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1st April 2021

Tracking Cash Usage In India

RedCore

RedSeer Centre of Research Excellence

Bangalore. Delhi. Mumbai. Dubai. Singapore. New York

Final report

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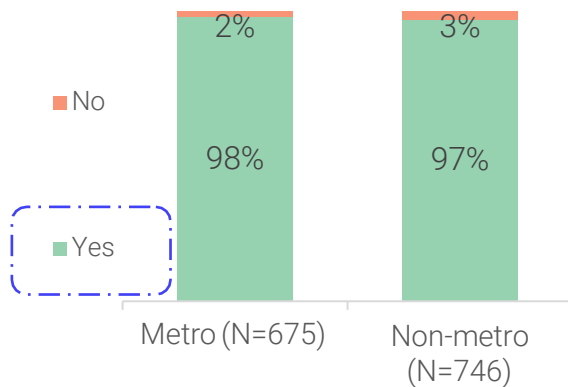
Summary

- Despite high smartphone penetration (97+% of merchants surveyed), access to digital payments (75%), and larger proportion of younger merchants, cash continues to be a dominant mode of payment (87% merchants report majority of transactions in cash)
 - Across segments usage of cash is high in non-metro cities (95% merchants report majority of transactions in cash)
 - Smaller merchants (93% merchants report majority of transactions in cash) are more cash dependent than medium / large merchants
- Cash has demonstrated resilience and has recovered since peak of Covid
 - 83% merchants report majority of transactions at Peak of Covid (moved up to 90% in Mar'21)
- Cash is preferred by merchants for both payment to supplier & personal transactions
 - 80% of the merchants in non-metro and 66% in metro cities prefer cash payment to suppliers
 - For school fees payment and P2P transaction cash is the most preferred mode
- One-fourth of the merchants are cash only, majority of whom have no plans of adding digital as they are not concerned about losing customers
- Cash and digital are equally convenient; digital accepting merchants appreciate its convenience, but voice apprehensions about its reliability

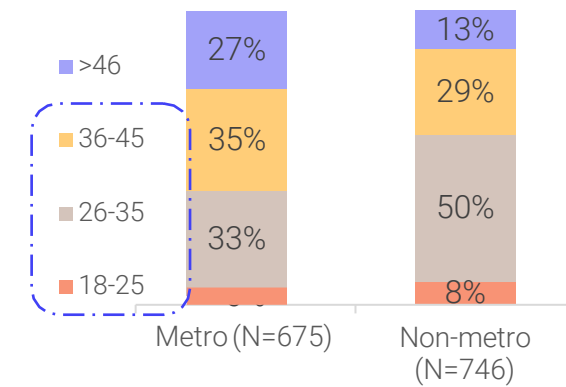
Survey Demographics

Cities: Metro (Delhi, Mumbai, Kolkata, Bangalore) vs Non metro (Jalandhar, Kolhapur, Durgapur, Guntur)

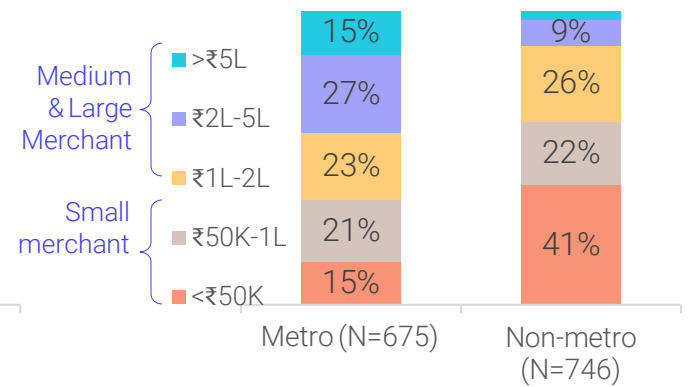
Smartphone Usage



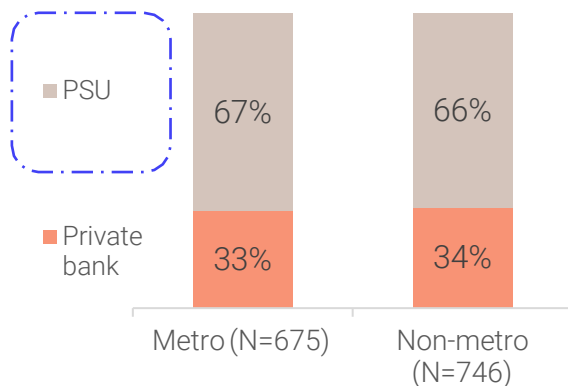
Age Group (years)



