

A Study on Cashless Economy of India

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ABSTRACT: *The digital economy takes shape and undermines conventional concepts of how enterprises arrange themselves; how businesses interact and how customers get services, information and commodities India's population is so big and diverse in terms of demographics, socio-cultural factors, and economic variables that any change in basic economic policy would require time. As a result, India's "cashless economy" is becoming a reality, because of factors like high-speed internet, a vast mobile network, expanded digital infrastructure, government policies and initiatives as well as the public awareness and acceptance. Every day, billions of internet connections between individuals, corporations, devices, data, and processes generate economic activity. Hypo connection, or the rising interconnectivity of people, corporations, and machines via the Internet, mobile technologies, and the Internet, is the backbone of the digital economy. This paper is a review on how the digital economy is evolving, testing long-held assumptions about how companies organise themselves, communicate with other companies, and receive services, information, and commodities from customers.*

KEYWORDS: *Bank, Cashless, Digital, Economy, India, Payments, Respondents.*

1. INTRODUCTION

It's the business that comes from billions of daily internet interactions between people, companies, gadgets, data and processes. The backbone of the digital economy is hypo-connecting, which implies that the Internet, mobile technology, and the Internet of things (IoTs) are increasingly connected with people, organisations and machines [1]. The digital payment process is digital. Both the payee and the payee receive and transmit money via digital means in digital transactions. The purchase is completed online. There are several advantages to the adoption of digital payment across multiple sectors. For example, factors such as time efficiency, ability of banking at any time, capability to keep track of the payments being made (payment history) as well as ease of expense control [2]–[4].

According to a report in the year 2014, by the integration of digital payments into the economies of emerging and developing countries tackles key questions of broad economic development and individual financial empowerment. To list this, a research by the World Bank has shown that, especially in sub-Saharan Africa and South Asia, the potential for numerical expansion remains mostly undeveloped. Overall, 37% of payments to traders are digital. This is down to 14 to 16 percent in Sub-Saharan Africa and South Asia shown in figure 1.

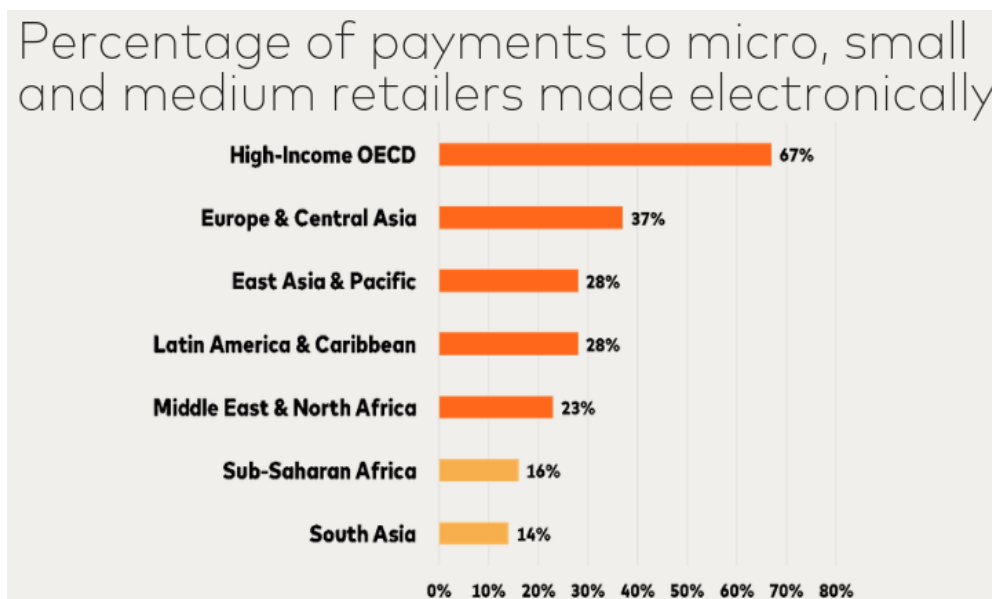


Figure 1: Illustrating the percentages of the payments for the micro, or small and the medium retailer that made electrically

When Payment inflows would increase, it could create a substantial base to encourage payment outflows thus, consolidating the growth. Given this chain reaction, it would be of the most significant impact when governments and their agencies start to adapt digital economic policies.

