

An Analytical Study on Customer Perception Towards Cashless Transactions

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ABSTRACT

This study explores consumer perceptions towards cashless transactions, particularly in the state of Haryana, following the Indian government's demonetization initiative. While digital payments offer numerous benefits such as convenience, speed, and security, they also present challenges, especially for consumers unfamiliar with digital technologies. The research aims to identify the benefits and difficulties faced by individuals when using various cashless payment methods. Data was collected from 176 respondents across 12 districts in Haryana, providing insights into their preferences, challenges, and concerns regarding digital payments. The findings suggest that mobile wallets like Paytm and Google Pay are widely used, with many users appreciating the simplicity and efficiency of cashless transactions. However, issues such as slow internet, security concerns, and inadequate digital literacy remain barriers to broader adoption. The study underscores the need for improved infrastructure, digital literacy programs, and enhanced security measures to promote a more inclusive cashless economy.

Keywords: Cashless transactions, digital payments, consumer perception, Haryana, security, digital literacy.

INTRODUCTION

Demonetization refers to the process by which a currency unit loses its status as legal tender. This occurs when a government removes the existing currency from circulation, often replacing it with new notes or coins. On November 9, 2016, the Indian government took the unprecedented step of demonetizing the ₹500 and ₹1000 currency notes, with the primary aim of combating black money, corruption, and counterfeit currency. Beyond these immediate goals, the move also sought to encourage the adoption of digital transactions, steering the country towards a cashless economy.

The demonetization initiative created a push for electronic payments, which are seen as more transparent and secure. As part of the broader **Digital India** campaign, which promotes the idea of a "Faceless, Paperless, Cashless" economy, the Indian government has been working towards creating a digitally empowered society. The Reserve Bank of India (RBI) further supported this shift with its Vision 2018, which outlined strategies for building a "less-cash" society. However, despite these efforts, the transition to cashless transactions has been met with both opportunities and challenges.

While cashless transactions offer benefits such as convenience, speed, and reduced risk of carrying cash, several hurdles still prevent widespread adoption. These include concerns about digital literacy, data security, and access to technology. This study aims to analyze customer perceptions regarding cashless transactions in Haryana, focusing on the challenges and benefits consumers encounter when using digital payment methods. By understanding consumer attitudes, this research can provide insights for improving the adoption of digital payment systems in India.

REVIEW OF LITERATURE

The transition to a cashless economy has been the subject of extensive research, particularly in the context of developing countries like India, where digital payment systems are gaining traction. Various studies have explored the factors influencing the adoption of cashless transactions, consumer perceptions, and the challenges faced by users.

Studies by **Gupta and Hakhu** revealed that consumers are becoming increasingly comfortable with digital payments, recognizing them as easy, convenient, and safer than carrying physical cash. The shift to a cashless system can stimulate economic growth by reducing corruption and illegal activities. However, some negative perceptions, such as concerns over security and digital literacy, continue to deter a section of the population from fully adopting cashless payments (Gupta & Hakhu, 2021).

Varma et al. explored the critical role of security in driving consumer adoption of cashless transactions. Their research showed that with the proliferation of smartphones and internet connectivity, consumers are increasingly inclined to use digital payment systems, which they find faster and more efficient than traditional cash payments. However, security remains a top concern, with many consumers apprehensive about the safety of their financial data (Varma, Kulkarni, & Ranjith, 2021).

Aggarwal et al. examined the factors influencing the shift from cash to digital transactions in various regions of India. Their study found that consumer behavior has undergone a significant transformation, with several factors—such as technological advancements, ease of use, and incentives like cashback offers—playing a critical role in the adoption of

digital payments. The study also noted regional disparities in digital payment adoption, influenced by factors like internet access and infrastructure (Aggarwal, Sharma, & Kaur, 2021).

Gupta and Hakhu also provided insights into the impact of demonetization on consumer payment behavior. Their study revealed that the 2016 demonetization event led to a substantial increase in the use of electronic payment modes as consumers were forced to explore alternatives to cash transactions. This shift, however, was not uniform, with a portion of the population still preferring traditional payment methods due to concerns over digital literacy and access to secure technology (Gupta & Hakhu, 2020).

Mohd and Ram Pal focused on consumer awareness and the challenges associated with cashless transactions. Their research utilized primary data to assess the benefits and drawbacks experienced by users of digital payment systems. The study concluded that while awareness of digital payments is growing, challenges related to technological infrastructure and security continue to hinder widespread adoption (Mohd & Pal, 2020).

Rathee and Bhayana highlighted the specific problems customers face when making digital payments, particularly in rural areas. Their study identified key issues such as the lack of secure mobile applications and inadequate internet connectivity, which contribute to the reluctance among consumers to switch to cashless systems (Rathee & Bhayana, 2018).

