

A Study to Determine the Impact of Cashless Economy in India: Benefits and Challenges

Ms. Sonam Shilpi

Arvind Gavali College of Engineering, Satara, India

Abstract: *This paper studied the impact of the policy of cashless economy in India. Cashless economy brings benefits as well as problems. One significant benefit of digital money is its greater efficiency, which creates new options, particularly for small enterprises. On the other hand, it might encourage a worsening of the tax and money laundering issues. As a result, these issues might modify currency exchange rates, mess with the money supply, and trigger a wider financial crisis. The study is being undertaken in the Indore region, and data was gathered using a structured questionnaire and then simply analysed using the percentage technique. Cyberfraud, a high rate of illiteracy, and other significant obstacles could prevent the programme from being implemented. The study demonstrates that India's adoption of a cashless economy might be considered as a positive development. It supports India's economic expansion and prosperity.*

Keywords: Cashless economy, Policy, Currency, Cyber fraud, Economic Growth

I. INTRODUCTION

Without money, survival would be difficult, just like with water. Although just over 85% of global payments are still conducted in cash, this suggests that cash use isn't really declining. The habit of making electronic payments must be ingrained in order to promote and enhance the cashless economy. The government promotes cashless transactions through USSD, Ru-pay cards, UPI, and mobile banking. These are digital payment ways and procedures. To lessen the reliance on cash, the government is doing several efforts. For consumers and businesses looking to boost mobile banking and e-payments, Prime Minister Narendra Modi introduced the Lucky Grahak Yojna and Digi Dhan Vyapaar Yojna. Everyone will benefit from a less cash-based economy, and it will foster a more transparent one in the future. For individuals without cards or mobile phones, the government has also developed a payment mechanism based on Aadhar. Many factors make it desirable to lessen the Indian economy's reliance on currency. In order to prevent the spread of terrorism by counterfeit currency, It also has an impact on our nation's monetary policy, as it makes it impossible to conduct hawala transfers without using paper money, which effectively ends any unlawful activity. Since illegal trades like the sale of drugs generate a significant portion of black money, unlawful trade may be challenging if there is no cash or insufficient currency. Aiming to promote financial inclusion and introduce cutting-edge banking solutions, the RBI has also granted licences to establish modern small finance banks and payments banks. Technology-wise, things are also coming together for India. The National Payments Corporation of India recently introduced the

Unified Payments Interface, which simplifies digital transactions. A plan to promote electronic payments and make it possible for India to transition to a cashless society or economy in the medium and long term was recently presented by the RBI in a paper titled "Payments and Settlement Systems in India: Vision 2018". The risks connected with electronic payment instruments are far more varied and serious, thus Indians need to be aware of both the risks and benefits of various payment instruments.

One of the highest in the world is found in India, where the cash to GDP ratio is 12.42%. In Brazil, it was 4%, or 9.47% in China. In addition, there are also significantly more currency notes in use than in other developed nations; in 2012–13, India had 76.47 billion currency notes in use, compared to 34.5 billion in the US.

II. A CASHLESS ECONOMY'S ADVANTAGES

A cashless society lessens the creation of fake currency. The majority of black money is invested in real estate, which raises real estate market values and reduces real estate prices. This can be avoided by going cashless. The economy is significantly harmed by the estimated 1 in 7 fake notes. It would be able to preserve a more detailed record of every transaction that takes place in society if more people used digital payments instead of cash. This would increase company operations' transparency and decrease money laundering and tax avoidance. Additionally, a cashless economy lowers the price of banking services. Additionally, it enhances our nation's monetary strategy for controlling inflation and boosts economic growth. Another advantage of a cashless economy is that it deters robberies and other crimes using cash.

