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## Cashless economy: A review

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### Abstract

The demonetization measures have had significant and immediate impact on the state of the Indian economy. Through the demonetization activity the cash transactions impacted by a decrease in liquidity, alternative payment methods such as e-wallets, online transactions using e-banking, debit and credit card usage have increased significantly. This will increase usage of such payment systems and enable a shift towards an efficient cashless infrastructure. Through the cashless transactions the concealed cash transactions are hereby removed from the traditional cash based transactions and also it will promote all the economic activities are to be transparent nature. The objective of the study is known the consumer awareness, customer trust and confidence and problems faced by the consumers on cashless transaction in the country.

**Keywords:** cashless, economy, e-wallets, e-banking

### Introduction

#### Benefits of cash less economy

Cash less economy helps in curbing generation of black money. As a result it reduces real estate prices because most of black money is invested in Real estate which inflates the prices of Real estate markets. 1 in 7 notes is supposed to be fake, which has a huge negative impact on economy, by going cashless, that can be avoided. An increased use of digital payment instead of cash would enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers which reduce tax avoidance and money laundering. Cashless Economy also reduces the cost of banking services. It also improves monetary policy in managing inflation and increases economic growth in our country. Another benefit of cashless economy is that it discourages cash related robberies and other cash-related crimes.

#### Challenges in making India a cashless economy

Large part of the population is still outside the scope of Net banking like use of credit or debit cards, making transactions using mobile phones, and using the internet to pay bills they are not in a position to reduce its dependence on cash. Second, about 90% of the workforce, which produces nearly half of the output in the country, works in rural sector it will not be easy for this sector to become cashless. There is a general preference for cash transactions in India. Merchants prefer not to keep records in order to avoid paying taxes and buyers find cash payments more convenient. Although cashless transactions have gone up in recent times, a meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. For instance, mobile wallets have seen notable traction, and it is possible that a large number of Indians will move straight from cash to mobile wallets. The availability and quality of telecom network will play an important role. People face difficulties in making electronic payments even in metro cities because of poor network. Service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it's easier, certain and safe to make cashless transactions. The government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payment. India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure.

The recent demonetisation move has had a huge impact on various sectors of the Indian economy and has significantly impacted the way people transact in daily life.

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From midnight of 8 November 2016, 500 INR and 1,000 INR notes ceased to be considered as legal tender. While the government's aim was to prevent the counterfeiting of currency, black money, tax evasion and terrorism funding, demonetisation also had an impact on the way people bank in India. Clearly, the step involved a lot of planning and entailed measures that were taken under utmost secrecy.

However, with the announcement coming into effect, 86% of the total currency (amounting to 14 trillion INR) in circulation was abruptly revoked from the economy. In addition, restrictions were imposed on the amount which customers could withdraw and deposit through platforms such as bank branches and ATMs. After the announcement of demonetisation, multiple guidelines were issued by RBI. Banks had to implement changes such as setting withdrawal limits, changes to cash management applications, core banking applications, coupled with the ability to report additional data to the regulators.

Banks also had to push system integrators to incorporate these changes in the various systems such as core banking systems, ATM switches and cash inventory management overnight. The ATM has been the key enabling technology for dispensing funds. Due to the change to note dimensions, recalibrating the machines and making them operational became the need of the hour. Because this was a covert operation, the ATM supporting industry was unable to recalibrate machines overnight. Further, more than two lakh ATMs across the country had to be recalibrated with the help of just a few thousand technicians. The fact that only a few machines were up and running, together with low cash availability, led to a domino effect. The entire population faced a severe cash crunch, which led to banks and ATMs being thronged by customers. The replacement of old notes took longer than expected, and hence, routine low-value transactions were severely affected.

Simultaneously, replacing a large amount of cash over a 50-day period put humongous pressure on the banking system. This led to the adoption of alternative technology platforms. As a result, both the number and value of transactions through these platforms saw a huge surge. For example, the value of transactions through e-wallets witnessed 301% growth during the period from 8 November to 27 December 2016. The number of transactions through POS saw a massive 95% increase during the same period. Further, the number of transactions through RuPay cards shot up by 425%. 2. The government also announced some incentives for going cashless. For example, it was announced that no service tax will be charged on digital transactions up to 2,000 INR. Digital payments made for buying petrol and diesel was given a discount of 0.75%. The suburban railway network also announced a discount of up to 0.5% to customers for monthly or seasonal tickets booked through digital transactions.

In addition, life and general insurance policies and renewal premiums on public sector undertaking (PSU) insurers' websites provided an 8% and 10% discount, respectively. For payments at toll plazas on national highways using RFID card/Fast Tags, a discount of 10% was made available to users in the year 2016-17. On its part, RBI along with National Payments Corporation of India (NPCI) leveraged technology and introduced newer avenues for banking with the overall objective of improving customer experience, security and ease of transactions.

The Indian Government moves towards a cashless environment after the massive stoke of demonetization.

In India, where people use a lot of cash in everyday life which is 95 percent cash 85 percent of the transaction are not in electronic forms. According to World Bank Development report 2013, electronic payments can save over one per cent of India's gross domestic product (GDP). The "Cash may still be "king" at times, but compared with electronic payments, cash payments are inefficient," According to the multi-lateral agency, the rising use of payment by electronic medium can help to save 1.6 per cent of India's GDP. "Cash can carry significant handling and transportation costs and the risks of theft, loss, and counterfeiting. "Change and motivate the people to money-free transactions from cash transaction. In a growing global economic environment, many world countries are successfully implementing cashless electronic methods. At present, India has begun to show its pace in electronic method.

The Government of India an economy, the Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India. Digital India becomes a new program by the Government of India, which also promote cashless economy. The cash less transaction means to buy or sell the products and services by using electronic forms instead of paper currency and excluding the cash based transaction from the all the marketing activities. Concealed cash transactions are hereby removed from the traditional cash based transactions and also it will promote all the economic activities are to be transparent nature.

The State supervision and monitoring the all types of cashless transactions are also possible and easy through the cashless transactions. Emphasis the digital payment among the people is important action to eliminate corruption, hoarding cash, tax evasion and money-oriented activity completely ceased and it can help to achieve positive and transparency economic development. In growing information technology is great help and catalyst to the people to make cashless transactions. The increasing use of internet and smart phone, apps, mobile banking, internet banking service, credit card, debit card and electronic exchange are simplify and promote the consumer payments and settlements.

The Government of India has taken a number of steps to promote, utilize and reach the cashless transaction among the people for better use. There are a lot of awareness and concession for promoting cashless transactions. Especially in the Government incentives for digital payments, (Lucky Grahak Yojana, Digi Vyapar Yojana) cancelation of Service charges, cash discounts, reward points. At the same time, direct and indirect restrictions on cash transactions to prevent and minimize the cash based transaction.

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