



Cashless Economy: A Rising Hope for India

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INTRODUCTION

PM NARENDRA MODI SAID THAT WE HAVE ONE MISSION AND TARGET TO TAKE THE NATION FORWARD BOTH DIGITALLY AS WELL AS ECONOMICALLY.

Cashless economy, where cash will no longer rule the market, entire economy will work digitally. Digitalization is a process which may help the economy to become a cashless society.

The great initiative was taken by shri Narendra Modi Ji on July 1, 2015 when he launched the programme 'DIGITAL INDIA' and brought this concept to the knowledge of people where every transaction will be done digitally through online mode which includes e-banking, debit and credit cards, card swipe and digital wallets and the circulation of the cash in the economy will be curbed.

This is the great step taken forward by the government of India to make Indian Economy the GREEN ECONOMY.

Though the programme was launched in 2015 but in actual it loomed up and came into clear picture when demonetization took place in November, 2016. The main objective was to fight counterfeit and black money. Most of the people started using digital modes for conducting their transactions. Everyone from merchants, service persons, business man's to neighboring textile shops is cradling digital payment solutions.

The RBI along with the Government is making several efforts to limit the use of cash in the economy by promoting various payment services. The National Payment Corporation of India (NPCI) along with the RBI has launched UPI (Unified Payment Interface) on 11th April 2016 and publicly it was launched on 25th August 2016 which brings together multiple accounts from participating banks, and offers several banking services all in a single mobile application such as Google Pay, Phone Pe, etc.

The volume of online payment transactions showed a tremendous boost in 2019 by 35% to 76.5 billion from 56.5 billion in 2017-18. It is expected that cash-based payments will reduce 40% by 2025.

COVID-19 PANDEMIC IMPACT: INEVITABLE SURGE IN USE OF DIGITAL PLATFORMS

Covid-19 has led to the whacking increase in the use of digital technologies and platforms due to social distancing norms and lockdown all over the world so that the transactions could take place easily. Digital payment method adoption has increase after corona virus breakdown, nearly 50% consumers were using digital mode but now 60-70% are using and slowly and gradually it will continue to grow as people are now preferring contactless transactions and other than this as smartphones usage will inflate the physical cash transactions will be wiped out from the economy.

The urgent need of groceries and essential products made the digital payment option more secure. People avoided to visit brick and mortar stores. The steep rise in online applications such as Big Bazaar was 160% and that of E-commerce companies was 218%. People are more preferring online shopping and online payment services which is a green signal for the economy to soon become a cashless economy.

BROADER OUTLOOK

The value per transaction is increasing because many people are buying through online transactions. But total monetary value of online transaction is decreasing because of decline in purchasing power of the people. In short and medium term, it will remain same but in long term the value per transactions and total monetary value of online transactions will increase through various digital payment channels.

TABLE SHOWING INCREASE IN ONLINE DIGITAL PAYMENTS

FINANCIAL YEAR	DIGITAL PAYMENTS IN BILLION INDIAN RUPEES
2017	69.5
2018	1098.3
2019	8769.7
2020	21317.3
2021	41036.58

BENEFITS OF CASHLESS ECONOMY

- 1. TRANSPARENCY IN TRANSACTIONS:** Digital transaction is both valuable for the consumer and the government, it curbs the generation of black money in the economy.
- 2. FINANCIAL INCLUSIONS:** Cashless economy will attach people to the financial institutions such as banks and these financial institutions will push people to use plastic money and encourage them to use digital platforms as well.

- 3. DECREASE IN TAX EVASION:** When the people will not have cash in their hands but will be in the banks, they will not be able to hide their income and evade tax and due to this the tax payers will increase and there will be lesser tax rates for the whole country.
- 4. LESS AVAILABILITY FOR ILLEGAL ACTIVITIES:** All the transactions conducted digitally are recorded and can be tracked, with no cash in hands it will reduce red tapism and bureaucracy.

CHALLENGES OF CASHLESS ECONOMY

1. **LOW LITERACY RATE:** More than 60% of Indian population belongs to rural area and they do not have access to digital technologies, they do not know about digital channels and how to work upon them so it creates great problem for them to conduct transactions online.
2. **HACKING ISSUES:** Hackers illegally access the accounts of others and misuse them for their personal gain. The chance of getting attacked by them increases more in conducting online transactions.
3. **RICH AND POOR DIFFERENCE:** The internet access and facilities can only be ingressed by the rich people. Poor people due to lack of finance cannot go for online transactions.
4. **TECHNOLOGICAL ISSUES:** Online transactions fully depend on new technologies and good network connection, but sometimes due to interruption in network the transactions get stuck in between and could not be completed on time.

TYPES OF CASHLESS PAYMENTS

1. **CHEQUES AND DEMAND DRAFTS:** The oldest and safest mode for cashless payments. Cheque is issued for a specific amount and is deposited in the receiver's bank, and the money is received through the payment processed by clearing house. Demand Draft is signed by Banker to check the availability of sufficient funds, it is safer than cheques because it cannot be dishonored.
2. **DEBIT AND CREDIT CARDS:** When we transact using the money kept in our bank account, these cards come in use, they can be used for online purchase from anywhere and also can be swiped at counter on the stores for making payment.
3. **UPI APPLICATIONS:** The Bank accounts gets linked with these applications such as Google Pay, Phone Pe, SBI Pay, BHIM UPI etc. and once the bank accounts get linked one can easily make online payment for the purchases made without the use of

debit and credit cards.

4. **NEFT AND RTGS:** National Electronic Fund Transfer and Real Time Gross Settlement are both electronic payment systems used only within India and are maintained by RBI that allows convenient fund transfer between bank accounts.
5. **USSD:** Unstructured Supplementary Service Data can be used by everyone even if they do not have smartphones, it also works in basic phones, one has to just dial *99# and they can get the banking services that they require which includes interbank account to account fund transfer, balance enquiry and also the mini statement.

CONCLUSION

This move of government to make economy the cashless economy will create a massive change and will fully transform India into a country which is digitally accomplished. This will increase the transparency in the economy and most importantly will bridle the generation of black money which will ultimately lead to increase in GDP of the country through online transactions and digital payment gateways. The response of people towards this move of the government is likely to succeed and is truly going to create huge success and it will surely help to attain vision of Prime Minister Modi's vision of Digital India.

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