

## STEPPING STONE FOR NATION- A CASHLESS ECONOMY

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### ABSTRACT

*After demonetization in India, RBI's cashless economy policy is undoubtedly an essential instrument for the development of India's economy. Use of cash in the economy is continuously discouraged by the rigorous and joint efforts of Government of India and Reserve bank of India. The ease of conducting financial transactions is the biggest motivator to go digital. The purpose of this study is to expose the benefits of the cashless economy to society and people. The study develops a conceptual framework of the cashless economy in India. Besides, the study examines the benefits of the cashless economy to the general public by collecting data with the help of questionnaire designed on a five point Likert scale. The sample size of the study is 65. One sample t-test has been applied to test the hypothesis. The results revealed that the cashless economy is beneficial to the general public and it also recommends that Indian Govt. should create awareness about methods and ways of electronic payment.*

**Keywords:** Cash-based economy, Cashless economy, Economic development, Digital payment.

**"We want to have one mission and target: Take the nation forward –Digitally and Economically"  
-NARENDRA MODI (PRIME MINISTER OF INDIA)**

### INTRODUCTION

A situation in which there is a little flow of cash in the economy is termed as Cashless economy and under which all the transactions are done using "digital payment gateways or plastic money viz. direct debit, credit and debit cards, electronic clearing and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS)". These new varieties of payments facilities are encouraged and monitored by RBI's and aim at achieving the goal of a 'cashless' society. People are adopting these cashless transactions due to the limited availability of cash in hand and an indefinite crunch in sight. Digital transactions are embraced and welcomed due to their better transparency, versatility, and accountability.

The cashless economy doesn't literally means an economy without cash but the one in which the "cash based transactions are at a barest minimum level". Cashless economy aims at revealing all the non-registered financial transactions. The cashless economy has manifold benefits due to which it is being adopted by many developing countries including India. After demonetization India is adopting a cashless approach at an accelerating rate and going digital, this can be made possible only by generating greater financial literacy and awareness about the benefits of cashless economy. Also, the ease and convenience of cashless transactions are stimulating the citizens of India to accept the mode of cashless transactions. Furthermore, a cashless economy not only benefits populace of the country but also benefits the country at large by enhancing transparency, curbing black money, discouraging tax evasions and lesser funding for illegal trade and terrorism related activities.

Nowadays, digital payment services are gaining popularity in urban India but, currency notes still holds an essential place in the economy. Apart from all these benefits in a country like India which is amongst the largest user of cash in the world and people are habitual of transacting in cash, creating a cashless economy is a challenging task. The cashless economy requires a robust infrastructure for the smooth functioning of all cashless financial transactions that can combat the risks of frauds associated with the digital transactions.

Many Indian people are less educated, poor, engaged in small transactions and possess less banking habits. They consider cash transactions as the most hassle free, convenient and easy form of medium of exchange as it is fast and lacks the involvement of any mediator. Using cash for financial transactions in India is a habit as it not only provides individuals and families with liquidity but also one needs not to worry about internet connectivity, system crash, loss of power, failed transactions etc. A cashless economy dream can only be achieved by streamlining the transactions. People tend to use cash as it doesn't involve any additional cost associated with debit/credit cards.

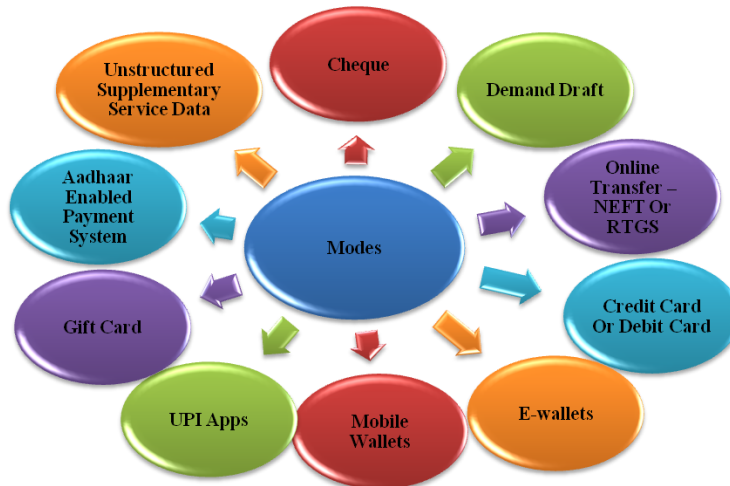
The cashless economy in India is a far-fetched dream as even in the most cashless countries like France and the Netherlands, cash still accounts for more than 40 % of all consumer transactions. A cashless economy generally tends to have a low level of corruptions and less black money. Considering all these benefits almost every country is stimulating towards the adoption of the cashless economy and many countries have

made noteworthy development. It is just a global trend which our country India is trying to catch up (Kumar, 2018).

