



CASHLESS TRANSACTION: A BOON OR CURSE TO AN AVERAGE INDIAN CITIZEN

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Abstract- In India, the usage of the internet and mobile phones has increased dramatically during the previous decade. The COVID-19 pandemic practically taught us that traditional form of cash basis transaction was of no use and we need to change and adapt to a new form of transaction system, without the use of cash. The increased usage of the internet, cell phone penetration, and government initiatives such as Digital India are serving as catalysts, resulting in an exponential increase in the use of digital payment. Digital payment refers to consumer transactions done at point of sale (POS) for services and products via internet banking or mobile banking utilising a smart phone or card payment. The rise of the Internet and the advent of e-commerce accelerated the digitization of payment processes by introducing a number of electronic payment choices such as payment cards (credit and debit), digital and mobile wallets, electronic currency, contactless payment systems, and so on. This study tries to focus on the concept of cashless transactions, whether it is advantageous to an average Indian citizen.

Keywords: Cashless transactions, Advantages and disadvantages, Modes of Cashless transactions.

I. INTRODUCTION

In recent years, we have seen an increase in cashless transactions, as well as items and services supplied only in this manner. Furthermore, during the commencement of the global financial crisis, private crypto currencies emerged, raising some worries. All of these developments raise the question of whether modern countries are going toward a cashless society. This also presents a variety of additional quandaries, such as whether cashless societies have bad consequences, what economic officials should do in response, who would be possible winners and losers, and so on.

India is on the verge of a tremendous digital revolution. The digitalization of the payment method will be seen as a watershed moment in the future paperless economy. The four forces contributing to the rise of Indian digital payment systems are India's digitalization, a favourable regulatory environment, the advent of next generation payment service providers, and improved user experience.

Nowadays, every individual and corporation is familiar with e-commerce in order to make sales and acquire items and services. The introduction of e-commerce has produced new financial demands that, in many situations, cannot be satisfied by traditional payment methods. A cash payment system is being replaced with an electronic payment system. With the implementation of e-payment systems, sales of goods and services expanded considerably, making electronic payments an increasingly vital aspect of the payment system.

II. OBJECTIVES OF THE STUDY

1. Understanding the Meaning of Cashless transactions.
2. Understanding the different types of Cashless transactions.
3. The advantages and disadvantages of Cashless transaction to an Indian citizen.

III. RESEARCH METHODOLOGY

The current study is descriptive in nature. The investigation was done out using secondary data that was made accessible. Secondary data was gathered from a variety of sources, including articles published in various journals and newspapers, books, magazines, conference papers, working papers, and websites, among others.

IV. STATEMENT OF PROBLEM

The use of cashless transaction systems as an extension of the demonetization process has resulted in substantial changes in consumer behaviour. In India, the majority of customers are strongly reliant on the cash economy; nevertheless, consumers must now transition from cash to cashless electronic transactions. Except for a handful, most customers have been utilising cash to acquire goods and services. Currently, the government has indicated that all limits on conventional cash transactions, as well as offers for electronic transfer, are urging consumers to embrace and execute cashless transactions for their purposes.

V. CONCEPT OF CASHLESS TRANSACTIONS

In India, a cashless economy is one in which the flow of cash within an economy is non-existent and all transactions must be conducted through electronic channels such as



direct debit, credit cards, debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), and Real Time Gross Settlement (RTGS). In a cashless economy, most transactions will be conducted using digital means such as e banking, debit and credit cards, PoS (point of sale) devices, digital wallets, and so on. Simply said, no liquid money or paper currency will be utilised by the citizens of a certain country. In a cashless economy, your money will be held by a third party. The third party being the bank.

India is on the verge of a tremendous digital revolution. The future economy will be driven by cashless transactions, which will only be achievable through the digitization of payment mechanisms at various locations such as smart phones, online banking, card transactions, and so on.

Different types of Cashless Transactions System

1. Debit Cards

Debit cards are becoming increasingly widespread, and they are now the most widely used non-cash payment tool worldwide. Payments made using debit cards are withdrawn straight from the consumer's personal account rather than an intermediate account. This makes it harder for customers to resolve payment issues because their monies are not protected in a debit account. For debit payments, providing the account number suffices; no actual card or card number is required.

2. Credit Card

A credit card is a plastic or metal card issued by a financial organisation, such as a bank, that functions as a cashless payment mechanism. It works on the basis of borrowed funds and provides you with access to money that you did not earn. While you may use it to buy products now and pay for them later, you must repay the money by the due date. If you are unable to do so, you will be charged interest on the monthly sum that is carried over until the dues are cleared. It is critical to understand that the card has a borrowing limit.

3. Mobile Payments

A mobile payment (m-payment) is a point-of-sale (PoS) transaction that is made or received using a mobile device. Mobile payments are gaining popularity among consumers not only for their convenience, but also for their security, because credit card data is not kept on the merchant's PoS terminal with many types of mobile PoS systems. The consumer's mobile device acts as a security token, generating a unique code for each transaction. The token may be broadcast over the air (OTA) or typed manually into a keypad by the consumer, depending on the technology utilised.

4. Mobile Wallets

Mobile wallets are often referred to as mWallets, digital wallets, or eWallets. It is essentially a mobile technology that functions similarly to a physical wallet. A mobile wallet is a form of payment service that allows people to receive and send money via mobile devices. It is a type of e-commerce model built for mobile devices for comfort and simplicity of access. Mobile Wallet is also known as Mobile Money or Mobile Money Transfer. It is a digital wallet that you may carry in your pocket.

