitally literate sections. The reason is that these people have the ability to use digital modes of payments. Hence, this part of the sample can be expected to use less cash.

For most expenditures, we saw the usual pattern of more cash usage than digital payment. The expenditures with either equal or more digital payments comprised unconventional uses such as for internet bills and travel tickets among others. The respondents, at times, used more than one method of payment and therefore these percentages do not add up to hundred.

**Figure 8.** Usage of cash and digital payment across different expenditures



Source – Author’s calculation based on survey data.

The expenditures with unconventional payment pattern are discussed below:

- I. **Electricity bills-** There is not much difference between cash and digital payment with the former being 60% and the latter being 48% of the transactions. This shows that digital payment is growing for electricity bill payment. Usage of Debit cards and mobile wallets is driving this behavior. As explained by the respondents, this behavior is seen as it is easier to use digital payment here because payment can be made from home and long lines can be avoided which makes it convenient.
- II. **Phone bills and Internet-** For internet, digital payments are used for 65% of the transactions and cash is used for 54%. Similarly, for phone bills both payment methods are close to each other with digital payments are used 39% of the times as compared to cash which is done 55% of the times. The reason for this lies in the convenience of the mobile wallets and other payment apps. They notify the consumers timely and keep a record of bills. Moreover, network providers have their own apps nowadays like Airtel money et cetera which are used for these payments.
- III. **Online shopping-** This is the only expenditure where we see that cash is less used than digital payments. Of the total transactions for online shopping, 55% were made through cash and 73% of them were made through digital means. The probable reason for this is that cash on delivery options for online shopping usually have extra shipping charges which is why people prefer debit cards over cash. Moreover, there is cashback for using cards on almost all websites.
- IV. **Travel-** Cash and digital payments are almost similar for this expenditure with the former being 53% of transactions and digital being 54%. Main reason behind this is convenience. This is because railway stations have long queues and ‘tatkal’ tickets can be done on the IRCTC website faster.

This subsection helped us identify that the general results for mode of payment of transactions are not similar for all types of expenditures. Unusual pattern was seen for payments like phone bills, internet bills, online shopping et cetera mainly due to the convenience attached to it.

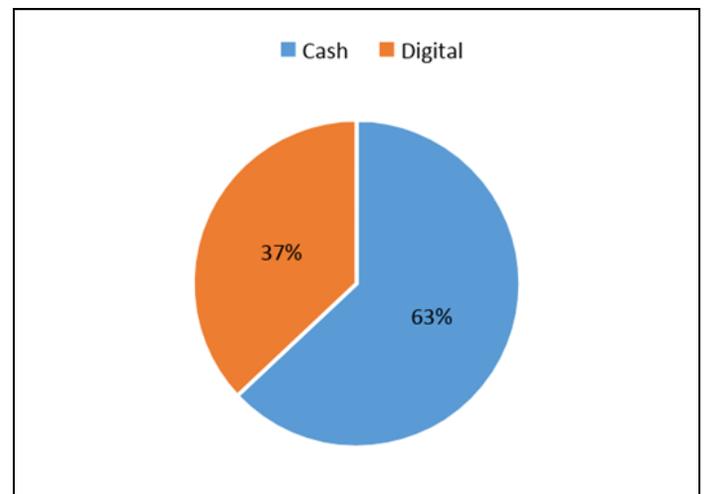
In this section we first compared the ownership of instruments. Debit card was owned the most followed by cheques, mobile wallets and others. The probable reasons for this were also discussed. Even though ownership existed, it was important to know how it was reflected in actual usage. Our observation proved that actual usage was more in cash as compared to digital payments. Therefore, even if people owned digital methods, not all of them were using it. Cash usage was also explored for sub categories which proved to have an impact on digital payments. These categories included gender, age, education, socio-economic level and income. However, the impact on payment method was not same for all kinds of expenditures which was further studied. Some expenditure showed more or almost equal cash and digital payment usage. Hence, we can say that the nature of payment also influenced payment method.

The next section explores the preference pattern of consumers. It studies whether preferences could drive one away or towards digital methods. Looking at preferences of consumers would help us understand the attitude of the consumers. This preference can be compared to actual usage to see if the ones preferring a method of payment are actually carrying it out or not.