## CASHLESS ECONOMY

As already discussed a Cashless Economy is an economy that runs on cashless system in which cash is stored in an electronic purse or card and all types of transactions are then carried out using these cards or through digital means. It includes e-banking (Mobile banking or banking through computers), debit/credit cards, card-swipe or point of sales (POS) machines and digital wallets.

### MODES OF CASHLESS TRANSACTIONS



As shown in the diagram there are various modes of cashless transactions; let us discuss all of them briefly;

#### 1. Cheque

“The cheque is considered one of the oldest methods of cashless payment”. Though it involves paper work yet considered cashless as no cash is involved in transactions. For transacting through cheque you need to issue a cheque of a specific amount to the payee. The process of paying through cheque goes like this, at first, “the cheque gets deposited in the respective bank, then the bank processes the payment through a clearing” house and finally the amount got deposited. Recording of this entire transaction is an important feature of cheque payment as it provides proof of payment. Still, in many cases cheque payment gets dishonoured mainly “due to signature mismatch or insufficient fund. Thus, in order to avoid such problems, other cashless payment options can be used”.

#### 2. Demand Draft

Safest elementary option to receive payment is Demand draft (DD). “With the help of a DD, payment can be received from anyone. DD’s are considered safest as they never get defaulted as it is signed by the banker himself. The main disadvantage of DD and cheque is that for both of them you need to visit a bank and their clearance takes additional time”.

#### 3. “Online Transfer – NEFT or RTGS”

After cheque and Demand Draft come online transactions. It is one of the simplest ways for the cashless transaction and it doesn’t involve any paperwork also. Online transfer of funds is carried out via NEFT or RTGS. The only requirement for online transfer is an active internet banking facility. These transactions are faster as well as convenient as compared to “cheque or DD as we need not visit a bank branch for them, they can be done from anywhere using the internet facility”.

#### 4. “Credit Card or Debit Card”

“Plastic money! Cashless payments can also be done using a credit card or debit card. However, in India, the usage of credit card and debit card is limited. But, after demonetization, their usage is increasing. The major limitation of this method is the availability of a swipe machine(PoS) at dealer end. Also, few merchants make in small towns makes it a chargeable transaction due to which people prefer paying cash”.

#### 5. “E-Wallets”

“E-Wallet is a revolution in cashless payment option. E-Wallet has a wider scope, they can be used to purchase products starting from grocery to airline tickets. An active internet connection and a smartphone for both customer and merchant are the two mandatory requirements for using an E-wallet. The most

popular example or E-Wallet is PayPal. E-wallet requires registration and linking of your credit card or debit card with your E-Wallet id. E-wallets are a simple method and can be used for both funds transfer and online shopping”.

#### 6. “Mobile Wallets”

The next simplest cashless payment method which is most popular these days is a mobile wallet. These wallets allow you to make payments without using “a debit card, credit card or internet banking password”. You just need to load money in your wallet via IMPS and use it on the move. These wallets can be downloaded from the play store. Few trending mobile wallets are Paytm, airtel money, Amazon pay, MobiKwik, freecharge, etc.

#### 7. “UPI Apps”

“UPI is a cashless payment system which permits doing various financial transactions using your smart phone. UPI allows money transfer without bank information using virtual payment address. Merchants can register with leading banks to accept payments using UPI. The latest UPI app runs by the Indian govt. are BHIM UPI and few other examples of UPI Apps are SBI Pay, Union Bank UPI App, Phonepe, etc”.

#### 8. “Gift Card”

“The gift card is a readymade money card that can be purchased from a merchant or from the bank. The gift card is preloaded with a fix cash amount and you can make a purchase from the specific vendor by using these gift cards”.

