



"India's Journey Towards Embracing a Cashless Economy"

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CHAPTER 1-INTRODUCTION

Cashless society describes the economic situation in which financial transactions are made through the transfer of digital information (usually expressed in electronic money) between participants in the transaction, rather than through cash in the form of banknotes or physical coins. A cashless society existed on the basis of exchanges and other forms of exchange, and digital currencies such as bitcoin made cashless transactions possible. However, this article explains the term "cashless society" in the sense that digital counterparts go to a society that replaces cash, that is, legal tender (money). They are exchanged only in digital form.

This concept has been witnessing the rapid use of digital funds for the registration, management and exchange of currencies in trading, investing and everyday life, especially in many parts of the world, and has happened historically. Cash transactions are now carried out electronically. Some countries now limit the amount of transactions and transactions that can be legally used in the form of electronic payments.

The trend of using non-cash transactions and payments in everyday life began in the 1990s when e-banking became popular. In the 2010s, digital payment methods became widespread in many countries, including brokerages such as PayPal, digital wallet systems operated by companies such as Apple, contactless payments, NFC payments via e-cards or smartphones, and accounts. Electronics and banks.

All of which have been used extensively. By the 2010s, it became operationally unacceptable for cash to be paid through actual tenders for certain types of transactions, which were historically very common, and in some circumstances, higher amounts were considered suspicious. It was easy to use for money laundering and terrorist financing, and some vendors and retailers are actively banning it enough to make the phrase "money war". In 2016, it became known that in the UK, 1 in 7 people no longer owned or used cash.

This move was also very controversial and was sometimes described as "ominous" or "scary". Because such moves can be useful and potentially socially dangerous and have far-reaching consequences for society.

It has the potential to be very useful to central governments and economies with regard to global negative inflation and quantitative easing and central control of the money supply. However, cash loss transfers all rights to information, interest and personal use and knowledge of money to state and third-party providers, as it is inevitable for individuals to store money in their external capacity for regulation and control. Many countries regulate, restrict or ban private digital currencies like bitcoin. While useful in the global economy and in the fight against crime and terrorism, many fear have unintended "dangerous" consequences. This means you have full control over negative interest rates and you can handle your money very accurately. For example, some types of money may be set to "expire" and become worthless if they are not used in a certain way or for a period of time, or not used in stages. It also makes it easy to see the population by providing personal savings and personal income and transaction information to anyone with access to the item, such as legal (police and tax) or not (hackers and individuals with access to relevant information). This also means that groups, individuals and organizations can be deprived of cash by preventing them from accessing cashless funds.

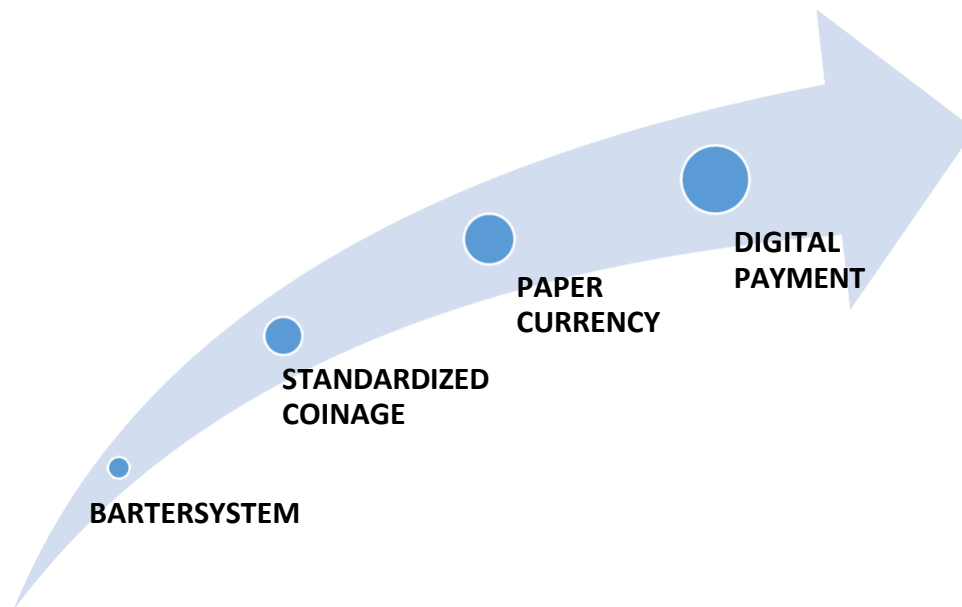
1.1 Meaning of Cashless Society

A cashless society is a society that does not use cash or cash for financial transactions. This is a hypothetical movement or position that favors other forms of exchange. Previously, cashless societies were based on a barter system in which people exchange livestock for food or other commodities. However, the current concept of a cashless society or state is completely new. Here, non-cash transactions are made in digital currencies such as bitcoin. In a truly cashless society, legal tenders (money) are only exchanged in digital form.

