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## SPECIAL ISSUE ON IMPACT OF CASHLESS ECONOMY : CHALLENGES AND OPPORTUNITIES



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## A STUDY OF IMPACT OF CASHLESS IN INDIA ECONOMY

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### Abstract:-

The study was conducted in data was collected with the help of structured questionnaire and analyzed using simple percentage method. Responses from respondents shows that cashless economy will help in curbing black money, counterfeit's fake currency, fighting against terrorism, reduce cash related robbery, helps in improving economic growth of our country. Major challenges that can hinder the implementation of the policy are cyber fraud, High illiteracy rate, attitude of people, lack of transparency & efficiency in digital payment system.

*Time Gross Settlement (RTGS)* The circulation of physical currency is minimum. The Indian economy continues to be driven by the use of cashless than 5% of all payments happen electronically. Electronic based transaction seeks to drive the development and modernization of India's payment system. The essence of the policy is to shift the economy from a cash based economy to a cashless one. Efficient and modern payment system is a key enabler for driving growth and development.

**Keyword:** -. Cashless Economy, Net banking

### Introduction:-

To encourage and strengthen cashless economy it's important to inculcate the habit of making e-payments. Government encourages cashless transactions like mobile banking, Ru-pay cards, UPI, USSD these are means and methods of digital payments. Less cash economy is in the interest of everyone and it will help in creating a clearer economy in future. Government have also introduced Aadhar based payment system, this is for those people who don't have cards or mobile phones. Reducing Indian economy's dependence on cash is desirable for a variety of reasons. To control counterfeit notes that could be contributing to terrorism, It also affect the monetary policy of our country and to eliminate the —black money, hawala transfers can't be made without paper currency, Curbs illegal activities altogether.

What is cashless economy: A cashless economy is one in which all the transactions are done through electronic channels such as debit/credit cards, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). The circulation of physical currency is least. The Indian economy continues to be driven by the use of cashless than 5% of all payments happen electronically. Electronic based transaction seeks to drive the development and modernization of India's payment system. The essence of the policy is to shift the economy from a cash based economy to a cashless one. Efficient and modern payment system is a key enabler for driving growth and development

### Objective of Study:-

- 1) To understand the concept of Cashless Economy
- 2) To Study advantages and Disadvantages of Cashless system
- 3) To study the impact cashless in Indian Economy

### Research Methodology:-

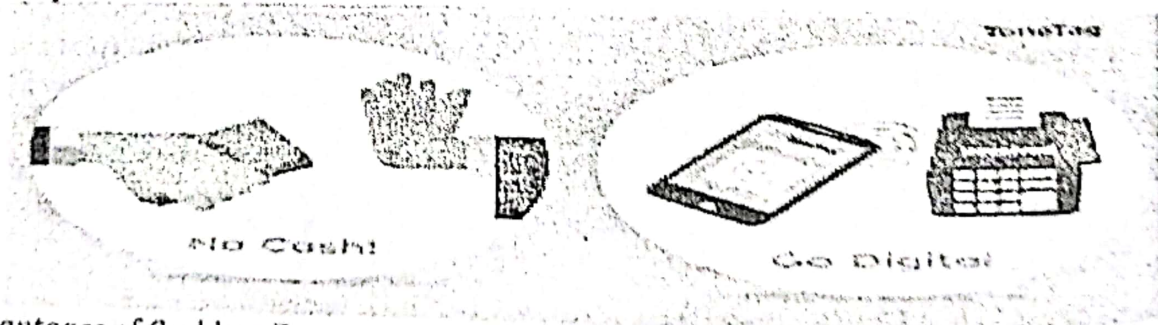
The present study done on Secondary data as Newspaper, Websites and News Chanel

### Literature Review

According to Woodford (2003), Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010) observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by refinance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy (Moses-Ashike, 2011). Marco and Bandiera (2004) argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it does conclude that central banks can lose control over monetary policy if the government does not run a responsible fiscal policy.

### Advantages of Cashless Economy

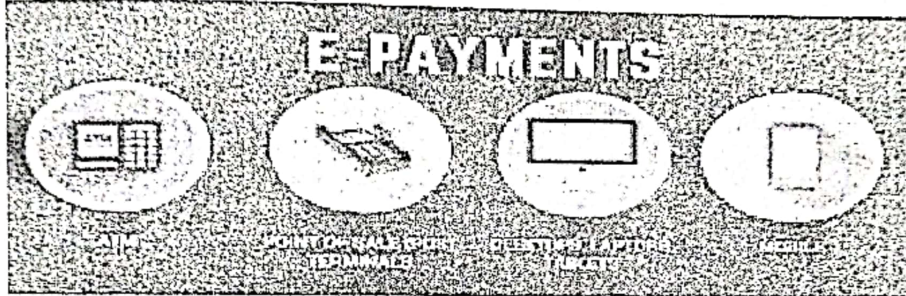
1. The first and foremost advantage of cashless economy is that an individual does not need to carry cash with him or her everywhere which in turn reduces the chances of theft from wallet, reduces inconvenience due to carrying cash, give freedom from problem of change when transaction is of odd amount, no risk of receiving counterfeit currency and so on.
2. Another benefit of cashless economy is that it is easier to track the black money and illegal transactions because if cash is used directly for doing transactions than it is not easy to track the transactions as the money does not come into the banking system however in case of digital transactions it is easy to track the transaction as all records are there with the banks which result in more transparent transactions which in turn leads to fall in corruption in the economy of the country.
3. Another advantage of cashless economy is that since all transactions will be done through organized channel that is through banks and financial institutions it results in increase in tax revenue for the government as all cash transactions which were done illegally come into banking system which in turn helps the government in tracking all transactions and levying tax on them which in turn can be used by the government for betterment of economy of the country.



### Disadvantages of Cashless Economy

1. The biggest disadvantage of the cashless economy is that not everybody has the knowledge of doing digital transactions and hence its reach is limited to urban and semi-urban centers only and therefore it is very difficult to implement cashless economy in the big country where many sections of the society in rural areas is illiterate and poor. Hence the lack of proper infrastructure and education among citizens is disadvantageous as far as the cashless economy is concerned.

2. Another disadvantage of the cashless economy is that although it easy to do digital transactions but at the same time it is very risky as compared to cash related transactions. Hence people having half knowledge of digital payments are exposed to cyber fraud and losing their hard earned money to online scam and hacking of bank accounts and hence it is better to do cash transactions rather than doing digital transactions if one is not fully aware of the online medium of transactions.
3. Another demerit of the cashless economy is that digital mode of payments like the credit card, wallet payments, internet banking involves some transactions fee which is not the case with cash transactions and hence any individual thinking of doing online transactions will take into account these transaction costs and will not favor online medium of transactions.
4. Hence the presence of transaction cost is a hindrance to cashless economy finding acceptance among the people of the country.



#### Finding and Suggestion

From the above analysis it also appears 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. Therefore it's important to strengthen Internet Security from protection against online fraud. Large number of population is still below literacy rate living in rural areas. For smooth implementation of cash less system in India, the following measures are recommended Government have to bring transparency and efficiency in e-payment system, strategies used by government and RBI to encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments. Suggestion:-

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