

Impact of Usage of Plastic Money in Rural India (A study with reference to Rural Areas in Kancheepuram District of Tamil Nadu)

Dr.S.Hemalatha¹, Dr.S.Ganapathy²

¹Associate Professor, ²HOD & Associate Professor.

¹Department of Maritime Commerce AMET Deemed to be University Chennai,

²Department of Corporate Secretaryship S.A. College of Arts and science, Chennai.

Article Info

Volume 83

Page Number: 8695 - 8700

Publication Issue:

March - April 2020

Abstract

The Government of India demonetized Rs. 500 and Rs. 1000 rupees notes of Mahatma Gandhi series on 8th November 2016. 86% of cash supply was accounted by these notes. The demonetization goals are undermining counterfeiters, tackling corruption and punishing holders of black money. Prime Minister of India Mr. Narendra Modi indicated that holding of unwanted cash in hand is directly linked to the level of corruption. Government wanted to reduce the cash in hand of the people. Though the intention of Government was good, it affected every Indian. It affected agriculture sector too. Farmers especially marginal farmers are affected by the decision of the country as they depend too much on cash dealings. Demonetization changed the usage pattern of farmers. They started using plastic money like debit card, credit card, kisan card etc., Therefore, research to enrich current knowledge about the plastic card usage in rural India is required. Thus, the objective of the study is to identify the impact of adoption of plastic money in rural India. 300 samples were collected. The respondents are marginal farmers of Navalur village, kancheepuram district, Tamil Nadu. The study found that though farmers hold plastic money with them, they prefer to use only cash for all transactions. Cash available at any time anywhere is the major benefit to farmers when they use plastic money. No trust is the major challenges for marginal farmers faced in adoption of plastic money.

Article History

Article Received: 24 July 2019

Revised: 12 September 2019

Accepted: 15 February 2020

Publication: 09 April 2020

Keywords: Demonetization, Plastic Money, debit card, Credit card, Point of Sale

I. INTRODUCTION

New currency was replaced by old currency in India. The Government of India announced that Rs.500 and Rs.1000 have been cancelled from the legal tender from the midnight of 8th November 2016. Government replaced Rs.500 and Rs.2,000 from 10th November 2016.

Cash circulation in India during 2011-2016 grew by 40% overall, Rs. 500 raised by 76% and Rs.1,000 notes by 109% but the economy has grown by 30% only. This has affected all the sectors in the country, especially agricultural sector. Marginal farmers are highly affected as they depend on cash for all the transactions.

This result made them to use plastic money in their business. Demonetization changed the usage pattern of farmers. They started using plastic money like debit card, credit card, kisan card etc., The Government of India through Digital India and Demonetisation tries to promote cashless economy. But still it is difficult to implement it in rural area especially among the marginal farmers. Therefore, research to enrich current knowledge about the plastic card usage in rural India is required. The study aims to identify the major problems to marginal farmers in using plastic money. Thus, the current study aims to find out the impact of usage of plastic money in Navalur village, Kancheepuram district in Tamil Nadu.

II. PROBLEM STATEMENT

Aim of the Project: The major aim of the project is to bringing out the basic problem faced by marginal farmers in using plastic money.

Research Questions:

1. What are the payment method marginal farmers prefer in rural area of India.
2. What are the basic problems faced by farmers in using plastic money
3. What are the major benefits marginal farmers get in using plastic money.
4. What is the significant influences of demographical profile of marginal farmers in adopting plastic money.

The objectives of the study are as follows:

- i. To analyse the payment method preferred by rural marginal farmers in Navalur Village, Kancheepuram, Tamil Nadu.
- ii. To analyse the possible benefit which plastic money can bring to marginal farmers in rural India
- iii. To identify the challenges faced by the marginal farmers in adoption of plastic money.
- iv. To check whether the demographical profile of the farmers significantly influences the adoption of plastic money.

III. REVIEW OF LITERATURE

Plastic money denotes the debit card, credit card or ATM card which helps the user to make purchase or withdraw cash. This card can be used at the convenience of the user in the place of hard cash. A card with magnetic strip which will be used to swiping machine for purchase of goods (Manivannan , 2013). Modern banking includes ATM, plastic money, internet Customers uses EFT or POS by using plastic cards debit, credit or ATM by entering PIN (Shambare 2013)

Bank customers can get plastic card for their

convenience. Rupay Card, Visa Card, Master card, /American Express card etc., are the few examples of bank card associates. Customer can enjoy anywhere , anytime banking.(Kamesam, 2003). The banker are generating the long run relationship with customers by bringing flexibility in operations (De Sarkaret. al. 2001). Plastic cards are the great innovation by which customer can make any purchase just by swiping the card , that too in non banking hours. It has both cost and benefits to the customers. Plastic money is convenient, safe, low cost to day by day transaction. Sathye (1999) found that the important factors are resources, knowledge, life style, processing capabilities have an great impact on the usage of plastic money.