In a nation like India, which has been an immensely cash-concentrated economy, the idea of going cashless seemed like a far distant dream but as the entire globe was moving swiftly towards a digitized economy, how could India stay behind. One of the biggest milestones on India's road to Digitization was demonetization where the massive cash crunch in the nation forced people to resort to other modes of payment. Keeping this backdrop in mind, an effort has been made to analyses how far India's dream of a Cashless economy is achievable taking into consideration the policies of the government and the opinion of the general public [5], [6].

According to MasterCard, Digital liquidity is driven by three areas:

1.1.1. Payment Inflows:

How consumers and enterprises obtain money—whether via government wages or social subsidies or customer payments.

1.1.2. Payment Outflows:

How consumers and companies spend money—to stores, transit and fundamental services, and on suppliers and workers payments.

1.1.3. Value Chain Payments:

How consumers and companies are involved in value chains.

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1.1.4. Unified Payments Interface (UPI)



Figure 2: Illustrating the unifying payment interfaces as a novel mode of the transactions [7].

It was introduced in 2016 as a platform that can be used to transfer money from a bank account to any bank account. This is an improvement over the other mobile wallets as you need only a UPI virtual address and PIN to initiate a payment, and not credit/debit card details, IFSC or account number. It also means the government is trying to leverage the spread and reach of smart phones in India, since UPI based apps function from mobiles[7]. Government's own BHIM App and other private players like PayTm, GooglePay, PhonePe have been leaders in promoting UPI in India shown in figure 2.

1.2.Objectives of the Study:

- To analyses the current state of India's transformation to a Cashless/Digital economy
- To understand the demographics of individuals included in the study which will have an impact on their approach towards cashless payments
- To analyses people's opinions and preferences about digital payments and their rate of convertibility from cash to digital payments
- To understand and analyze the hindrances faced by respondents in making cashless payments

- To derive inferences from the sample population if dream of a Cashless India is an achievable dream or not by generalizing their approach and adoptability towards e-payments.

2. LITERATURE REVIEW

V. Podile and P. Rajesh studied the publicly perceptions on the cashless transaction into the India. Afterwards the demonetization initiative, much of the people into India start the electronically payment to the transaction. Everyone by small merchants to the neighboring vegetables vendors are embracing the digitally payments solution. Cashless economy means that transactions which are using card and the digital. They stated that there are many benefits that are associated with the introduction of cashless economy in developing nations [8].

Ragaventhara studied the cashless economies that lead to the knowledge management. Paper money is transformed to digital money in a cashless environment. Author first had reservations about the link between the cashless economy and the information economy, and if it might lead to knowledge management. Of course, India's cashless economy is paving the way for digital transactions. Even the average person is aware of financial transactions and can do them quickly and securely. It improves their style of thinking and allows them to make effective use of their intellectual capital rights. This is defined as the change of the human effort in the machine. Into this cashless economy paper money converts towards the digitally money. Even the common of the man knows regarding the transaction of the bank and makes fast and the securely payments. Authors stated that this improves the ways of the thinking and its usage for the intellectual capitals right into the proper ways [9].

Dominic et al. discussed cashless economy is one in which currency in the form of real bank notes or coins is limited and digital money is used instead. This paper investigates how people feel about the cashless economy. The survey included fifty people, including businesspeople, government employees, students, and housewives. Because of the significant danger associated with digital transactions and the high prevalence of digital illiteracy, the majority prefer cash transactions, according to the report. As a result, additional digital literacy development measures should be implemented in the Indian economy in order to fully realize the ideal of a cashless economy. [10].

3. METHODOLOGY

3.1. Design:

In the present study, the research has made use of both, Primary-data and Secondary-data. Primary data has been collected using a structured and close-ended questionnaire which was given to the targeted respondents. The primary data collected was based on people's approach and adaptability towards Cashless payments. The researcher used unique method of collecting data through Google forms in order to avoid any manipulation in the process of collecting data the researcher has also made use of secondary data from reliable sources.

