

RAPID ASSESSMENT STUDY



CASHLESS TRANSACTIONS IN RURAL KERALA

December 2016

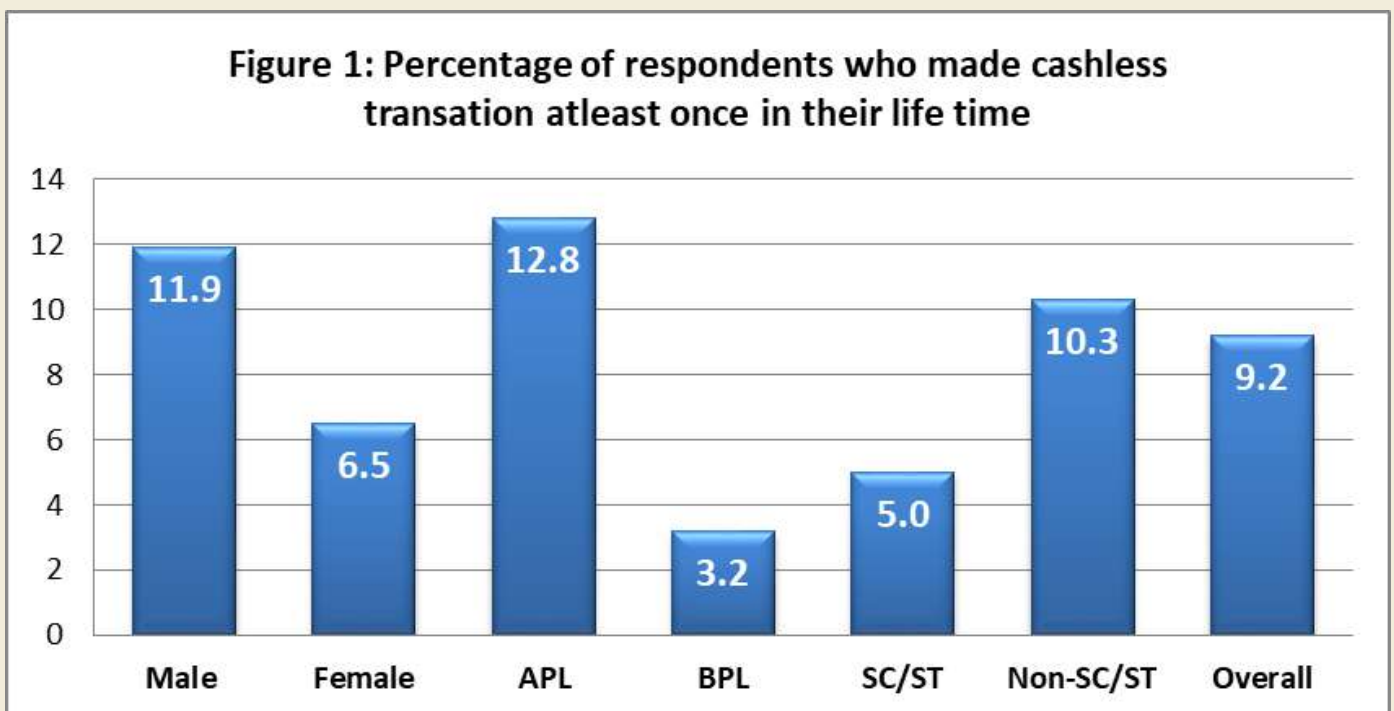


Centre for Socio-economic and Environmental Studies (CSES)



