

RESEARCH PAPER ON INDIA TOWARDS CASHLESS ECONOMY

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ABSTRACT

This research particularly focuses on how the Indian economy transmute its operations and made it feasible and beneficial for the public at large. It evaluates India's technological advancement, which has created a range of opportunities for consumers to enter into digital payment space. Demonetization in India has forced all consumers and companies to embrace and create cashless digital payment platforms. The cashless economy scenario is leading towards development and be on the same chair with developed country. It involves various factors for its adoption such as reach, availability and awareness. This study comprises of descriptive research in which every aspect of revolution in the monetary terms are being specified. This study illustrates the complete shift of consumer behaviour from cash to a cashless economy. A certain number of factors are shown directly influence the rate of such a shift towards digital transactions in India. As we all know that previously India is majorly cash driven economy where people generally prefer to carry cash instead of cards however India is moving towards "less cash economy"- a phase of cultural -economic transition. I will take the example of my father as well. He is more driven towards having hard money in hand than soft money as it was his perception that it is always convenient to carry some amount of cash if any emergency need occurs. But now he is also trying to adhere to the moving technology and try to learn this process. It was done to curb the shadow economy, corruption, terror - financing, human and drug trafficking, counterfeit-currency etc.

Cashless economy is cost effective, growth friendly, business friendly, pro-financial inclusion etc. Government is promoting it through BHIM app, AEPS, Digi Shala etc. Cashless economy requires robust digitalization. It has various challenges -escaping attitudes of people, poor transaction security mechanism, insufficient infrastructure etc it is a boon to industries like UBER and OLA.

The objective of doing his research is reduction in tax evasion and greater tax compliance, ease of doing transactions, security and reduction in criminal activities. People can easily pay their bills online, shop and schedule transactions and can manage all their financial transactions using their laptops or smartphones. The goal of a cashless economy is to move towards 0% cash. A perfect 0% will never be achieved. The digital India Programme is a flagship programme of the GOI 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.

NEED OF THE STUDY

The cashless transfer is soon becoming the most preferred option and there are a number of benefits of going cashless. People can easily pay their bills online, shop and schedule transactions and manage all the finances using their laptops or smartphones. Going cashless not only eases one life but also helps to authenticate and formalize the transactions that are done. This helps to curb corruption and the flow of black money which results in an increase of economic growth. The expenditure incurred in printing and transportation of currency is reduced. The main need of this study is to know more about this topic and outline the benefits of going cashless, long procedure of a financial transaction now can be solved in just a click. The era of digitalization has led people to be tension free from hard money. Less cash decreased the rate of crimes. This also leaves an impact on the government as they can then reduce the costs that the government spends on nabbing the culprits. As technology is upgrading every passing day the cyber crimes has become a crucial matter of fact. Government is initiatives to focus on cyber security of individuals data. The government can use the data coming from the cashless transactions to improve and analyse their policies. By using such data, officials can predict or identify the patterns of activity and use such information for urban planning for sectors like energy management, housing, and transportation. One of the main reasons for attempting to do this study is that more spending helps to improve economic growth. In countries like US higher card usage has contributed of about US\$296 billion globally from the year 2011 to 2015 which is a 0.1% increase in GDP. Shopping online gets easy as one can use a number of payment options: from credit and debit cards to net banking. One can observe more spontaneous buying while making cashless payments. By stepping towards a more cashless society, the role of government increases to serve the underbanked as well.

Swiping a credit, debit card or scanning our phone makes buying things quick and simple. It requires no counting of cash or making of change, and it allows us to buy whatever you want without having to first stop by the bank to withdraw cash. It's also became more convenient for retailers. They don't have to deposit as much cash every day and can more easily balance their books, since electronic -transfer-based sales can immediately and seamlessly enter computer systems. This study establishes a stability in case of banking collapse as this can lose a lot of people money. Therefore, this study is needed for building more concepts of going cashless and transforming our country from developing country to developed one.