III. CHALLENGES IN TRANSFORMING INDIA TO A CASHLESS ECONOMY

Considering that a large portion of the population still does not use credit or debit cards, mobile payment methods, or the internet to pay bills, they are unable to lessen their reliance on cash. Second, the majority of the workforce (about 90%), which accounts for almost half of the nation's output, works in the rural sector. Making any industry cashless will not be simple. In India, cash transactions are typically preferred. Buyers find cash payments more easy, while businesses prefer not to keep records in order to avoid paying taxes. Although the frequency of cashless transactions has increased recently, a major shift will depend on a number of factors, including awareness, technology advancements, and government engagement. Mobile wallets, for instance, have gained a lot of traction, and it's possible that many Indians may switch from cash to mobile wallets right away. An essential factor will be the quality and accessibility of the telecom network. Even in major cities, the weak network makes it difficult for people to make electronic payments. To increase security and transaction convenience, service providers will need to make ongoing technological investments. People won't switch until cashless transactions are more convenient, reliable, and secure. The government will also need to contribute in some way. It will need to come up with strategies for promoting cashless transactions and discouraging cash payments. Changing people's perceptions and attitudes about shifting digital payments is challenging. Small retailers

predominate in India. They lack the funds to make investments in the infrastructure of electronic payments.

IV. REVIEW OF LITERATURE

Review of the literature lays the way for a thorough grasp of the study areas already covered and sheds insight on the potential areas that are still unexplored. In light of this viewpoint, an effort has been made to provide a succinct overview of the work done in the area of cashless economies. The term "cashless economy" refers to an economic environment where goods and services are purchased and paid for via electronic means, rather than the total absence of cash.

A cashless economy, as defined by Woodford (2003), is one in which it is assumed that there are no transaction frictions that may be reduced by the use of money balances, and which subsequently provides a reason for maintaining such balances even when they earn a rate of return. In a society without cash, how much money you carry in your wallet is virtually useless. There are numerous credit cards and bank transfers you can use to pay for your purchases. (Roth, 2010) said that industrialised nations are, for the most part, switching from paper to electronic payment methods, particularly credit cards.

In his article "Cashless Payment System in India- A Roadmap," Das (2010) argues that accepting cash as payment is an expensive proposition for the government. A cashless (electronic) payment system must replace the nation's cash-based one. In addition to improving financial inclusion and integrating the parallel economy with the mainstream, this will lower the cost of managing currencies, track transactions, detect fraud and tax evasion, etc.

V. THE MOVEMENT OF INDIA TOWARD ACASHLESS ECONOMY

It wasn't a quick decision to transition to a cashless economy. In an effort to promote electronic payments and the shift away from the cash economy, the government approved a number of initiatives in February 2016. In his Man Ki Baat address in May 2016, Prime Minister Narendra Modi asked the public to switch to cashless transactions. Additionally, he emphasised the importance of embracing digital culture through using cellphones and other electronics. In order to achieve this, the government started a major initiative for financial inclusion that included opening Jan Dhan accounts, providing a legal foundation for Aadhaar, implementing direct benefits transfer, enacting GST, introducing RuPay cards, and implementing a voluntary disclosure programme for unaccounted funds. The shift to a cashless economy was hurried up by the 8th of November 2016 action of demonetizing the 500 and 1000 rupee notes. Demonetization's impact on the economy's slowdown has given rise to various myths about the new economy. For those who make and spend the majority of their money in cash, this effect would be more pronounced.

OBJECTIVES: OBJECTIVES OF PRESENT STUDY ARE AS FOLLOWS:

1. To research the benefits of cashless economy
2. To evaluate how effectively the Indian government is prepared to execute the cashless economy.

VI. RESEARCH METHODOLOGY

The study is being done to gather information on India's introduction of the cashless economy. The Delhi region serves as the study's location. Using the convenience sampling method, a sample size of 100 was chosen, of which 87 copies were found to be in useable condition. This indicates an 87% response rate. Since both literate and illiterate people are included in the sample, the survey's validity depends on how they responded to the introduction of the cashless economy and the use of digital payment systems. With the use of a questionnaire, the survey is completed. The basic percentage approach was used to compile and analyse the respondents' responses.

VII. DATA ANALYSIS & INTERPRETATION:

Table 1: Knowledge of Cashless Policy to users.

