



e-ISSN: 2319-8753 | p-ISSN: 2347-6710

IJRSET

International Journal of Innovative Research in
SCIENCE | ENGINEERING | TECHNOLOGY



INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH

IN SCIENCE | ENGINEERING | TECHNOLOGY

Volume 11, Issue 5, May 2022

ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

Impact Factor: 8.118

 9940 572 462

 6381 907 438

 ijrset@gmail.com

 www.ijrset.com

Emerging Cashless Economy in India

Dr. KALPANA VERMA

Assistant Professor Department of Commerce (E.A.F.M.) Government Girls College, Ajmer (Raj), India

ABSTRACT: After demonetization initiatives, most of the people in India started electronic payments for their transactions. Everyone from the small merchant to neighboring vegetable vendor is embracing digital payment solutions. Slowly India is moving from cash to cashless economy. A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal in cashless economy. The benefits of Cashless economy are many. The increased use of credit cards will definitely reduce the amount of cash that people have to carry which reduces the risk and the cost associated with that. In this paper an attempt is made to examine the Public perception in India towards cashless transactions and the attempt is also made to identify the challenges faced by them during their transactions.

KEYWORDS: Cashless Transactions, Perception, Digital Payments, Convenience, Incentives.

I. INTRODUCTION

Cashless economy is one where electronic channel like debit card, credit card, electronic merchants, payment mode like NEFT, RTGS, IMPS are used for transaction due to minimum use of physical cash.

India is an enthusiastic effort to move towards a cashless transaction economy by minimizing the use of corporal cash. Digitalization is a process which may help the economy towards a cashless society. The trend towards use of non-cash transactions and settlement began in daily life during the 1990's, when electronic banking became popular. By the 2010's digital payment method were widespread in many countries with examples including intermediaries such as PayPal, digital wallet systems operated by companies like apple, contact less and NFC payments by electronic card or smart phone and electronic bills and banking, all in wide spread use. By the 2010's cash had become actively disfavored in some kinds of transaction which would historically have been very ordinary to pay with physical tender and larger cash amounts where in some situations treated with suspicion, due to its versatility and ease of use in money laundering and financing of terrorism and actively prohibited by some suppliers and retailers, to the point of coining the expression of a "war on cash". By 2016 in the United Kingdom it was reported in 1 in seven people no longer carries or use cash. The 2016 United States user consumer survey study claims that 75% of respondents preferred a credit or debit card as their payment method while only 11% of respondents preferred cash. By 2017, digital payment methods such as Venmo and square contribute to cashless transaction. Venmo allows individual to make direct payment to other individual without having cash accessible.

As the high denomination currency notes make about 85 % of the total cash circulated in India so cash is like water a basic necessity without which survival of Indian is a challenge. The main reason of cash-based economy is less acceptance of cash by small shopkeepers like *kirana* stores, existence of corruption and black money and tax evaders, then as on Nov. 8, 2016, Prime Minister Narendra Modi announced the demonetization and scrapped the use of 500 and 1000 rupee note to push Indian towards cashless economy.

II. RESEARCH METHODOLOGY

The present study is based on descriptive as well as exploratory in nature. The study has been carried out based on the collection of the available secondary data. Secondary data was collected from different sources such as articles published in different journals, newspapers, published books, periodicals, conference papers, Reports published by NITI Aayog, working papers and websites and so on.

Objectives:

- └ To understand the concept of Cashless Transaction in economy.
- └ To measure and explain the impact and importance of Cashless Transaction System.
- └ To find difficulties and challenges faced by Indian population for adoption of cashless economy.
- └ Suggestions to face challenges to improve cashless transaction system in India economy.

III. TYPES OF CASHLESS ECONOMY

➤ **Mobile wallet:**

This is essentially a virtual wallet that is accessible via your mobile phone. You can keep cash in your phone and use it to make online or offline payments. Various service providers provide these wallets through mobile apps that must be downloaded to the phone.