REVIEW OF LITERATURE

Review of literature paves way for a clear understanding of the areas of research already undertaken and throws a light on the potential areas which are yet to be covered. Keeping this view in mind, an attempt has been made to make a brief survey of the work undertaken on the field of Cashless economy. The reviews of some of the studies are mentioned below.

In a cashless economy, how much cash in our wallet is practically irrelevant. We can pay for our purchases by any one of a plethora of credit cards or bank transfers. Roth, 2010 observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones v, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and eexchanges. These all refer how transactions and payments are affected in a cashless economy. Marco and Bandeira (2004) argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it does conclude that central banks can lose the control over monetary policy if the government does not run a responsible fiscal policy.

In the research paper published by Kartik Aggarwal, Sushant Malik and Dharmesh K. Mishra in the journal of Asian Finance, Economics and Business they described that Internet of Things (IoT) is the essential function in our society to bring citizens together by adopting an open innovative approach. In the Long run, to become independent in information technology (IT) and artificial intelligence (AI), can be achieved with government's help, as its role is a crucial part of the future .E-banking and e-payment opened the doors for cashless transactions earlier, but it was not well known .The online modes of payments made it possible to keep an eye on the people who have black money, but at that time , there was a lack of awareness , and people were not versed with the technology which was not successful from the government's position. With the full advantage of technology, there is a way for the government to introduce a new system into the market for modernization and quick payments remittances.

The e-banking system also ensures the optimal use of banking services for better availability of funds for banks and customers. Wireless is considered to be the core factor in the current phase of digital convergence. It is not only about mobile phones features, but the applications are moving on the cloud, which makes it possible to work digitally. In recent times, technology has been the great enabler in the financial industry in pulling out masses from the bottom of the pyramid. Now, moving further with the advent of modern technologies like, AI, Blockchain, Internet banking and smartphones helped the whole financial ecosystem. The new term coined by the industry experts is "FinTech". Internet availability and data facility became a facilitator for fintech, whereas in the Indian context, Digital India, e-governance,

demonetization pushed for the adoption of fintech solutions to improve the Indian Economy in the context of Digital India. For the possible financial inclusion, literacy and credit counselling can convince the masses of the usefulness of financial services, which will have a long-lasting impact on people's lives in pulling people out of extreme poverty. Every changing digital world had a huge impact on Human Resource. It had created an impact on their jobs and their workplace.

(Kumari D.N., Impact of Cashless Economy on Common Man in India), This paper meets an attempt to know the awareness about smartphone and the use of Smartphone in rural India. The low literacy rates in India, along with the lack of infrastructure like internet access and power make things extremely difficult for people to adopt e-transaction route.

RESEARCH OBJECTIVES

The focal objective of this sort of research is that to make people use digital payment methods for their transaction of money for goods and services fully, without elimination of physical cash from economic market completely. Limited cash in cash circulation support to control growth of inflation rate.

Specifically, the objective of this study includes: -

- To find out the status of India in comparison of other countries in terms of cashless economy.
- To find out various challenges and opportunity associated with the implementation of the cashless policies in India.
- To find out solutions to be adopted against challenges associated with the implementation of the cashless policies in India.

The crucial reason of this study is to control the movement of illegal money from circulation in the economy, better tracking of transactions and ease of carrying of financial transactions at any point of time from any place. My main point of doing this research paper is to gain insights of a whole transformed cashless economy and how it will affect the individual life and their expenditures. Further, we can add on, it is done to understand the concept of cashless society and its implementation, to study the perspectives of different stakeholders in cashless economic transformation, to study the factors impacting customers to transact in cashless mode and to make suggestions for various stakeholders in India. By the end of this study, we will be able to see the future prospects of a totally digitalized economy.