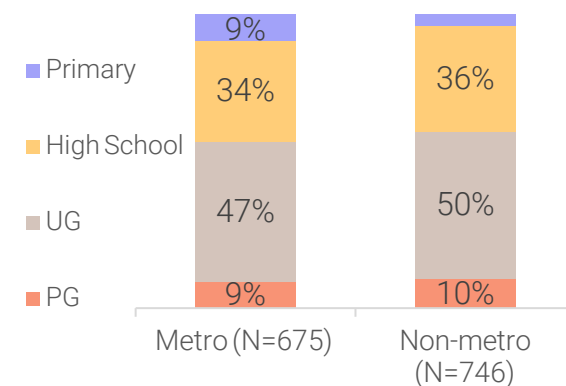
Monthly Turnover(INR)



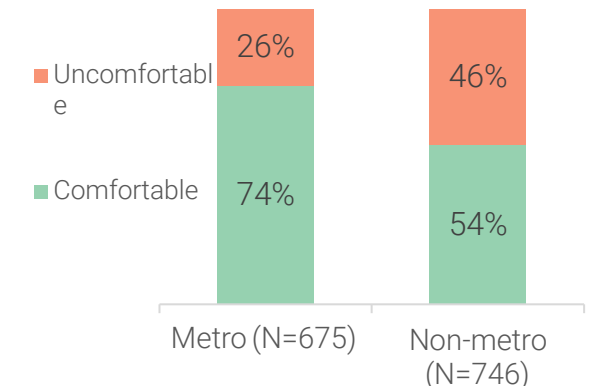
Preferred Bank



Education

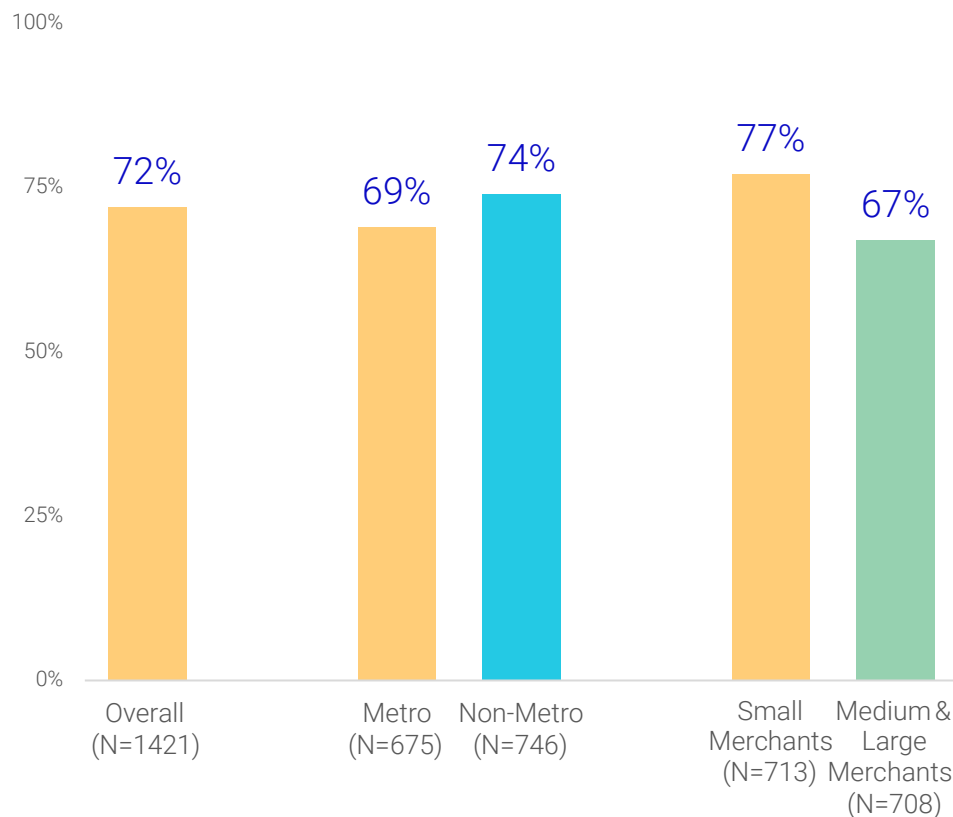


Comfort with English

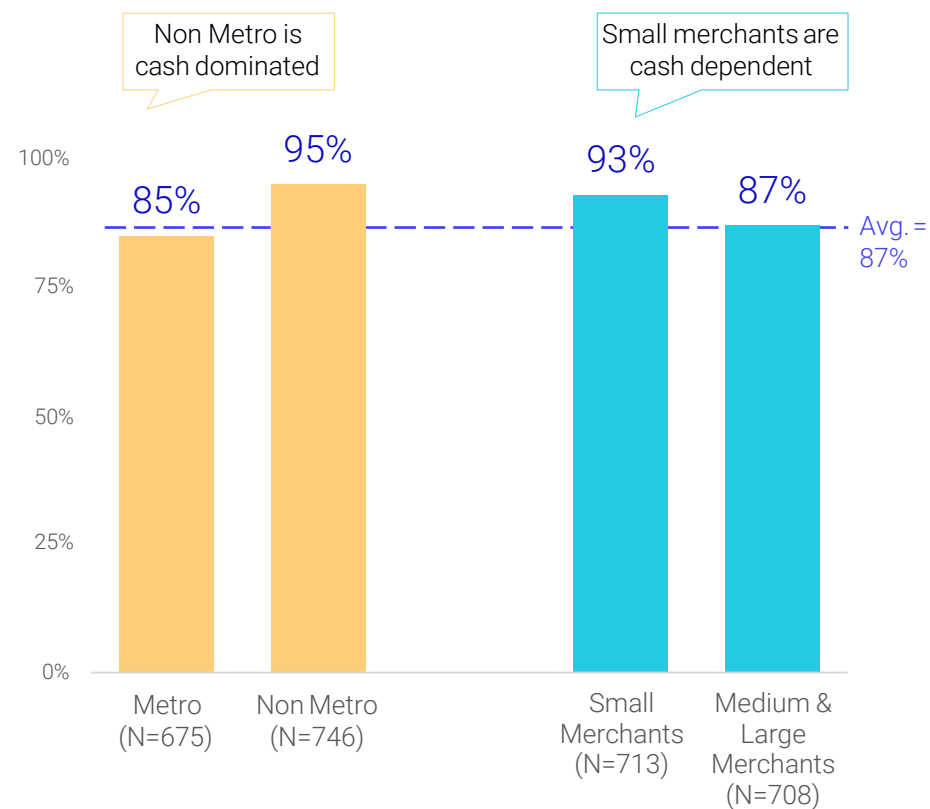


On an average 72% of the transactions conducted in