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Cashless Economy: The Future of India

Ruchi Sharma[1,*] Mayuri Waghmare[2]

Abstract

Money cannot be king any longer. An economy that doesn't use cash has all transactions for goods and services done online. Debit and credit cards, card-swipe technology, digital wallets, debit and credit cards, and e-banking are all included (mobile banking or banking through computers). Digital or cashless transactions have the advantages of greater accountability, scalability, and transparency. This research article focuses on the concept of a cashless economy, different types of cashless transactions, their significance, and any potential downsides. Making India a knowledge-based society and economy is the goal of the Indian government's "Digital India" program. One of Digital India's guiding principles is "Faceless, Paperless, and Cashless." Economies that frequently employ plastic or electronic money are referred to as "cashless economies."

Keywords: Digital wallets, debit/credit cards, cashless transactions, scalability, e-banking.

INTRODUCTION

"India Needs to Move Toward a More Digital Economy, and you Need to take the Initiative Towards an Increasingly Digital Economy."

A society with a cashless economy is one in which all financial transactions take place electronically or through other digital means rather than through the use of actual banknotes as payment. The possibility of new cashless societies has emerged because of digital currencies like bitcoin, which were formerly dependent on the barter system. According to economists, this idea only exists in theory [1].

India is making a passionate effort to reduce the use of cash in order to make a transition in being a cashless transaction economy. The process of digitization may contribute to the economy's transition to a cashless society. In the 1990s, as electronic banking gained popularity, a tendency toward using non-cash transactions and settlements emerged in daily life. By 2010, digital payment methods were widely used in many nations. In India, BHIM was the first UPI payment application which has fuelled the future of the cashless economy in India.

*Author for Correspondence
Ruchi Sharma
E-mail: ruchi.sharmamms21-23@atharvaims.edu.in

[1]Student, Finance Department, Mumbai University, Mumbai, Maharashtra, India
[2]Student, Department of Systems, Mumbai University, Mumbai, Maharashtra, India

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"We Want to have one Mission and Target: take the Nation Forward Digitally and Economically"
—Shri Narendra Modi

On November 8, 2016, Prime Minister Mr. Narendra Modi introduced the "Digital India" program, which aims to make India a digitally advanced country and establish a cashless and paperless economy. Having a smart phone with a network connection is the fundamental need for carrying out a cashless transaction. The public were urged by Prime Minister Narendra Modi to use their smartphones as a bank and wallet [2]

REVIEW OF LITERATURE

A Study on Cashless Economy in India

Dr. V. Chandrakala said that, India looks to be highly promising, with the country's people's reaction to and support for the government's decision indicating that the move is likely to succeed [3].

A Study on the Impact of Cashless Economy in India Giving Special Reference to Alappuzha District

Umar and Harikumar states that India is gradually shifting from a cash-based economy to a cashless economy. The benefits of this change are now being felt as more people switch to digital modes of receiving and making payments. Black money cannot circulate because digital transactions are traceable and hence simple to tax.

A Study on Cashless Economy in India: Its Benefits and Challenges

Manashjyoti Milli and Sanghamitra Duwarah describes that a cashless transaction is a system that allows people to buy goods or services without exchanging anything tangible. Increased use of digital payments will save a lot of money by lowering the cost of cash in India. The development of a cashless economy would increase transparency, reduce corruption, and facilitate economic growth.

RESEARCH METHODOLOGY

The current study is exploratory and descriptive in character. Utilizing readily available secondary data, the investigation was conducted. Secondary data were gathered from a variety of sources, including articles published on various websites, journals, conference papers, CDMA and NITI Aayog reports among others.

OBJECTIVES OF THE PAPER

- To know detailed concept of cashless economy
- To understand the need of a cashless economy in India
- To learn about various modes of cashless transactions
- To know the awareness of people about cashless economy

NEED OF CASHLESS ECONOMY IN INDIA

According to the Indian government, the industry is empowered by the digital payment policy, which lowers cash-related fraud and increases employment. Customers' bank accounts will now hold more cash. There should be less physical money in their pockets, which will encourage them to disclose their exact income, reducing income tax fraud significantly. Because this payment method is safe, it will help lessen cash transaction fraud and attract international investors to invest in the nation. When this process was tried to be introduced in other countries, it was the right positive step [2].