RESEARCH METHODOLOGY

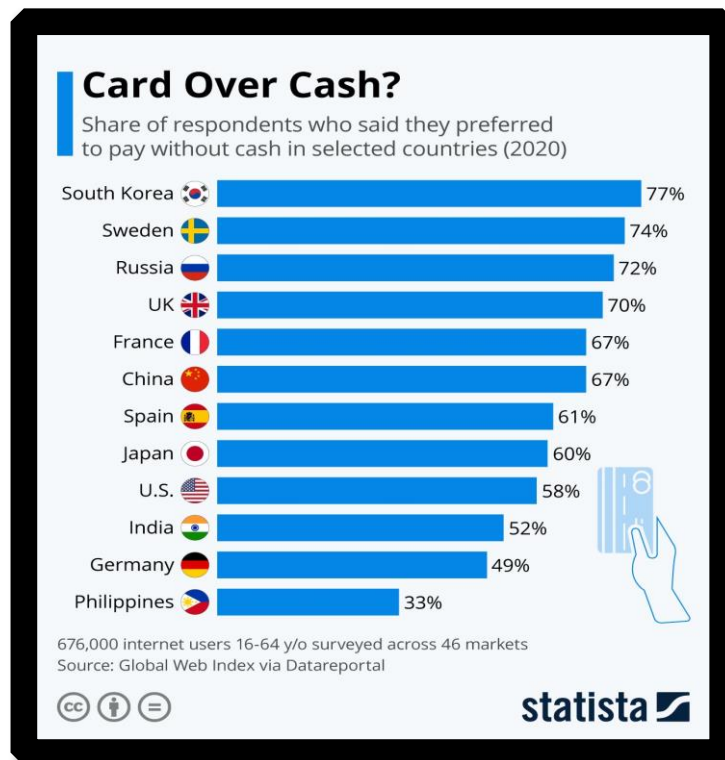
The research methodology used in this research work -descriptive methodology and case studybased methodology.

I will extract a sample size of 30 respondents for which a questionnaire and focus groups method will be adopted for the same. It will be based on simple random sampling method. This method would be applied to all the users of smartphones and who have already adopted cashless mode for transactions. The research uses primary and secondary sources of data. Primary data are the questionnaires that will be used by me for the interpretation of data. Secondary data are also equally taken into consideration in the form of literature and articles. The target audience includes different generations, consisting of young people, middle-age people, and older people of varying income group segments. In this country, everyone needs to know the advancements in adopting new technologies. Likewise, there is a need to reduce the use of cash and bring awareness of Digital India.

The users or consumers are the most critical factor in conducting research. The analyses have to be made because the actual data can only be collected and analysed from real customers.

I had prepared a questionnaire or a kind of survey on this research to get the detailed insight of the users of online transaction and how is there experience till now. The challenges they have come across by going digital in a wholesome manner. I had got various opinions of different age group and their expectations in the future of a cashless economy. It will be providing the data and statistics to find out the proportion of people favouring the cashless payment or plastic money payment.

THIS CHART SHOWS HOW PREFERRED METHODS OF PAYMENT DIFFER AROUND THE WORLD



GOVERNMENT INITIATIVES IN TRANSFORMING OUR SOCIETY AS DIGITAL ECONOMY

In order to encourage cashless transactions and to protect the interest of people using digital modes of payment the Indian government has announced multiple schemes that will spur the movement of digital payments in the country. Some of the many initiatives are as follows: -

- ✚ The digital literacy and awareness in the rural areas is extremely low. To educate millions of citizens about digital payments Union IT Minister, Ravishankar Prasad has recently launched a 24-hour TV channel named 'Digi Shala'. According to Mr. Ravishankar Prasad, the channel will encourage people for digital payments in their everyday life. The channel will be broadcasting shows targeted at the rural and suburban masses, educating them about various methods of digital payment.
- ✚ The government is taking a lot of efforts towards creating a cashless society. Prime Minister Narendra Modi, has launched an Aadhaar based mobile payment application, BHIM at the Digi Dhan Mela event. It is very simple application and our fingerprint is enough. We won't need internet or smartphone for this, said by Mr. Modi.