#### 4.7. PREFERENCES

When asked about the preferences about one method over the other, we got the following results-

**Figure 9.** Preferences



Source : Author’s calculations based on survey data

We observe that the preference for digital payments is similar to the usage patterns. After asking them their reasons for cash, we got the reasons, in order of importance, as-

- I. **Easily acceptable-** Cash is accepted everywhere, while on the other hand, many shops (especially in Seelampur) still don't accept cards or PayTm. Day to day payments for buying fruits and vegetables from vendors are done in cash because other methods are usually not accepted. Moreover, at times when the servers are down, cash can come in handy.
- II. **Convenient-** It is considered convenient because one would not have to deal with the hassle of going to banks to apply for cards and internet banking. Completing KYC requirement and linking Aadhar number to account are seen as troublesome processes by many.
- III. **Time saving-** It is faster as the respondents mentioned that by keeping cash ready, they could finish payments faster instead of waiting for the internet to connect (in case of payment phone apps). They obviously ignored the time they could save by escaping lines for paying bills and booking tickets but the major concern lied around owning the means of digital payments. For those having cash at home, it was time consuming to go and deposit it in banks.
- IV. **Earnings in cash-** Few people, belonging to low income groups, preferred cash because whatever little they earned, they earned in cash. Their income was exhausted and fewer savings were done to be kept in the banks for card payments to function. Moreover, people earning high amount in cash feel that they can avoid accountability by keeping large amounts of cash at home and therefore, use that cash for expenditure.
- V. **No experience /knowledge of digital means-** Most people still hold on to cash because this is the only mode of payment they are familiar with. Their lack of experience serves as a fear that they might lose money by clicking on unknown links.

Reasons for not using digital means are as follows-

- I. **Complicated-** As mentioned above, this did turn out to be one of the most important reasons why people still do not go for digital payments. The process could be complicated from the beginning. Debit cards, although popular, are difficult to use at PoS terminals as well as ATMs. People feel that it is only the educated class that can deal with the process of issuing credit cards and don't find themselves having enough income to payback. In case of mobile wallets

and other phone applications, the process is made more complicated by the usage of a smartphone. Results show that 15% of the respondents could not use a smartphone at all. Out of those who do, a considerable number is not fully comfortable. KYC and linking Aadhar also served as a hurdle for some. Apart from these, people lacked the confidence to use unconventional ways because of money being involved. Language also affected choice of payment as some mobile applications are not available in all regional languages.

- II. **Less secure-** Respondents felt that there is a threat of fraud in electronic payments. With cases of bank account hacking, they feel insecure using cards. Many of them were convinced that it would lead to loss of money for them at some point. This kind of feeling is widespread due to the fraud cases they hear or read about in the news.
- III. **No knowledge-** Majority respondents who preferred cash payments said that they did not have enough knowledge about other methods. This reason was common in all digitally illiterate people. They complained that they lacked experience to carry out digital payments on their own at home or at stores and restaurants. Step by step explanation and help in first few payments is something they needed.
- IV. **Less acceptable-** Not all places accept cards. So, even if one wants to pay with other methods, he cannot. This was observed especially in Seelampur. Even the market area hardly had any shops with PoS terminals installed. Few shops still accepted PayTm payments but card acceptance was low. Moreover, for consumers, the nature of payment influenced usage of digital methods. For instance, people whose expenditure mostly comprised buying day to day items like food and dairy used cash as vendors accepted only cash. Therefore, acceptability varied across expenditures.
- V. **No need-** Many said that they did not feel the need to make payments digitally as they were more comfortable and habitual of using cash. It was difficult for them to get out of their comfort zone unless it was absolutely necessary. Even if it was necessary, they would find other ways like asking someone else to make digital payments on their behalf and paying them in cash.

This section shows that the actual usage of digital payment methods is similar to its preference. It proves that it is the preference of a person which drives his/her payment pattern. For increasing digital payments, preferences have to change. Even if barriers are removed in terms of

infrastructure and incentives, it will still be a gradual shift to a less cash economy because behavior of the consumer has to be taken into account. Policy and initiatives should work towards tackling problems at the basic levels through engagement with consumers. This section also looked at the reasons why these kind of preferences exist. These reasons should be taken into account to change the perception of the consumers gradually.

## CONCLUSION

By looking at the above discussion, we can conclude that cash is still used in every arena be it for different expenditures or by different kinds of people. For respondents belonging to groups like females, digitally literate, education, young and upper class, we see that some kind of digital payment method is being used. Although cash still exists alongside. No matter how convenient cashless payments can be, there are a significant number of people dependant on cash just because they are used to it. They find digital payments too complicated to make an effort in that direction. Digital payments were affected by education level, digital literacy, age group, socio-economic class and income as expected.

Digital methods of payment also depend on the kind of

payments consumers make because for buying food from local markets, high amount of cash is used but for online shopping, more debit cards are used in transactions. This is because of the nature of expenditure and the acceptability of digital methods. For instance, consumers are more likely to pay vegetable vendors in cash but make online shopping payments through card. Although financial inclusion and ownership of instruments is significant, usage is still low due to traditional approach of consumers.

To add to this, awareness about initiatives, which would have helped boost electronic payments, is still low. Training sessions are required as most of the people restrict themselves as they lack experience. In conclusion, we can say that India is still not a less cash economy and digital methods are still not welcome.

## ACKNOWLEDGEMENT

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