1.2 Beginning of the trend of Cashless Society

With the growing popularity of e-banking in the 1990s, non-cash transactions and payment methods became popular with residents of some of the world's most technologically advanced countries. Until the 2010s, digital payment methods were established in many countries around the world. Payments to encourage non-cash transactions. Online tools like PayPal, NFC payments on smartphones or electronic cards, Apple-based digital wallet systems, and electronic banking and billing systems have helped people make non-cash transactions online. Some countries are beginning to place limits on the number of transactions that can be used for non-electronic payments to encourage non-cash transactions.

1.3 EVOLUTION OF MEDIUM OF EXCHANGE



➤ BARTERSYSTEM

Exchange in a transaction (starting with a parletter) is an exchange system in which a trading party directly exchanges goods or services for other goods or services without using currency as currency. Economists distinguish between barter and futures economies in several ways. For example, an exchange means an immediate exchange rather than a delay. Exchanges are usually bilateral, but can be multilateral (i.e. through a trading exchange). In most developed countries, exchanges exist only very limitedly with financial systems. Market participants use currency instead of currency during a currency crisis, such as when the currency becomes unsustainable (e.g. hyperinflation or deflation spiral) or when trading is impossible. The history of the exchange dates back to 6000 BC. Introduced by the Mesopotamian tribe.

The Phoenicians accepted barter and began interacting with foreign cities. Even the Babylonians have developed better exchange systems to exchange goods for tea, food, spices, and weapons. In the Middle Ages, Europeans traveled the world to exchange furs and handicrafts for perfume and silk. Colonial Americans traded deer skins, walnuts, and wheat. During the Great Depression of the 1930s, it was used for food and other similar services and was created among people who run through banks or groups.

○ STANDARDIZED COINAGE

Coins were introduced as a means of payment in the 600-500 BC. The invention of the coin is still shrouded in mystery. According to Herodotus (I, 94), the coin was first mined by Lyds, and Aristotle broke the first coin by claiming to be the Demodice of Kirma, wife of King Midas of Phrygia. Nismismatics believes that the first coins

were mined by the local ruler or Argos king Feidon on the Greek island of Aegina.

Aegina Samos and Miletus coins for Egyptians via Navcrati Greek Trade Mail in the Nile Delta. There is no doubt when Lydia was defeated by Persia in 546 BC. Coins have been moved to Persia. The Phoenicians did not make coins until the middle of the 5th century BC, which quickly spread among the Carthaginians.

Coins, like Alexander the Great's successor kingdom, were brought to India through the Achaemenid Empire 2000 BC. Coins, in particular, were registered in the Indo-Greek kingdom (often in bilingual). The most beautiful coins of the classical era are thought to have been mined by Samudragupta (335-376 AD), who described himself as a conqueror and musician.

The first coins were made of electrum, an alloy of silver and gold. Traders apart of have mined most of the early Lydian coins as a symbol for use in trading transactions. The province of Lydian also mine coins, most of which refer to the king of Lydia Alyatt. So, some coins have Lydians.

It is a kind of ordination called a legend. A well-known example found in Caria is the "I am a Faneicon" - it's not yet clear who Fane is.

○ PAPER CURRENCY

Around 700 BC, when Lydia seemed to lead the development of the currency, the Chinese switched from coins to banknotes. When Marco Polo visited him in AD 1271. The emperor was familiar with the money supply and the various denominations. At the time the US banknote was written "We believe in God," the Chinese inscription warned that "the false man will be despised." Europeans continued to use coins until the 16th century to acquire precious metals in colonies, making more and more money. Banks eventually started using banknotes for depositors and lenders instead of coins. These bills can be taken to the bank at any time and exchanged for coins or gold. These banknotes could be used to buy things and worked exactly as they do today, but they were issued by banks and private institutions rather than governments, and are now responsible for the majority of financial issuances in the country.

In fact, the first banknotes issued by the European government were issued by the North American colonial government. Delivery between Europe and the colonies took so long that the colonists often ran out of cash as their business expanded. Instead of going back to the currency exchange system, French colony the colonial government used IOUs traded in currency. The first copy was in Canada and in the. In 1685, cards of the governor's denomination and signatures were given to soldiers and used as cash instead of French coins.

The transition from Europe to banknotes has increased the potential of international trade. Banks and executives started buying foreign currency in other countries and created the first foreign exchange market. The stability of a particular monarchy or government affects the value of a country's currency and a country's ability to trade in an increasingly international marketplace.