Gerrard (2003) found that financially advanced customer raise profitability easily in using plastic money. Youth generation adopt plastic money higher than the old aged people. Usage of plastic money by married is more than the that of unmarried people . Online banking has cost advantages, have negative impact in usage of plastic money (Sathye ,1999). Some customers have psychological fear in using plastic money Adoption of technology is related with technology readiness (Shambare ,2013). Card are resolve the issue of carrying huge cash (Bindu ,2016). Sharma (2012) identified major frauds in using plastic money. Technology has been drastically changed in all the fields especially in banking sector (Sultana and Hasan ,2016) . The major advantages of using plastic money are cost savings, product innovation, mass communication, customer base etc., (Giannakoudi, 1999). Usage of Plastic money gives luxury to the customers (Manivannan ,2013) .

IV. DATA AND METHODOLOGY

The nature of the study is empirical study. The study was conducted between 1st oct 2019 to 31st January 2020. The Size of the study is 300 samples which were collected from Marginal farmers in Navalur village, Kancheepuram District , Tamil Nadu. The method of sampling was random

Sampling . The Instrument used was Questionnaire. A farmer who cultivate agricultural land up to 1 hectare (2.5 acres) and who have been performing agricultural process for not less than 2 years are defined as marginal farmers. The data collected was analyzed using SPSS tool.

V. FINDINGS AND DISCUSSIONS

Demographical profile of the respondents like age, gender, occupation, qualification and income level were collected and analysed to check their influences in the adoption of plastic money. Along with these demographical profile are used to check the relationship between the adoption of plastic money and their perception on benefits and challenges in using it.

Table 1 : Descriptive Statistics

	N		Mean	Median	Mode	Std. Deviation	Minimum	Maximum
	Valid	Missing						
Sex	300	0	1.067	2.0000	2.00	.45605	1.00	2.00
Age	300	0	3.563	4.0000	5.00	1.33345	1.00	5.00
Highest qualification	300	0	3.7500	4.0000	5.00	1.31654	1.00	5.00
Income	300	0	2.4100	2.0000	1.00	1.30931	1.00	4.00
Frequently used payment method	300	0	2.0133	2.0000	1.00	1.06314	1.00	4.00
Holding bank card	300	0	2.7567	3.0000	3.00	.58760	1.00	3.00
Advantages of plastic money	300	0	3.9467	4.0000	4.00	1.45288	1.00	6.00
Problem in using Plastic money	300	0	2.5833	2.0000	2.00	1.52889	1.00	5.00
Intention to use plastic money	300	0	1.9067	2.0000	2.00	.62658	1.00	3.00

Based on the responses, Female respondents are more when compared with male with value mode of 2. 40 years age group are more with mode value of 5. Academic qualification of the some farmers are none with mode value of 5. Majority of the farmers' income are low as shown by a mode of 1. Though marginal farmers earn less amount, many people prefer to use cash for their transactions. The

most preferred response on the perceived benefit is anywhere anytime access with a mode of 4. The big problem in usage of plastic money is shortage of POS machine with the mode value of 2. As a final result, the majority of the respondents were not interested to use plastic money with mode value of 2. The cross tabulation was used to understand the data presented.

Results about the plastic money facilities availability

Table 2 : Table showing the relationship between the facilities of plastic money availability and Age.

		Availability of plastic card			Total
		POS Machine	Card	None	
Age	18-24	8.0%	8.2%	8.9%	8.8%
	25-30	8.0%	12.5%	13.9%	13.3%
	31-35	28.0%	16.7%	14.7%	16.0%
	36-40	28.0%	20.8%	25.1%	25.0%
	>40	28.0%	41.7%	37.5%	37.0%
Total		100.0%	100%	100.0%	100.0%

From the above table it is observed that majority (37%) of the respondents were above 40 years . Out of aged above 40 years, 37.5% of the respondents possess none of the plastic card facilities. Those who have POS machine are mostly belong to the age group of above 31 years .

Results on preferred and frequently used method of payment

The table shows the preferred method of payment and facilities of plastic money.

Table 3: Payment method and availability of plastic money facilities

		Availability of Bank card or POS			Total
		POS Machine	Card	None	
Frequently used plastic money Total	Cash	48.0%	45.8%	47.4%	47.3%
	Plastic Money	21.0%	21.8%	11.8%	13.3%
	Mobile bankin g	32.0%	29.2%	32.3%	32.0%
	EFT		4.2%	9.6%	8.3%
		100.0%	100%	100.0%	100.0%

Table 3 shows that 32%, 8.3%, 47.3% and 13.3% of the respondents like to use prefer to use mobile money, EFT, cash and plastic money respectively. 48% and 45.8% have POS Machines and bank card among those who prefer to use cash. From this, it is understood that even though those farmers have facilities of plastic money, they like to prefer to use cash for daily transaction. 20% and 28% of the respondents with POS machine and Cards respectively like to use plastic money as a mode of payment for buying goods. Respondents also use mobile money for buying goods and services besides using cash. Electronic Fund Transfer (EFT) are rarely rarely used due to inefficiency to use internet.