#### 9. “Aadhaar Enabled Payment System (AEPS)”

“AEPS is also called as a micro ATM. It is one of the best cashless payment methods. Devices used for transactions here are a smart phone and a finger-print scanner. Aadhar card is mandatorily linked to your bank account for in order to use this facility. This facility can be used to perform transactions like Aadhar to Aadhaar fund transfer, Cash was withdrawn, Cash deposit, etc”.

#### 10. “Unstructured Supplementary Service Data”

“For transacting money from simple phones without internet this cashless option can be used. Unstructured Supplementary Service Data is mobile banking service. Dialing \*99# from any mobile phone allows the customer to transact from any mobile phone. All the things that can be done on smart phone using the internet can be done on simple mobiles too using USSD. Almost all banks including SBI, ICICI, BOB, Axis Bank, and PNB provides USSD payment option **(Ramya, Sivasakthi and Nandhini, 2017)**”.

### ADVANTAGE AND BENEFITS OF CASHLESS ECONOMY

The literal meaning of word cashless is having no cash, however, in current scenario cashless refers to limiting the use of cash. Thus, cashless transactions mean using digital form of payments instead of cash for payment of various expenses or transactions. Due to its numerous benefits, cashless transactions are on the verge of becoming the most preferred option for financial transactions. In order to understand the popularity and acceptance of going cashless let's look at the advantages of the cashless economy –

- ☞ **No Need to Carry Cash:** The most important benefit of going cashless is that an individual need not to carry cash everywhere which in turn holds several benefits like curbing the chances of being robbed, lessens troublesome “due to carrying cash, problem of change when transaction is of odd amount is also sorted, no risk of receiving fake currency” etc.
- ☞ **Curbing Black Money:** Another advantage of cashless economy is that makes tracking black money and illegal transactions easier because online transactions records all cash flows unlike dealing with cash and hence “it is easy to track the transaction as the money is now recorded with the banks resulting in more transparent transactions which in turn leads to decline in corruption in the economy of the country”.
- ☞ **Increase in Tax Revenue:** One more big advantage of going towards a cashless economy is increase in the tax revenue of the govt. Since all transactions are recorded with the banks and are being done through organized channel and financial institutions consequently increase in tax revenue for the government is noticed. “This helps the government in monitoring all types of financial transactions and imposing tax on all of them which can be further used by the government for country's betterment” **(Parikh, 2017)**.

### REVIEW OF LITERATURE ON CASHLESS ECONOMY

In her study namely ‘Plastic Money/Credit Cards Charisma for Now and Then’on cashless economy, **Subhani in (2011)** stated that plastic money is charismatic. She also explained it's imperative usages and affordability. The investigation proposed that the usability and affordability of plastic money will impact the preference to use of plastic money/ credit card as this plastic money has associated pros and cons. Plastic

money in behavioral science (consumer behavior) is a form of conditioning that acts as a stimulus that motivates a consumer to spend. The study also finds out that ease of use is the factor that creates a positive attitude and causes the consumer to prefer plastic money. Cards and their acceptance and usability are associated with a psychological phenomenon; it states that people hold the perception that cards make them spend less as compared with the same amount of cash in hand in the same budget and this cognitive state of the consumer is linked with his self-convenience.

**Santomero (1996)**, After analyzing various forms of money, such as prepaid cards(debit/credit), gift cards, E-wallets, smart cards etc. and their increasing demand for medium of exchange using Baumol-Tobin Model revealed that variety of assets use decreases with the decline in household earnings, also he found out that the usage forms of medium of exchange changes with the same level of income but different income allocation for household stuffs consumption prefer using greater interest medium of exchange to purchase the stuff that forms the major portion of its income etc.

The research study titled as "Plastic money means less payment of cash checking system" by **Manivannan (2013)** investigated that use of plastic money is considered as the measure of a luxury credit card need. According to this study plastic money and the e- payments are generally used by higher income people. However the extension of this payment option is not only meant for urban area customers but also meant for rural customers. Though, recently, with the growth of the banking industry, fixed income group also starts using plastic and electronic money payment systems and particularly credit cards.

“OBJECTIVES OF THE STUDY”

- ☞ To study the concept of cashless economy.
- ☞ To examine the benefits of cashless economy for general public.
- ☞ To examine the benefits of cashless economy for country.

RESEARCH METHODOLOGY

In this research paper author used convenient sampling method for selecting the sample. The sample size of the study is kept as 65 respondents (General Public). “Secondary data was collected from various websites, journals, articles, magazines, reports, and other relevant documents. So far analysis and testing are concerned; one sample t-test has been used to test the hypothesis through SPSS20 version”.