Affects the value of a competitor's currency, increases it, makes or decreases the enemy's commodity too expensive, reduces the enemy's purchasing power (and the ability to pay for war), or completely destroys the currency.

○ DIGITAL PAYMENT

The 21st century has created two disruptive forms of currency: mobile payments and virtual currencies.

❖ Mobile Pay:-

It refers to money provided for a product or service through a portable electronic device such as a mobile phone, smartphone or tablet. You can also send money to friends and family using mobile payment technology. Services like Apple Pay and Samsung Pay are struggling with resellers accepting POS payment platforms.

❖ Virtual Currency:-

Bitcoin, which was launched under the nickname Satoshi Nakamoto in 2009, has become the gold standard for virtual currency, so to speak. Virtual currency is not physically reduced. The charm of virtual currency is that it has lower transaction fees than traditional online payment mechanisms and, unlike government-issued funds, is controlled by excessive authority.

1.4. ADVANTAGES OF GOING CASHLESS

○ Convenience:-

The simplicity of conducting financial transactions is perhaps the biggest motive for digitization. You don't have to wait in line to bring cash, plastic cards, or to withdraw cash at an ATM. It's also a safer and easier way to spend money on travel. Kartik Zaveri, Director of Transcend Consulting, said, "Except for low-income people who are facing big challenges, the benefits are enormous." "In other countries, it is constructive and simple. This would be particularly useful in emergency situations such as hospitals," he said. Jayant Pai, Principal, Marketing Fund, PPFAS: "You can freely negotiate anytime, anywhere."

○ Discounts:-

Exemption from service tax on card transactions up to Rs 2000 is one of the incentives the government offers to facilitate digital transactions. After that, a series of free cuts and gifts followed. If you take advantage of this, now is a good time to increase your savings. For example, a 0.75% discount on digital fuel purchases means you can reduce the price of gasoline in Delhi from 63.47 rupees per liter to 62.99 rupees per liter through digital payment.

Similarly, you can save on train tickets, tolls, or buy insurance to reduce costs. Here you can slightly improve your cash flow by adding cash offers and discounts offered by mobile wallets like Paytm, bonus points and loyalty bonuses for your existing credit and debit cards.

○ **Trackingspend:**

“If all transactions are on record, it will be very easy for people to keep track of their spending. It will also help while filing income tax returns and, in case of a scrutiny, people will find it easy to explain their spends,” says Manoj Nagpal, CEO, Outlook Asia Capital. “Besides the tax, it will have a good impact on budgeting,” says Pai.

○ **BudgetDiscipline:**

Written reports will help you keep track of your expenses, which will lead to better budgeting. “A variety of applications and tools help people analyze their spending structure and get useful information within a few years,” says Zaveri.

○ **LowerRisk:**

If it gets stolen, you can easily block your credit card or mobile wallet remotely, but your money cannot be returned. “In that sense, digital options offer limited security,” Pai said. Especially when traveling abroad, you may experience great inconvenience due to the loss of cash.

○ **SmallGains:**

It doesn't seem that much, but cashless payments can easily threaten your lender. Another thing is that you can pay the exact amount without worrying about changing it or getting it back from the seller.

○ **Internationalpayments:**

When someone visits a foreign country, they may need to buy local currency. However, payments are made easy when both countries can handle non-cash transactions. Instead of thinking of another call, your mobile device does it all.

○ Godigital,getdiscounts:-**▪ Servicetax:**

Waiver of servicetax of 15% on digital transactions upto 2,000.

▪ Fuel:

0.75% discount on digital purchase of fuel through credit/debit cards, e-wallets

▪ Raitickets:

0.5% discount on monthly and seasonal suburban railway tickets from 1 January 2017. Online raiticket buyers get upto 10 lakh free accident insurance

▪ Railcatering:

5% discount on digital payments for railway catering, accommodation, retiring rooms, etc.

▪ Highwaytoll:

10% discount on NH toll payment via RFID or fast-tags in 2016-17.

▪ Insurance:

10% discount by government general insurers on premium paid online via their portals. 8% discount on new LIC policies bought online via its site. POS: Rs 100 a month is the maximum rent that PSU banks can charge for PoS terminals.