Govil analyzed the broader economic impact of demonetization, noting that while the move caused short-term disruptions in sectors like agriculture, education, and retail, it had long-term benefits, such as the withdrawal of a significant portion of black and counterfeit money from circulation. Govil emphasized that the success of demonetization in promoting a cashless economy would depend on improving digital infrastructure and enhancing consumer confidence in electronic payment systems (Govil, 2017).

Vashista compared cashless transaction adoption between private and public sector bank customers. The study revealed that private sector bank customers were more likely to adopt cashless payments, owing to better technological infrastructure and more robust digital services. The findings suggested that enhancing digital services in public sector banks could help broaden the adoption of cashless transactions across different consumer segments (Vashista, 2017).

These studies collectively underscore that while cashless transactions offer numerous benefits—such as convenience, speed, and security—there are still significant barriers to adoption. Security concerns, technological infrastructure, and digital literacy continue to pose challenges that need to be addressed to achieve widespread acceptance of cashless transactions. This review provides a foundation for understanding consumer behavior and the factors influencing the adoption of digital payment systems in Haryana, the focus of the current research.

RESEARCH METHODOLOGY

This study adopts an empirical and quantitative approach to analyze customer perceptions towards cashless transactions in Haryana. Both primary and secondary data were utilized to provide a comprehensive understanding of the benefits and challenges associated with digital payments.

Data Collection

1. Primary Data: The primary data was collected through a structured questionnaire, which was distributed online via platforms such as WhatsApp and email. The survey targeted a diverse group of individuals across various districts of Haryana, aiming to capture a wide range of perceptions about cashless transactions. A total of 176 respondents participated in the survey. The questionnaire included both closed and open-ended questions designed to assess customer preferences, usage patterns, perceived benefits, and challenges associated with cashless payments.

2. Secondary Data: Secondary data was collected from various academic journals, articles, and reliable online sources related to digital payments, cashless transactions, and demonetization in India. This data provided a contextual background and helped in drawing comparisons with similar studies.

Sampling Design

The sampling design for the study was purposive, focusing on 12 out of 22 districts in Haryana to ensure a balanced representation of urban and semi-urban areas. The selection was based on the accessibility of respondents and the prevalence of digital payment usage in these districts. The data collection was conducted between January and March 2024.

Sample Size

The study gathered responses from 176 individuals from different districts in Haryana. The sample size was determined based on the availability of respondents and the aim to achieve a statistically significant representation of cashless transaction users in the region.

Demographic Breakdown of Respondents

- **Gender:** 76% of the respondents were male, while 24% were female.

- **Age:** The majority of respondents (61.93%) were aged between 26 and 30 years, followed by those aged 31 to 35 years (20.45%).
- **Occupation:** The largest group of respondents was students (33.95%), followed by employees (26.70%), and business owners (16.47%).

Data Analysis Techniques

The collected data were analyzed using statistical tools to identify patterns and trends in customer perceptions. Descriptive statistics, such as frequency distribution and percentages, were used to summarize the demographic data and the responses to the survey questions. The analysis aimed to explore the relationship between demographic factors and attitudes toward cashless transactions, as well as the perceived benefits and challenges.

- **Tables and Charts:** Data was presented using tables and charts to highlight key findings such as the most preferred payment methods, perceived benefits of cashless transactions, and the challenges faced by users.

Research Limitations

- The study was limited to 12 districts of Haryana, which may not fully represent the entire state.
- The reliance on online questionnaires may have excluded individuals without access to digital platforms, potentially skewing the sample towards more digitally literate respondents.

Scope of the Study

The scope of this study focuses on understanding customer perceptions of cashless transactions in Haryana, evaluating factors such as convenience, security, and the technological infrastructure available. The findings are intended to inform policymakers and businesses on how to improve digital payment systems and encourage broader adoption across different regions and demographic groups.

DATA ANALYSIS

The data analysis section evaluates the demographic profile of respondents, the frequency of payment method usage, the perceived benefits of cashless transactions, and the difficulties faced by consumers. The data collected from 176 respondents across different districts of Haryana was analyzed using descriptive statistics, with the results presented in tables to highlight the key findings.

