

# CASH LESS ECONOMY

<sup>1</sup>JYOTI, <sup>2</sup>AJAY KUMAR

<sup>1,2</sup>M.COM Students

<sup>1,2</sup>UGC-NET (QUALIFIED)

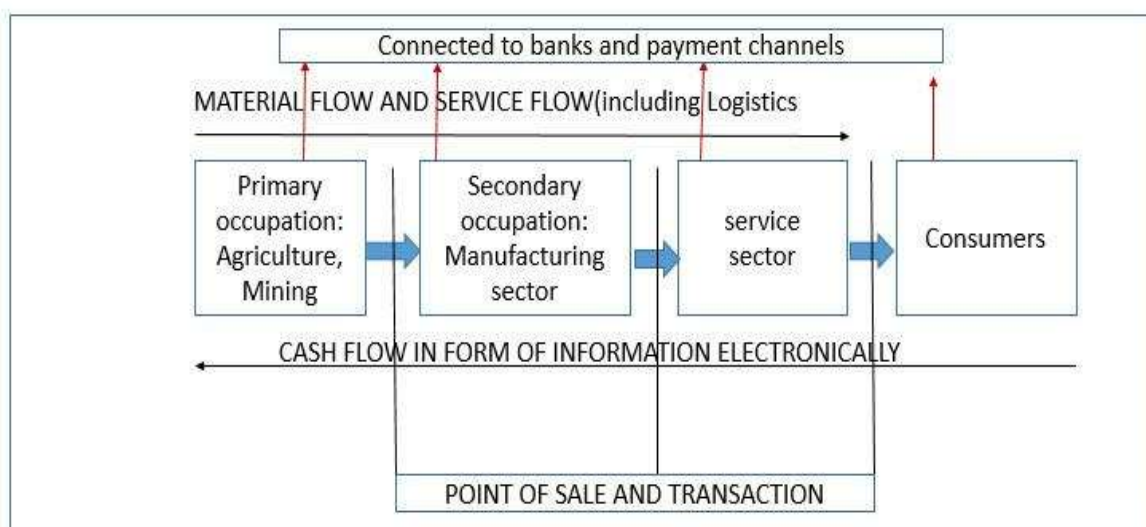
**ABSTRACT:** The amount of research related to cash less economy. A review of the literature base will help identify the topic that has been explored as will identify topics for further research. The research project collects, synthesizes and analyses both the research strategies [i.e., methodologies] and content [e.g., topics, focus, categories] of the current literature and then discusses an agenda for future research efforts. Several people define this in a several way. Cashless society....A cashless society describes an economic state where by financial transactions are not conducted with money in the form of physical bank notes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. This paper highlights the concept of cash less economy. In this paper, the study mainly focuses on to find the solutions being faced by the different sectors of the Indian economy and the issue of sustainability for a better tomorrow.

**KEYWORDS:** Cashless, Smart Phone, Internet & networks, National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS).

## INTRODUCTION:-

It was on 8 November 2016 that the Government of India took the whole country by storm by announcing that the currency notes of Rs 500 and Rs 1,000 were no longer legal tender. The government move aimed at curtailing the menace of black or counterfeit money which is largely used to fund criminals and terrorists as part of a parallel economy. The acute shortage of money in the wake of this decision led to long queues of people outside ATMs or banks seeking to exchange their notes or withdrawing cash. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bitcoin. By the 2010s digital payment methods were widespread in many countries, with examples including intermediaries such as PayPal, digital wallet. It also means that groups, individuals and causes could be deprived of cash by the simple expedient of preventing their access to cashless transaction media. According to the critics of the government, adequate arrangements should have been made in advance to support the people in dealing with cash crunch in the wake of this move towards cashless India.

## DIGITAL PAYMENT METHODS:-



SUPPLY CHAIN PIPELINE OF CASHLESS ECONOMY

“Faceless, Paperless, Cashless” is one of professed role of Digital India. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

**These modes are:-**

1. BANKING CARDS (DEBIT / CREDIT / CASH / TRAVEL / OTHERS):-

Banking cards offer consumers more security, convenience, and control than any other payment method. These cards provide 2 factor authentication for secure payments e.g secure PIN and OTP. They save both customers and merchants' time and money, and thus enable them for ease of transaction.

2. UNSTRUCTURED SUPPLEMENTARY SERVICE DATA (USSD):-

\*99# service has been launched to take the banking services to every common man across the country. Banking customers can avail this service by dialling \*99#, a “Common number across all Telecom Service Providers (TSPs)” on their mobile phone and transact through an interactive menu displayed on the mobile screen. Key services offered under \*99# service include, interbank account to account fund transfer, balance enquiry, mini statement besides host of other services.

3. AADHAAR ENABLED PAYMENT SYSTEM (AEPS):-

AEPS is a bank led model which allows online interoperable financial transaction at (Point of Sale / MicroATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.