○ Rupay:-

Kisan credit card holder to get RuPay Kisan cards

1.5.DRAWBACKSOFDIGITALTRANSACTIONS

○ HIGHERRISKOFIDENTITYTHEFT

"Thebiggestfearistheriskofidentitytheft,"Nagpalsaid."Becauseit'sculturallyunsuitablefordigitaltrading,eveneducatedpeopleareatriskoffallingintoaphishingtrap.Onlinescamsbringmorepeopletodigitalplatforms

The government's recent move to abolish the two-factor authentication process for up to 2,000 onlinetransactions also doesn't help. Regardless of the size of the transaction, without this additional layer ofsecurity, thousands of people are at risk of identity theft. Another weak link is an inappropriate rewardmechanism. "Imagine what a poor rickshaw tenant would do if his Aadhar ID was stolen due to India'sspoorcompensationsystem."Iask P.V.,Mumbai'sfinancial trainer.Subrahmanyam.

"Given the tedious process and inefficient handling of complaints, when people lose money online, itwill be difficult to find help," Nagpal added. There is no rigorous legal process for dealing with thistypeordegreeoffraud.

Themassiveidentitytheftofbanking'orcompany'databasesherecouldbeafinancialnightmarelikeadatabreachforIndia'sbankingsysteminOctoberofthisyear.

○ LOSINGPHONE

When you're on the go, you can lose it as you rely on your phone for all your transactions. Not onlydoes this make you vulnerable to identity theft, it can also make you feel helpless due to a lack of cashor other payment methods. This can be especially problematic if you are traveling abroad or travelingtoasmalltownorvillagewherethereisnobankinginfrastructureorothermeansofpayment.Anotherdrawside is that you have to charge the phone all the time. If your phone is broken, problems arise,especiallyif youare in abigpurchaseorinanemergency.

○ DIFFICULTFORTECH-UNSAVVY:-

Accordingtointernetlivesstatistics,theInternetpenetrationrateinIndiais34.8%(2016)andonly26.3%of

all mobile users have smartphones (2015). In addition to the real challenges of digital, "the biggestobstacle is psychological change. You are suddenly being digitized for three generations, Pye said.Subrahmanyam added: "This is a problem for older people who can suddenly get their accounts downiftheycan'tdownloadtheapplicationorhavenomoney.Thedigitalenvironmentcanbeachallengefortech friendlypeoplewhoneedmoretimetoreconcileorhaveothertradingoptions.

○ OVERSPENDING:-

You can't deny the convenience of trading a mobile card or wallet, but it can open a trap for unconscious people. According to behavioral finance theorists, the pain of separation from money intensifies when using cash instead of cards. So, using cash instead of a mobile card or wallet is a natural pillar for those struggling to manage their expenses. "This is why people can spend so much money and mess up their budgets," Pai said.

Also, the adoption of digital payment systems is widespread because the same amount of cash does not circulate. When this happens, people are more likely to revert to their previous use with cash because it is a difficult habit to get rid of.

○ HACKING:-

They are known to deprive banks of electronic payments. In a cashless society, you can't use it any other way, so even if someone empties your account, the results will be great. Even if you are protected by federal law, you will face serious discomfort and other consequences after a crime.

CHAPTER-02:-INDIA'S MOVE TOWARDS CASHLESS ECONOMY**2.1 INTRODUCTION**

India is still run by cash. While less than 5% of all payments are made electronically, the finance minister spoke in his 2016 budget speech about the idea of limiting black cash flow by making India a cashless society.

RBI has recently introduced payment and settlement systems in India as well: Vision 2018 has created a plan to promote electronic payments and enable India to move to a cashless society or economy in the medium to long term.

2.2 WHERE DOES INDIA STAND?

- A cashless economy is an economy in which all transactions are carried out by card or digital means. The circulation of physical money is minimized.
- India uses too much cash for its transactions. The cash to gross domestic product ratio was 12.42% in 2014, one of the highest in the world compared to 9.47% in China or 4% in Brazil.
- Less than 5% of all payments are made electronically.
- The number of banknotes in circulation is much higher than in other major countries. From 2012 to 2013, the number of banknotes circulated in India was 7.47 billion, with the U.S. being 34.5 billion.
- It is not surprising that cash dominates other markets, as some studies show that cash is also common in centers where people likely to hold a credit card frequently visit.