cash; 87% of the merchants report that the majority of their transactions happen in cash

Average Number of Cash Transactions (Current scenario Feb'21 - Mar'21)



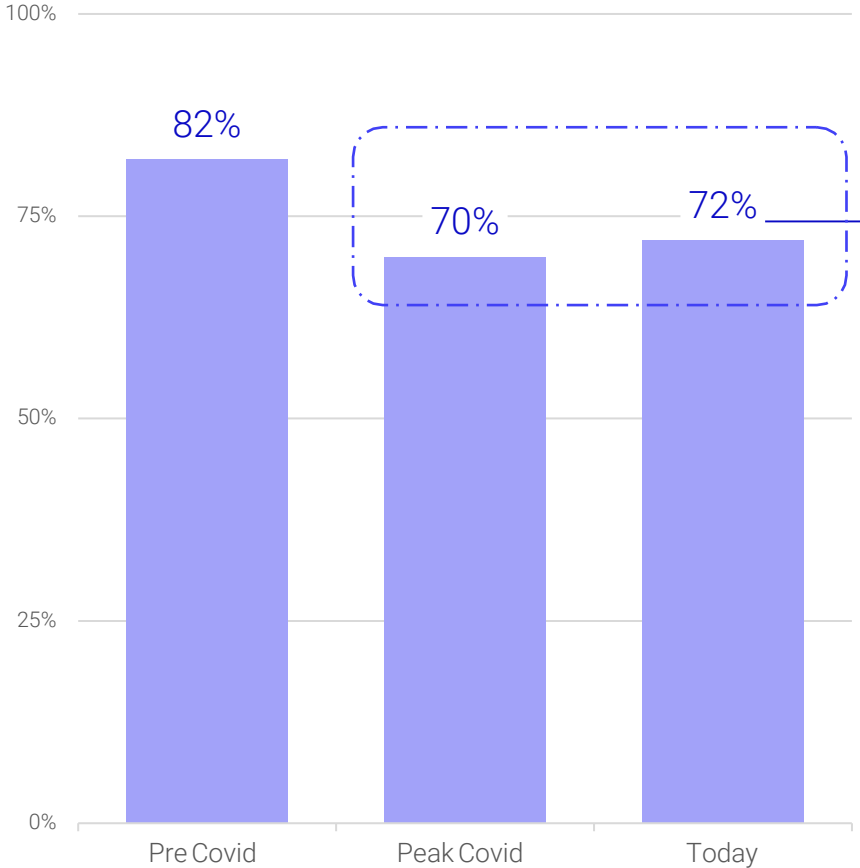
%Merchants Reporting Majority of Transactions in Cash (Current scenario Feb'21 - Mar'21)