MODES OF CASHLESS TRANSACTIONS OF INDIA

1. *Cheque:* The check is one of the first types of cashless payment. Everyone is familiar with this technique. With this approach, you give the other person a check for the specified sum. The check is placed in the appropriate bank. The bank processes payments through a clearing house.
2. *Demand draft:* This is also simplest way of cashless transaction. Receiving payment from anyone is the safest course of action. Because the banker has signed the demand draft (DD), it never goes bad. DDs and checks have the drawback that you must visit a bank to deposit them. A check or DD takes longer to clear.
3. *NEFT/RTGS:* Online transfers utilizing NEFT or RTGS are the third most straightforward technique for a cashless transaction. You require Internet banking functionality to conduct online money transfers. Comparatively faster than a check or DD is an online transfer made utilizing NEFT or RTGS. Anyone with an Internet connection can access online transfers.
4. *Credit card and debit card:* Credit cards and debit cards are not often utilized in India. However, use of debit and credit cards is currently increasing. The merchant's ability to provide a swipe card facility is the mode of payment's restriction (POS).

5. *Mobile wallets:* Mobile wallets are the following form of cashless payment. A mobile wallet may be used to make purchases without requiring a debit card, credit card, or password for online banking. Simply add money to your wallet using IMPS and utilize it while you're on the go.
6. *UPI applications:* With the use of UPI, you are able to transfer or receive money via a virtual payment address without disclosing your bank details. To accept UPI payments, merchants can register with banks. Like with a PoS device, the business would require a current account with a bank in order to accept UPI payments.
7. *Gift card:* Gift cards are the next cashless payment option. Gift Cards are pre-made cards that can be ordered from a business or the bank. You may use the gift card, which has a certain amount of money loaded on it, to purchase anything from that specific merchant.
8. *Aadhaar card-enabled payments:* The Aadhaar-Enabled Payment System is one of the greatest solutions for cashless transactions (AEPS). AEPS uses a smartphone and a finger-print reader to execute transactions in a manner akin to a mini ATM. To use this feature, your bank account must be linked to your Aadhaar card. Cash withdrawals, cash deposits, and financial transfers from one Aadhaar to another may all be done with AEPS [3].

WHY IS THE CASHLESS ECONOMY IMPORTANT?

1. Fake currency notes, black money can be stopped from being circulated.
2. Better accountability, scalability, and transparency are benefits of cashless transactions.
3. Digital exchanges are practical and increase market effectiveness.
4. The dangers of transferring and carrying a lot of cash will be eliminated.
5. The cashless society will result in fewer coin and paper money being produced. In turn, this will reduce production costs significantly.
6. Due to the cashless transaction, a lot of data is transferred. The transmission pattern of the data will enable the government to plan for upcoming costs like housing, energy management, and so on.

CURRENT DRAWBACKS OF THE CASHLESS ECONOMY

A cashless economy may often take a little longer to adapt in India. The challenges with the same are discussed in the following:

A poor literacy rate is one of the main causes of several current issues. It is not simple to develop a cashless economy or a digitally savvy India. There are still many places without running water or power. Internet and computers are still a long way off. Rural regions, where the bulk of people reside, lack these essentials. People in these underdeveloped locations only have access to cash. They risk being tricked if they have to depend on someone for their Internet activities.

1. Rural and urban regions both suffer from a lack of financial knowledge.
2. The majority of people withdraw money from their debit cards rather than making direct payments with them.
3. The general population is not aware of or appreciative of the benefits of cashless transactions.
4. Educating the public on the privacy and security implications of cashless transactions is another challenge the government faces. Even people in the urban areas do not trust the privacy policies of online portals, platforms, and applications, which is causing the cashless economy in India to take time to recover [4, 5].

CONCLUSION

According to the survey, India is moving toward a cashless economy thanks to current technological trends and a supportive Indian government. Since the demonetization of currency, mobile payment systems have become more widely used. Two sorts of facilities have gained popularity over time. These platforms rely on UPI and wallets, respectively. The Indian government is concentrating on bringing rural implementation to the urban setting, despite the fact that Internet trend is often stronger in metropolitan areas. The focus of Modi's administration is on advancing technology and doing away with cash as a result, which will cut down on corruption. The new system will be efficient at tracking taxable transactions over time, in addition to reducing the flow of "black money" [5].

The cashless economy's future India appears to have a bright future because of the positive response and support the nation's citizens have shown for the government's initiative. Digital payment gateways and e-commerce transactions will increase GDP while increasing the economy's openness. This will promote investment and the credibility of the nation. This move toward cashless transactions will likely have a significant impact and further Prime Minister Modi's aim for a "Digital India."

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