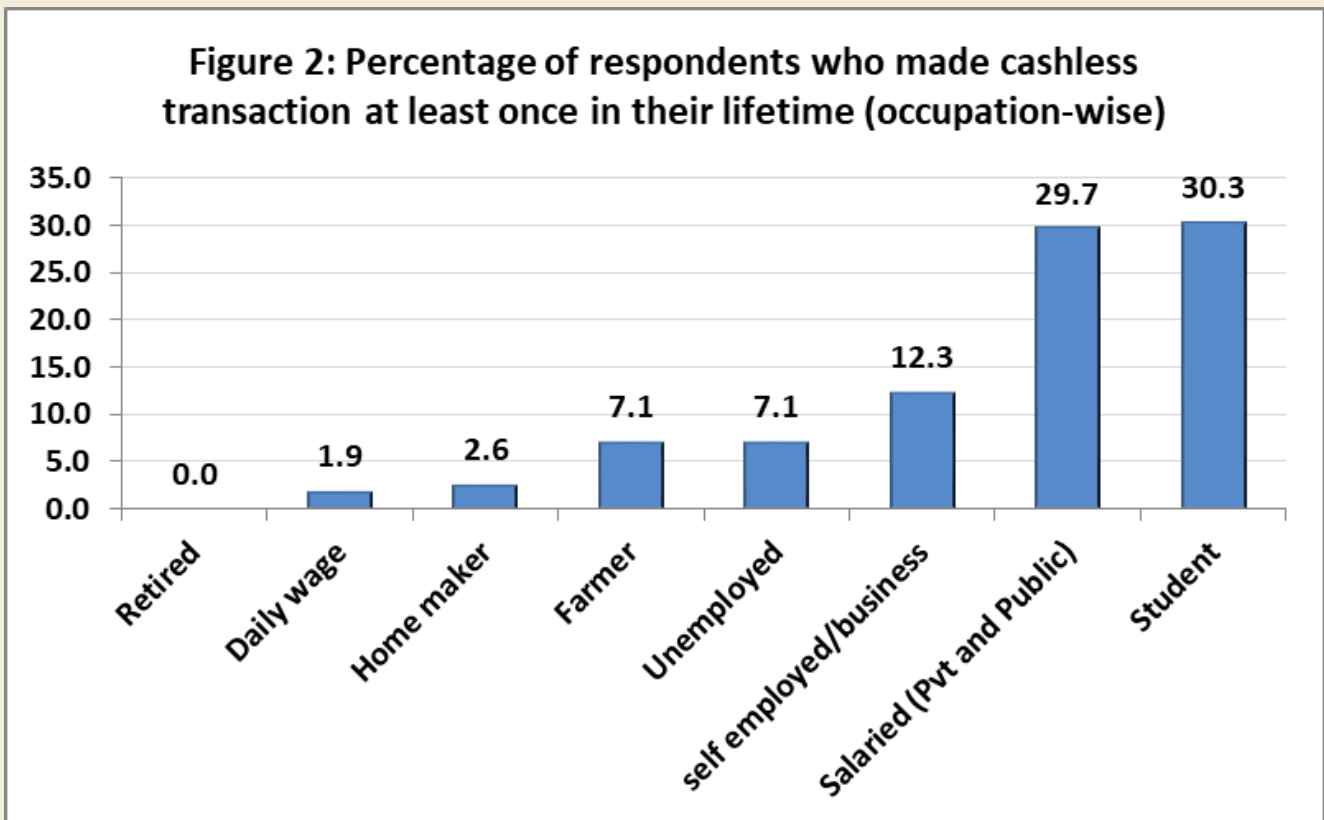
CASHLESS TRANSACTIONS

A study in the rural areas of Ernakulam district in Kerala, India's first district to achieve financial inclusion and the first to achieve universal literacy, reveals that 91 percent of population has not done any cashless transaction in their lifetime. Only 1.6 percent has started using the cashless facility after demonetization of Rs 1000 and Rs 500 notes. The study, conducted by the Kochi based Centre for Socio Economic and Environmental Studies (CSES),

