



PROBLEMS AND PROSPECTIVE OF CASHLESS TRANSACTION IN INDIA

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ABSTRACT

The Research paper focuses on impact and importance of cashless economy in India. According to Government of India the cashless policy will increase employment, reduce cash related robbery thereby reducing risk of carrying cash. Cashless policy will also reduce cash related corruption and attract more foreign investors to the country. In many countries introduction of cashless economy can be seen as steps in the right direction. It is expected that its impact will be felt in modernization of payment system, Reduction in the cost of banking service, Reduction in high security and safety risk and also curb banking related corruption. Electronic banking will be made banking transaction to be easier by bringing services closer to its customers hence improving banking industry performance. The financial safety over the digital payment channel is important for pushing the cashless economy idea. A major obstacle for the quick adoption of alternate mode of payment is mobile internet penetration, which is crucial because point of sale terminal works over mobile internet connection, while banks have been charging money on card-based transaction which is seen in hurdle. India has been using electronic payment system for many year now, However the retail sector still has predominance of cash transaction and payment through cash is yet to pick up card is the one of the most secure, convenient mode of cashless payment in retail market.

Keywords—Cashless Transactions, Unified Payments Interface, Information Technology, Cashless Economy, Economic Growth, Electronic-payment

I. INTRODUCTION

The government has implemented a major change in economic environment by demonetizing the high value currency notes of Rs. 500 and Rs.1000 from 8th November 2016 and push India towards cashless future. A cashless economy is one in which all the transactions are done through electronic channels such as debit/credit cards, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). The circulation of physical currency is minimum. The Indian economy continues to be driven by the use of cashless than 5 percent of all payments happen electronically. Electronic based transaction seeks to drive the development and modernization of India's payment system. The essence of the policy is to shift the economy from a cash based economy to a cashless one. Efficient and modern payment system is a key enabler for driving growth and development. The policy also aims at improving the effectiveness of monetary policy, managing inflation in the economy, maintaining stable pricing system. In India, the ratio of cash to gross domestic product is 12.42 percent in GDP; this is one of the highest in the world. It was 9.47 percent in China or 4 percent in Brazil. Further, the number of currency notes in circulation is also far higher than in other

large economies, India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in US.

The government is working at various levels to reduce the dependence on cash. Our Prime Minister of India, Narendra Modi unveiled two schemes viz, Lucky GrahakYojna, Digi DhanVyapaarYojna for customers and traders like to promote mobile banking and e-payments. To encourage and strengthen cashless economy, it's important to inculcate the habit of making e-payments. Government encourage the cashless transactions like mobile banking, Ru-pay cards, UPI, USSD these are means and methods of digital payments. Less cash economy is in the interest of everyone and it will help in creating a clearer economy in future. Government has also introduced unique identification number based payment system, this is for those people who don't have cards or mobile phones. Reducing the Indian economy's dependence on cash is desirable for a variety of reasons. To control counterfeit notes that could be contributing to terrorism, also affects the monetary policy of our country and to eliminate the black money, transfers can't be made without paper currency, Curbs illegal activities altogether. A large part of black money is generated in illegal trades like selling

drugs therefore without cash or less cash, illegal trade become difficult.

RBI has also issued licenses to open new-age small finance banks and payments banks which are expected to give a push to financial inclusion and bring innovative banking solutions. Things are also falling in place in terms of technology for India. The recently launched Unified Payments Interface by National Payments Corporation of India makes digital transactions simple. Even the RBI has also recently unveiled a document, **“Payments and Settlement Systems in India: Vision 2018”**, setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term.

II. LITERATURE REVIEW

VAIBHAV SHAHAJI PATIL AND JYOTI MISHRA, (2017), study to find out advantages and disadvantages of making India a cashless economy, India is lagging far behind many developed countries like Belgium, France, Canada, USA, UK, Saudi Arab and so on in implementing cashless transactions. Government should ensure first the availability and quality of telecom network in all parts of country. Financial institutes or intermediaries like banks and related service providers will have to constantly invest in technology in order to improve security and ease of transaction. People as a customer will only shift when it's easier, certain and safe to

make cashless transactions. Government should adopt strategy of incentivize cashless transactions and discourage cash payments. It is observed that rural people are not aware or educated enough to use cashless digital facility.

MAHESH. U. DARU, (2016), For his study of Cashless India: dream of future India analyzed that the concept of a cashless economy to be true in India, the centre, the State as well as the local governments have to work a lot to ensure that: First, every person is financially included in the mainstream. Second, there has to be the availability of the option of paying with cashless methods at the grass root level. Third, there is a need to ensure the safety and security of the cashless transactions. The idea of cashless economy itself is great but all these problems and potential threats have to be taken into account.

PIYUSH KUMAR, (2015), conducted a study an analysis of growth pattern of cashless transaction system concluded that the cashless transaction system is reaching its growth day by day , as soon as the market become globalized and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. Hence, it is without doubt said that future

transaction system is cashless transaction system.

III. OBJECTIVES OF THE STUDY

The aim behind this Research is

- ❖ To know what a cashless transaction means.
- ❖ Impact and importance of cashless transaction system.
- ❖ Analyze the future trend of cashless transaction.