- ✦ A dedicated helpline, '1444', has been launched by NITI Aayog in collaboration with NASSCOM, telecom operators, for addressing all queries regarding digital payments. Apart from this, sub-urban railway passes, lesser toll charges for cashless mode, more PoS terminals no additional charges for cashless payments, and cheaper petrol for cashless mode payments.
- ✦ UPI has clocked an all -time high 3.2 billion transactions in July 2021 displaying a 1011% jump in both value and volume month-on-month. In fact, it has become a catalyst for a dramatic rise in several private players in India with several private players such as Google Pay, Amazon Pay, Paytm, PhonePe and even WhatsApp Pay.
- ✦ Credit goes to the leakage-free DBT (direct benefit transfer), the end beneficiaries across various segments such as agriculture, fisheries etc, are able to receive direct benefits and subsidies of a plethora of social welfare schemes such as MGNREGA, LPG subsidy and many more. This has enabled the government to not just weed out fake beneficiaries and arrest pilferages, but also helped the government save INR 1.78 lakh crores. This has been a significant contributor in the penetration of digital banking penetration into rural India leveraging the JAM trinity (Jan Dhan Yojana, Aadhaar, Mobile Phone).
- ✦ The implementation of a nationwide one taxation systems, GST has bolstered a paperless, contactless and cashless transaction ecosystem. It brings the entire trading community-transporter, recipient, supplier-into one common portal, and empowers them with the e-way bill which has just eliminated the state-specific way bills, but also radically enhanced the movement of goods in a seamless manner, turnaround times, country-wide logistics, convenience and tax compliance.
- ✦ On 2 August 2021, the prime minister of India Mr. Narendra Modi is going to launch a digital payment platform called e-RUPI Digital Platform. This platform is a cashless and contactless instrument that will be used for making digital payments. It is QR code or SMS string-based e-voucher which will be delivered to the mobile of the users. The users will be able to redeem this voucher without any digital payment app, internet banking, or card. This initiative will connect the sponsor of services with the beneficiaries and service providers. The connection will hold in a digital manner without any kind of physical interface.

DATA COLLECTION METHODS AND FORMS

As I have already mentioned here that a survey is done by me through in-person and google forms .It has given me a more precised insight of a cashless economy and its practical implications in the market.

The questions in the questionnaire are as follows:-

1. From how many years you have been using UPI or online Payment?

- 6 years
- 7 years
- 8 years
- 10 years

2.How many of your daily transactions are based on online payment?

- 0-10%
- 10-20%
- 30-40%
- 40-50%

3.Where you see the challenges of online payment?

4. what is your preference ?

- Online Payment
- Cash Payment

5.How many times you have been targeted for a cyber attack on any mode?

- very often
- sometimes
- seldom

6.Are you aware of how to report theft in cashless transactions?

- Yes
- No

7.Do you observe any rise in your daily expenditures due to cashless transactions?

- yes
- No
- maybe
- Maybe I don't care

8.How many people are educated enough to use cashless transaction till 2022?

- More than 30%
- More than 40%
- More than 50%
- More than 60%

9.How cashless transactions or digitization is financially assisting India's GDP growth?

- Efficient business processes
- Minimal chances of money laundering
- Helps to curb corruption and absorbs black money
- Less usage of materialistic belongings
- All of the above

10.How many people are now ready to adopt cashless payments ?

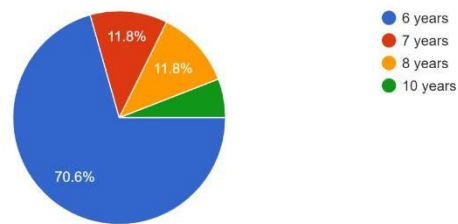
- 20-30%
- 30-40%
- 40-50%
- 50-60%

SAMPLING DESIGN AND PLAN

I have taken into consideration of all the age group people from teenagers , adults, middle age people and senior ones to get the perspective of each of the individual .I have opted for random sampling method for this particular research work as the periphery of my topic of thesis includes different age group people and their views will highlight the uses and challenges of cashless economy .The response rate was quite positive regarding this survey .They outrightly put forth their opinion on it. No fieldwork is done as it is more into digitalization base.