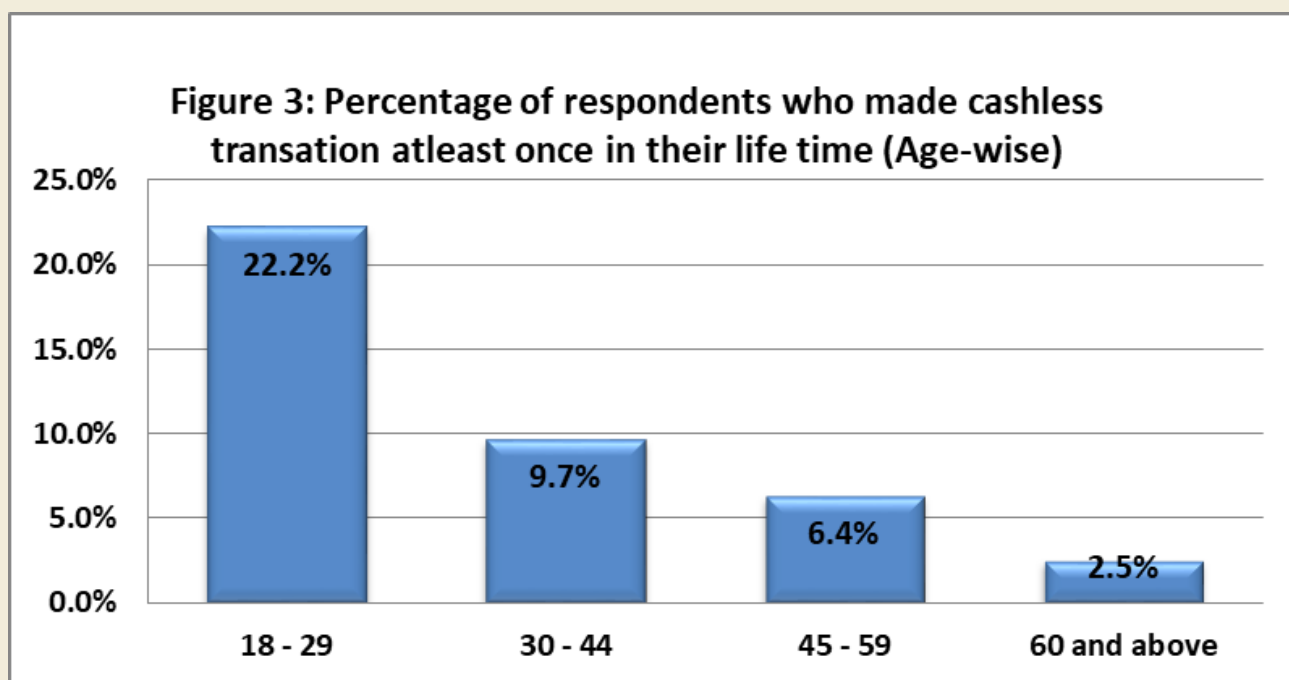


is based on a sample survey among 500 randomly selected adult respondents. The individuals were selected in such a way that the different gender and age groups would get proportionate representation. Bibin Thambi, Jayan K.M, Ramshad M, Ben Rois Jose, Aanchal Nair, Dinoop K.K and Swathi Mohanan, researchers at CSES, conducted the study.

The study shows that the people in the socially and economically backward sections were far behind better off sections in the undertaking cashless transactions. Only 3 percent of people in the Below Poverty Line (BPL) category have ever used the cashless facility at least once in their life time whereas it is 13 percent among the APL category. While only 5 percent of the respondents belonging to the SC/ST have used cashless facilities at least once, 10.3 percent of the other categories used the cashless facility. While only 6.5 percent of the female respondents reported the usage of cashless facility in their life time, it is 12 percent among the males.

