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## Cash to Cashless Economy- Importance and Impact

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### Abstract

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. The financial technology industry would be unwise to ignore the rise of mobile transaction services, person-to-person networks and the whole range of digital disruption in the payments arena from the likes of Bit coin, Apple Pay and PayPal that undoubtedly is putting pressure on cash. The present paper meets an attempt to know the awareness about smart phone and the use of smart phone in rural India. To overcome from the problem of cashless services providing in rural India.

**Keywords:** Cashless, Smart Phone, infrastructure, internet & networks etc.

### Introduction

The Indian payment system is rapidly transiting to more and more IT based systems. In the retail sector we have very high volumes of money transactions. Other than cash, one of the growing payment methods adopted by merchants in the sector is payment cards. However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been assorted with demonetization that was aimed to extract liquidity from the system to unearth black money. With increasing adoption of electronic payments, particularly those driving e-commerce and m-commerce, there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions. Reducing Indian economy's dependence on cash is desirable for a variety of reasons. India has one of the highest cash to gross domestic product ratios in the world, and lubricating economic activity with paper has costs. According to a 2014 study by Tufts University, The Cost of Cash in India, cash operations cost the Reserve Bank of India (RBI) and commercial banks about Rs21, 000crs annually. Also, a shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained.

### Statement of the problem

A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal. India uses too much cash for transactions. The number of currency notes in circulation is also far higher than in other large economies. In this context recent trend have been changed, while revolution in the information technology in India. The researcher tries bridge the gap between awareness about the smart phone makes use of it in rural India.

### Objectives of the Study

1. To know what a Cashless Transaction.
2. Impact and importance of Cashless Transaction System

### Methodology

The present is mainly based on secondary data which is available in the papers, articles, journals and internet etc.

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### **Cashless Transaction**

Cashless economy or cashless means all the transactions carried out between two individuals will occur by payment through payment gateways or through the plastic money. It is done with the primary aim of uncovering the non-registered transactions. The Indian government with another aim to promote the economy through non-cash transactions has introduced mediums such as: Banking cards, USSD, AEPS, UPI, Mobile Wallets, Banks Pre-Paid Cards, Point of Sale, Internet Banking, Mobile Banking, Micro ATM's. Reducing the economy's dependence on the cash and making it more deviated towards these mediums would result into the betterment of the country and the economy.

### **The challenge to go digital**

A major obstacle for the quick adoption of alternate mode of payments is mobile internet penetration, which is crucial because point-of-sale (PoS) terminal works over mobile internet connections, while banks have been charging money on card-based transactions, which is seen as a hurdle. 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. The financial safety over the digital payment channels is important for pushing the cashless economy idea. Imagine losing your credit cards or being the victim of digital hackers can lead to a whole host of issues like denied payment, identity theft, account takeover, fraudulent transactions and data breaches.

### **Importance of Cashless Transaction**

#### **Taxation**

With lesser availability of hard cash at homes and more in banks, there is lesser scope of hiding income and evading taxation and when there are more tax payers it ultimately leads to a lesser rate of taxation for the whole country.

#### **Transparency and accountability**

It becomes a lot easier to track the flow of money with every transaction being recorded with the buyer, seller as well as regulatory bodies, making the system much more transparent and compliant. In the long term it leads to better business and investment prospects for the economy as a whole. More currency in bank will mean more circulation of money in the economy, leading to greater liquidity and would eventually mean lesser interest rates (according to the monetary policy of the country).

#### **Reduced red tapism and bureaucracy**

With cashless transactions through electronic means the wire transfers are tracked and people are accountable which in turn reduces corruption and improves service time.

#### **Less availability of cash for illegal activities**

When people are encouraged to go cashless, there is lesser cash available with the people and there won't be a means to invest in other activities to use the idle cash. Channels like hawala (illegal remittance) will ultimately suffer the brunt of a cashless economy

#### **Pack of cards**

No need to carry bulky notes in a case. Just carrying the required cards or mobile banking will suffice. More sense

of safety with a PIN protected card etc. which will work only with your own credentials.

### **No fear of being robbed**

Unlike carrying cash and letting everyone know that there could be something worth snatching.

### **Tracking of expenses**

It becomes easier to determine how much was spent where.

### **The exact amount in small denominations can be paid**

Unlike cash transactions, there is no need to pay fringe amount in case the exact amount is not available with either of the parties. An important, though seemingly insignificant issue is that of hygiene of the notes.

### **Easier accounting**

Direct payment to bank account. You don't need to go every day to deposit cash to your current account.

### **Easier transactions**

We can easily do any transaction with security.

### **Impact of Cashless Transaction System**

#### **Positive impact of Digital Transaction**

1. A cashless economy will allow less tension of tackling a wallet full of notes along with us, which is not at all safe in a world full of anti-socials. We can rather use our mobile as a one-stop solution for all kinds of transactions such as bill payments, fees payments, funds transfer, recharge, etc.
2. It will ensure a 'black-money free India' or rather the so-called 'parallel economy' where people bypass the banks to gather money in their closets at home without coming under the purview of tax will suffer a setback.
3. Crime rates have already started diminishing due to cash ban as most of the terrorist activities are funded with black money that has bore the brunt of this. In addition to this, other crimes such as burglary, extortion, bank robbery, etc. are also declining.
4. One of the biggest advantages is the increase in the span of the income tax. Due to least involvement of cash, transactions have to be done through banks where proper KYC verifications will be done prior to banking transactions and hence, it will be easier for the Government to monitor and mend the income tax evasion by the unscrupulous persons. This will, in turn, enhance the revenue received by the Government.

#### **Negative impact of Cashless Transaction**

1. The cashless economy will see a hike in the hacking of the personal information over the internet such as credit and debit card numbers, PINs, passwords and other sensitive information due to an increase of digital transactions. In short, cyber crimes will escalate like anything if proper internet security measures are not taken.
2. The poor section of India who is in majority and is scarcely covered under conventional banking system will suffer a lot, as they are solely dependent on cash for their daily wages.
3. Sectors such as real estate, retail, restaurants, cement and other MSMEs, where huge cash transactions are involved are going to be affected terribly.

4. Inadequate internet infiltration, low internet speeds, limited Smartphone and broadband penetration, very less PoS machines are the roadblocks towards achieving full digitalization that is here the main substitute for cash transactions.
5. Funds will always be in control of the third party such as Government, banks, payment interfaces, etc. which lead to extreme uncertainty.

### **Conclusion**

The cashless transaction system is reaching its growth day by day, as soon as the market become globalised and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction system

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