

A study on Cashless Transaction: Benefits and Challenge's in India

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Abstract

Cashless economics as the name suggests are those that run frequently on plastic or digital money and with insignificant cash in money or paper form. This is probably in mostly those countries where there is better financial knowledge and citizens are conscious of the welfares of going cashless. This paper studied the views of people on introduction of cashless economy in India. The study was conducted in two districts of Haryana and data was collected with the help of interview method and analyzed using weighted mean and ranking method. Responses from respondents were analyzed in the form of benefits & challenges of the cashless economy in India. On the basis of findings of study some suggestions are also incorporated by the researcher in the present paper.

Keywords: Indian Economy, Digital Money, Cashless Transactions

Introduction

Cashless economy is an economic system in which transactions are not done significantly in exchange for actual cash and the amount of cash based transaction are kept to the barest minimum. In this situation there is little or very less flow of cash in an economy and transactions are made by other modes of payments than cash like debit cards, electronic funds transfer, mobile payments, multi-functional ATMs and internet banking. It refers to the widespread application of computer technology in the financial system. It is a tool in the direction of bringing financial inclusion of millions of Indians and being low cost secure and convenient financial services to the citizens across the country. It is an economic system in which goods and services are paid for through electronic media.

Meaning of Cashless Transaction

Cashless transaction can be defined as a situation in which the flow of cash within an economy is non-existent and all transactions must be through electronic channels such as Mobile Banking, Micro ATMs Point of Sale, Banking Cards, Internet Banking, Mobile Wallets, Banks Pre-Paid Cards, etc.

Review of Literature

Metri & Jindappa (2017) in their research paper, "Impact of Cashless Economy on Common Man in India" opined that the low literacy rates in rural India, along with the lack of infrastructure like internet access and Power make things extremely difficult for people to adopt e-transaction route.

V. Kokila and R. Ushadevi (2017) conducted a study on "Consumer Behavior on Cashless Transaction in UT of Puducherry". The study focused on the problems faced by the consumers

while using cashless transaction. It was found that the service tax for cashless payments is one of the major problem faced by the consumer.

Preeti Gang and Manvi Panchal (2016) conducted a study on “Introduction of Cashless Economy: Benefits and Challenges”. The study was conducted to find out the benefits of cashless economy. The research found that many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India is cybercrime and illegal access to primary data.

Jain PM (2006) in the article- E- Payments and e-banking opined that e-payment will be able to check black money. Full advantage of technology, quick payments and remittances will make optimum use of available funds for banks and financial institutions, for business houses and common citizen of India. He also pointed out the strong need for e-payments, modes of e-payments and communication networks.

According to Aloares, Cliford (2009) in their reports, “The Problem regarding fake currency in India” said the countries battle against fake currency is not getting easier and many fakes go undetected. But with country moving more towards digitization has made it easier to discover fakes.

Objectives of the Study

- To study the concept of cashless transaction.
- To exercise the benefits and challenges of cashless economy to the general public.
- To provide suggestions based on the findings of the study.

Research Methodology:-

This study is descriptive in nature and based on primary data. The researcher used convenient sampling. A total of 120 respondents were interviewed living in Panipat and Sonapat in the month of January 2019. Response rate of sample includes literate as well as illiterate population to elect their views on introduction of cashless economy and use of digital payments methods. The responses from the respondents were collected and analyzed with the help of weighted average and ranking method.

Analysis and interpretation

The second objective of this study is to exercise the benefits and challenges of cashless

transactions to the general public. Further a list of 7 benefits was given to the respondents. First of all, weighted average scores were calculated for each benefit by assigning weights as 7,6,5,4,3,2,1 to the ranks 1,2,3,4,5,6,7 respectively and after this all benefits were ranked 1,2,3,4,5,6,7 on the basis of weighted scores. Table 1 shows the benefits of cashless transactions.