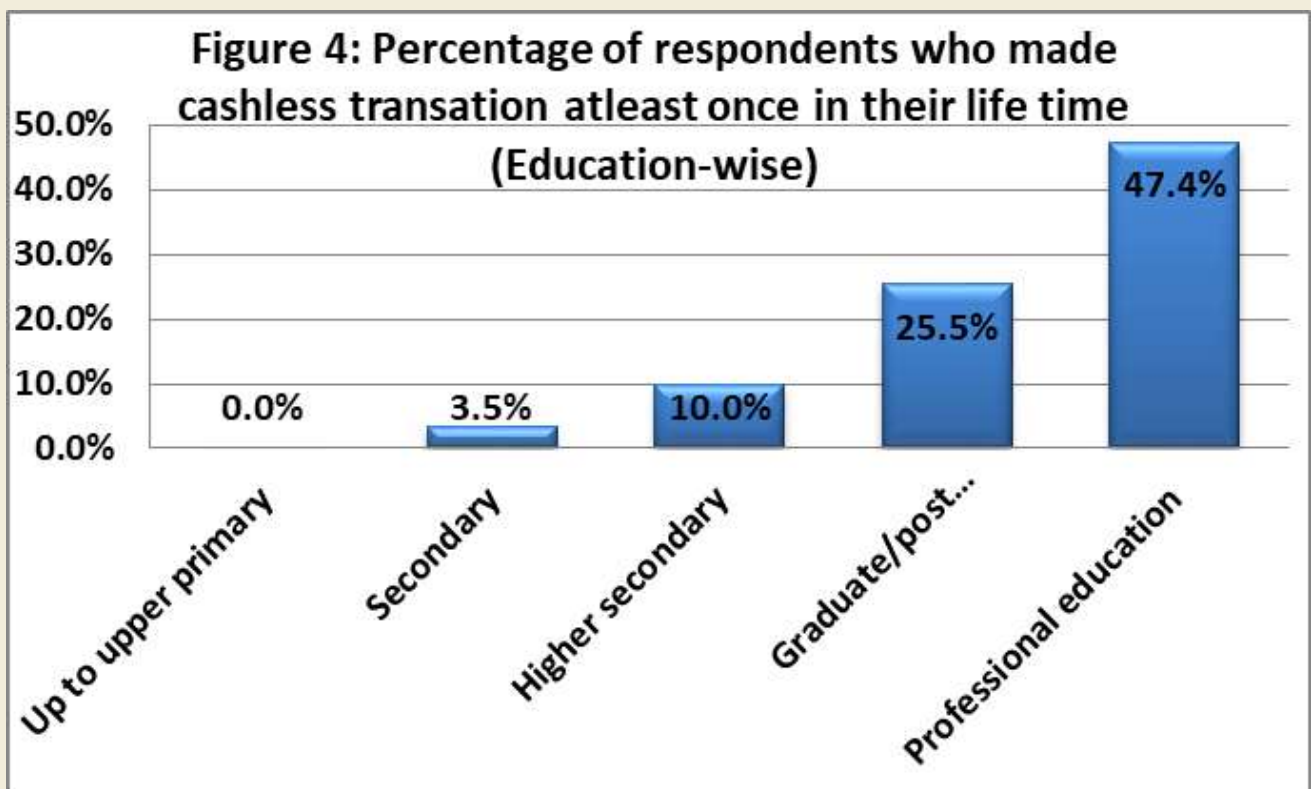


The study also revealed that employees (both in government and non-government institutions), Self Employed/Business persons and Students of the population are in the forefront in doing cashless transactions. Only a few among the daily labourers and home makers who form the majority of the sample, ever made any cashless transactions. Only 2 percent of the daily labourers made cashless transactions at least once while 30 percent of the employees have ever used this facility. Thirty percent of the students in the sample have used cashless facilities where as only 2.6 percent of the home makers used them. The study also shows that 7.1 percent of the farmers and 12.3 percent of the total self employed or business category have ever made cashless transactions. No one in the retired category used any of the cashless transaction facility in their lifetime.



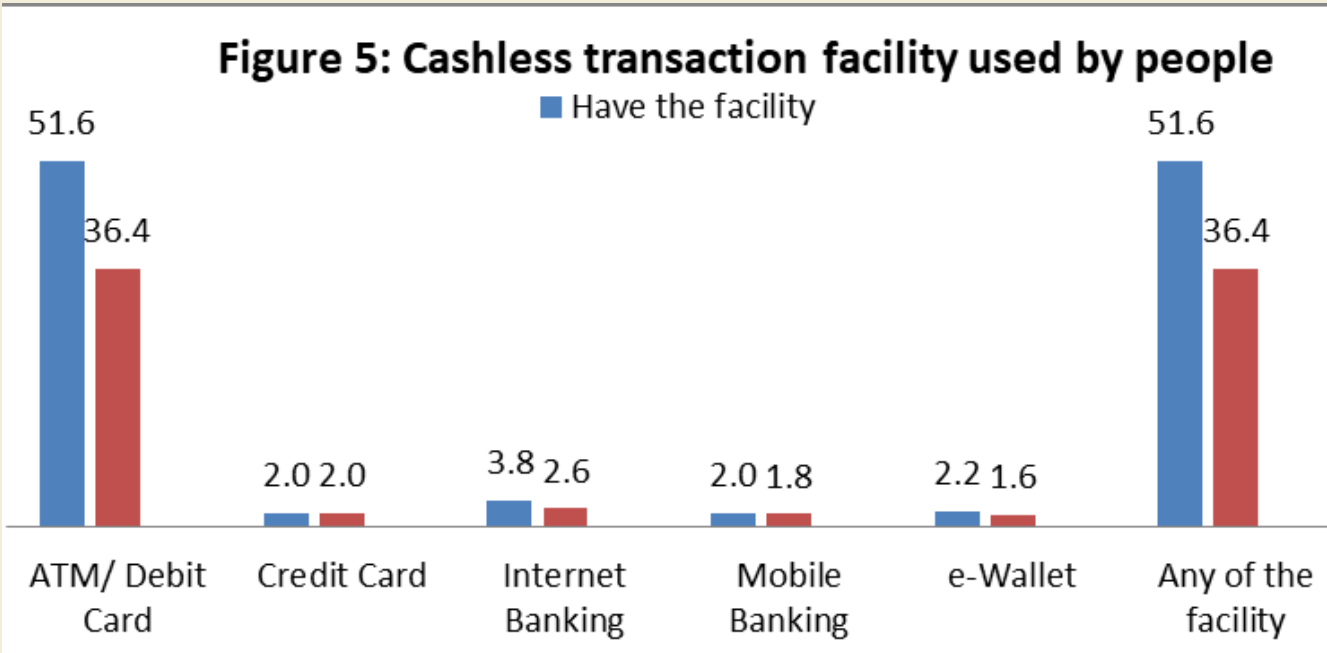
Only 2.5 percent of respondents who are 60 years and above have ever made cashless transactions, while 22 percent of youngsters have used cashless facility at least once. The prevalence of usage of cashless facilities decreases with increase in age.

