



INDIA TOWARDS CASH TO CASHLESS ECONOMY

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ABSTRACT:

India is moving toward cashless economy. In the recent years government has taken many initiatives to encourage the use of digital payments. It is a flagship program developed by Indian government to transform India into a digitally empowered country. Digital transactions started a new era of our developing country. This study aim to explain the cashless economy and its need for our society. It also explain the history and methodology used in this study. It also explain advantages, challenges and suggestion associated with cashless economy. The Study of highlights the need for the government and financial institutions work as a team for the promotion of cashless economy in India.

KEYWORDS:

CASHLESS ECONOMY, INDIA, TRANSACTIONS, DIGITAL PAYMENTS, CONSUMER.

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INTRODUCTION

It is a flagship program developed by Indian government in order to transform India into a digital empowered society. The terms cashless economy stands for the utilization of digital payment method like debit credit cards and net banking for transaction purpose. By using UPI system approximately 79% of Indians are making use of cashless economy. In cashless economy there is no need of physical currency all the transactions are conducted by digital means like mobile, wallets, online banking and other electronic payment system. In earlier time before the moderation of banking system all the transactions were done manually which involves hand to hand cash payments. That makes the process time consuming and hectic. Circulation of a large cash amount in economy involves many problems. One of the major problem was corruption. The main objective of shifting cash economy toward cashless economy to streamline financial process and enhancing transparency.

The primary aim of cashless economy includes improving tax compliance, reducing corruption and enhancing financial inclusion, especially in rural areas. The development of fintech institution constitutions rapid digitalization Smartphone penetration and financial innovation in India are transforming the country into a cashless economy.

HISTORY OF CASHLESS ECONOMY:

In India cashless economy stepped in the late 90's and early 2000s with the advent of digital banking & ATM networks. ATM machines become a more convenient system to access the cash. But now a day after the

demonetization in 2016, encouraged people to adopt digital payment methods because of limited access to physical currency like coins or notes. Following demonetization drive, launching of UPI (United payment interface) turn out to be a milestone in the progression of India toward cashless economy as it is a secure and totally free payment system. It also led to the growth of many financial technologies like Paytm, Phone-pay etc. which can be operated easily by customer's Smartphone.

OBJECTIVE OF THE STUDY:

1. To understand the concept of Cashless economy.
2. Examine the Government initiate.
3. Evaluate the benefits and challenges of transition to cashless economy in India.
4. Explain the suggestion to overcome the problem associate with cashless economy.

RESEARCH METHODOLOGY:

The present study is based on descriptive and exploratory research methodology. The study have been carried out based on secondary data which was collected from different sources such as newspapers, published books, conference papers, periodical articles, journals, website and reports published by Niti Aayog and so on.

GOVERNMENT INITIATIVES:

Significant progressions in digital payments were carried out by various government initiatives. In 2015, Digital India Campaign was launched. The goal of this campaign was to transform India into a digitally empowered society

by improving digital infrastructure and upgrading e-governance. Some of the key initiatives are explained below.

1. **Jan Dhan Yojna** : Pradhan Mantri Jan Dhan Yojna was announced by Prime Minister Narendra Modi on 15 August 2014 and launched on 28 August 2014. It a national mission for financial inclusion. The goal of this scheme is to provide banking services to every unbanked house-hold in the country. All the accounts were opened with zero balance under this scheme. Millions of bank accounts were opened for underprivileged sections of society to ensure access to financial services namely a basic savings and deposit accounts, credit insurance, remittance and pension in a affordable manner.
2. **Demonetization**: It refers to the act of stripping a currency unit of its status as legal tender. In order to reduce the circulation of black money and counterfeit currency the tax evasion Indian government demonetized high value currency notes. It helps to create cashless economy. Demonetization resulted in to significant increase in digital transitions by compelling people to use digital payment methods to access their money.
3. **Unified payments interface (UPI)** : It is a payment system developed by the National payment corporation of India (NPCI). The aim of this system was to transfer money between bank accounts using mobile app. By this system payments can be made 24/7 even in holidays. It is used on mobile devices to instantly transfer funds between two bank accounts registered mobile number with bank account in necessary to make transactions.
4. **Digital India Campaign**: It is launched by Government of India in 2015. The motto of this campaign was transformation from power to empowerment under the campaign; the government has launched several initiatives to promote the use of digital payments.
5. **Bharat Interface for Money (Bhim)**: It is mobile app launched in 2016 that allows the user to make payments using their mobile phones. The app was developed by National Payments Corporation of India (NPCI). It is a simple and secure way to make digital transactions.
6. **Merchant Discount Rate (MDR) Waiver**: It is also a government initiative in which a fee is charged by bank from the merchant/customer for every transaction. This encouraged small merchants and business man to adopt digital payments as it reduces to cost of accepting digital payment. This initiative played crucial role toward cashless economy.