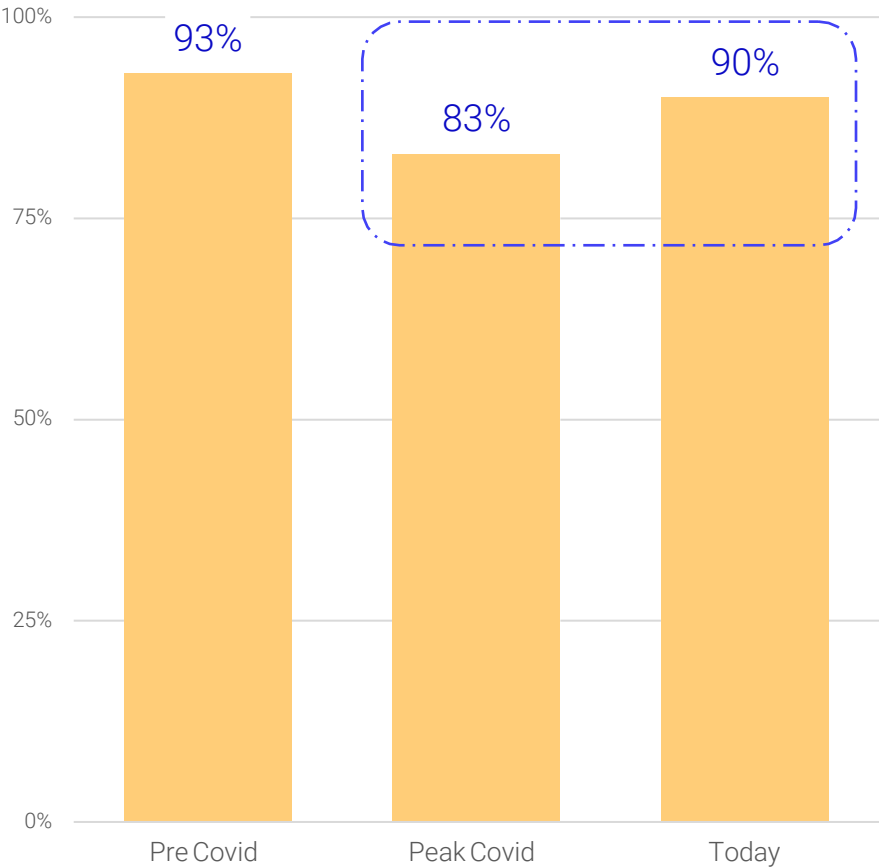
Note(s): N for RHS and LHS is all respondent. RHS chart represents the merchants that responded >50% of their transactions are cash-based; no relevant conclusions from cohorts based on age. Small merchant is < INR 1 lac turnover, medium INR 1-2L, large >INR 2L. Large transaction is >=500, small transaction < 500

