

A Study on Benefits and Challenges of Cashless Economy in India.

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ABSTRACT:

CASH IS KING” is A famous quote that is usually followed in India for many decades. It takes a long time to change quickly to the cashless economy but it has moved forward at a higher growth rate in the past 5 years especially demonetization and covid-19 has become a stroke of luck to the use of digital payments. All the monetary transactions lead to the growth of the Economy but if it happens without physical cash it saves a lot of time, energy, resources, to frame efficient policies and also to fight back against black money, terrorism, and counterfeit currency. Undoubtedly the Government of India has taken initiative for conversion of the economy into a cashless economy like Lucky Grahak Yojana, Digi Dhan Vyapari Yojana, and the Payments and Settlement system in India: Vision 2018 for promoting e-payments. But still, there are many challenges like cyber security, network issue, additional charges for digital payments. This paper discusses the various benefits and challenges and also suggestions of a cashless economy in India.

Introduction:

A cashless transaction means reducing the usage of physical cash and instead of using through any other electronic form like IMPS, NEFT, RTGS, Debit card, credit card, UPI, and BHIM so on... Every monetary activity leads to the growth of the economy if it happens without physical cash it saves a lot of time, energy, and resources. Financial institutions are providing these services at a very low cost and also providing them efficiently in a safe manner. Demonetization and covid-19 has become a stroke of luck for the growth of internet banking.

A cashless economy helps to fight against illegal income, terrorism, and larceny connected to cash. The Government of India is working at various levels to minimize the usage of cash. The Prime Minister of India has launched schemes like Lucky Grahak Yojana, Digi Dhan Vyapari Yojana, and Payments and Settlement system in India: Vision 2018 for promoting e-payments. Reserve Bank of India has also permitted fintech companies to move forward with financial inclusions and also to give opportunities for the development of banking sectors.

India is moving on a significant digital revolution. The transition to a cashless future economy will be marked by the digitalization of the payment system. Four themes that are anticipated to influence this industry's future are also projected to fuel the expansion of digital payments in India. The advent of next-generation payment service providers, a supportive regulatory environment, the digitization of India, and improved consumer experiences are the four factors that have fueled the expansion of Indian digital payment systems.

REVIEW OF LITERATURE

Gourab and Nishant (2020) Cashless economy in India reduces the currency cost and helps in the good taxation system, financial inclusion, framing better policy for the development of the economy.

Sunitha. G's (2021) study explains the benefit of adopting cashless transactions like lower risk, small gains, and a disciplined budget. And also discusses various challenges that need to be faced in the cashless economy.

Waseem (2018) cashless payments have saved time and cost but the Government must seek to improve facilities so that more people can do cashless transactions.

According to Kumari and Khanna (2017), the cashless economy plan will assist developing economies significantly; thus, the cashless system will aid in the battle against corruption and money laundering. One of the most important contributions of the cashless economy is that it is predicted to dramatically minimize the risks associated with carrying cash, such as cash loss, theft, and armed robbery. They've also made the case for a beneficial link between cashless transactions and economic growth.

OBJECTIVES OF THE STUDY

- To study the benefits of a cashless economy in India.
- To understand the various challenges of a cashless economy in India.

BENEFITS OF CASHLESS ECONOMY

1. Convenience and Speed:

UPI allows for instant transactions, reducing the time spent on cash handling and making the payment process faster for consumers.

2. Cost-Effectiveness:

There are minimal transaction charges compared to traditional POS systems or card payment methods, making it more economical for small-scale business.

3. Increased Sales.

With UPI, consumers can make payments even if they do not carry cash, leading to higher chances of purchase and increased sales.

4. Digital Record keeping:

Transactions are automatically recorded, simplifying bookkeeping and reducing the chances of errors.

5. Security and Fraud Protection:

UPI transactions are encrypted and secure, minimizing the risk of fraud compared to cash transactions.

6. Government Incentives:

Many government initiatives encourage digital payments, offering incentives or subsidies to merchants and consumers using UPI.

CHALLENGES OF CASHLESS ECONOMY

1. Technical Dependence:

Consumers need smart phones and reliable internet connectivity, which may not always be available in semi-urban or rural areas.

2. Transaction Failures:

Network issues or system downtimes can lead to failed or delayed transactions, causing inconvenience to both parties.

3. Learning Curve:

Some consumers, especially older ones, may find it challenging to adapt to the technology and understand its functioning.

4. Fraud Risks:

While UPI is generally secure, phishing scams and fraudulent transactions remain a concern if proper precautions are not taken.

5. Dependence on Bank Infrastructure:

Since UPI is tied to bank accounts, any issues with the banking system, such as server outages, can disrupt operations.

6. Fraud Call:

Recently The Reserve Bank of India (RBI) has directed all banks to use only '1600' phone number series to call customers for transaction purposes. Banks and other regulated entities should use '140' phone number series if calling or SMS customers for promotional purposes. RBI believes that doing so will curb financial fraud. Also, RBI has asked banks and regulated institutions to monitor their customer database and remove redundant data.

INTRODUCTION OF CASHLESS TRANSACTIONS IN INDIA

1. 1990s - Early Digital Banking

Introduction of debit and credit cards by Indian banks.

Implementation of ATMs for cash withdrawals and basic banking services.

2. 2000s - Digital Payment Platforms

2002: The National Electronic Funds Transfer (NEFT) system was launched by the Reserve Bank of India (RBI) to enable electronic money transfers between banks.

2004: Real-Time Gross Settlement (RTGS) system was introduced for high-value instant money transfers.

3. 2010s - Mobile and Online Payment Revolution

2010: Introduction of Immediate Payment Service (IMPS) by the National Payments Corporation of India (NPCI), enabling 24/7 instant bank transfers.

2011: Mobile wallets like Paytm began operations, allowing users to make payments without a bank account.

4. 2016 - Demonetization and the Cashless Push

November 8, 2016: The Indian government announced the demonetization of Rs.500 and Rs.1,000 currency notes to combat black money and counterfeit currency.

This event significantly accelerated the adoption of digital payment systems, as people sought alternatives to cash. Unified Payments Interface (UPI), launched in 2016, became a game-changer by enabling seamless, real-time transactions via mobile apps like PhonePe, Google Pay, and Paytm.

5. 2019 Onwards - Expansion of Digital Infrastructure

Bharat Interface for Money (BHIM) app launched by the government to promote UPI-based transactions. Introduction of QR codes for quick and easy payments, especially for small businesses growth of platforms like RuPay cards, Aadhaar-enabled Payment System (AePS), and FASTag for toll payments.

Key Dates in India's Cashless Journey

2010: IMPS launched for instant transfers.

2016: UPI launched, followed by the demonetization drive in November.

2017: Bharat QR and BHIM app introduced to encourage digital payments.

2020-2021: COVID-19 pandemic accelerated the use of contactless payments and UPI.

Today, India is one of the leading nations in digital payments, with UPI recording billions of transactions monthly.

SUGGESTIONS

- Banks and Financial institutions need to wipe off the additional charges for all the electronic transactions.
- Banks and Financial institutions need to assure that all the electronic payments are completely safe.
- The Government of India should provide the complete network to the rural areas and some parts of urban areas as its essential for cashless payment.
- The Government of India needs to provide free WiFi in public places so that it helps to make cashless transactions.
- The Banks and Financial institution provide awareness programs for UPI and other app for cashless payments.
- The Govt. Should arranged awareness programs for cashless payment.

CONCLUSION

A cashless economy works like magic for the development of India and helps curb all illegal activities. However, the Government of India and all financial institutions must ensure that digital transactions are completely secure and take extensive measures to safeguard the money.

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