Results on problems in using plastic money

Table 4 above shows the challenges faced by the farmers in using plastic money and their income level

Table 4: Challenges in using plastic money and monthly income level

		How much do you earn per month?				Total
		Less than Rs.15,000	Rs.15,001- Rs.25,000	Rs.25,001- Rs.40,000	Above Rs.40,000	
Challenges in using plastic money	High Transaction Costs	24.1%	33.6%	27.5%	38.9%	30.0%
	Risk of Frauds	8.5%	4.3%	2.9%	6.8%	6.7%
	No POS Machines	35.9%	23.9%	47.1%	31.1%	33.7%
	No trust in Banks	26.5%	26.1%	14.7%	18.4%	22.3%
	Stifles Lending/Borrowing	6.0%	13.0%	8.8%	5.8%	7.3%
Total		100.0%	100.0%	100.0%	100.0%	100.0%

From the above table, 30% and 37% of the respondents stated that high transaction cost and lack of POS Machine are the major challenges in using plastic money. 22.3% of the respondents totally lack trust in banks as they lost their savings in bank moratorium. The farmers those who have less than Rs.15,000 have no trust on bank. 6.7% and 7.3% of the respondents stated that Risk of fraud and stifled borrowing are the major challenges of plastic money. For those who earn less than monthly of Rs.15,000, 35.9% of the respondents do not have POS machine, 23.1% suggested that high transaction costs while 26.5% stated that they do not have trust on bank. Majority of the respondents with any level of income stated that high cost, lack of trust and unavailability of POS machine are the major problems in adopting plastic money.

Results on benefits of using plastic money

Table 5 below shows the results on advantages of plastic money and the qualification.

	Qualification					Total
	illiterate	School level	Diploma	Degree	None	
Benefits of Risk Reduction	3.7%	14.3%	10.3%	6.0%	7.8%	8.0%
Safety & Convenience	7.4%	11.4%	12.8%	10.7%	8.7%	10.0%
Alleviate Cash Shortages	3.7%	11.4%	12.8%	11.9%	5.2%	8.7%
Anytime Anywhere Access	59.3%	42.9%	43.6%	47.6%	47.0%	47.3%
Encourage Savings	11.1%	5.7%	2.6%	3.6%	4.3%	4.7%
Not Sure	14.8%	14.3%	17.9%	20.2%	27.0%	21.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Benefits of using plastic money and highest qualification of the respondents

From Table 5 above, 47.3% stated access at any time is the major benefit in adopting plastic money. Among them, 59.3% are illiterate. Those farmers who completed degree feels that 47.6% feels that anytime and anywhere access. 11.9% feels that cash shortages, 10.7% feels that lack of safety and convenience are the advantages in adopting plastic money. 8% of the respondents feel that risk reduction is the major advantages for using plastic money. Most of the people who feel safety and convenience as the major advantage studied only up to school level. Hence, it is found that, regardless of academic qualifications, marginal farmers adoption of plastic money does not depend on academic qualification.

VI. CONCLUSIONS AND RECOMMENDATIONS

This study results that rural communities in Kancheepuram District, Tamil Nadu give preference to cash handling for every transaction than holding POS machine and plastic card. It can be concluded that the biggest challenges in the

usage of plastic money were high level of transaction cost, unavailability of POS machine in needed level and lack of confidence. The marginal farmers stated that access to anytime anywhere is the major benefit in adopting plastic money. During the time of Demonetization marginal farmers are forced to use plastic money. But still then, after the problem of Demonetization is solved, they started using cash as a medium of exchange. Hence, it is suggested in the present study that Government should take severe steps in organizing many programme in rural India to create an awareness on benefits of usage of plastic money.

REFERENCES

- [1]. Bindu P. K., (2016) A Study on the Importance and Popularity of Plastic Money in Aluva. IOSR Journal of Economics and Finance. 7(1).
- [2]. Kumar, A., & Gupta, H. (2009). Branchless banking and financial inclusion. Silicon India, 12(8), 40-42.
- [3]. Manivannan, P. (2013). Plastic money a way for cash less payment system. Global Research Analysis, 2.
- [4]. Nigar Sultana., N and Hasan., M (2016) Investigating the consumers' perception towards usage of plastic Money in Bangladesh: An application of confirmatory factor analysis. South East Asia Journal of Contemporary Business, Economics and Law, 9(2).
- [5]. Poongavanam S(2019) A study on impact of occupational health and the changing business scenario of corporate appraisal. Indian Journal of Public Health Research and Development Vol.10 issue.7
- [6]. Rajasekar, D., Aruneshwar, D.K. (2018). A study on motivational factor for probationary employees in selected ITES Company – Chennai International Journal of Mechanical and Production Engineering Research and Development
- [7]. Shambare, R. (2013) Technology readiness and EFTPoS usage in Zimbabwe. International

Journal of Business and Economic
Development, 1 (1).

- [8]. Sathye, M., (1999) Adoption of internet
banking by Australian consumers: an empirical
investigation International Journal of Bank
Marketing, 17(7)^[11]_{SEP}