4. UNIFIED PAYMENTS INTERFACE (UPI):-

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.

5. MOBILE WALLETS:-

A mobile wallet is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money, SBI Buddy, itz Cash, Citrus Pay, Vodafone M-Paisa, Axis Bank Lime, ICICI Pockets, SpeedPay etc.

6. POINT OF SALE:-

A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

7. INTERNET BANKING:-

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

**Different types of online financial transactions are:-**

**(A) National Electronic Fund Transfer (NEFT)**

National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer.

**(B) Real Time Gross Settlement (RTGS)**

RTGS is defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting).

**(C) Electronic Clearing System (ECS)**

ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premia, card payments and loan repayments, etc.

**(D) Immediate Payment Service (IMPS)**

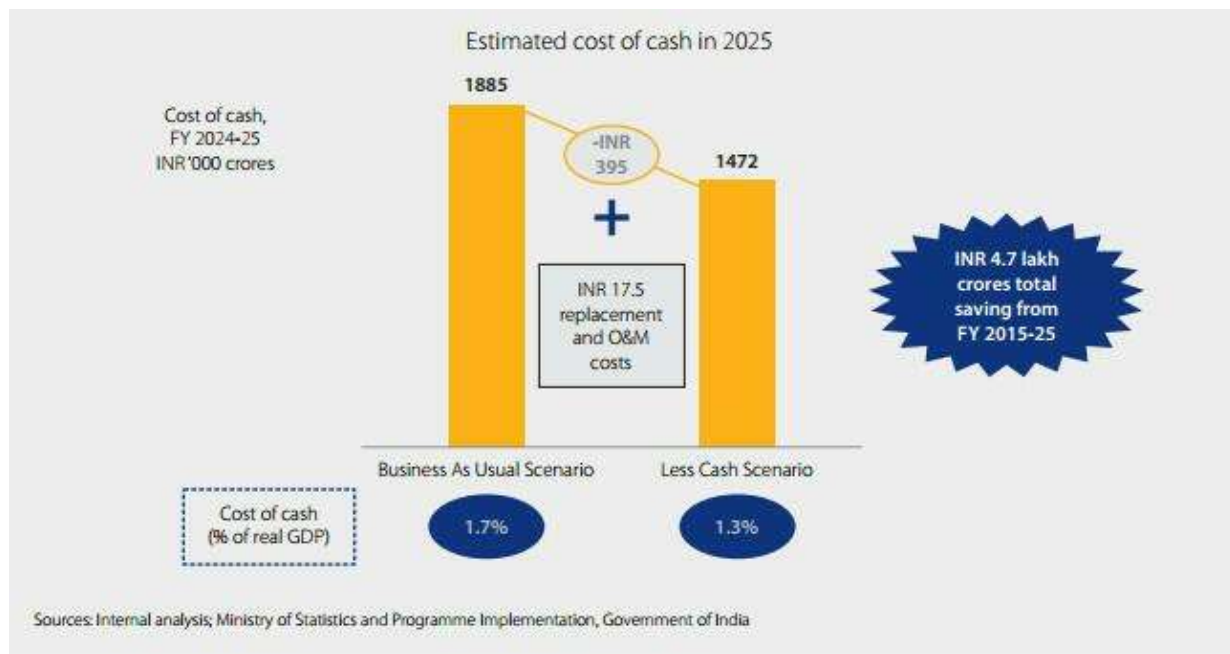
IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones.

8. MOBILE BANKING:-

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platform(s).