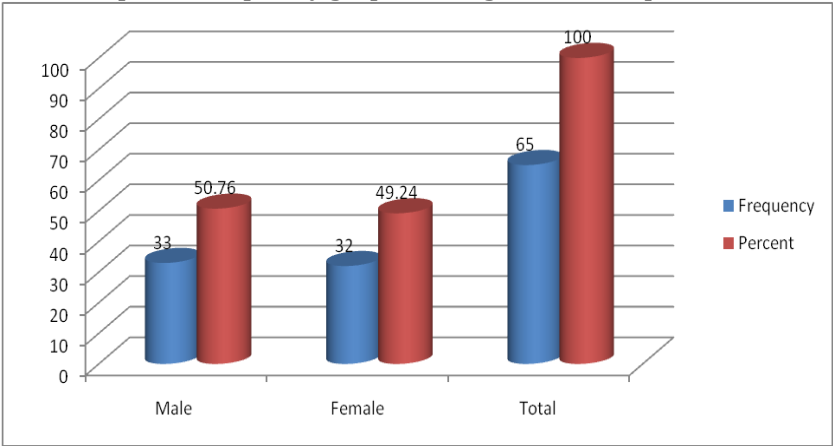
DEMOGRAPHIC PROFILE OF RESPONDENTS:

Further in the section analysis and representation of data collected from the respondents with the help of structured questionnaire is represents. The analysis is done using frequency graphs and tables for making inferences from the collected data; this part introduces the statements related to the demographics of the respondents like respondents name, gender, age, educational qualification and marital status of the customers etc.

Table 1:- Frequency table of gender of respondents

Gender					
	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	50.76	50.76	50.76
	Female	32	49.24	49.24	100
	Total	65	100	100	

Graph 1:- Frequency graph of the gender of respondents



According to Table 1 and Graph 1, when respondents were classified on the basis of gender it was found that out of total 65 respondents 33 (50.7%) were male and 32(49.2%) were females. This shows that the respondent constitutes an equitable mix of both male and female customers. Thus the results of the analysis will be a perfect combination of perception of both the genders.

Table 2:- Frequency table of age of respondents

Age					
	Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to 20 years	15	23.07	23.07	23.07
	21-30 years	22	33.84	33.84	56.91
	31-40 years	15	23.07	23.08	79.99
	Above 41 years	13	20.0	20.0	100.00
	Total	65	100	100	

Graph 2:- Frequency graph of age of respondents

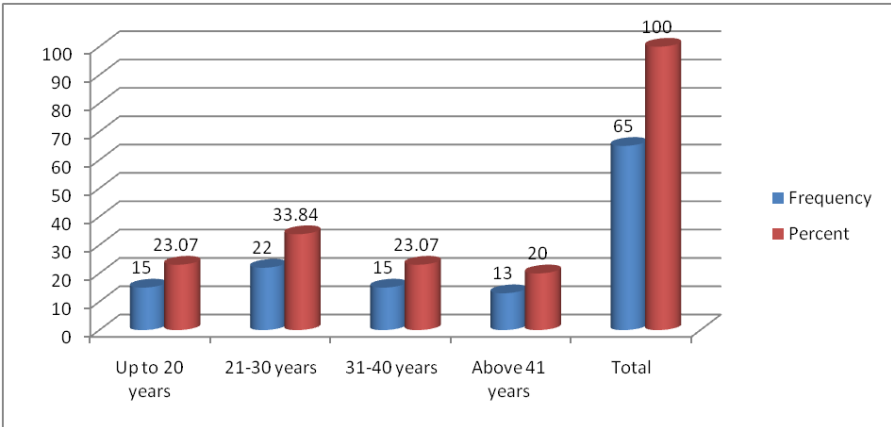
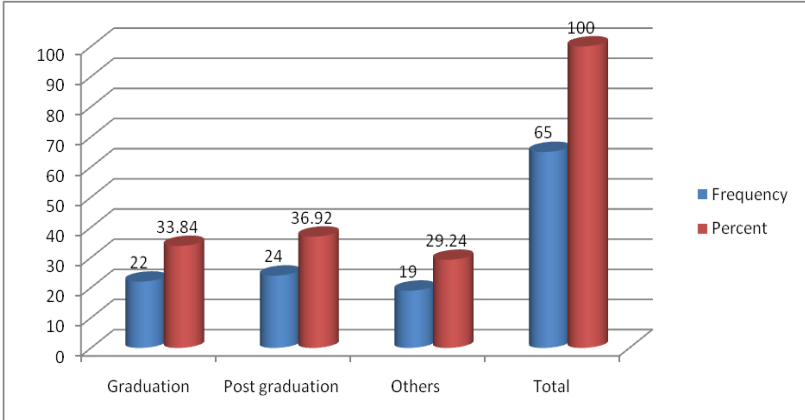


