

A Research Study on Cashless Economy

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ABSTRACT

“Faceless, Paperless, Cashless” - A Digital Economy is an economy, where all types of transactions are carried out through digital means. It includes internet banking, mobile banking, debit and credit cards, POS machines, mobile wallets and UPI etc. The main objective of this scheme is to make India digitally empowered in technology. It also makes sure that the government services are accessible by the people electronically by improving online infrastructure and internet connectivity. After demonetization and Digital India initiatives, there has been a boost in electronic payments and transactions. On November 8th, 2016, PM Narendra Modi put the entire nation in a frenzy. In one stroke, the government made Rs 500 and Rs 1,000 denomination notes invalid. It was really a bold move considering the fact that in India people are way too more dependent on cash. As per RBI, in FY 2016-17, the volume of transactions through digital payment systems witnessed a 56% increase, with the value of funds increasing by 24.8%. This paper steers the debate towards articulating an appropriate way that can bring the Indian economy closer to become “cashless”. The paper gives insights about the cashless economy benefits, identifying a set of core parameters that shows a nation’s readiness to make it from being cash-based economy to cashless.

Keywords: Cashless Economy, Digital India, Cashless Transactions, Digital payments.

1. INTRODUCTION

Banks and payment gateways will soon follow the same approach for their cashless transactions, and mobile will play a big role towards the Government of India’s “Cashless India” initiative — a major step towards making India a digitally empowered and cashless economy. In this economy, a third-party such as the government or a public/private sector bank possesses an individual’s money and can circulate that money whenever it is not needed by the individual.

Digital India Scheme- Digital India is the flagship programme of the Government of India. It was launched on 1st July 2015 by Prime Minister Narendra Modi, with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless, Paperless,

Cashless” is one of the professed roles of Digital India. Major progress towards this goal was made in late 2016, when the government took steps to demonetize the country. Now, even small retailers and shop owners are using cashless models like Paytm for business transactions.

Methods of Digital payments in India are as follows-

- ✓ Banking cards
- ✓ USSD (Unstructured Supplementary Service Data)
- ✓ AEPS (Aadhaar Enabled Payment System)
- ✓ UPI (Unified Payments Interface)
- ✓ Mobile Wallets
- ✓ Banks Pre-paid cards
- ✓ Point of sale (POS)
- ✓ Internet banking
- ✓ Mobile banking
- ✓ Micro ATMs

Merits of cashless economy-

Some of the merits of a cashless economy are listed below-

1. Elevation of the standard of India on the international stage as a digitally developed country.
2. It is more economical and helpful in saving nature as “paperless economy” means minimal use of paper helping in saving trees.
3. It reduces problem of fake currency.
4. It boosts the economy because the cost of making and handling paper money is quite high.
5. Through the Digital India initiative, even the labourers are being paid their wages online, which is helpful in reducing corruption. Wages are being paid directly to their banks account under MGNREGA scheme.

Demerits of cashless economy in India are as follows-

1. Still India is lacking good internet infrastructure and hence fails to provide high speed internet connectivity to perform digital transactions.
2. Cashless means dependency on cards and banks system connectivity.
3. Major part of Indian population is not illiterate about the functioning of banks systems and online sources of making payments. They lack knowledge of internet.
4. Not everyone has smart phone to do all these things.
5. India is dominated by small retailers and they don't have enough resources to invest in electronic payments.
6. Increased hacking, cybercrimes and online banking frauds.

2. REVIEW OF LITERATURE

According to Alvares, Clifford (2009) in their reports —The problem regarding fake currency in India. It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

According to a 2015 report by Price Water House Coopers, India's unbanked population was at 233 million. Even for people with access to banking, the ability to use their debit or credit card is limited because there are only about 1.46 million points of sale which accept payments through cards. A study by Boston Consulting Group and Google in July noted that wallet users have already surpassed the number of mobile banking users and are three times the number of credit card users.

Mandeep Kaur (2011), perception of cardholders and member establishments towards plastic money in India is a study that examines the perspective of users as well as member establishments has towards the use of plastic money. It focuses on some vital aspects like challenges experienced by customers and bankers, value attribution to plastic-money adaptation and some factors attracting them to adopt and use plastic money. It also analyses the current status and trends of plastic money in India.

Bansi Patel and Urvi Amin (2012) in their research paper "Plastic Money : Roadway Towards Cash Less Society" discussed that now days in any transaction Plastic money becomes inevitable part of the transaction and with it life becomes more easy and development would take better place and along with the plastic money it becomes possible that control the money laundry and effective utilization of financial system would become possible which would also helpful for tax legislation.

Nirmala. R. Sonu (2015): ANALYSIS OF THE USE OF PLASTIC MONEY highlighted the advantage of instant transaction as one of the major factors favouring the use of plastic money over real money by the population today. It has already been highlighted by the study that convenience of not carrying cash and ease of transaction is one of the major psychologically influencing factors that encourage the use of plastic money instead of real money.

3. OBJECTIVES OF THE STUDY

Objectives of present study are as follows:

- To know the concept of Cashless economy.

- To know the impact and benefits of cashless system in India.
- To learn about the perspective of people regarding cashless economy.

4. RESEARCH METHODOLOGY

The study is conducted to obtain data on Introduction of Cashless economy in India. This study is based on primary data and data was collected with the help of questionnaire. The responses from the respondents were collected and analysed to meet the objectives of the research study.

Research tools: Chi-Square testing was incorporated for testing the hypothesis regarding primary data. Apart from this, Proportionate method was also used for analysis of the data.