Cash has demonstrated resilience and has recovered since peak of Covid

Average Number of Cash Transactions
N= All respondent 1421



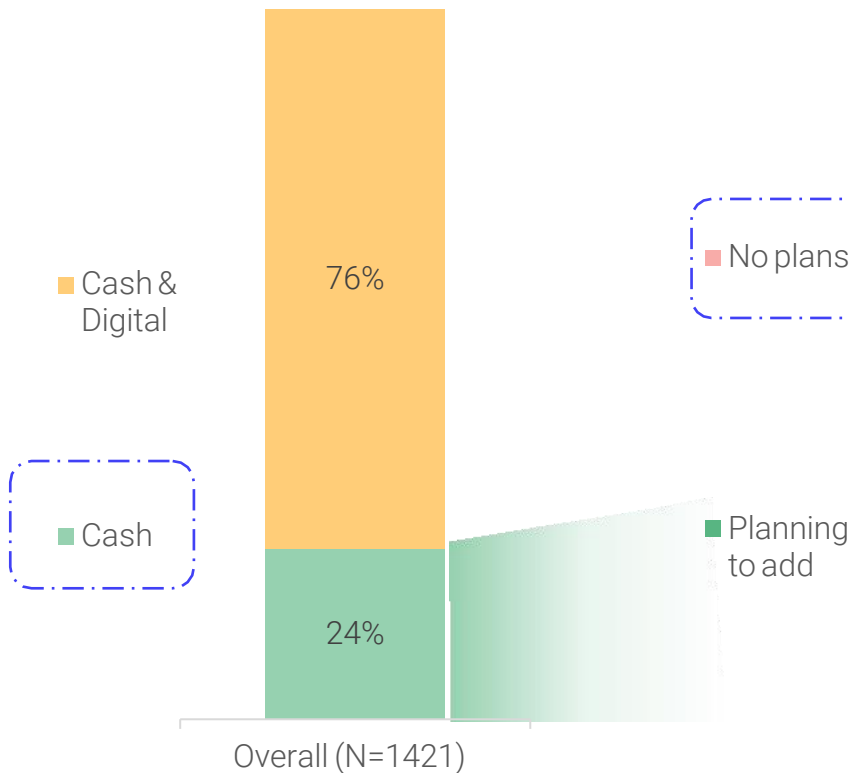
%Merchants Reporting Majority of Transactions in Cash
N= All respondent 1421



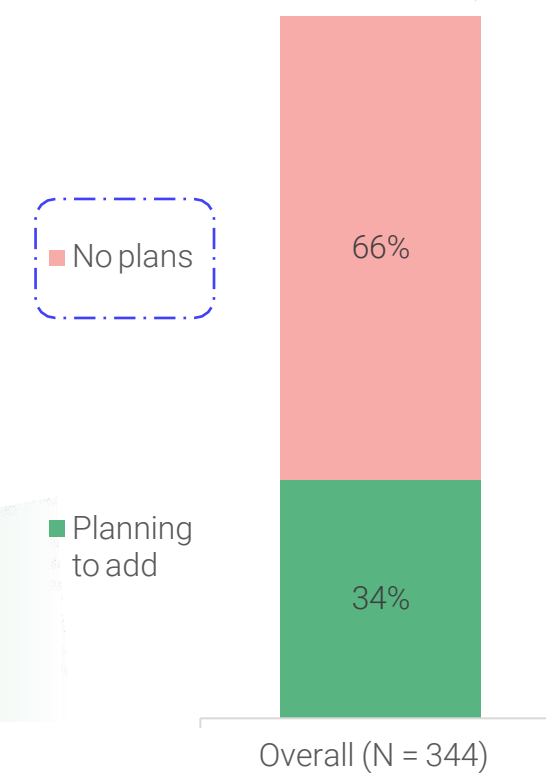
Note(s): N for LHS & RHS is all respondent. RHS chart represents the merchants that responded >50% of their transactions are cash-based

One-fourth of the merchants are cash only, majority of whom have no plans of adding digital as they are not concerned about losing customers

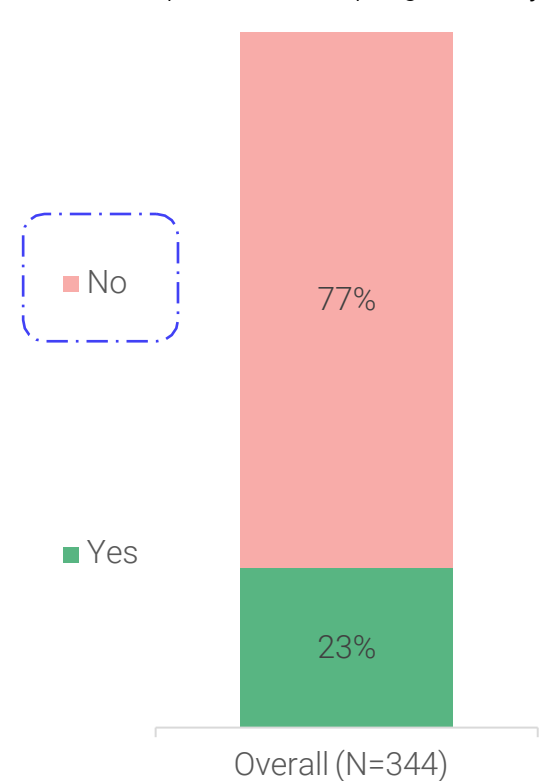
Payment Modes Accepted by Merchants
N=All respondents