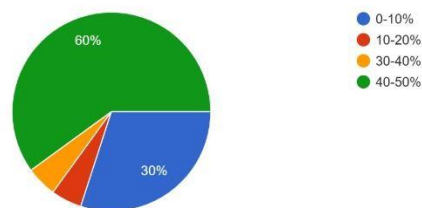
1. From how many years you have been using UPI or online Payment?

17 responses



2. How many of your daily transactions are based on online payment?

20 responses



3. Where you see the challenges of online payment? 15 responses

Timed out issues

Most of the time recipient server is down

Mostly In rural & hilly areas

Server issues

Not exactly

There is some risk of fraud

Cybercrime fraud

No challenges

Network issues

Network Issues

No

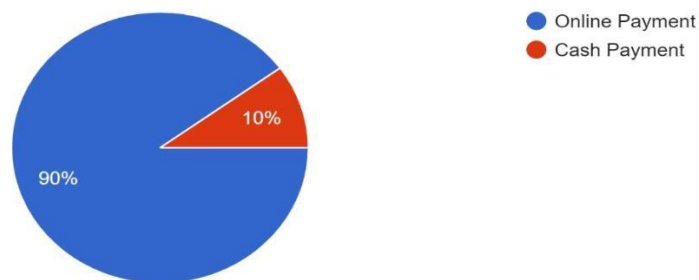
Safety and security

In small towns and local markets most people don't still use it, so we need to give cash payments. Only when the receiver refuses online payment. Also, when there is some issue due to the bank server.

Cyber Fraud

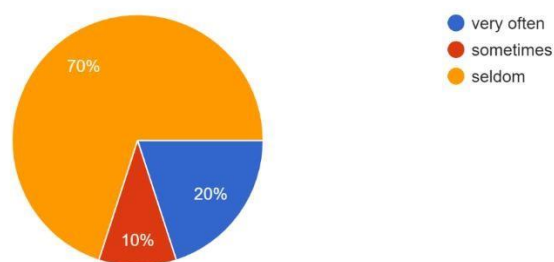
4. what is your preference ?

20 responses



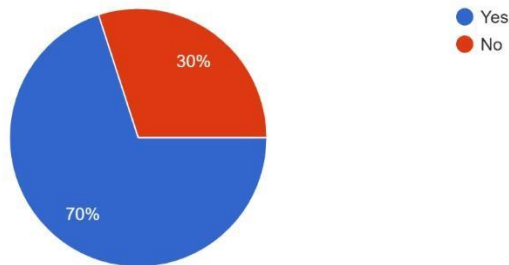
5.How many times you have been targeted for a cyber attack on any mode?

20 responses



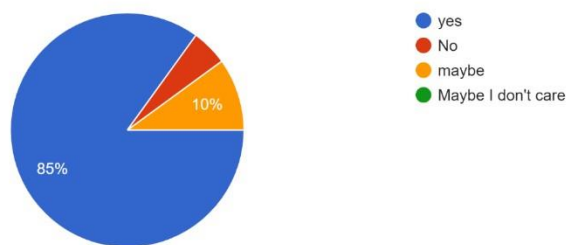
6.Are you aware of how to report theft in cashless transactions?

20 responses



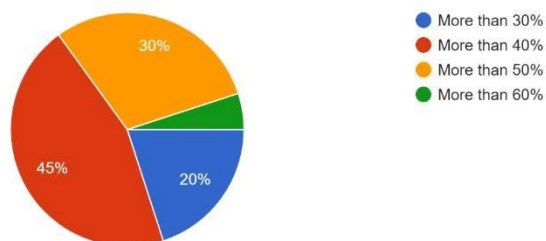
7.Do you observe any rise in your daily expenditures due to cashless transactions?