9. MICRO ATMS:-

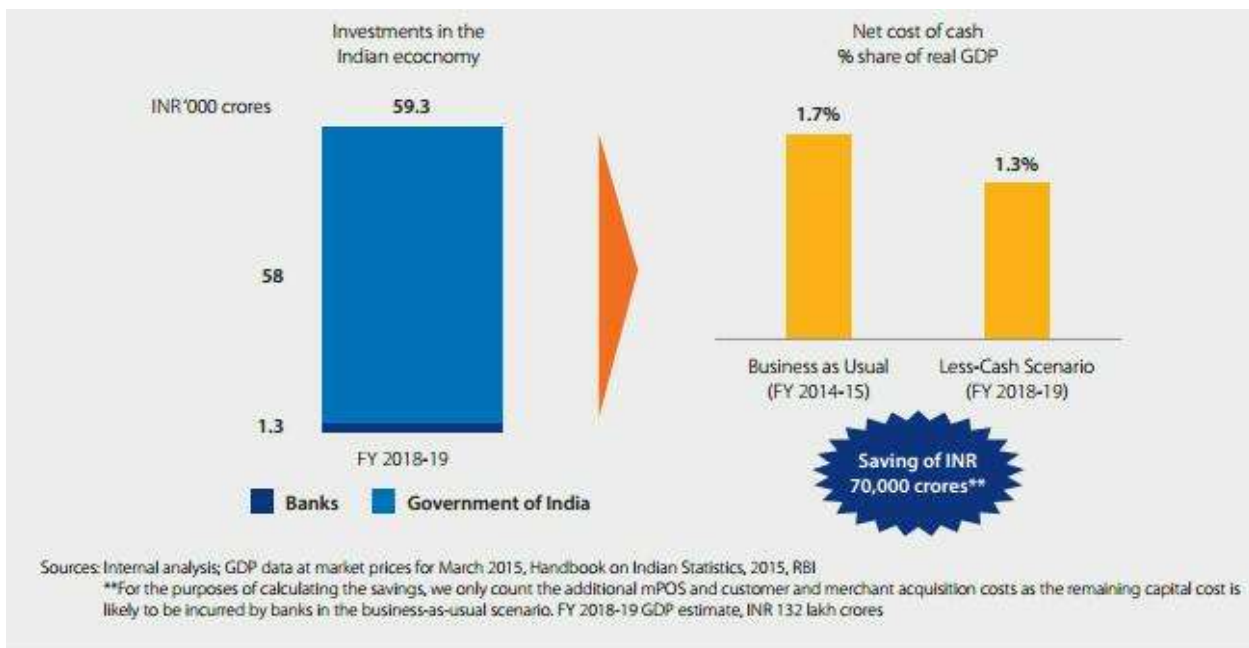
Micro ATM meant to be a device that is used by a million business correspondents (BC) to deliver basic banking services. The platform will enable business correspondents (who could be a local kirana shop owner and will act as ‘micro ATM’) to conduct instant transactions.



For all calculation purposes, this report has used an average real GDP growth rate of 7.5 percent for GDP projections until FY 2024-25. The average real GDP growth rate comes from the World Bank database, IMF World Economic Outlook, October 2015, Economic Survey of India 2014-15, Volume II, and RBI Monetary Policy Report, September 2015  
 INR 1 lakh crore = INR 100,000 crores, where INR 1 crore = INR 10 million

CHALLENGES AND OPPORTUNITIES:-

1. This is the most dominating factor in our country which will give challenges to this transformation. But this can be solved if government give reasons/advantages for moving to digital economy.



2. Personally I know many people who do not know how to use payment apps like Paytm. Some do not know how to make on-line payments.
3. Make the payment mode digital at places like government offices, petrol pumps, toll points, railway stations, banks, state buses and their bus stops mandatory.
4. Make the payment channels in supply chain involving rural sector digital with cash going directly to the real person and for this appoint individuals within those areas to train them and guide them to promote this transformation among villagers.
5. High level of cash circulation in India. Cash in circulation amounts to around 13% of India's GDP. The growth in volume and value of transactions using prepaid payment instruments (PPIs) issued by banks and authorised non-bank entities has also been significant.
6. These are the percentage deducted from each purchase a merchant makes by the card issuing authority or bank. These are volume dependent and are more economical if the merchant is able to sell a large amount of products, thereby beneficial for big merchants. For smaller merchants, it does not provide enough incentive to make the shift from cash. A derivative advantage of transparent transactions is collection of tax will increase. Thus generating higher revenue for the government, which in turn will be converted into public welfare policies and schemes.
7. Security is a matter of concern in cashless transactions; however, India always tries to ensure that priority in security is done especially in the banking sector. If cashless transactions begin, illegal transactions will be prohibited in prostitution, money laundering, drug trafficking and other wrongful activities.
8. It will result in over spending as people do not feel the pain of parting away with money because the pain of parting away with money will only be felt when the money is available in physical form with the individual. One can pay off to the shopkeepers exact amount without worrying about the change.

### **CONCLUSION :-**

When a nation is taking a step towards a cashless economy, a boost in the economic growth can be expected. In countries like US higher card usage has contributed a consumption of about US\$296 billion globally from the year 2011 to 2015 which is a 0.1 % increase in the GDP. Going cashless not only eases one's life but also helps 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 costs associated with accounting and handling cash is very high. The risk of theft will continue until people carry cash and by going cashless the same can be reduced. This also leaves an impact on the government as they can then reduce the costs that the government spends on nabbing the culprits. The payment systems have to be protected from the cyber-attacks which are the major threat for cashless transactions. It can be said that going cashless provides a lot more benefits than just convenience to people, businesses and the government in particular. If India is to prepare itself for a mobile payment future, it will need to have a proactive plan for combating

mobile payment fraud and protecting its citizens. Banks and mobile wallet providers that wish to integrate into the mobile wallet ecosystem for the long-term must offer a simple yet secure mobile payment experience. With an aim to promote Digital Payments and converting India to a less-cash society, a large number of policy and implementation initiatives are being taken by the Government for its procurement, service offering and disbursements. Bound to pave the way for a cashless economy, marked by greater transparency, ease and convenience in monetary transactions.

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