2.3 BENEFITS OF CASHLESS ECONOMY IN INDIA

- Reduced tax avoidance as balances of transactions based on financial institutions remain in the economy.
- This will cure black money generation.
- Because most black money is invested in real estate prices, increasing prices in the real estate market, black money restrictions lower real estate prices.
- During fiscal 2015, RBI spent Rs 27 billion on currency issuance and activity management alone. It would have been avoided if it had become a cashless society.
- This will pave the way for universal access to banking services for everyone, since no physical infrastructure other than digital is required.
- Improves the effectiveness of social insurance programs as funds are transferred directly to beneficiary accounts. So, if the money is transferred directly to the recipient's bank account, the whole process becomes transparent. Payouts can be easily tracked and collected, and corruption automatically stops, so people no longer have to pay together the right ones.
- Efficiency is improved as the economy's transaction costs are also reduced.
- One in seven banknotes is presumed to be fake and has a major negative impact on the economy as non-cash is inevitable.
- hygiene. Dirty, microbial-rich tobacco soil is the standard in India. There are many cases in our lives that consciously and unconsciously give and take microbes in the form of luffy. This could have been avoided by moving to a cashless economy.
- In a cashless economy, there are no problems with dirty bills or counterfeit currencies.
- Reduce the cost of using ATMs.
- Speed and customer satisfaction, no delays and queues, no interaction with bank staff.
- Moody's report linked the effectiveness of e-trading with a 0.8% increase in GDP in emerging markets and a 0.3% increase in developed markets due to a cash rate increase.
- First, as the use of credit cards instead of cash expands, more detailed registration of all transactions occurring in society will become possible, which will increase the transparency of business transactions and cash transfers.

2.4 CHALLENGES OF CASHLESS ECONOMY IN INDIA

- Internet connection and access to financial entitlements.
- I opened a bank account through Jan Dhan Yojana, but most of them don't work. Cashless savings are impossible until people start working with their bank accounts.
- We are also interested in not entering a cashless economy.
- India's leading small retailer. They don't have the resources to invest in electronic payment infrastructure.
- Consumer awareness is also a barrier at times. The benefits of cashless payments are also not clear to those with credit cards. In contrast, cash is considered the fastest way for 82% of credit

carduserstocompleteatransaction.Itiswidelyknownthatcashcanhelpyounegotiatebetter.

- Most card and cash users are concerned that using the card will incur additional charges. Also, individuals who do not use a credit card are unaware of the benefits of a credit card.
- Indian banks are making it difficult to use digital wallets issued by private companies on their respective banking websites. This could be a restriction on the use of a bank account to supplement your e-wallet, or a lack of access to a payment gateway. Supervisory authorities must take hard action against trends in banks.

2.5 STEPS TAKEN BY RBI TO DISCOURAGE THE USE OF CASH

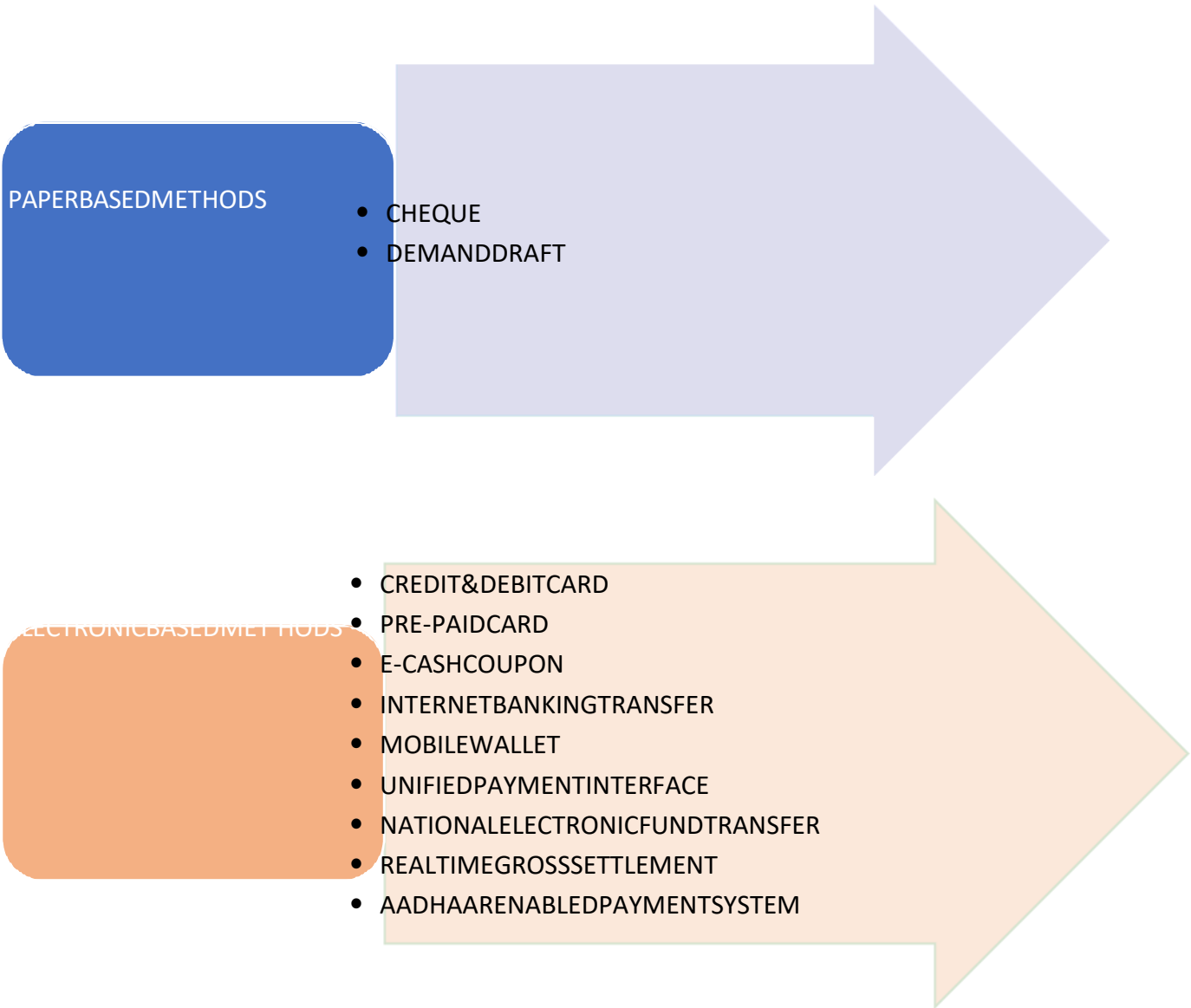
- Paying for a bank license.
- The government also sells mobile wallets. Mobile wallets allow consumers to instantly send money, pay bills, add mobile phones, book movie tickets, and send physical and electronic gifts online and offline. RBI recently issued specific guidelines to allow consumers to raise their limit to Rs 100,000 under certain KYC rules.
- Promote e-commerce by liberalizing foreign direct investment rules in this sector.
- The government also launched UPI, which makes electronic transactions much easier and faster.
- The government has also eliminated overpayments, card service fees, and digital payments.