IV. RESEARCH METHODOLOGY

The study is conducted to obtain data on Introduction of cashless economy in India. The study is conducted in Madurai region. A sample size of 100 was selected using the convenience sampling procedure out of which 87 copies were retrieved in usable form. This represents a response rate of 87 percent. The sample includes both literate and illiterate population since they are the ones who give their views on introduction of

cashless economy and use of digital payment methods, there response determine the reliability of survey. Survey methods used for collecting data with the help of questionnaire .The responses from the respondents were collected and analyzed using the simple percentage method.

Impact of Information Technology in cashless economy

The impact of Information Technology on in cashless economy in India is as following:

Because of information technology the cost of bank will reduce that will result in lower service charges for customers.

Making Transaction is very easy by using information technology.

New IT Technology likes biometric are help to do secure and transparent transaction.

V. DATA ANALYSIS & INTERPRETATION

Table 1: Knowledge of Cashless Policy to users

		Frequency	In Percentage
I have heard about India's cashless Economy?	Strongly Agree	36	41.4
	Agree	41	47.4
	Neutral	3	3.4
	Disagree	6	6.9
	Strongly Disagree	1	1.1
	Total	87	100
Cashless economy should be introduced in India?	Strongly Agree	23	26.4
	Agree	36	41.3
	Neutral	16	18.6
	Disagree	9	10.3
	Strongly Disagree	3	3.4
	Total	87	100

(Sources: Primary data)

Table 1 shows that there is a high degree of awareness among the population about 88 percent of the respondents are aware of cashless economy in India. The study considered academic community which means, by all standards they are expected to be fairly aware of the happenings in the society. Few respondents however show a strong dislike for the cashless economy. While 67.7 percent of the respondents prefer that cashless economy should be

introduced in India. The following reasons might have accounted for the low enthusiasm about its immediate introduction, the lack of preparedness for the system, the nation having other problems to solve now, freedom to use cash to any amount, inadequate technology, and that the flow of money will be hampered.

Table 2: Perceived Benefits of the Cashless Economy.

		Frequency	Percent
It would reduce risk of fake currency	Strongly Agree	35	40.2
	Agree	35	40.2
	Neutral	9	10.3
	Disagree	5	5.7
	Strongly Disagree	3	3.4
	Total	87	100
It would prevent money laundering	Strongly Agree	20	23.0
	Agree	28	32.2
	Neutral	17	19.5
	Disagree	10	11.5
	Strongly Disagree	12	13.6
	Total	87	100
It can reduce corruption	Strongly Agree	13	14.9
	Agree	23	26.4
	Neutral	19	21.8
	Disagree	19	21.8
	Strongly Disagree	13	14.9
	Total	87	100
It can stimulate economic growth	Strongly Agree	18	20.6
	Agree	31	35.6
	Neutral	25	28.7
	Disagree	6	6.8
	Strongly Disagree	3	3.4
	Total	87	100

(Sources: Primary data)

Table 2 shows that 80.4 percent of the respondents believe that the most significant benefit of the cashless economy is reducing the risk of fake currency. In the same spirit, 55.2 percent of the respondents believe that the cashless economy will help to fight against money laundering as the money flowing through the system can easily be traced. 41.3

percent of the respondents believe that it contribute towards reducing corruption. Another benefit is that it will stimulate economic growth as money hidden in other illegitimate areas will now be freed up. 66.3 percent believe that efficient and modern payment system is positively correlated with the economic development and economic growth of country.

Table 3: Perceived Challenges with the Cashless Economy.

		Frequency	Percent
Cyber crime	Strongly Agree	17	19.5
	Agree	38	43.7
	Neutral	18	20.7
	Disagree	11	12.6
	Strongly Disagree	3	3.4
	Total	87	100
The literacy required	Strongly Agree	17	19.5
	Agree	33	37.9
	Neutral	23	26.4
	Disagree	9	10.3
	Strongly Disagree	5	5.7
	Total	87	100
Transparency & Efficiency in E- Payments	Strongly Agree	27	31.0
	Agree	26	29.8
	Neutral	15	17.2
	Disagree	14	16.0
	Strongly Disagree	5	5.74
	Total	87	100
Increase in internet fraud	Strongly Agree	22	25.2
	Agree	30	34.4
	Neutral	21	24.1
	Disagree	10	11.4
	Strongly Disagree	4	4.5
	Total	87	100

(Sources: Primary data)

Table 3 shows that there are some problems which respondents are facing to

come with the cashless economy. 63.2 percent believes that cybercrime will

hinder the free implementation of cashless economy. 57.4 percent population are literate who has easily operate digital payment system; operate mobile phones, which will ultimately increase the users of the digital payment methods. 60.9 percent of the respondents believe that lack of transparency and efficiency in payment system. Internet fraud is the major problem to be tackled in the cashless economy as 59.8 percent of the respondents see exposure to fraudulent activities as a big problem.

VI. FINDINGS AND POLICY

IMPLICATION:

From the above analysis it also appears that many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India is cybercrime and illegal access to primary data. Therefore it's important to strengthen internet security from protection against online fraud. Large number of population is still below literacy rate living in rural areas. For smooth implementation of cashless system in India, the following measures are recommended central Government have to bring transparency and efficiency in e-payment system, strategies used by government and RBI to

encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make the population aware of the benefits of electronic payments.

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