

# Cashless Economy In India: An Overview

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## **Abstract**

Cashless economy is a type of economic system in which there is not much cash circulates in the economy. In this system services and commodities are obtained through digital modes such as Debit Cards, Credit Cards, Net Banking, Point of Sale Machines, Mobile Wallets etc. Cashless economy is the most important part of digital India plan of the Indian government with an idea to run economy digitally or paperless. This paper focus on to understand cashless economy concept, methods of cashless transactions, advantages of cashless economy and issues & challenges of cashless economy.

**Keywords:** Cashless Economy, Modes of Digital Transactions, Issues & Challenges, Advantages.

## **Introduction**

Narendra Modi, the Prime Minister of India started the Digital India plan on 1 July 2015 with an idea to transform Indian economy into a digitally developed country & formulating an economy from cash to cashless. Cashless economy means that condition where all the monetary transactions are runs through digital channels and cash transactions does not exist in the economy. In other words, Cashless Economy is a type of economic system in which all kind of economic deals are implemented through digital modes like Debit Cards, Credit Cards, Point of Sale Machines, Net-Banking, Mobile-Wallets etc. The government of India & the central Bank of India are continuously trying to reduce the use of cash in the society through encouraging the people about digital payment methods. Cashless Economy helps to control on expansion of black money, tax-evasion and illegal business activities in the society. Hence presently most of countries are using digital payment methods & are moving

from cash to cashless economy. Now for the expansion of electronic or digital payment customs in the society, the basic amenities are required for the successful implementation of the cashless economy vision.

## **Objectives**

- To understand the concept of Cashless Economy
- To study the methods of cashless transactions
- To understand the advantages of cashless economy
- To study the issues & challenges of cashless economy
- To suggest realistic solution to achieve the idea of Cashless Economy

## **Research methodology**

This paper is based on secondary data. To make this study more effective different sources of

secondary data have been consulted such as journals, newspapers and relevant websites etc.

### Methods of Cashless Transactions

- ❖ **Cheque-** Cheque is a well known & oldest mode of cashless transaction for all citizens. In this mode one person write a cheque for the certain amount for another person. Then the person get deposited this cheque in any bank. The bank clears the cheque amount through clearing house & credited this amount in the account of that person.
- ❖ **USSD (Unstructured Supplementary Service Data) -** If a person doesn't have internet service or a smart phone then he can adopt this unstructured supplementary service data (USSD) alternate. USSD is such type of mobile banking service in which a person can type \*99# from any mobile & avail mobile banking services. In India most of banks provide unstructured supplementary service data (USSD) transaction option.
- ❖ **National Electronic Funds Transfer (NEFT) –** NEFT mode is introduced by reserve bank of India in November 2005. It is an easier mode of online funds transfer. NEFT quickly and securely transfer funds among banks all over India. For transferring funds through NEFT a person need net banking facility.
- ❖ **Electronic Wallet-** Electronic-Wallet is a type of electronic card which is used for cashless transactions through a smart phone or computer having proper internet connection. In this mode a person requires to link E-Wallet to his bank account.
- ❖ **Mobile Wallets-** Mobile Wallet is also a mode of cashless transaction to carry cash in electronic format. Person who wants to use mobile wallet payment mode can download it from play store. Person bank account is needed to be linked to the mobile wallet to load amount in it. Some mobile wallets are Paytm, Mobikwik, google pay, Phone Pe, yono

- ❖ **Unified Payment Interface (UPI) -** UPI is a mobile payment method which permits user to perform several transactions on Smartphone. Through UPI users can transfer or receive money through virtual payment address without inserting bank details. To accept payment using UPI users can enroll with banks. This involves user can make payment quickly & directly to the bank account of a person.

### Advantages of Cashless Economy

- **Maintain Expenses Records-** It will be much easier for persons to maintain records of their expenses properly, if cashless transaction methods are used. It will also help persons for filling income tax returns correctly because they will find their transaction records easily in cashless transaction system.
- **Convenience-** The ease of doing monetary transactions is the biggest advantage to go cashless economy. A person will no need to carry cash, debit/credit cards with him. During travelling cashless transaction system is also a simple & secure payment option.
- **Reduce Cost-** Through cashless system institutions will get competent & they can decrease their expenditures because institutions not required maintaining manual account books. The expenditure related with accounting work manually & managing cash is too high.
- **Cleanliness-** Dirty & tobacco stained currency are mainly existed in Indian economy. There are most of incidents where people unknowingly exchange germs & bacteria by the use of currency. This could be avoided if people shift from cash to cashless system.
- **Low Production Cost-** Production of paper notes & coins is actually very much costly. Thus shift towards cashless system the cost of producing paper currency becomes down.

- **Tax Benefit-** When people keep few cash at home and much cash in bank accounts then there is low possibility of hiding actual earnings & problem of tax-evasion. Thus the benefit of cashless transactions is collection of tax revenue will rise.

### **Challenges of Cashless Economy**

- **Digital Illiteracy-** Digital illiteracy is the most important challenge to access cashless transaction methods and e-banking services.
- **Expensive Swipe Machines-** Swipe machines are very expensive so it cannot be expected from a petty shopkeepers & street seller to use swipe machines.
- **Poor Internet Connectivity-** Transforming Indian economy into cashless economy is very much challenging due to the access of internet connectivity is very poor specially in rural areas.
- **High Internet cost-** In India the cost of internet is very high. If a person doesn't recharge his net pack timely then he can't use the digital payment methods.
- **Inadequate banks in rural areas-** There are many rural areas where the number of banks is still inadequate & many of them do not have even one branch of bank. As we know the number of banks are more means much deposits of cash in bank accounts. Thus adequate number of banks should be beneficial in learning the usage and advantage of debit card, credit card & other cashless transaction methods in rural areas.
- **Security Issue-** Most of the people don't have faith in cashless deals due to the position of digital transaction security is very poor. The possibility of online scam, cyber-crimes and leakage of secret data has been increasing. This is the major challenge to handle with in order to enhancement of cashless transactions.

### **Suggestions**

- **Financial Literacy-** Financial literacy campaign should be undertaken by the Indian government to develop & improve the knowledge about digital transactions methods for the people.
- **Promotion Efforts-** Formulating of plans and drives relating cashless system does not appear to be meaningful. To make these plans and drives much efficient few promotion efforts should be implemented to make this successful.
- **Heavy Investment-** All kinds of business transactions which use heavy investment should be cashless to curb black money and bureaucracy.
- **Low Internet Cost-** For the enhancement of cashless transactions, the internet cost should be reducing and at public places availability of free WiFi facility should be provided.
- **Economical-** Cashless payment systems should be made economical & reducing all kind of additional costs so that large number of citizens shift from cash to cashless economy system.

### **Conclusion**

Converting India from cash to cashless economy is the biggest challenge for the government of India. Most of financial transactions are cash based in the Indian economy. Indian government requires improving the basic infrastructures to go cashless economy. The entrance of shopping malls & complexes, online shopping centers promote the customers to use digital transaction methods. Increasing use of cashless payment methods enhances consumption activities and economic growth. The upcoming years of the cashless economy system in India seems promising and successful as the support and reactions of the citizens regarding this Indian government initiative. The present condition of Indian economy has created an important turning situation. If this condition is tackle in proper manner then there is a good possibility of Indian economy to shift from cash to cashless economic system.

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