You can deposit funds into these wallets via credit/debit card or Net banking. This means you won't have to enter your credit card information every time you pay a bill or make an online purchase using the wallet. You can use these to pay bills and shop online.

➤ **Plastic Money:**

Credit, debit, and prepaid cards are examples of plastic money. The latter can be physical or virtual, and it can be issued by banks or non-banks. These can be purchased and recharged online through Net banking and used to make online or point-of-sale (PoS) purchases, as well as given as gift cards.

Cards are primarily used for three purposes: withdrawing money from ATMs, making online payments, and swiping for purchases or payments at PoS terminals at merchant outlets such as shops, restaurants, and gas stations.

➤ **Net Banking:**

Net banking is a method of online transfer of funds from one bank account to another, a credit card, or a third party that does not require the use of a wallet. It is possible to do so using a computer or a mobile phone. Log in to your bank account on the internet and transfer funds using national electronic funds transfer (NEFT), real-time gross settlement (RTGS), or immediate payment service (IMPS), all of which have a low transaction fee.

1. Advantages and Disadvantages of a Cashless Economy

❖ Advantages of a Cashless Economy

Let us look at how cashless societies will benefit vested interests. Keep in mind that these are not benefits for the average person. These are the issues that ordinary people will face.

❖ **Taxation**

Under the current system, the government cannot levy an excessive amount of tax. This is due to the fact that people have the means to avoid paying these taxes. As a result, taxes must be rationalized. However, given the enormous amount of debt that all governments around the world are facing, it is a foregone conclusion that taxes will have to be raised in some form or another if these economies are to remain afloat.

If all money in the world is digital, it all comes from the same place: banks. This makes it possible, simple, and extremely convenient to tax earnings at the point of origin. It will begin as a moderate tax that the people will support.

➤ **More practical**

Consumers can now spend money more easily than ever before thanks to contactless and mobile payments. Going cashless eliminates the need for shoppers to find an ATM and withdraw cash, or go to their bank's nearest branch and wait in line, or worry about having enough change to make a small purchase - all of which can put them off completely.

➤ **Negative Interest Rates**

For a long time, Western economies have kept interest rates close to zero. This implies that the next step would be to enter negative territory. This would also imply that people who keep cash in banks would lose a portion of it. This is the inverse of earning money through interest. Negative interest rates are almost certainly on the way. They can, however, only be levied if all money is digital. People who do not have digital money can simply withdraw it to avoid this tax.

➤ **International Payment Made Simpler**

For many people who travel internationally, exchanging currency is a tedious task. For them, cashless payment is a much more convenient option. There is no need to be concerned about exchange rates; all that is required is a mobile device with a bank account linked to it.

❖ **Disadvantages of a Cashless Economy**

Some of the disadvantages of a cashless economy are:

➤ **Low Literacy Rate:**

One of the leading causes of numerous existing problems is a low literacy rate. Creating a cashless economy in India or a digitally literate India is not an easy task. Many areas do not yet have electricity or running water. So, computers and the internet are a long way off.

The majority of the population lives in rural areas, which lack these necessities. People in these impoverished areas rely solely on cash. If they must rely on someone for online activities, they may be duped.

➤ **Device Availability is Limited:**

Another issue with the adoption of digital modes of transaction in India is the affordability, availability, and efficiency of devices that support online transactions, such as computers, smartphones, and point-of-sale devices.

Only 15% of the Indian population has access to the internet. With such a small number of people having access to the internet, digitization cannot be made universal, at least not in a short period of time.

➤ **Economic Disparity:**

If the traditional payment method is completely replaced by a cashless system, it is likely that purchasing smartphones or devices will become necessary. In a country like India, where many citizens struggle to meet their basic needs, purchasing a smartphone is unquestionably a luxury that the poor cannot afford. If cashless transactions become the norm, inequality will emerge in society because not everyone can afford it.

