

Cashless economy: Overview

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Abstract: India's national government has started moving toward a cashless society. The country is entering a new era marked by the introduction of digital currency. In this essay, the concept of a cashless system will be discussed. This article describes online banking practises in India, government initiatives to establish a cashless society there, and issues associated with the cashless economy and electronic payment methods. This study's goal is to investigate the key obstacles that Indians confront as they move toward a cashless society. Interviews will be held in order to fulfil the goals of this exploratory style of personal study.

Keyword:

- Cashless economy
- Digital payment
- Digitalization

Introduction:

Many nations throughout the world are moving toward cashless transactions. They pay for daily purchases and expenses through non-cash methods. This study introduces the concept of cashless society and non-cash transactions. The nation has to go digital for a number of reasons. Understanding the cashless economy and its characteristics is now vital since, as a result of the rising tide of dark money, our nation of India will soon also be digitalized. A cashless economy is one in which all financial transactions are conducted electronically, whether through credit cards, internet payment systems, payment gateways, or other means. The main goal of a cashless economy is to cover currently occurring unregistered transactions.

Through a variety of channels, such as credit and debit cards, the Unified Payment Interface (UPI), Unstructured Supplementary Service Data (USSD), Aadhaar Enabled Payment System (AEPS), mobile wallets, bank pre-paid cards, point of sale, internet banking, mobile banking, and micro ATMs, among others, the Indian government is attempting to achieve the goal of a cashless economy. India's economy has embraced digital payments, but there is still a long way to go. The rate of cashless transactions in nations like Denmark, Sweden, Canada, South Korea, etc. is relatively high—between 85 and 90 percent. Norway no longer prints checks. Because these nations are smaller than India, have a big educated population, have a better penetration of organised retail, and have a

stronger understanding of digital technology, the challenge of a cash economy is easier for them than it is for India.

➤ **Objectives of Study:-**

- To comprehend and be aware of the origins of cashless transactions
- To be aware of the effects of a cashless society.
- To be aware of the many tools and techniques utilised in a cashless transaction.
- To understand the economic benefits and drawbacks of cashless transactions.
- To understand how cashless transactions will be impacted by demonetization.

➤ **Research Methodology:-**

The study is based on secondary sources of data/information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

➤ **Various Methods of Cashless Transaction:-**

a) Mobile Banking : A mobile device, such as a phone or tablet, is used to conduct mobile banking or other financial transactions. The financial institution's software is utilised for this. Typically, mobile banking is accessible around-the-clock. Some institutions impose limitations on who can access their accounts using mobile banking and how much can be transacted.

- b) Charge Card :** In exchange for issuing the cardholder and entering into an agreement that the debt incurred as a charge account would be paid in full and on time, charge cards are plastic cards that offer an alternative to cash when making transactions.
- c) Bank Transfer :** A bank transfer is a method of transferring money from one person or institution to another. A wire transfer can be made from one bank account to another bank account.
- d) Debit card :** When making a purchase, a debit card a plastic payment card can be used in place of cash. In contrast to a credit card, the money used for the transaction comes straight from the user's bank account. Credit card usage has become so commonplace in many nations that it has surpassed or completely replaced check and, in some cases, cash transaction volume. Debit cards issued in one country can now be used in others, as well as for online and telephone purchases, thanks to a number of initiatives.
- e) Credit cards:** A credit card is a payment card given to users to allow the cardholder to pay a merchant for goods and services on the understanding that the cardholder will reimburse the card issuer for the amount so paid plus any additional fees that have been agreed upon. The number of credit cards has grown in recent years.
- f) PayTM :** India launched PayTM as the consumer brand of the parent company and communication. It is an electronic payment and e-commerce brand based in Delhi NCR. The term is an abbreviation for pay via mobile. As of January 2017, the business had over 1,300 workers and 3 million fine merchants through out India..
- g) PhonePe :** A digital wallet and online payment provider with its headquarters in Bangalore, India is called PhonePe. Founded in December 2015, PhonePe. In August 2016, the Unified Payments Interface-based PhonePe app went live.

➤ **Advantegs of Going Cashless:-**

- a) Convenience :** The main driver for going digital is undoubtedly how simple it is to perform financial transactions. Carrying large amounts of cash, using plastic cards, or even standing in line to use an ATM will no longer be necessary.

Additionally, it is a safer and simpler method of payment when travelling and in cases of emergencies, such as those that occur in hospitals. One is free to conduct business whenever and wherever they like. You are not need to be physically present to complete a transaction, and you are not restricted to doing so only during business hours. There are tremendous advantages, and it is easy and constructive.