Table 1: Demographic Breakdown of Respondents

Sr. No.	Demographic Variable	Category	Frequency	Percentage
1	Gender	Male	134	76%
		Female	42	24%
		Total	176	100%
2	Age	26-30	109	61.93%
		31-35	36	20.45%
		36-40	19	10.79%
		41-45	8	4.50%
		45 and Above	4	2.27%
		Total	176	100%
3	District	Ambala	1	0.56%
		Mahendragarh	1	0.56%
		Faridabad	4	2.27%
		Panchkula	9	5.11%
		Hisar	139	78.97%
		Rohtak	4	2.27%
		Kaithal	3	1.70%
		Yamunanagar	1	0.56%
		Fatehabad	3	1.70%
		Panipat	2	1.13%
		Jhajjar	5	2.84%
		Sirsa	4	2.27%
		Total	176	100%
4	Education	School Level	37	21%
		Undergraduate	54	30.68%
		Postgraduate	50	28.40%
		Research Scholar	12	6.81%

		Doctorate and Above	15	8.52%
		Other	8	4.54%
		Total	176	100%
5	Occupation	Business	29	16.47%
		Employee	47	26.70%
		Student	58	33.95%
		Farmer	12	6.81%
		Other	30	17.04%
		Total	176	100%
6	Income	Up to ₹1,00,000	74	42%
		₹1,00,001 to ₹2,50,000	52	29.54%
		Above ₹2,50,000	50	28.40%
		Total	176	100%

Analysis:

- The majority of respondents are male (76%) and between 26-30 years of age (61.93%).
- Most respondents are from Hisar (78.97%), followed by Panchkula (5.11%).
- A significant portion of respondents are students (33.95%) and have undergraduate qualifications (30.68%).

Table 2: Frequency of Payment Methods Used

Method of Payment	No. of Respondents	Percentage
Cash	86/176	48.86%
Debit/Credit Card	73/176	41.47%
Paytm	92/176	52.27%
Google Pay	91/176	51.70%
PhonePe	71/176	40.34%
Bhim App	62/176	35.22%
Net Banking	31/176	17.61%
Others	8/176	4.54%

Analysis:

- Paytm (52.27%) and Google Pay (51.70%) are the most commonly used payment methods among respondents.
- Cash still holds significant usage at 48.86%, suggesting that a large portion of respondents continues to rely on cash for transactions.
- PhonePe (40.34%) and Bhim App (35.22%) also have a notable share of users, indicating the popularity of mobile payment options.

Table 3: Perceived Benefits of Cashless Transactions

Perceived Benefits	SA	A	DA	SD	NA	Total
Simple and efficient ways of transaction	34.65%	34.09%	12.50%	3.97%	14.20%	100%
Safe transactions	32.95%	34.09%	17%	11.93%	3.97%	100%
Controls illicit finance	21.59%	41.47%	27.84%	2.27%	6.81%	100%
Fast speed of payments	31.81%	35.22%	15.90%	9.09%	7.95%	100%
Cashback offers/Discounts/Coupons	25.56%	32.95%	22.72%	13.06%	5.68%	100%

Analysis:

- A majority of respondents (68.74%) agree or strongly agree that cashless transactions are simple and efficient.
- Approximately 67% of respondents find digital payments to be safe.
- Controlling illicit finance through cashless transactions is acknowledged by 63.06% of respondents.
- Fast payment speed is recognized as a benefit by 67.03% of respondents, reinforcing the preference for quick and seamless transactions.
- Cashback offers and discounts are perceived as beneficial by 58.51% of respondents.

Table 4: Challenges in Cashless Transactions

Challenges	SA	A	DA	SD	NA	Total
Inadequate knowledge of digital payment	23.29%	40.34%	27.27%	4.54%	4.54%	100%
Slow speed of internet	31.81%	44.31%	17.61%	3.97%	2.27%	100%
Security concerns	23.29%	40.34%	27.27%	4.54%	4.54%	100%
Charges of online transactions	25.56%	38.63%	21.59%	9.65%	3.97%	100%
Lack of computing infrastructure	16.47%	39.20%	27.84%	10.79%	5.68%	100%

Analysis:

- The most significant challenge identified by respondents is slow internet speed, with 76.12% agreeing or strongly agreeing.
- Security concerns are prominent, with 63.63% of respondents acknowledging it as a major issue in cashless transactions.
- Inadequate knowledge of digital payments was highlighted by 63.63% of respondents, indicating the need for better digital literacy initiatives.
- The charges associated with online transactions were seen as a barrier by 64.19% of respondents.
- A lack of computing infrastructure was recognized as a challenge by 55.67% of respondents.

DISCUSSION

The findings from the study provide significant insights into customer perceptions towards cashless transactions in Haryana. The demographic analysis shows that the majority of respondents are young adults (aged 26-30) and predominantly male. This demographic profile suggests that cashless transactions may appeal more to younger, tech-savvy individuals, indicating a generational shift towards digital payment systems. However, the reliance on cash by a substantial portion of respondents (48.86%) points to persistent habits and a possible lack of trust in cashless methods.

