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## 24. A Study on Impact of Cashless Transactions on Indian Economy

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### Abstract

The research paper depicts the impact of cashless transactions on Indian economy. The cashless transactions will boost the Indian economy it will generate technology based various employment opportunities. The banking facilities will become smooth and efficient. The cashless transaction helps in reducing the corruption and other anti-social activities within the economy. In many developed and developing countries the introduction of cashless economy has result in positive impact. The safety of public money in bank accounts is the major concern as the cybercrimes are also increasing with the increase in cashless transaction. So the banking system has to be strong. The study reflects the various policies relating to cashless economy and various measures relating to it. In modern world the concept of hard cash is going to end and digital money will replace it and due to which the retail e-business is also growing at a rapid pace. The banks and the e-wallet organisations provide easy mode of payments to their customer.

The increase in use of e-wallets and cards for making payments results in growth of economy as it reduces the cost of hard cash within the economy. Near about 65% of the total population of India resides in rural areas for becoming a cashless economy the rural India must have high internet speed and good mobile network without which the dream of cashless economy will not become true.

### Introduction

The Indian economy is becoming digital day by day. India is the country with huge population which require large sum of cash for daily transactions. " A study made by Tufts University in the year 2014, The Cost Of Cash In India, states that the cash operations cost born by the Reserve Bank of India (RBI) and commercial banks was about Rs21,000 crore annually and due to digitization it is possible to curb the cash operation cost. The government is emphasising more on digitisation of each and every sector of the economy and the banking sector covers the major part of it where now a days the whole system is depended upon information technology, without which any transaction can take place. The frequency of making



payment through different modes other than cash is increasing day by day due to which the cash based economy is moving towards the cashless economy. The cashless transactions have been grown enormously after the declaration of demonetization of 500 and 1000 currency notes.

The prime focus of demonetisation was to uproot the blackmoney from the economy but concurrently it boosted the cashless economy as in the period of demonetisation maximum transactions took place with the help of digital money. This leads the economy towards the era of digitization where most of transaction are cashless, digital payments modes were increased and it reduces the dependency of economy on hard cash. Many e-commerce, e-business activities where increased the preferences of publics are changing instead of carrying cash they carry cards and other digital payment options with them. This helps the economy to reduce the generation of black money and the leakages of government monetary help to the poor. Cashless transactions also helps in creating more and more transparency in monetary transactions this will reduce the tax evasions and it ultimately benefit to the economy.

#### **Objectives of Study**

1. To study the meaning and mode of Cashless transactions.
2. To analyse the impact of Cashless transactions.

#### **Research Methodology**

The research methodology is used for the study is descriptive in nature as there is no control over the variables in this study. In this study both the primary and secondary data is used and Primary data is collected with the help of surveys made with the self-constructed questionnaire and secondary data is collected from books, magazines, journals, newspapers etc.

#### **What is Cashless Economy?**

Cashless economy means where the digital money is used for making payments in place of hard cash or the use of cash is minimal and digital payments are done on large scale. It is an economy which does not depend upon the currency notes rather it promotes the electronic money for every transactions.

#### **Different modes of making cashless transactions**

There are various methods with the help of which an individual or a business can do the monetary transactions without using the currency notes.

- **NEFT/RTGS:** National Electronic Fund transfer and Real Time Gross Settlement these are highly used mode from the pre demonetisation period.
- **Card Payments:** With the help of both the ATM cum debit card and credit cards payments can be done.



- **USSD:** Unstructured Supplementary Service Data with the help of this payment can be done through SMS without internet connectivity.
- **UPI:** Unified Payments Interface, this service is provided by every bank to his account holders and various e-wallets also facilitate this service to their users. The Indian government has launched the BHIM app for the making payments with the help of UPI.
- **AEPS:** Aadhaar enabled Payment Systems are available at the e-service centre where an individual with the help of Aadhaar number can make payments.
- **E-Wallets :** The most convenient method of doing cashless transactions e-wallets example Paytm, Phonepe, Freerecharge, JIOmoney, SBIBuddy, Vodaphone M-Pesa, Googlepay etc.
- **POS :** Point of sale devices which are available at different business outlets which are generally called as Swipe machines with the help of POS payments can be done easily by only swiping the debit or credit card available with an individual.
- **Mobile Banking:** This service is provided by the banks to their customers.

#### **Impact of Cashless Transaction on Indian Economy**

The cashless transactions have both negative and positive impacts in short term but it has maximum positive impact on long term

- **Money hoardings:** Due to digitization and introduction of cashless economy in India money hoardings has been reduced before the money was stored in large quantity by Individuals businessmen and there was scarcity of currency within the economy because of which the economy suffers various critical situations.
- **Tax evasion:** A cashless transaction helps in monitoring the various monetary transactions easily so that becomes easier to detect the proper income of and individual or business that reduces the tax evasions within the economy.
- **Corruption:** The major hindrance in the development of an economy is corruption the cashless transaction helps Indian economy to control corruption as all the transactions are done without using hard cash that ultimately results in controlling corruption.
- **Increase in IT business:** Cashless economy is totally depended upon Information technology if the technology is strong this will boost the cashless transactions. High speed internet facilities increase in E-Business like Flipkart, amazon, EBay etc. with one button click whole world gets concentrated.
- **Increase in cyber-crime relating to e-transactions:** As the cashless transactions are increased the cybercrime is also increasing the hacker's hacks the internet banking



accounts of various individuals the account Phishing crimes are growing. The mobile phones are used as medium of doing e-payments now the clone of mobile phones can be easily made by hackers so cybercrime has become major threat to cashless economy.