Plans for Adding Digital Payment Modes
N=All respondents accepting cash only



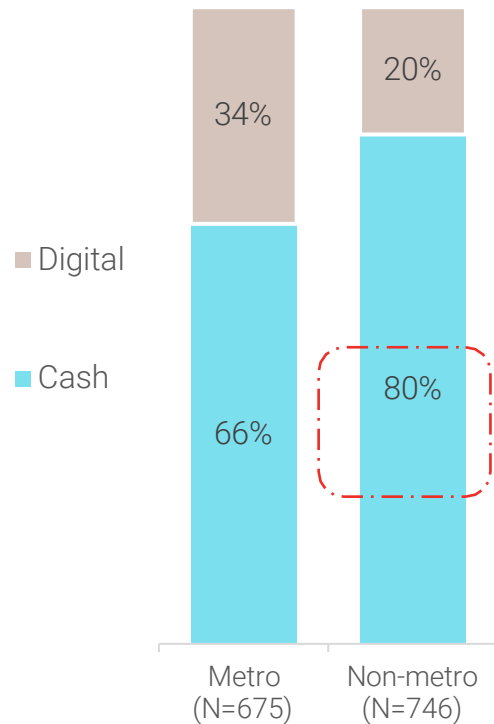
Concern About Losing Customers Due to Lack of Digital
N=All respondents accepting cash only



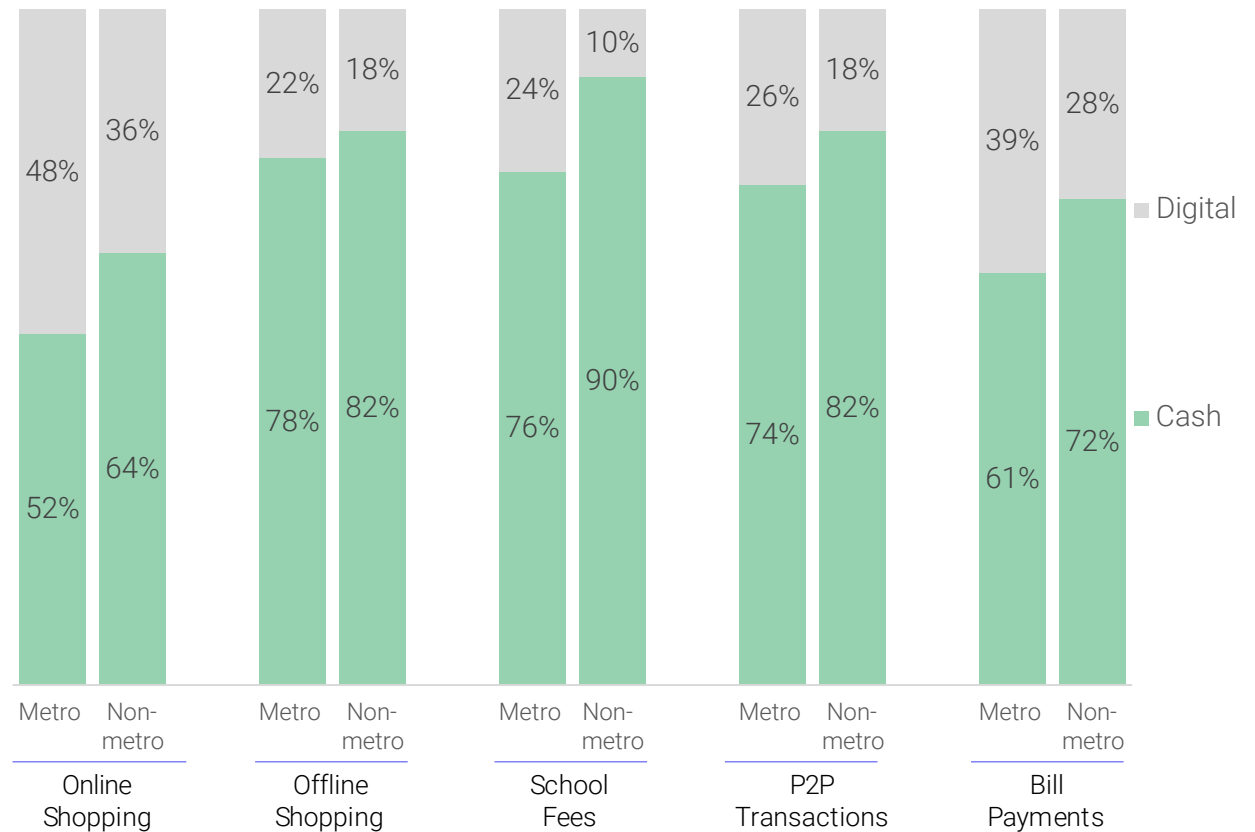
Note(s): N for middle & RHS chart is on all merchants who only accept cash