Table 1

Table 1 Showing the Benefits of Cashless Transactions and Ranked By the Respondents

S No	Benefits	Final rank
1	It will Reduce the Cost of Banking Service	6
2	It will allow More Transparency	1
3	It will help in Curbing Generation of Black Money	4
4	It will help in Saving Time	2
5	It will Help In Making Environment Clean And Green	3
6	It will help in Counterfeiting of Currency	5
7	It will help in the Govt. Financial Inclusion measures	7

Table 2 Showing Weighted Scores

Ranks	I	II	III	IV	V	VI	VII	Weighted score	Rank
Weights	7	6	5	4	3	2	1		
Benefit 1	5	11	4	16	12	39	33	332	6
	(35)	(66)	(20)	(64)	(36)	(78)	(33)		
Benefit 2	28	32	12	11	18	9	10	574	1
	(196)	(192)	(60)	(44)	(54)	(18)	(10)		
Benefit 3	12	2	19	26	38	3	20	435	4
	(84)	(12)	(95)	(104)	(114)	(6)	(20)		
Benefit 4	23	11	25	5	15	35	6	493	2
	(161)	(66)	(125)	(20)	(45)	(70)	(6)		
Benefit 5	10	20	18	22	15	18	17	466	3
	(70)	(120)	(90)	(88)	(45)	(36)	(17)		
Benefit 6	4	8	22	17	19	15	35	376	5
	(28)	(48)	(110)	(68)	(57)	(30)	(35)		

Benefit 7	8	4	6	13	18	20	51	289	7
	(56)	(24)	(30)	(52)	(54)	(40)	(51)		

On the basis of findings of the study it can be safely concluded that majority of respondents find favour with the view that cashless transactions are more transparent and will show in the accounts of senders and receivers and will impact on the tax positively which will be used towards the development of the society. Second rank is given towards the benefit of saving time in transactions, no waiting for a deposited cheque to be credited, no risk of carrying currency notes in the wallet. Third preference goes towards check on generation of black money. The habit of evading sales has caused a loss of tax to the exchequer and also leads to Parallel economy in the state. Introduction of cashless will help in curbing black money. The benefit which they have given fourth rank is in the form of prevention money in circulation which in turn will indirectly helping in achieving the goal of cleaner and greener environment. On the basis of respondents preference, fifth rank is given to the benefit in the form of check counterfeiting of currency. Sixth rank is given to the benefit in the form of reduction in the cost of banking services. It was estimated that when the cost of printing currency will reduce it will reduce the burden on the exchequer and will reduce the cost of banking services. Resultantly, banks will give the benefit to the banking customers. Seventh ranking viewed by respondents is in the form of financial inclusion programmes. Cashless economy is the best way in the system to stop the leakages of the money by the officials of the government while distributing money to the beneficiary.

These are the findings based on the interviews conducted with the respondents. Some challenges have posted as a big challenge in the way of cashless transactions some of which are shown in table no. 3.

Table No.3

S No	Challenges	Rank
1	Digital literacy required	1
2	Increase in Internet Fraud and Cyber Crimes	3
3	High Cash Dependency	4
4	Lack of Digital Infrastructure	2

First drawback put forth by the respondents is the digital literacy to operate the transactions.

Second drawback is on the part of the banks to come up with basic and secure infrastructure for the banking services. Third challenge posed by the respondent is in the form of increase in internet frauds and cyber crimes with increase in volume of cashless. Fourth challenge was observed that consumers are not aware about the different aspects of cashless truncations.

Findings

If we look at the overall scenario in the economy and benefits associated with going cashless, it can be concluded that cashless is necessary and need of the hour for the systematic development in the country. But to reap its benefits some initiative should be taken on the part of the government because our economy is encountered with some challenges in the form of digital illiteracy, inadequate internet connectivity, lack of awareness among customers, inadequate banking infrastructure.

Conclusion

Last few years bring drastic transformation in Indian economy from its traditional practices. Major revolutionary steps in the form of digital India, Start up India, refinement of tax laws, introduction of GST, demonetization, all these measures go in favour of promoting information and technology in each and every sector. With the rise in disposable income with people, increase in literacy, increases in urbanization are the factors which go hand in hand with digital transactions in India. On the basis of general observance it can be said that the growth trends in digital payments are positive and will continue to follow the same trend for fee payment landscape in India.

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