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ELECTRONIC RETAIL PAYMENT SYSTEMS AS AN INSTRUMENT TO ACHIEVE A CASHLESS ECONOMY: CHALLENGES DUE TO INFRASTRUCTURE GAP AND USER ADAPTABILITY IN DEVELOPING COUNTRIES

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ABSTRACT

Globally there is a unified drive towards a digitisation of economies including a large-scale adoption of cashless payment systems. However, the challenges faced by developing countries in acquiring and facilitating these payment systems are quite different from those experienced by developed countries. It has been observed that gaps in basic infrastructure, lack of positive network externalities due to the small-scale of operation and illiteracy have been hindering the adoption of electronic and internet based digital transactions. Despite the need to access the private and social costs of various forms of transactions, such studies are not available for developing countries. This paper aims to comprehend the status of digital infrastructure and identify the factors that hinder its development. This study also highlights the various factors that are deterrence to consumers in the adoption of digital modes of payments. It is observed that instead of infrastructure costs ECM machines, it is due to high interchange fees and higher tax incidence because of which merchants are reluctant to accept cashless payments. Further, network gap was found to be one of the prime deterrents to the use of cashless payments among customers followed by the size of transactions. It is recommended that cost to merchants are rationalised, and digital infrastructure systems such as mobile banking which have minimum physical costs are adopted and promoted instead of ATMs and branch banking.

***KEYWORDS*:** *Cashless Electronic Payments, Digital Infrastructure Gap, Merchant Adaptability, Information and Communication Technology (ICT)*