- **Impact of Cashless transaction on small business in rural areas:** Still business like hawkers vendors those who are selling vegetables fruits on roadside they are not part of this cashless transactions yet cash is required for these transactions in rural areas the kirana shops don't facilitates the e-transactions.
- **The prostitution business:** The cashless economy has severe impact on the prostitution business which runs in the red light areas of various cities and villages.

### Data analysis and Interpretation

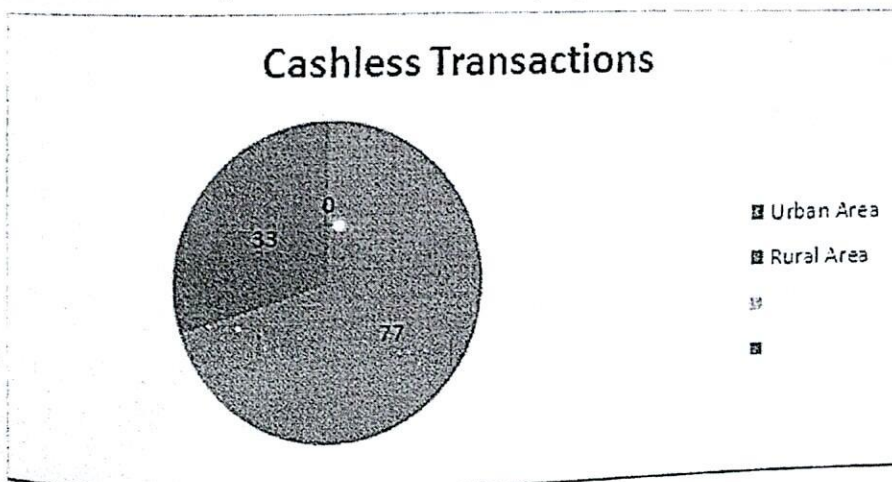
The primary Data collected with the help of survey made on the basis of questionnaire and the sample size is 100 Individuals of different Demographic area, occupation, age and sex. The data is expressed with the help of table and graph and the percentage method is used to analyse the data.

#### 1. Average of Cash and Cashless Transaction done by Different age group people weekly

Sr.No	Age Group	Cash	Cashless
1	18 to 25	25	18
2	25 to 35	35	112
3	35 to 45	37	109
4	45 to 60	50	50

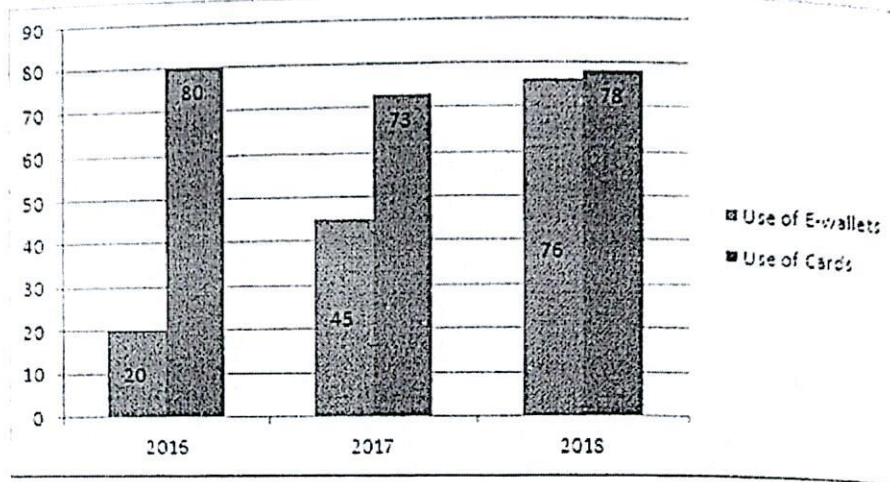
Here in the above table we can see that the more cashless transactions are done by the people coming in 25 to 45 age group, the respondents from this age group have high frequency in doing cashless transaction.

#### 2. Cashless transaction by Urban and Rural Area people.



In the above diagram we can see that the ratio of doing cashless transactions among the urban area people is high then the rural area people.

### 3. Use of E-Wallets and cards in Percentage for transactions:



In the above diagram we can see that there is use of e-wallets in 2016 it was 20% and in 2018 it became 76% on the other hand due to increase in use of e-wallets there is a slight decrease in use of cards but still cards (Debit and Credit) are used on a large scale for making payments.

### Conclusion

The study reflects the both positive and negative impacts of cashless transactions on the economy, as India is the biggest democratic country in the world here the population is large and it requires quite more time to country like India to be declared as cashless economy. The cashless transactions are much convenient to the educated people and it's much popular among the young individuals and the businessmen but still there is much part of our economy is outside the horizon of cashless transactions. Government is taking major steps by opening thousands of accounts of people coming under low income groups through Jan dhan but still that accounts are inoperative due to no proper source of income. Threats like cybercrime are emerging, delay in refunds due to technical problems. The positive thing is there is an increase in various e-business opportunities and it has become convenient to the consumer and the business also to provide their services and people are gradually increasing their way of doing e-transactions.

### Findings

1. There is a positive impact of cashless transaction on the Indian economy.
2. The percentage of people using different modes of e-payments is increasing tremendously.
3. Tax evasion is reducing.



4. Due to direct benefit transfer the leakages of government monetary benefits to the poor has been reduced.
5. Because of cashless transaction there is reduction in corruption.
6. Technology based job opportunities are increasing
7. Banking facilities are becoming better.
8. The e-transactions made by rural area people are less.
9. There is no good Internet and mobile network available in villages.

#### Suggestions

1. Government should organise more e-transaction literacy programmes
2. The technology must be safe from hackers.
3. There should not be delay in refunding the amount which has been deducted from account and transaction is failed.
4. More banking and internet facilities must be made available at rural areas.
5. Digital India will be successful when our villages will be digital so empowering villagers and village is necessary.

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