2.6 WHAT ELSE NEEDS TO BE DONE?

- Opening and operating a bank account.
- Cancellation of government fees for credit card transactions; Reduced card transaction exchange fees; High tax on cash withdrawals at ATMs.
- Tax credit for consumers and merchants using electronic payments.
- Ensure full security and reliability of your electronic payment infrastructure to reduce cybercrime and give people confidence in their electronic payment system.
- Creating a culture of savings and trust in the financial system of the poor in rural areas.
- The contingency in India also has to address a number of issues, from what digital payments across borders mean to capital controls and how new payment methods affect critical financial variables like money.
- RBI will also have to break away from some conservatism. Partly because they are often considered advocates of banking interests rather than overall economic development.
- Supervisory authorities should also keep an eye on the restrictive methods banks may use to maintain their current control over profitable payment activities.

Though it will take time for moving towards a complete cashless economy, efforts should be made to convert urban areas as cashless areas. As 70% of India's GDP comes from urban areas if government can convert that into cashless it will be a huge gain. Therefore, different trajectories need to be planned for migration to cashless for those having bank account and for those not having.

2.7 METHODS OF CASHLESS PAYMENT



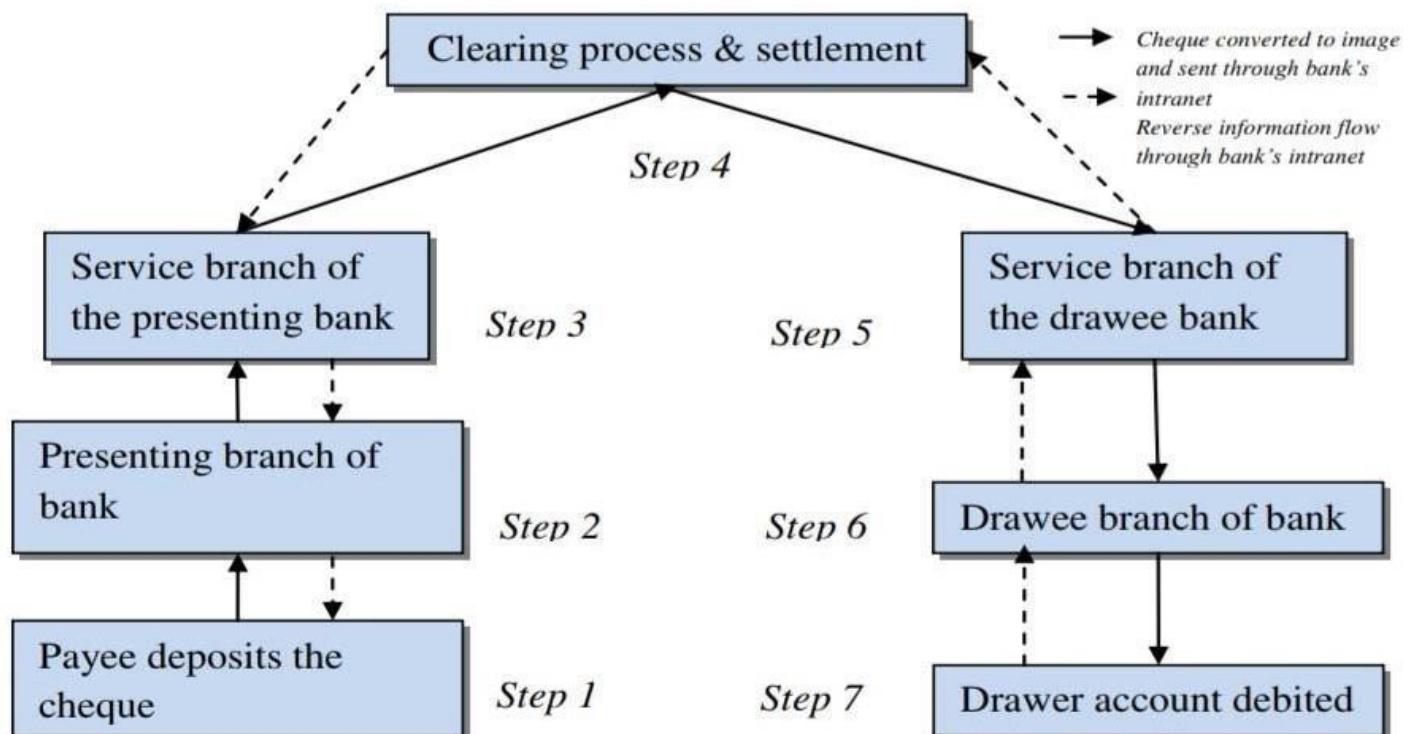
METHODS OF CASHLESS TRANSACTION AND THEIR BASIC MECHANISM PAPER

BASED METHODS:

➤ CHEQUE:

A cheque is a negotiable tool that allows a bank to pay a specified amount from a personal account to the person who issued the cheque. The person who writes a cheque has a trading account (also known as a current, cheque, or savings account) that keeps money. Executives validate digital certificates for bank account authentication and provide superior security features. Cheques are processed online and are regulated by the same laws as other cashless methods.

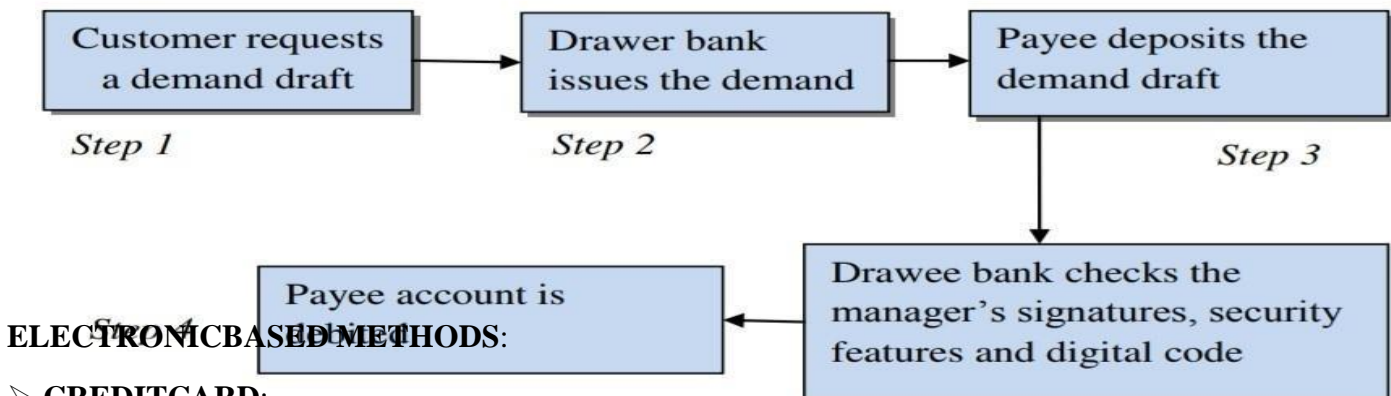
Figure No: 2 Basic Mechanism of a Cheque



➤ DEMAND DRAFT:

Negotiable goods are draft requirements issued by a specific bank. Application calculation is a negotiable tool similar to a bill. The bank issues a draft of draft to the customer (payer) and orders the other bank (payer) or branch to pay the specified amount to the designated party (payee). It is used to transfer money from one place to another with great convenience and security.