Table and Graph above shows the age wise classification of respondents, it shows that out of total 65 respondents 15(23.07%) falls in upto 20 age group, 22(33.84%) in 21-30 age group, 15(23.07%) in 31-40 age group and 13(20%) comes under above 41 years age group. This shows that respondents are from all age groups and maximum are from 21-30 age group, as the young generation is more likely to adopt the cashless system as compared with above 40 years of age group people.

Table 3:- Frequency table of Education of respondents

Education					
	Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Graduation	22	33.84	33.84	33.84
	Post graduation	24	36.92	36.92	70.76
	Others	19	29.24	29.24	100
	Total	65	100	100	

Table 3:- Frequency table of Education of respondents



**Table 3 and Graph 3** represents that when total 65 respondents were classified on the basis of educational classification, 22(33.84%) were found graduates, 24(36.92%) were postgraduates and 19(29.24%) comes in the category of others. Thus results depicts that most of the respondents are qualified as it is a common perception that dealing with a cashless system necessarily requires education.

**HYPOTHESIS TESTING**

Following hypothesis has been framed and tested to analyze “the significant benefits of cashless economy to general public”;

**H<sub>01</sub>**:- “There are no significant benefits of cashless economy to general public”.

**H<sub>11</sub>**:- “There are significant benefits of cashless economy to general public”.

**Table 4: Result of ‘One Sample t-test’**

No.	Statements	N=65 (Test Value=2.5)					
		Mean	S.D.	S.E.	T-value	Df	Sig.
1	“You can operate basic technological appliances with regards to e-payment services”.	2.6871	1.0584	0.6984	4.514	111	0.054
2	“Cashless economy will prevent money laundering and corruption”.	2.6954	1.2239	0.5614	- 1.987	111	0.554
3	“Cashless economy will reduce the cost of banking services”.	2.5421	1.4475	0.3574	- 2.806	111	0.0045
4	“Cashless economy will prove advantageous to all sectors of the economy”.	2.5240	1.8564	0.4460	9.556	111	0.0459
5	“Communication issues like power, ICT and cheque clearing period are important issues to be considered for the smooth operation of the cashless economy”.	2.5748	1.0093	0.5036	1.409	111	0.002

From the above table, it is clear that the “first statement has the mean value of 2.6871 and its significant value is less than 0.05. Besides, 2.6954 is the mean value of the second statement with the P value of 0.554. The third statement has the mean value of 2.5421 and its significant value is less than 0.05. The fourth statement has the mean value of 2.2240 and its significant value is less than 0.05. The last statement has the mean value of 2.5748 and its significant value is less than 0.05. The mean values of all statements are above 2.5 and significant value in the maximum statement is less than 0.05. Therefore, the null hypothesis stands rejected and it can be said that there are significant benefits of the cashless economy to the general public from the point of view of the general public”.

**CONCLUSION**

Thus from the above discussion, we can now say that a cashless economy is an economic state where the use of cash is restricted and financial transactions are conducted digitally. From the analysis above, the investigation revealed that the acceptance of the cashless system can increase the country’s financial stability, transparency, accountability, assist in fighting against corruption and money laundering and reduces the risk associated with carrying cash. Thus, bringing a cashless economy possesses augmenting benefits and hence many developing economies are welcoming the cashless approach and are going digital. Going digital is a challenging task for the government and it requires a robust infrastructure free from the risk of frauds and cyber threats. The benefits of going cashless are incredible, not only to the general public but the country as a whole. Thus RBI and other regulatory agencies in the financial sector must ensure the infrastructural needs of cashless economy i.e. the service providers should ensure compliance with the guidelines and adhere to minimum security standards. The government in India should encourage people to go digital and generate greater awareness.



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