3.2. Sample:

For the purpose of this research survey, the sample size is 487 respondents. The data collected was analyzed with the help of percentage. The data was tabulated and percentage was

calculated based on the number of respondents which was collected using a questionnaire. The collected data was also correlated on demographic grounds mainly Age groups and educational qualifications to preferences and practices to draw inferences for relevant questions.

3.3. Instruments:

For the purpose of this research, various tools and Techniques have been used for adequate representation of the data. Tables, pie charts, bar and column Figures have been used for Analysis and Interpretation. The survey was circulated and collected in a span of 120 days.

3.4. Data collection:

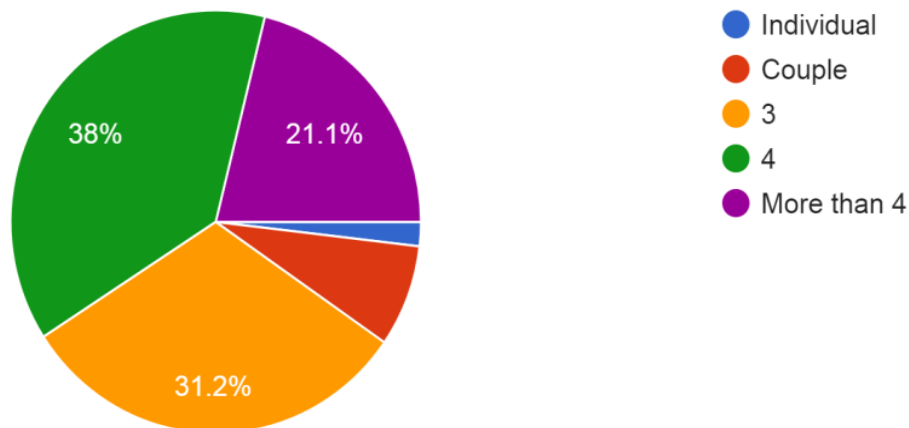


Figure 6: Illustrating the size of the family of the respondents of the questionnaire

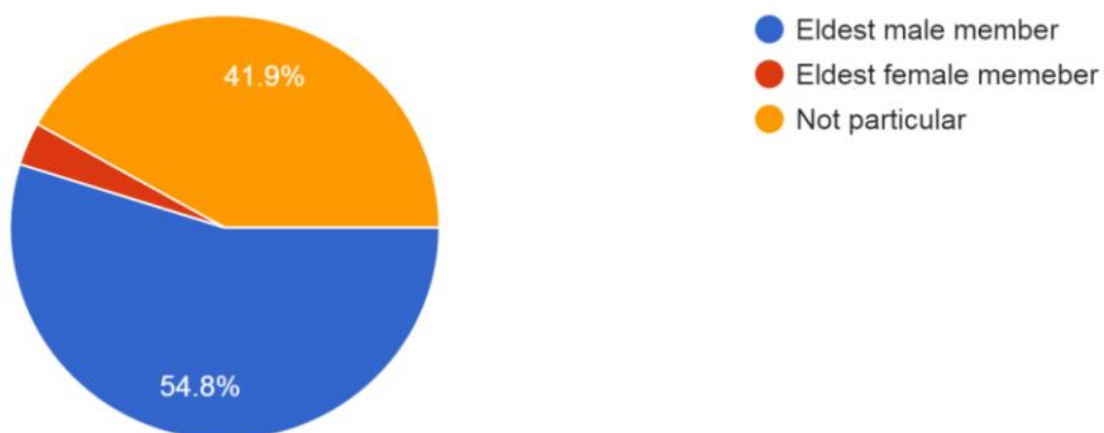


Figure 7: Showing who does the main financial transactions in the respondent's family

3.5. Data analysis:

From Figure 6 this is a clear indication from the table that a majority of the respondents have 3-4 members in their family, while another 21% have more than 4 family members. There is a very low percentage of people who have less than 3 family members. Figure 6 represents the size of an Indian family, which typically is more than 2 members, hence a major proportion of the respondents belong to a category where the parents have at least 1 or 2 kids. However, the joint family culture trend is reducing in the country; hence only 21% of them have more than 4 members.

