



A STUDY ON UTILITY OF CASHLESS TRANSACTIONS IN INDIAN ECONOMY

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Latur***Abstracts:**

India has adopted parliamentary democracy. In our democracy the people are sovereign. Common man is at the center of the overall decision-making process. Taking care of the interests of the common people is an important duty of the government. In India corruption, black money, inefficiency, Centralization of wealth and Centralization of capital are the main obstacles of common man. The common man is trapped in depression due to these problems. As a solution to all this, Prime Minister of India Shri Narendra Modi decided on demonetization on 8 November 2016. He advocated demonetization, predicting that it would lead to overall transparency in the Indian economy, and encouraged the introduction of a cashless economy and E-Banking is preferred. The research paper emphasis on the importance of cashless transactions trend also some of its advantages and disadvantages, to raise the awareness of digital payment system. This research is based on the accessible literature, and the relevant important databases.

Key Words: *Cashless economy, digital payment system, Demonetization.*

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Introduction:

In this scenario of digitization, the importance of cashless transactions has got a very crucial and wide scope in India. Demonetization has thrown a challenge to every citizen in terms of limited cash which has provided a base to opt for cashless mode. Adoption of cashless pattern in various areas like agriculture, business, government organizations, private organizations might affect in the reduction of the cost of currency printing, supplying cost, and various other operational costs. If every citizen opts for cashless transaction, it will create transparency and accountability in the system. Encouragement from the government is necessary in terms of an incentive framework if the person does the cashless transactions.

Indian economy is the strongest economy in the world. As a developing country, even when we think about economic development, India's name comes first. While considering the comprehensive development of the country, it is very important to consider the basic issues of sustainable development and growth in the growth rate for the past few years. The beneficiaries of every scheme implemented in the country must be financially empowered, but at the same time their standard of living should also be raised. In this sense, the Indian economy



is now moving from a cash economy to a cashless or cashless economy.

The first move taken was the demonetization in November 2016. At the time of demonetization, India's cash to GDP ratio was around 12%. After demonetization, that ratio came down to around 9% of the GDP. But after that, it grew at a slower pace but steadily.

Paytm had witnessed 5 million daily usage post demonetization as opposed to their average transaction of three million. It also saw a 700% increase in the overall traffic and a 1000% increase in the amount of money added to its account in the first two days of post-demonetization. Ola Money too saw a 1500% increase in its e-wallet.

One of the government's intentions behind this demonetization was to make the Indian economy a minimum cash transaction i.e. cashless economy. Creating a cashless economy is the need of every developed or developing nation. In which not all transactions are done in cash, most of the transactions are done digitally.

Objectives:

1. To understand the concept cashless transactions in Indian scenario.
2. To identify cashless transactions in India.
3. To establish the correlation between traditional payment system and cashless payment system.
4. To know the utility of cashless transactions in Indian economy.
5. To explain the importance of cashless transactions for overall development of Indian economy.

Research Methodology: The research paper has been written on the basis of secondary data. The secondary data & useful information was collected from published books, journals, research articles, reports, official documents, theses, & various websites & internet.

Scope and Limitations of Study: The research paper is based on only secondary data published by various government and private bodies. The scope of the research paper is limited to cashless payment system and its usefulness to people of our country.

Indian Economy and Cashless Transactions:

First of all, let us understand cashless transaction; Transactions in which cash is not exchanged in any form are called cashless transactions. Also the price of an item, the bill of the item is done through debit-credit card or through internet banking or new payment systems like phone pay, Google pay. Suppose we want to pay five thousand rupees to a shopkeeper. So in this, if you give a cheque to the shopkeeper or transfer the money online, then the transaction becomes cashless at this point.

Nominal use of cash is expected in daily transactions. This does not mean shortage or short supply of cash, but maximum use of digital transactions. For transactions such as buying clothes, paying all kinds of bills, paying hotel bills, either online or mobile payment options are widely available today. Therefore, we can do all these transactions in cashless form through cheques, through online transfer from the bank's website or with the help of mobile apps.

The biggest advantage of this is that the footprint of every transaction remains. This reduces the possibility of generation of black money. Also, there is no chance for fake notes to come into circulation. Besides, the transfer of cash does not require much of a human being. Since these transactions can be verified, it helps to bring transparency in the economy. Due to this, it would not be wrong to say that we are moving towards a cash free economy.