Merchants prefer cash transactions for both vendor and personal transactions, especially in non metro cities

Payment Mode for Vendor Transactions
N=All respondents 1421



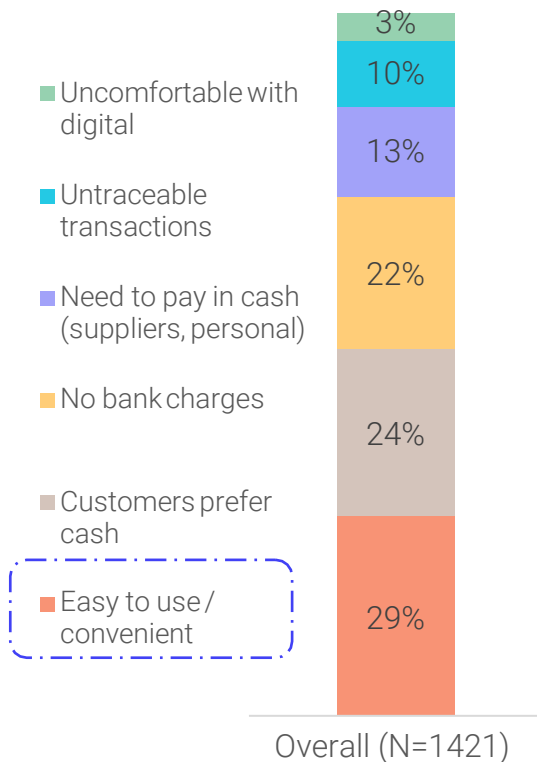
Payment Mode for Personal Transactions Among Digital Merchants
N=All respondents 1421



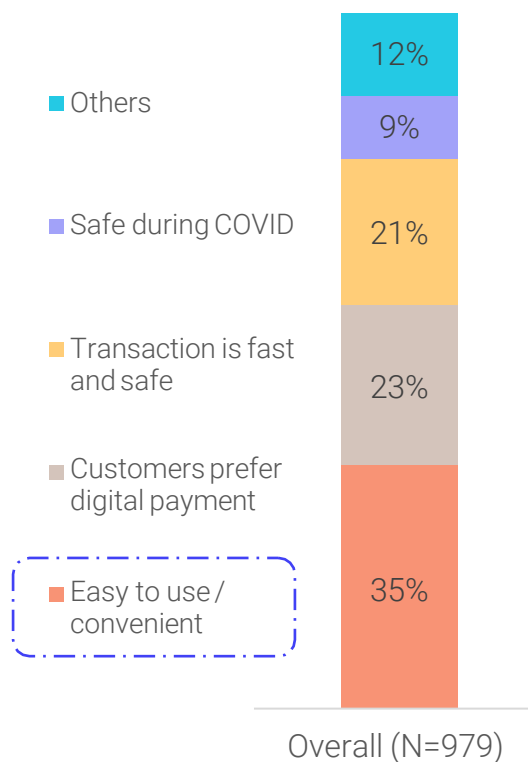
Note(s): N for LHS & RHS is all respondent 1421

Cash and digital are equally convenient; digital accepting merchants appreciate its convenience, but voice apprehensions about its reliability