Educational status is a major determinant of adopting cashless transactions. The respondents who have less than secondary education did not use cashless facility at all. Only 3.5 percent of respondents with secondary education have used cashless transaction at least once, while 47 percent of respondents who have professional education and 25 percent of other graduates made cashless transactions at least once in their life time. One-tenth of the respondents who have higher secondary education have used cashless transaction at least once. Respondents who have studied less than higher secondary make very little use of cashless transaction, though 63 percent of the respondents belong to this category. At the same time, respondents with professional education who are using this facility more often, account for only 4 percent of the sample.



The facilities that are used in cashless transactions are ATM/Debit Card, Credit Card, Mobile Banking, Internet Banking and e-Wallets. Almost half of the respondents who participated in the survey have ATM/Debit

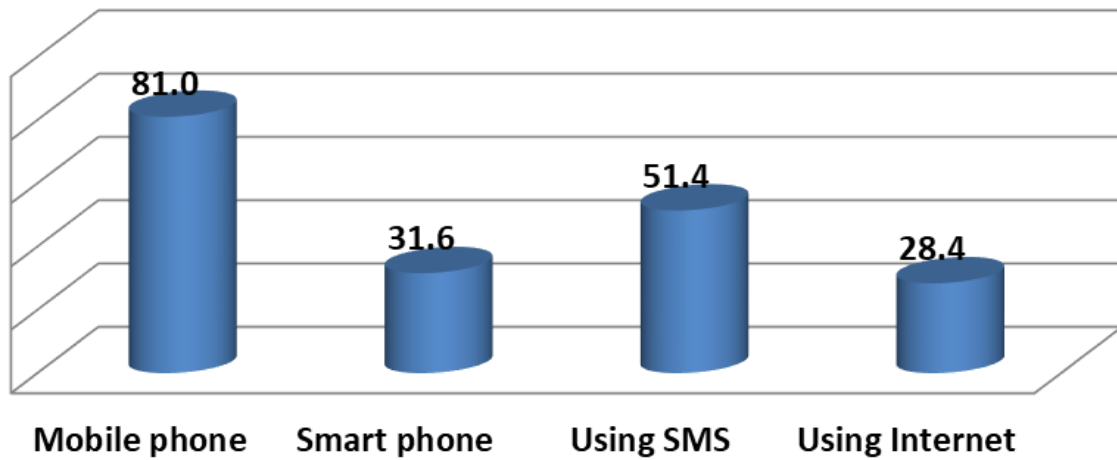
Cards. But, only one-third of the respondents have used it at least once for withdrawal of cash or cashless transaction, large majority being for cash withdrawal. Only 4 percent of the respondents have internet banking facility while 2 percent have Credit card, Mobile banking, e-Wallet facilities.



The basic infrastructure required for cashless transactions are Bank account, Mobile phone and Internet. 82 percent of the respondents have an account in Private/ Public Bank or District/ Urban Co-operative Bank. 18 Percent of the respondents do not have a bank account at all. Even though 81 percent of the respondents use mobile phones, only half of them know how to use the SMS facility. One in three respondents have smart phones and 28 percent use internet, either in their phones or computer.

Even if the facilities for cashless transactions are available, their utility lies in the opportunity to use them. Therefore the presence of shops, institutions that make use of the cashless facility are important.

Figure 6: Ownership of devices and services that enable cashless transactions



Only 10 percent of the respondents reported that the shops they regularly visit have Point of Sale (PoS) facility. Maximum cashless transactions were done for online shopping (5.2%) followed by using it for buying provisions (4.2%). Buying textiles (4%), cash transfer (3%), payment of utility bill (2.4%) and buying diesel/ petrol (2%) are the other major purposes for which cashless transactions were made.



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