20 responses



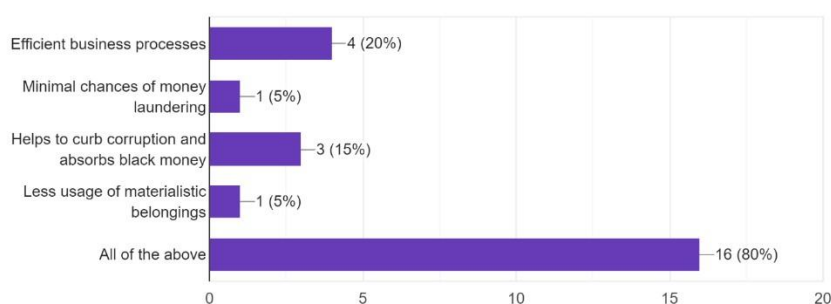
8.How many people are educated enough to use cashless transaction till 2022?

20 responses

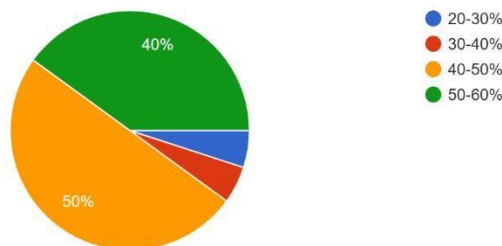


9.How cashless transactions or digitization is financially assisting India's GDP growth?

20 responses



10. How many people are now ready to adopt cashless payments ?
20 responses



DATA INTERPRETATION AND ANALYSIS

From the fetched-out data, we can conclude the feasibility of cashless society and the ways in which it needs improvement. In the first part of the question, 70.6% people are using online payment from 6 years, we can underline that the wave of cashless economy has arrived now. We can take the example of insurance, traditionally we have to visit the offices for the payment of premium amount, but now we can do this by just a one clicks on our phones. Digitalization has consequently saved the time of people and eventually increased the efficiency of the process. In the second part of the question around 60% people believe that 40-50% of their daily transaction are based on online payment, 30% people shown that only 0-10% transactions are based on online payment. Remaining 5-5% people fall under 10-20% and 30-40%. Respondents jot down the challenges they face during online payment (it is mentioned above). In the next part of questionnaire involves that 90% people prefer online payment today. As it is very much evident that every innovation and technology has its own pros and cons. I have discussed the pros till now, the cons can be inferred that the foremost disadvantage of cashless society is the rise in the cyber attack and more initiatives are being taken on cyber security. Awareness plays a crucial role to curtail cyber theft. 70% people are aware to report for the theft in cashless transactions. 85% people said that their daily expenditures rose due to cashless transaction for the reason being previously when they have to pay through physical money they think to spend it. But now, as it is dematerialise they go on with shopping and other stuff as their money is not spending physically. They believe that 45% people believe that more than 40%

individuals are educated enough to use cashless transaction till 2022. Only 5% people believe that more than 60% have this financial literacy. Cashless transactions is financially assisting India's GDP growth through efficient business processes, minimal chances of money laundering, helps to curb corruption and absorbs black money and less usage of materialistic belongings. At the end, we concluded that 50% people believe that 40-50% people are now ready for adopting cashless payments.

I have chosen this form of data collection because as my research is based more on the dematerialise form of economy or cashless economy. Respondents find to fill a questionnaire easier and more convenient to put forth their thoughts.

OPPORTUNITIES AND CHALLENGES OF CASHLESS ECONOMY

Challenges :-

- India is a currency dominated economy, in India cash circulation amounts to nearly 13% of GDP. There is large unorganized sector which prefers cash payments.
- There is limited availability of point-of-sale terminals and poor transaction culture in POS.
- There is poor internet connectivity and lack of power in rural areas. Lack of literacy is another challenge in adoption of cashless economy.
- As technology is increasing and digitalization is already injected into our lives, there is a possibility of number of risks associated with it by frauds, cybercrimes etc.
- Going Cashless can also influence people's 'Propensity to Save', in fact studies have shown that plastic money induces people to overspend. Paying with cards does not register in brain as paying in cash does.
- Government would have access to all types of confidential information.
- Another riding challenges in digital payments in India is cyber security issues, with the magnitude with which digital transaction-taking place after demonetization the risk of online fraud, leakage of confidential information, cyber-crimes, malwares, hackers and virus attacks has been raising.
- There must be financial inclusion. Every person must have access to banking facilities and hold a bank account.