Table : India's High Cash to GDP Ratio

Nation	Cash to GDP Ratio
Japan	20.66
Hongkong SAR	15.51
Switzerland	11.76
India	11.76
Euro Zone	10.63
Russia	10.56
Singapore	9.55
Saudi Arabia	8.2
US	7.9
Mexico	6.83
South korea	5.56
Turkey	5.37
Australia	4.64
Canada	4.08
Brazil	3.82
UK	3.72
South Africa	2.39
Sweden	1.73

(Source: Survey Data of 2019-20)

India's cash to GDP ratio is an indicator of the amount of cash being used in the economy. It is around 12 to 13%, which is much higher than major economies including the US, the UK and Euro area but below that of Japan.

E-Banking and Cashless Transactions:

There is no need to carry cash in cashless transactions, rather Phone Pay, BHIM apps are widely used. The amount is taken directly from the bank account. Internet, mobile banking as well as UPI unified payment interface are also widely used now.

It is very important to minimize cash transactions as much as possible in this transaction. Cashless transaction reduces black money. You don't have to carry money in this transaction. Corruption is controlled. Credit cards, debit cards will expire in the future. Some economists believe that smartphones, mobile banking, fingerprints and Aadhaar numbers will lead to digital transactions. Then there will be no need for an ATM machine.

ATMs have made the work of small and big banks much easier. Now small payment banks and their apps are making a significant difference in the task of transferring even small amounts from mobile. Small banks are seeing expansion of banking services by utilizing this extra time. Small shopkeepers also function as a very important part of the economy. Once their money starts flowing into the bank, the economy can certainly expand. With the facility of mobile payments, their bank statements are accessible to them. These shopkeepers can be cleared from



the books of account. When it comes to internet banking and cashless transactions, the first option that appears is internet banking.

In this we can send money from one account to another account. There are three types of services available for such transactions. We recognize plastic money as the easiest alternative to RTGS and NEFT IMPS internet banking or mobile banking. This includes debit cards, credit cards. After you swipe the card and enter your PIN, the money is credited to the person's account. Same is the case with credit cards where you have to pay back the money within a certain period. UPI is seen as the easiest option to send money to a bank account using a smartphone. UPI is seen as the biggest innovation in banking sector after ATM.

In this we can pay directly to any seller. There are both online and offline options for this, you don't need to remember debit card number or IFSC code or password etc. To use this facility one must have an account with the bank and register the mobile number. To use this app, the bank customer has to download the UPI based app in his smartphone. Virtual identity of users is assumed during transactions as you are given a usage number to complete transactions through this app and this makes the app highly secure. With the help of this you can do transactions of one lakh rupees at a time. A mobile wallet or e-Wallet is also a similar transaction processing facility.

Bharat Interface for Money is an app created by Govt. And the number of users has also increased. This app is more popular due to its simplicity, ease of transaction possibilities and ease of use. RuPay Card is an Indian version of debit and credit card. Its format is Visa and MasterCard. It is given to every account holder in Jan Dhan Yojana. Rupay card works in three ways, which include ATM, POS and online. Crore of people use Rupay cards. It is very useful for low income group people for cashless transactions. Digital transactions need to be widely used in rural areas as well for financial inclusion.

Although developed countries are among those who use cashless transactions more and more, mainly Denmark, Norway, Sweden are moving towards a cashless economy. And so it is safe to say that India is also on the same path.

We see many benefits of cashless transactions. We can free from fake notes. Many dangers such as theft, robbery, loss of money, spoilage stay away from us. Cyber fraud is the only threat when it comes to digital transactions. But various measures are being planned around the world to prevent cyber fraud and economists say that the losses are negligible compared to the overall benefits.

Conclusion:

India can follow the guidelines from other countries in the developing world, which have managed to reduce their dependence on cash even while bringing in more people in the folds of the formal banking system. All cashless transactions are properly recorded and are also available on the respective website for viewing at any time. Hence, this digital payment is very useful in terms of financial literacy, financial empowerment, self-sufficiency and financial discipline. Printing of notes, distributing them, using manpower for their distribution, many expenses are incurred along with the existence of notes. Most of these costs will be reduced or eliminated in digital money or transactions and saving money on the system is definitely helpful for the nation's development.

Cashless transactions are easy. It is essential to make using cashless tools easy, reliable, secure and profitable. For this, infrastructure is also being created in banks. A cashless economy will benefit everyone from the low income



group. Hence these transactions can be done with lower transaction fees, less risk, more security. When the people of the country use digital transactions, the need for cash will decrease and there will be a lot of money in the banks. And that will increase the savings rate. Government can easily monitor cashless transactions. So tax evasion or tax avoidance will not happen here. And this will help to create an environment favorable to the development of the country by increasing revenue.

We see the government also continuously encouraging people for this. This government has drawn attention to digital transactions. People will no longer have to stand in queues at banks or ATMs. Maximizing cashless transactions is very important for the interest of the country. Our economy can see expansion through this. And the citizens of the country will be able to live a meaningful social life happily.

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