5. UPI

The United Payments Interface (UPI) envisions a system that consolidates various bank accounts into a single mobile application platform (of any participating bank). Ensures smooth fund routing and merchant payments by combining numerous banking functions. It enables peer-to-peer financial transactions. In light of the foregoing, NPCI conducted a trial launch with 21 member banks. Dr. Raghuram G Rajan, Governor of the Reserve Bank of India, launched the pilot programme in Mumbai on April 11, 2016. From the 25th of August, 2016, banks have begun to post their UPI-enabled Apps to the Google Play store. SBI Pay, ICICI Pocket, Axis Pay UPI App, Union Bank UPI App, PNB UPI, PhonePe, Google Pay and PayTM are examples of UPI App.

6. Cheque

The cheque is one of the earliest forms of cashless payment. It is an approach that everyone is familiar with. In this procedure, you write a check to someone else for the specified amount. The check is deposited at the appropriate bank. A payment is processed by the bank via a clearing house. The entire cheque transaction is documented, and there is proof of payment. However, cheque payments might be dishonoured owing to a mismatched signature or insufficient funds. We may prevent this problem by using different cashless payment methods.

7. Online Transfer – NEFT or RTGS

The most basic way of cashless transaction is online transfer via NEFT or RTGS. You must have access to the internet in order to make an online money transfer. Online transfers using NEFT or RTGS are faster than checks or DDs. Online transfers can be performed from any location that has access to the internet.

VI. ADVANTAGES

Going cashless not only simplifies one's life, but it also helps to verify and legalise transactions. This serves to reduce corruption and the flow of illicit money, resulting in increased economic growth. The cost of producing and transporting cash notes is lowered. Cashless transactions are



not common in India, owing to a technological gap and a lack of sufficient education.

The following are the advantages of Cashless Transactions-

1. Electronic payments will allow businesses to expand their consumer base even in remote geographic areas, resulting in more commercial transactions.
2. Real estate prices will fall as a result of the restriction on the circulation of black money, as the majority of black money is invested in the real estate industry.
3. E-payments will increase openness and accountability. The majority of cashless societies are devoid of corruption since all transactions are traceable, observable, and transparent.
4. Making online payments is convenient, and it will result in small wallets since individuals will not need to carry actual currency.
5. The majority of election fundraising is done using black money. Cashless transactions will make it difficult for political parties to spend millions of crores of undeclared money on electoral purposes.
6. The amount of revenue collected will also be maximised, and it may be spent on the welfare of impoverished and underprivileged people, as well as infrastructure development activities in the economy.
7. The production of counterfeit cash will be reduced, and hence terrorism may be avoided.
8. It will reduce cash pick pocketing and robbery in congested areas and large cities.
9. Using online payment, one may review the history of their financial activities and arrange their budget more effectively.

VII. DISADVANTAGES

1. Many rural residents, as well as some urban residents, do not have a functional bank account through which to make online payments.
2. A big portion of India's population lives in rural regions, where there are no sufficient internet services for making online payments.
3. People in remote areas are poorly educated about digital payment systems.
4. There are still some establishments that only accept paper money and do not accept debit or credit cards. Customers find it difficult to make purchases using their credit cards in such areas. Small shops in India continue to use paper currency because they cannot afford to invest in digital infrastructure.
5. Because cash is not under our control, individuals will overspend on goods and services.
6. It takes time to acquire a new debit/credit card if you lose one.
7. Hacking and cyber theft are significant and difficult issues that might arise as a result of online transactions. To avoid money falling into the wrong hands, cyber security measures must be implemented.

8. Even in major cities, online transactions are occasionally unable to be completed due to inadequate internet access or network issues.

VIII. FINDINGS AND SUGGESTIONS

In terms of digital payment systems, India continues to lag far behind other industrialised countries across the world. While many countries have already implemented payment systems in their economies, India is still in its early stages, and the majority of the population is still reliant on cash-based transactions due to a lack of proper internet connectivity, a lack of information and knowledge about financial transactions, charges on card payments, and inactive bank accounts.

Due to the wide user base of mobile phones, the usage of mobile devices for making online payments is becoming increasingly popular. If properly implemented, this payment mechanism is ideally suited for micropayments and provides more easy and secure payment transactions. Despite their ability to handle tiny and variable payments, electronic currency systems are gaining popularity among customers. The implementation of an authentication mechanism that ensures the security and ease of each transaction is a major problem for all of these payment options.

India must develop new policies for electronic transactions. It is advised that the government encourage its agencies and private sector service providers to teach financial literacy widely, particularly in rural regions. The government should give additional benefits for digital transaction payments, as well as additional incentives or interest rates for cash savings in bank accounts. Simultaneously, reductions in digital transaction fees or total exemption from digital banking could be granted for a few early years to help accelerate the development of digitization of payments in India.

IX. CONCLUSION

This study concludes that with less cash on hand and an impending cash crisis, most individuals are opting for cashless transactions. Transparency, scalability, and accountability are enhanced through digital transactions. The new policy will force more shops to accept digital currency. Cash may no longer reign supreme.

The cashless transaction economy is one of the positive and solid initiatives made by the Indian government. Many individuals are comfortable with the idea of a cashless transaction system. It aids in the battle against large unlawful or immoral economic activities such as corruption, money laundering, and so on. However, the biggest issues with cashless transactions in India are cybercrime and unauthorised access to client data. As a result, it is critical to increase internet security in order to safeguard against online mischief. Customers and small shops confront a significant level of risk and difficulty when using cashless



transactions. The major cause is the rural area's low literacy rate. The government should be educated on the benefits of cashless transactions. The government strives to change people's perceptions of risk factors. Cashless transactions aid in the development of a more robust Indian economy. As a result, everyone should be able to access and use digital-based transactions. The government will need to increase its efforts in financial literacy campaigns from time to time to educate the public about the benefits of electronic payments.

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