Preferred Payment Methods

The preference for digital wallets such as Paytm (52.27%) and Google Pay (51.70%) highlights the growing popularity of mobile-based payment systems. These platforms have gained traction due to their ease of use, fast transaction times, and widespread availability. However, cash remains a commonly used payment method, especially for small, everyday transactions. The continued reliance on cash may be attributed to factors such as limited access to smartphones in rural areas, skepticism about digital transactions, or simply the convenience of physical currency for certain types of payments.

Perceived Benefits

The survey shows that consumers recognize the benefits of cashless transactions, particularly in terms of speed, convenience, and security. Around 68.74% of respondents agreed or strongly agreed that cashless transactions are simple and efficient, while 67% believe they are safe. Additionally, 67.03% of respondents praised the fast speed of payments, which is a crucial factor in enhancing the user experience. These findings suggest that digital payment methods are gradually gaining trust among consumers, especially in terms of convenience and transaction speed.

The positive perceptions of cashback offers, discounts, and coupons (58.51%) also indicate that incentives play a critical role in encouraging the adoption of cashless payment methods. Offering financial rewards for using digital payments has proven to be an effective strategy in driving consumer interest and boosting transaction volumes.

Challenges

Despite the perceived benefits, several challenges continue to hinder the widespread adoption of cashless transactions. The most significant issue identified by respondents is the **slow speed of internet** (76.12%), especially in rural or less-connected regions. Inadequate internet infrastructure remains a major barrier, as it directly impacts the reliability and convenience of digital payments.

Security concerns were also highlighted by 63.63% of respondents, reflecting fears about data privacy, fraud, and cyber-attacks. This aligns with previous studies showing that consumers are often hesitant to embrace digital transactions due to the risks associated with hacking, phishing, and unauthorized access to their financial information.

Another major challenge is the **lack of digital literacy**, with 63.63% of respondents pointing to inadequate knowledge of digital payment systems. This suggests a need for educational programs to help users understand how to safely use digital platforms, particularly in semi-urban and rural areas where technological literacy may be lower.

The **cost of online transactions** (64.19%) was another significant barrier. Fees associated with certain types of digital transactions, such as credit card payments or bank transfers, can deter users, especially those from lower-income groups. Reducing or eliminating transaction fees could encourage broader adoption of cashless payment systems.

Lastly, the **lack of computing infrastructure** (55.67%) indicates that a portion of the population lacks access to the devices and internet connectivity required for cashless transactions. This suggests that government initiatives to improve digital infrastructure, particularly in rural areas, are critical to achieving a fully cashless economy.

Implications for Policymakers and Marketers

The findings of this study have several implications for both policymakers and marketers aiming to expand the use of cashless transactions. First, improving internet infrastructure is essential for ensuring reliable access to digital payment systems, especially in rural and semi-urban areas. Government initiatives such as the **Digital India** campaign should prioritize expanding broadband coverage and enhancing the quality of internet services.

To address security concerns, both the government and digital payment providers should focus on strengthening cybersecurity measures and increasing awareness of safe digital payment practices. Financial literacy campaigns should be implemented to educate the public on the safe use of digital wallets, mobile banking apps, and other cashless payment systems.

Marketers should continue offering incentives, such as cashback rewards and discounts, to encourage consumers to switch from cash to digital payments. These incentives, along with simplified user interfaces and enhanced customer service, can help build trust and loyalty among consumers who may be hesitant to adopt new technologies.

CONCLUSION

The study reveals that while there is growing acceptance of cashless transactions in Haryana, particularly among younger and more digitally literate consumers, significant challenges still exist. Consumers acknowledge the convenience, speed, and security offered by digital payment systems, with mobile wallets like Paytm and Google Pay emerging as preferred platforms. Incentives such as cashback and discounts also play a crucial role in driving adoption.

However, the continued reliance on cash and the barriers posed by inadequate internet infrastructure, security concerns, and a lack of digital literacy highlight the obstacles to achieving widespread usage of cashless transactions. Slow internet speeds, particularly in rural areas, and fears related to online fraud and data breaches remain significant deterrents. Additionally, the costs associated with online transactions and the lack of access to technology further limit the adoption of digital payments.

To facilitate a smoother transition to a cashless economy, policymakers and businesses must focus on improving internet connectivity, strengthening cybersecurity measures, and enhancing digital literacy programs. By addressing these key issues, India can move closer to realizing the full potential of a cashless society, offering benefits such as increased transparency, financial inclusion, and economic efficiency.

Ultimately, while the shift towards cashless transactions is well underway, sustained efforts are required to overcome the challenges that hinder widespread adoption, ensuring that all sections of society can fully participate in the digital economy.

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