Opportunities: -

- Availability of low-cost smart phones coupled with affordable internet data packs, Indian consumers are shifting from feature phones to smart phones. Indian banks including public sector banks are providing mobile banking facilities and all most all banks have their own m-wallets which are linked with their debit or credit cards, which eventually removes the hindrances of carrying physical cash in their hands.
- Due to increasing internet penetration Indian banks continuously to provide innovation, affordable, user-friendly services to enhance consumer experiences and gain its competitive advantages.
- The E-Commerce market in India has grown from **\$4.4 billion** in 2010 to around **\$16 billion** in 2015 and hit **\$76 billion** in 2021. Raising trends of online purchasing backed by many forces such as strong value proposition offered by online merchants, proliferating payment platforms, strengthening delivery channels, logistics ,24*7 active market, home delivery, increasing mobile and internet penetration.
- Indian banks currently devoting **15% of their** spending on development of technological infrastructure.
- Trends of urbanization is continuously increasing in last three years with an annual growth rate of 2% which eventually will increase the use of a more cashless economy.
- A cashless system would help to transparent transactions and increases the collection of tax. Thus generating higher revenue for the government, this in turn, will be converted into public welfare policies and schemes. The government will benefit from the cashless economy in the area of adequate budgeting and taxation, improved regulatory services, administrative processes (automation), and reduced cost of currency administration and management.
- Even transactions can be done through e-banking but it can be traced while it is very difficult to trace the transaction in cash. There is certain check in depositing and withdrawing money through bank accounts.

LIMITATIONS

The limitations which I have felt was the respondents in the age of 50-60 were not able to mention the challenges they face as they are not much into this sort of survey and they are not much of a technology prone people. As they are people in the same age group who are going cashless but the number is less.

In my future research projects, I would take a large size of sample to get more insights of my research study .I faced certain constraints in fetching out statistical data about this title because by wandering through various websites the authenticity of the data cannot be determined so accurately, it is on the approximate basis.

The crux of the study was the lack of control over spending without a physical reminder.

CONCLUSIONS AND RECOMMEDATIONS

Last 4-5 years bring drastic transformation in Indian economy from its traditional practices.

Significant revolutionary moves have been taken in the form of digital India e.g. Start-up India Stand up India ,refinement in tax laws with implementation of GST, promotion of foreign investment, financial inclusion , demonetization etc.All these measures bring drastic transformation in Indian economy by promoting information and technology in each and every sector .Raising disposable income , changing life style and education level, increasing corporatization and demographic dividend are the factors which are significantly contributing contributing in digital transactions in India.

Due to innovation in digital payment technologies and increasing customer satisfaction, the growth trends in digital payments are positive and will continue to dominate the payment landscape in India.

But the biggest challenge in front of Indian economy is digital illiteracy, inadequate rural penetration of internet connectivity, inadequate banking infrastructure, lack of awareness among rural customers , unorganized indigenous market. User interface designs of internet banking and payment apps should be simpler and should be available in local languages. Regulators and Government have to make digital payments mandatory for high value transactions and for essentials. Finally, cashless transactions should be incentivised such by lowering tax rates failing which people would continue to prefer accepting cash mode.

Thus, the dream of cashless economy would be possible only through the collective efforts of the government, banks and the public through technological and infrastructure innovations.

Indian Prime Minister Mr. Narendra Modi has rightly said that “Let’s start with less-cash society to move to cashless India”. Modi’s government focus is toward greater use of technology and consequent reduction in cash usage , which will lead to a decrease in corruption. Various AI and ML models are being developed and implemented to detect fraud in financial transactions for the smooth functioning .

The objective of this research was to consider and compare the consumer perception of moving from cash to a cashless economy.

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