- b) Discounts :** The government recently waived service tax on card purchases up to Rs 2,000 as one of its incentives for promoting digital transactions. Following this, there were a number of reductions in spending and gifts. It's a great time to increase savings if one uses these. For instance, a 0.75 percent discount on digital fuel purchases enables customers to pay 62.99 rupees per litre for gasoline in Delhi as opposed to the existing rate of 63.47 rupees per litre. Saving money on train tickets, tolls, and insurance can also help reduce expenses. The cash flow could be slightly improved in addition to these by the cash back incentives and discounts provided by mobile wallets like PayTM, as well as the reward points and loyalty advantages on active credit and shop cards.
- c) Tracking expenditure :** If all transactions are recorded, it is simpler to maintain a budget. Additionally, it will be useful when filing income tax returns, and in the event of a scrutiny, people will find it simple to defend their expenditures. Along with the tax, budgeting will benefit from it as well.
- d) Budget discipline :** The written record will help individuals keep track of their spending, which will lead to improved budgeting. A variety of applications and tools will assist individuals in analysing their spending habits and will provide useful insights over the course of a few years. Increased investing might be the result of prudent spending. It is also likely to reduce the latter element if the same quantity of cash does not circulate again and consumers continue to utilise mobile wallets and cards. Due to a lack of spare change and lower denominations of currency, the Rs 10 you spend on sweets, chips, or that regular cup of office coffee is likely to suffer.
- e) Lower risk :** If a credit card or mobile wallet is taken, it is simple to disable them remotely, but it is impossible to get

your money back. The digital approach provides just a modicum of security in that regard. This is especially important when travelling, especially when doing so overseas, as losing money can be very inconvenient. Furthermore, it can be very difficult to copy futuristic cards if they have grown to employ biometric ID (fingerprints, eye scan, etc.). This makes them a very safe alternative.

f) Small gains : Although it might not seem like much of an advantage, not using cash makes it simple to turn away potential lenders. Another benefit is that you don't have to worry about not having change or receiving it back from retailers when you pay the correct amount.

➤ **Limitations of Digital Transactions:-**

- a) Higher risk of identity theft :** The threat of identity theft is the main concern. Even highly educated individuals face the danger of falling prey to phishing traps since Indians are culturally unaccustomed to conducting online transactions. The risk of hacking will increase as more individuals use the internet due to the increase in online fraud.
- b) People would have no quick recourse if they lose money online due to the lengthy process and inadequate grievance redressal.** To address this kind or scope of fraud, there is no strict legal procedure. Additionally, there is a potential of widespread identity theft from databases maintained by banks or other businesses, which can result in a financial nightmare similar to the data breach that occurred in the Indian banking system in October of this year.
- c) Losing phone :** Losing a phone might be a double hassle because one would be reliant on it for all mobile transactions. In addition to increasing one's risk of identity theft, it may also leave one defenceless if they don't have access to actual money or any other form of payment. If someone is visiting a foreign country or smaller towns or villages without a banking system or other means of payment, this could be very challenging. The requirement to keep the phone constantly charged is another disadvantage. One will be left stranded if the phone discharges in the middle of making a crucial purchase or responding to an emergency.
- d) Difficult for tech-unsavvy :** According to Internet Live Stats (2016), only 34.8 percent of Indians use the Internet, and only 26.3 percent of all mobile phone users (2015) have a smartphone. The psychological transition is the major roadblock to adopting digital, in addition to the practical challenges. One is

abruptly moving forward three generations to the digital age. It is a concern for the elderly, who can suddenly discover that they are locked out of their accounts if they are unable to download an app or are out of money. The digital media could be difficult for those who are not comfortable with technology because they will require extra time to adjust or other possibilities to make transactions.

e) Over spending : Although using a card or mobile wallet is convenient, it could also lead an unwary population into a spending trap. According to behavioural finance experts, using actual cash as opposed to a credit card makes it easier to leave with money. Therefore, utilising cash rather than cards or a mobile wallet will operate as a natural defence for people who struggle to keep their spending under control. This is the reason why people could wind up overspending and causing havoc with their budgets.

➤ **Conclusion:-**

However, there has been a significant rise in the amount of cashless transactions. Youth in particular support the cashless economy. India doesn't seem prepared to go completely cashless, but in the current environment, partly cashless is also a viable choice. The inclusion of rural settlements in this process will accelerate it. India could do well to learn from nations that have successfully eliminated currency, such as Sweden and Denmark.

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