Figure 7 gives a clear indication that in more than 50% families, the eldest male member does the financial transactions while only a trivial 3.3% of the transactions are done by the eldest female member in the household. And in the remaining 41% household it is not particular who does the financial transactions. Figure 7 points out that usually in more than half the households, the eldest male member does the financial transactions, which reflects the Hindu undivided family tradition where the eldest male member or the 'karta' does the main transactions.

4. DISCUSSION

4.1. The findings of the study are summarized below:

- Majority of the respondents of the survey fall between the age group of 18-30 years which reflect the rising youth population in India. The data reveals that 55% of the respondents are male while the rest are female.
- All the respondents hold an Aadhaar card. 98% of the respondents have a bank account, of which 84% of them have an active debit/credit card but only 68% of them have availed net-banking facility. 67% of the respondents have access to a verified e-wallet and 52% of them have linked it to their bank account.
- There is a statistically significant correlation between the preferred mode of payment of respondents and their age. The data reveals that the youth (18-30 years) prefer card payments. Net banking is the most preferred payment method among 30-45 years and 45-60 years age group, while people above 60 years choose cash only.
- At various avenues of payment like petrol pumps, restaurants and merchandise stores, most people prefer cash transactions. Most respondents usually prefer using e-wallets to make payments for mobile and DTH recharges, utility bills, online services and e-commerce transactions as well.
- Taking into account the respondents' frequency of using different payment methods, it is seen there is high frequency of cash transactions and card transactions. The usage of e-wallets is also steadily increasing but 34% of them have almost never used e-wallets. Almost half them have rarely or never used UPI, IMPS, QR codes and gift cards for making payments.

After analysing and interpreting the questions asked in the survey, the following recommendations/suggestions are proposed by the researcher:

- India lacks the infrastructure to imbibe a Digital Economy currently. With a huge proportion of the population still unable to get access to basic Internet and bank account facility (Financially not included), such a dream is illogical. Thus a step by step approach must be adopted the primary focus must be on first availing basic facilities like Internet and bank accounts to all citizens.

- There is a strong resistance to change amongst Indians to shift to cashless payments. The main reason being the lack of trust on financial institutions and technologies which can be observed from the survey where samples above the age of 45, prefer other modes of payment than plastic money or e-wallets. The Government and concerned institutions must aim at clearing hindrance of knowledge and clarity amongst citizens.
- Security and privacy concerns are a major factor. Maximum efforts must be made to secure networks and wealth of individuals. This assurity can be won only over a period of time, thus, is an immediate concern.
- Government and financial institutions can, through rules or incentives (like tax benefits like given under Presumptive Taxation Scheme for digital payments) must push avenues or Business points to be more equipped to accept payments in non-cash methods.

5. CONCLUSION

India is a country with a mighty population and diverse from various viewpoints of demographics, socio-cultural factors and economic factors, thus, any change in the core economic policy will take time, and such a rapid transformation is irrational at its very foundation. Hence a “Cashless economy” for India is no longer a dream of future but an expanding reality which can be achieved with parameters like high-speed internet along with wide mobile network, improved digital infrastructure along with government policies and initiatives in place and awareness and acceptability among consumers. This research is based on a survey that was done to learn about people's attitudes and perceptions regarding digital payments as a path to a cashless economy. The survey was conducted in the context of a particular set of people, namely the people of Bangalore. AePS is a model based on banking and permits the use of Aadhaar verification by any bank's Business correspondent for basic, intraoperative bank transactions at the point of sale (MicroATM). The digital transaction umbrella body, NPCI, stated Monday that the 200 million transaction threshold was crossed by AePS. Accordingly, India, with over 824 million debit cards in circulation, is primarily the debit card market. Credit card numbers have increased, however, not simply in the context of the growth of the digital payments but the expansion of retail borrowers in the ecosystem. In the months following demonetization, the use of cards surged as individuals were forced to utilise cards due to a cash shortage. The use of credit cards has since gradually increased, although in a range of ways without major increases.

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