➤ **Identification Fraud:**

One of the major disadvantages of the Indian subcontinent's cashless economy is the risk of identity fraud. The rate of online fraud is increasing with each passing day, increasing the risks of hacking. Not everyone is an expert in technology or is well-versed in all of its applications. Many people may end up dissipating their personal identity in an online forum of creepy lurkers while attempting to make digital transactions.

2. **Final Note:**

In India, a cashless economy is one in which the flow of cash within an economy is non-existent and all transactions must be conducted via electronic channels such as direct debit, credit cards, debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), and Real-Time Gross Settlement (RTGS).

India must learn from other developing countries that have reduced their reliance on cash while bringing more people into the folds of the formal banking system. Kenya is a well-documented success story, with mobile money spreading much faster and deeper than in India. Kenyan households with access to mobile money were better able to manage negative economic shocks (such as job loss, livestock death, or harvest problems) than those without access to mobile money.

When transactions in an economy are aided by the use of credit cards, debit cards, and prepaid payment instruments rather than money notes, coins, or any other physical form of money, the economy is referred to as cashless.

The cashless economy in India has been boosted by the Indian government's Digital India initiative. This is a flagship program aimed at transforming India into a digitally empowered society and knowledge economy.

IV. CONCLUSION

The future of the cashless India looks pretty promising as the response of the country people towards this move of the government and the support towards it is a clear indication that the government's move is likely to succeed. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways which will increase the GDP of the economy. This will increase the credibility of the country and make a rise in investments. This step of cashless is truly going to create ripples of big success and it will help to attain vision of Prime Minister Modi's vision of Digital India.

REFERENCES

1. Annamalai, S. and Iiakkuvan R. Muthu. (2008). Retail Transaction: Future Bright for Plastic Money, Facts of You, May.
2. Alvares, Clifford,(2009) "The problem regarding fake currency in India." Business Today; 3/8/2009, Vol. 18 Issue 5.
3. Ashish Das, and Rakhi Agarwal,(2010) Cashless Payment System in India- A Roadmap Technical Report 2010.



4. Bansi Patel, Urvi Amin(2012) Plastic Money : Roadmay Towards Cash Less Society PARIPEX - INDIAN JOURNAL OF RESEARCH Volume : 1 | Issue : 11 | November 2012 ISSN - 2250-1991.
5. Jain, P. M. (2006). E.-payments and E- Banking. Indian Banker, March.
6. Nayak, Tapan Kumar and Manish Agarwal. (2008). Consumer's Behaviour in Selecting Credit Cards. Journal of Services Marketing, 4, December.
7. R. Shenbagavalli, A. R. Shanmugapriya, and Y. Lokeshwara Chowdary, Risk Analysis of Credit Card Holders, International Journal of Trade, Economics and Finance, Vol. 3, No. 3, June 2012.
8. Reddy, Ramakrishna. (2006). Card Products in India. Indian Banker, March.
9. Saha, Tapash Ranjan. (2006). Debit Cards Overtaking Credit Cards in India, Professional Banker. January.
10. Srinivas, N. (2006). An Analysis of the Defaults in Credit Card Payments, Southern Economics July.
11. V. Vimala, The Impact Of Credit Cards On Hdfc Bank Customers In Shimoga – An Evaluative Study, ABHINAV, VOLUME NO.2, ISSUE NO.7 ISSN 2277- 1166.

WEBSITES:

1. www.RBI.org.in
2. www.indianeconomy.net
3. www.indianbudget.nic.in
4. www.cashlessindia.gov.in, Ramakrishna. (2006). Card Products in India. Indian Banker, March



INNO SPACE
SJIF Scientific Journal Impact Factor
Impact Factor: 8.118



ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH

IN SCIENCE | ENGINEERING | TECHNOLOGY

 **9940 572 462**  **6381 907 438**  **ijirset@gmail.com**



www.ijirset.com

Scan to save the contact details