Advantages of Cashless Economy: A cashless economy

has many advantages including.

1. **Safe Transaction**: Transaction of money with digital mode is safer and straight forward. It reduces the chances to losing money or snatching money transactions are secured with encryption, which make them tamperproof.
2. **Financial inclusion**: It becomes very easy to access banking services with cashless economy. It works even in remote areas, cashless economy boosted up the financial inclusion.
3. **Transparency and accountability**: Transactions made by digital mean using technologies track the record of every transaction by recording it electronically. It has helped to reduce the risk of fraud. It becomes easier for account holders to access their transaction history.
4. **Enhanced Tax Revenue**: Transactions from cash to cashless economy has helped to enhance tax revenues, Government can easily tract transaction from any bank account because every transaction leave a trail behind it. It becomes easier to collect tax revenues from account holders.
5. **Minimized corruption**: Government can easily tract on the record of every transactions so it becomes easy to minimize corruption rate and circulation of black money.

Issue and challenges of the transition to a cashless economy in India: With the advantages of cashless economy there are some of issue which hinders the success of cashless economy.

1. **Lack of knowledge and awareness**: The lack of knowledge and awareness about digital payments reduces the success of cashless economy. Uneducated and rural population still doesn't understand the process of digital transaction. They fear to adopt the technique of digital payments which hindered the growth of cashless economy.
2. **Security issues**: Cyber threats such as hacking, phishing and data theft are the major challenges in the path of digital transactions. It enhances the fear of losing money for customers.
3. **Technical Glitches**: Technical glitches are short lived technical faults/errors that correct it and making it difficult to trouble shoot includes network outages and system failures. These technical glitches have disrupted digital transactions and have minimized the consumer confidence in digital payments.
4. **Reluctance to accept** : It is also a major problem that hindered the growth of cashless economy and produces negative effect on financial inclusion, because many people are glued with the traditional payment methods and Irony is that they are not willing to switch digital payments.

5. **Inadequate digital Infrastructure:** Rural areas are deprived banking services, ATM and other financial institutions. It hinders the success of cashless economy.
6. **Lack of Internet Access:** Many remote areas are deprived of internet connections so it become difficult for consumers to make digital transaction smoothly without a reliable network access.
7. **Privacy issues:** Consumer may not be willing to disclose their private information on about bank accounts. As digital transaction is recorded digitally. More the information available on line, enhance chances of fraud.

Suggestions:

1. **Expanding Access to digital payments:** For promoting cashless economy, the government and financial institution should work as a team to expand access to digital payment techniques and internet connectivity, especially in rural areas. This can be made possible by providing subsidies, tax incentives and other financial support to internet and digital payment provides.
2. **Improvement of digital infrastructure:** Government and financial institution should take the initiative to improve the digital infrastructure in order to enhance efficient transactions. This can be done by providing accurate network connectivity, system upgrades and improving customer support services.
3. **Awareness and Education campaigns:** To overcome the problem associated with lack of knowledge and awareness. Government and financial institutions should launch awareness and education campaigns to provide knowledge about the benefits of digital payment and cashless economy.
4. **Upgrade security measures:** To deal with security concerns, government and financial institution should invest in improving and upgrading security measures for digital transactions, such as authentication, encryption and fraud detection system.

5. **Lower taxes:** In order to enhance digital transaction it is necessary to reduce taxes and duties on digital payments.

CONCLUSION:

Cash is life blood of economy. Cashless transaction is a system which allows the consumers to purchase goods or services without the exchange of anything tangible. The development of a cashless economy would lead a transparency, curb corruption and lead to convenience for economic growth. Cashless economy in India can be achieved by the adoption of proper methods of digital payments channels which requires new safe and secured financial policies. Centralized administrative control, regular monitory attention on bankers' government agencies and other private service. Cashless economy system is not only safer than cash transaction but is less time consuming. So it is not only a requirement but also the need of society. All the transaction can be recorded by digital mode of transaction. It reduces the risk of wearing tearing or snatching of paper money. It is important that the government and financial institution work as a team to ensure that the transition is inclusive and equitable, and that everyone, regardless of their socio-economic background has access to digital financial services.

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