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**Jyoti Prasad**  
Assistant Professor,  
Department of Commerce,  
B.R.B College, Samastipur  
L.N. Mithila University,  
Darbhanga, Bihar, India

**Corresponding Author:**  
**Jyoti Prasad**  
Assistant Professor,  
Department of Commerce,  
B.R.B College, Samastipur  
L.N. Mithila University,  
Darbhanga, Bihar, India

## Cashless economy: A game changer

**Jyoti Prasad**

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### Abstract

Be cashless to make the tension less. A cashless is such economy in which various transactions are carried out through digital platform. Cashless economy is a system by which digital transaction have taken completely over physical cash. Cashless economy is such economy where maximum transactions are done through digital means like credit cards, Debit cards, e-wallets and electronic fund transfer. India uses more much cash for transactions. India faces many challenges in setting up a cashless economy like: lack of digital infrastructure, cyber security and financial literacy, high cash dependency etc. minister, in 2016 budget speech, talked about the idea of making India cashless society. The leading advantage of building a cashless economy is to negate black money. Digitalization of transactions is the best way to move towards cashless economy.

**Keywords:** Digitisation, electronic payment, cashless economy, financial infrastructure, fund, RBI

### Introduction

In India cashless economy is such way by which physical cash is replaced by digital transaction. Cashless economy prioritises digital transaction over physical cash by debit and credit cards, internet banking and mobile wallets. Cashless economy is such economy in which digital transactions replace cash transactions. The objective of this process is to streamline financial system, curb black money circulation for boosting financial inclusion. This system is driven by debit card, credit card, mobile wallets and online transfers. It is situation in which rely is made on digital payment. Cashless Economy may be such a situation in which the flow of cash within an economy is non-existent and all transactions must be through electronic channels such as direct debit, credit cards, debit cards, electronic clearing, digital wallets etc and payment systems such as immediate payment Service, National Electronic Funds Transfer and Real Time Gross Settlement in India. The provision of cashless economy enhances convenience as it can be made anywhere at any place.

### Cashless economy in India

A cashless economy is one in which all the transactions are done by using digital means. Cashless economy holds importance by promoting easy cross-border transaction, minimising overhead costs, and stimulating national economy growth. The circulation of physical currency will be minimum. India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world. Less than 200% of all payments happen electronically in the country. The number of currency notes in circulation is far higher than in other large economies. RBI has introduced mobile banking for promoting cashless economy.

### Challenges in Cashless Economy

Cashless economy encourages financial innovation and improve financial inclusion. There are various challenges of cashless economy in India. Which are below:

**Cash Dependency:** India has a high cash penetration in almost all of its transactions that happen as B2C transactions. Total cash flow in the market accounts for 15% of the GDP, which is among the highest in India.

**Digital infrastructure:** Lack of proper infrastructure is a big problem setting up a cashless

economy. Poor digital infrastructure, poor internet connectivity. The remote areas are still not having the banks at their door step. There are no ATM facilities in the remote areas. The banks need to be fully equipped to handle the surge in e-transactions. The first and foremost requirement of a digital economy is the penetration of internet and smart phone.

- **Financial inclusion:** only 80% of his country's population has bank accounts. Still large number of people is not having the bank accounts.
- **Cyber security:** Cyber-attacks have become increasingly difficult to curb and the focus needs to also be on drafting a strong legislation to guarantee digital privacy and data security. Digital infrastructure is highly vulnerable to cyber-attacks, cyber frauds.

### **Cashless Economy: A Game Changer**

A cashless economy relies on digital payment mode like credit/debit cards, UPI, mobile wallets and online banking.

**Cost of money:** Printing money is the direct cost that effects their bank. In the cash system of economy where maximum people will work on the cash transaction and government has to produce more and more cash notes.

**Crimes:** The risk of theft will continue until people carry cash and by going cashless the same can be reduced. The government, however, has to take measures to curb the online scam and identity theft incidents.

**Cost effective to Banks:** Normally, if a bank transaction is done manually, it costs nearly Rs. 45 to 50 and the same is done through internet it costs 7 to 8.

**Secure:** Both it safer for bank and customer as well, it keeps high degree of secrecy. If stolen, it easy to block a credit card or mobile wallet any time & place.

**Economic Growth:** Shopping online gets easy as one can use a number of payment options; from credit and debit cards to net banking. In addition to this, going cashless also has health benefits. With physical currency, the chance of spreading of germs is more.

**Black Money and Anti money laundry:** Even transactions can be done through e banking but same can be traced while it is very difficult to trace the transactions in cash. There is certain check also in depositing and withdrawing money laundering in the days to come.

**Revenue:** 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.

**Money and Time:** Presently banking is required good number of staff to attend and redress the complaints at different stages. They can reduce costs as they no longer need the manual accounting work to be done.

**Maintenance:** Maintenance in the form of storage of notes, transportation of the notes to the distant places, security of the notes, and devices for the detection of counterfeit notes. The other major aspect of the maintenance is that the

distribution of money through ATM machines at the different locations.

### **Objectives**

The main objectives of cashless system are:

- To promote financial inclusion
- To enhance transparency
- To make control over black money
- To negate corruption
- To stop unfair trade

### **Steps Taken by the Government to Encourage Digital Payment**

Government of India has taken several steps to promote transformation, reduce corruption and encourage financial inclusion for the betterment of economy and people of the country.

- Licensing of Payment banks.
- Government is also promoting mobile wallets. Mobile wallet allows users to instantly send money, pay bills, re-charge mobiles, book movie tickets, send physical and e-gifts both online and offline.
- Promotion of e-commerce by liberalizing the FDI norms for this sector.
- Government has also launched UPI which will make Electronic transaction much simpler and faster.
- Government has also withdrawn surcharge, service charge on cards and digital payments.

### **Conclusion**

Various challenges like digital literacy gap and poor infrastructure limits the smooth operation of this system. In Dec. 2016 Prime Minister Narendra Das Modi launched BHIM UPI App and requested the people for its full use for promoting Indian economy. Digital payment ecosystem in India has grown fast and properly in yester years. Government has taken various steps to promote cashless transactions in the country. The cashless economy secure money movement from cyber-attack and unfair trade practices in the country. India is gradually transitioning from a cash-centric to cashless economy. The advantage cashless economy has now started trickling in with more people switching to digital modes of receiving and making payment. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of modernization in money transactions, with e-payment services gaining unprecedented momentum. A large number of businesses, even street vendors, are now accepting electronic payments, promoting the people to learn to transact the cashless way at a faster pace than ever before. The government needs to take the necessary steps and make some policy for a cashless economy. The payment systems have to be protected from the cyber-attacks. Going cashless provides a lot more benefits than just convenience to people, businesses and the government in particular. Increasing use of electronic payments boosts consumptions and GDP. This move by the Government along with the implementation of the GST will eventually make the system more accountable and efficient and profitable. Further Government has made various efforts to promote this transformation for negating corruption, improving transparency and encouraging financial inclusion in India.

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