5. DATA ANALYSIS

Table No. 1
Demographics of the Respondents

1. Gender of the Respondents		
Gender	No. of respondent	%
Male	61	61
Female	39	39
Total	100	100
2. Age of the Respondents		
Age group	No. of respondent	%
15-25	40	40
25-35	46	46
35-45	12	12
45-60	0	0
Above 60	02	02
Total	100	100
3. Occupation of the Respondents		

Occupation	No. of respondent	%
Service	28	28
Student	40	40
Business	08	08
Others	24	24
Total	100	100

Source: Primary Data

Table no. 1, depicts gender, age and occupation of the respondents. Out of 100 respondents there are 61 males and 39 females. Age of respondents was divided in 5 main groups i.e. 15-25 years, 25-35 years, 35-45 years, 45-60 years and above 60, each having 40,46, 12, 0 and 2 respondents respectively. The occupations of respondents are divided into 4 categories i.e. service class, students, business class and others which includes number of respondents as 28, 40, 8 and 24 respectively.

Table No. 2
Responses on Purchase through digital medium

Opinion	No. of respondent	Percentage (%)
Frequently	40	40
Very often	38	38
Very Less	16	16
Never	6	6
Total	100	100

Source: Primary Data

In the above table no. 2, we shown that the purchase done through various digital mediums is frequently now a days, as the respondents give highest response on frequently with 40 responses in their support while 38 on very often, 16 on very less and 6 on never. It clearly shows the effect of cashless transactions is trending now and people are supporting it.

Table No. 3
Responses on method of using cashless transactions

Opinion	No. of respondent	Percentage (%)
Mobile Wallets	16	16
Debit/credit Cards	64	64

UPI	8	8
Mobile / Internet Banking	12	12
Others	0	0
Total	100	100

Source: Primary Data

In is clearly shown in Table No. 3, that the most used method for cashless transactions is debit/credit cards, as it has got 64 % responses out of 100 respondents. While the mobile wallets, UPI, and mobile/internet banking got responses of 16%, 8% and 12% respectively.

Hypothesis 1 Testing:

Ho = The people are unable to understand and it is not beneficial.

Ha = It is easily understandable and beneficial.

For testing our hypothesis, different variables are considered, which shows whether the people are able or unable to understand and it is beneficial or not. Variable were taken according to it, on which responses were recorded on the basis of YES or NO or MAY BE. The variables for the hypothesis testing are- people support cashless transactions, helpful for every age citizen and helpful to remove fake currency.

Table No. 4
Observed value on support of cashless transactions

Variables	Yes	No	Maybe	Total
Support Cashless transaction	88	12	0	100
Helpful for every age citizen	62	12	26	100
Helpful to remove fake currency	82	2	16	100
Total	232	26	42	300

Source: Primary Data

Table No. 5
Expected value on support of cashless transactions

Variables	Yes	No	Maybe	Total
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Support Cashless transaction	77	8	14	100
Help to every age citizen	77	9	14	100
Helpful to remove fake currency	78	9	14	100
Total	232	26	42	300

Source: Calculated on the basis of Table no. 4

With the help of both the tables i.e. 4 & 5, the calculated $p = 0.0000002837$. The level of significance is 0.05. Hence the p value is less than 0.05, so the null hypothesis i.e. the people are unable to understand and it is not beneficial is rejected. So, it can be concluded that it is able to understand and beneficial as well.

Hypothesis 2 Testing:

H₀ = The cashless transactions are not helpful in developing country and their government.

H_a = The cashless transactions are helpful in developing country and their government.

For testing our hypothesis, we have taken the different variables which show the people is the cashless transactions is helpful in developing country and their government or not. We have taken the variable according to it, on which I get answers on the basis of YES or NO or MAY BE. The variables for the hypothesis testing, I have taken are benefits to the developing Country like India, effective in Economic development and helpful to Govt. for tracking every transaction.

**Table No. 6
Observed value on effect on economic condition**

Variables	Yes	No	Maybe	Total
Benefits to the developing Country like India	96	0	4	100
Effective in Economic development	86	0	14	100
Helpful to Govt. For tracking every transaction	86	0	14	100
Total	268	0	32	300

Source: Primary Data

**Table No. 7
Expected value on effect on economic condition**

Variables	Yes	No	Maybe	Total
Benefits to the developing Country like India	89	0	14	100
Effective in Economic development	89	0	14	100
Helpful to Govt. For tracking every transaction	90	0	14	100
Total	268	0	42	300

Source: Calculated on the basis of Table no. 6.

With the help of both the tables i.e. 6 & 7 the p value is calculated, which is equal to 0.018571. The level of significance is 0.05. Hence the p value is less than 0.05, so the null hypothesis i.e. the cashless transactions not helpful in developing country and their government is rejected. So, it can be said that the cashless transactions are helpful in developing country and their government.

6. CONCLUSION & SUGGESTIONS

The cashless transaction system is growing day by day, helping to make the Indian banking system more robust. The cashless system is not only requirement but also a need of today's society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction system.

From the above analysis it also appears that many people from all age group actually agree with the government on the usefulness of cashless economy as it helps to fight black money, corruption, money laundering but one biggest problem in the working of cashless economy in India is increasing cybercrime and illegal access to data. Therefore, it's important to strengthen Internet Security from protection against online fraud. Following measures are recommended -

- Digital medium should be made more transparent and efficient by the government.
- Strategies used by government and RBI to encourage cashless transactions by licensing payment banks.
- Promoting methods like-mobile wallets, UPI, POS etc.
- withdrawing service charge on cards and digital payments.
- Awareness programmes regarding the digital payments should be conducted by the government time to time.

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