I have heard about India's Cashless economy?	frequency	percentage
Strongly Agree	36	41.40%
Agree	41	47.40%
Undecided	3	3.40%
Disagree	6	6.90%
Strongly Disagree	1	1.10%
Total	87	100
Cashless Economy should be introduced in India.		
Strongly Agree	25	28.70%
Agree	23	26.40%
Undecided	16	18.40%
Disagree	11	12.60%
Strongly Disagree	9	10.30%
Missing	3	3.40%
Total	87	100

Source: Primary survey 2018

The above table shows that there is a high level of public knowledge; 88% of respondents are aware of India's cashless economy. The academic community was taken into account for the study, therefore by all accounts it is believed that they are at least somewhat aware of societal events. However, few people express a significant disdain for the cashless economy. A cashless economy should be implemented in India, according to 55.1% of respondents. The lack of enthusiasm for its quick adoption could have been explained by the following factors: a lack of system readiness, the nation's current focus on other issues, the ability to spend cash in any amount, insufficient technology, and concerns that the flow of money will be restricted.

Table 2: Below presents the Perceived Benefits of the cashless economy.

It would reduce risk of fake currency	frequency	percentage
Strongly Agree	35	40.20%
Agree	35	40.20%
Undecided	9	10.30%
Disagree	5	5.70%
Strongly Disagree	3	3.40%
Total	87	100
It would prevent money laundering		
Strongly Agree	20	23.00%
Agree	28	32.20%
Undecided	17	19.50%
Disagree	10	11.50%
Strongly Disagree	11	12.60%
Missing	1	1.10%
Total	87	100
It can reduce corruption		
Strongly Agree	13	14.90%
Agree	23	26.40%
Undecided	19	21.80%
Disagree	19	21.80%
Strongly Disagree	12	13.80%
Missing	1	1.10%
Total	87	100.00%
It can stimulate economic growth		
Strongly Agree	18	20.70%
Agree	31	35.60%
Undecided	25	28.70%
Disagree	8	9.20%
Strongly Disagree	3	3.40%
Missing	2	2.30%
Total	87	100.00%

Source : Primary Survey 2018.

According to the above table, 80.4% of respondents think that a cashless society will lessen the risk of counterfeit money. In a similar vein, 55.2% of those surveyed think that since it is so simple to track money moving through the system, a cashless economy will assist combat money laundering. According to 41.3% of the respondents, it helps to lessen corruption. Another advantage is that it will promote economic growth by releasing funds that were previously buried in illegal activities.

According to 56.3% of respondents, an effective and contemporary payment system is favourably connected with national economic development and growth.

Table 3: The challenges with the cashless economy at the moment are listed below.

Cyber Crime	frequency	percentage
Strongly Agree	17	19.5
Agree	38	43.7
Undecided	18	20.7
Disagree	11	12.6
Strongly Disagree	2	2.3
missing	1	1.1
Total	87	100
The literacy required		
Strongly Agree	17	19.5
Agree	33	37.9
Undecided	23	26.4
Disagree	9	10.3
Strongly Disagree	3	3.4
Missing	2	2.3
Total	87	100

The above table shows some of the issues that respondents are having as a result of the cashless economy. An increase in cybercrime is predicted to obstruct the free adoption of a cashless economy by 63.2% of respondents. Since 57.4% of the population has a high level of literacy and can use a phone, more people will eventually use digital payment methods.

VIII. FINDINGS AND POLICY IMPLICATION

According to the tests analysis, many people actually concur with the government regarding the value of a cashless economy because it aids in the fight against terrorism, corruption, and money laundering. However, the biggest issue with the functioning of India's cashless economy is cybercrime and unauthorised access to vital data. In order to better protect against online fraud, it is crucial to increase internet security. Living in rural areas, a sizable portion of the population still has poor literacy rates. The following steps should be taken to ensure that India adopts the cashless system smoothly. In order to facilitate cashless transactions, the government and RBI have created programmes that include registering payment banks, promoting mobile wallets, and doing rid of service charges for cards and electronic payments. These tactics need to be effective and honest. A campaign to promote financial literacy and educate the populace about the benefits of electronic payments should be launched by the government on a regular basis. Additionally, society must contribute. They must comprehend the value of a cashless society and respect the steps the government has taken. In summary, it can be concluded that moving toward a cashless society offers a lot more advantages than only convenience to individuals, businesses, and the government in particular.

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