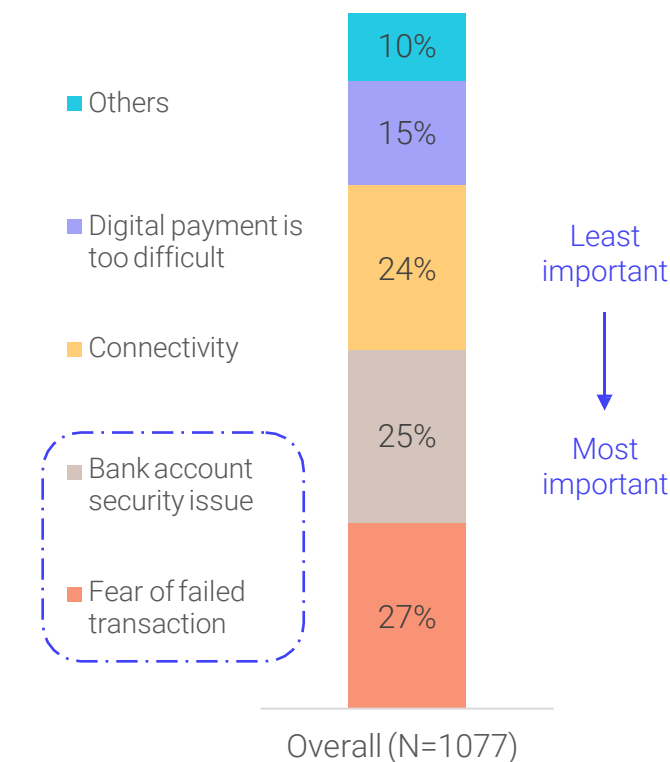
Benefits for Using Cash
N=All respondents



Reasons for Using Digital
N=All respondents accepting cash & digital



Concerns with Digital
N=All respondents accepting cash & digital



Note(s): Each parameter represents the number of votes received by that element – a 20% element is twice as important as a 10% element; no significant variations in preferences across cohorts were observed; parameters with <5% weight have been clubbed into “Others”; Middle chart: “good customer support”, “no loose change”, “no bargaining”, “offers & cashbacks”; RHS: “MDR makes it expensive”, “offline records is better”)

Cash works well, so does digital

Theme	Merchant Verbatims
Customers prefer cash despite digital option	<ul style="list-style-type: none"> • Don't have to check my account each time to see if the money is credited • Most of customer do small transactions so, they prefer to do it in cash • Cash is convenient because I can easily pay to workers in the evening with the cash in hand • Have never got any customer who says I can only do online payment • I prefer cash transactions because in digital, transactions may get fail and it takes time to clear the payment
Suppliers accept only cash	<ul style="list-style-type: none"> • My supplier do not accept digital payment. If he starts accepting digital payment I will also do so.
No plans of enabling digital payments	<ul style="list-style-type: none"> • I don't understand digital payment. It is difficult • There can be online fraud so, I prefer only cash • I don't think digital transaction is fully protected.
Digital payments work most of the time	<ul style="list-style-type: none"> • The service is good. If at I have any problem the customer support solves in no time • I find app to be safe and secure. Google is a big name in the industry so I trust it • My income has increased after added digital payment system • Customer don't bargain. Also, there is no problem of returning change to customers
Digital is necessary	<ul style="list-style-type: none"> • Customers who has card (debit/credit) always prefers to swipe and pay. • Earlier there were more customers who use pay by card but now the payment is done by wallets as well but still demand of payment by card is high.

Sampling and methodology overview

Study Focus	<ul style="list-style-type: none"> Tracking Cash Usage in India – Market-side Analysis
Sampling Plan	<ul style="list-style-type: none"> Total N=1421 <ul style="list-style-type: none"> Clinics 9% Electronic appliances, home furniture and home improvement 10% Fashion store 14% Organized retail 14% Services (salon, car repair, builders, event organizers) 12% Small grocery store (standalone department store) and Pharmacy 15% Small retail store and small restaurants 14% Street vendors (Paan shop, cigarette shop, vegetable, street food) 11%
Respondent	<ul style="list-style-type: none"> Shopkeepers and Vendors having an active bank account for personal or business transactions
Mode of surveys	<ul style="list-style-type: none"> Telephonic & in-person discussions
Sample Sourcing	<ul style="list-style-type: none"> Randomized by RedCore
Controlled variables	<ul style="list-style-type: none"> Metro (Delhi, Mumbai, Kolkata, Bangalore) vs Non metro cities (Jalandhar, Kolhapur, Durgapur, Guntur) Sector (as per represented above)
What's not controlled (emerges organically)	<ul style="list-style-type: none"> All other business demographics (age, education, size of business, banking preferences, smartphone penetration, comfort with English)

Disclaimer

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