Figure No: 3 Basic Mechanism of a Demand draft



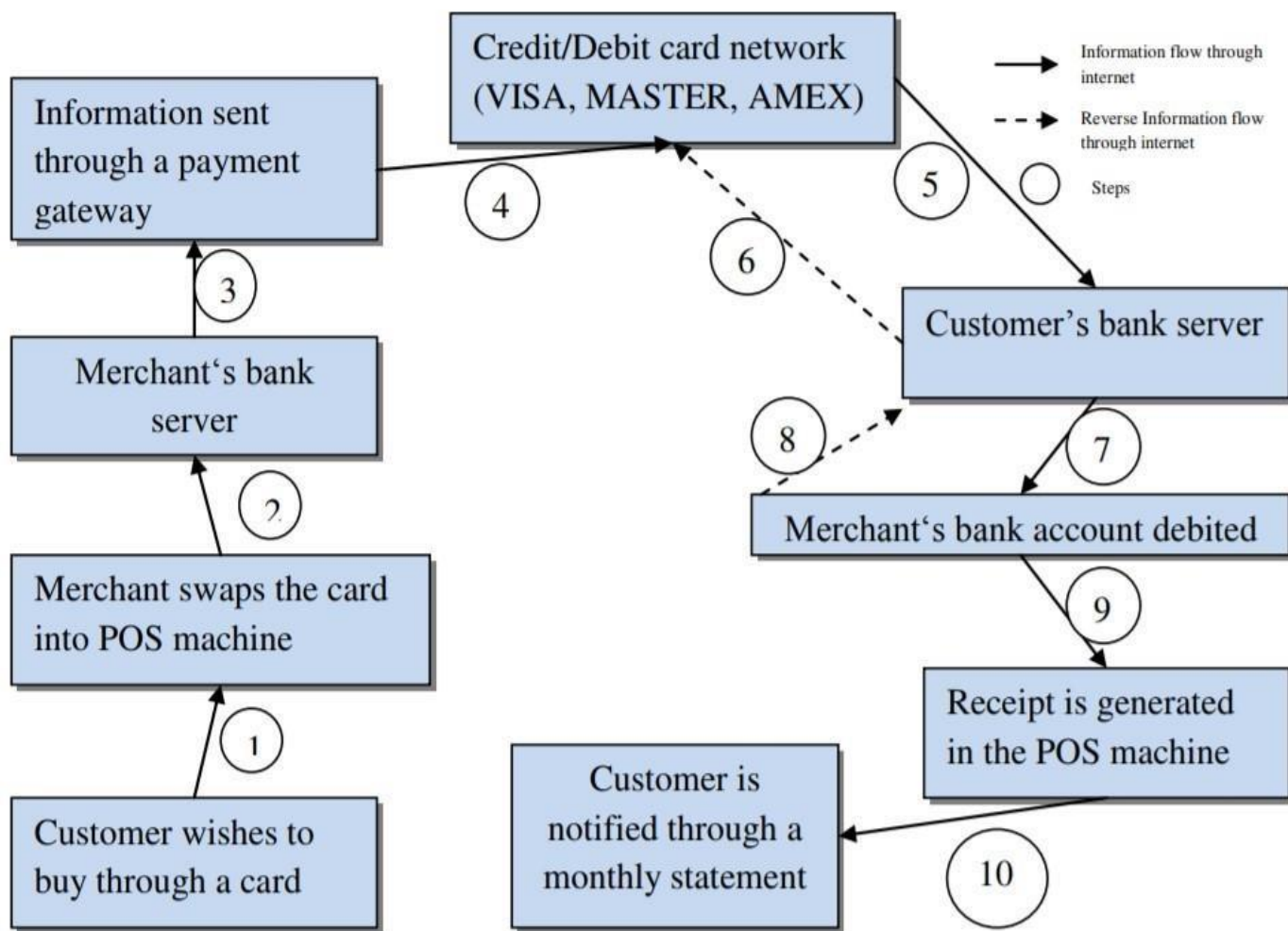
➤ CREDIT CARD:

A credit card is a Visa, Mastercard, or other piece of plastic provided by the network that allows you to pay for your purchase by taking a loan from a credit card company. In order to purchase goods at merchants that accept credit cards, you must have a credit card reader for payment.

➤ DEBIT CARD:

Debit cards, also known as ATM cards, are prepaid cards. You will need to open an account with the issuing bank that provides you with the personal identification number of your bank card. When making a purchase, put the PIN code on the store laptop. When the card is swallowed through an electronic terminal, the customer cannot use it if they call the main card or the banking system that accepts the Visa card to verify the PIN code and learn to accept or reject the transaction at the issuing bank. This is because the system rejects all transactions that exceed the account balance.

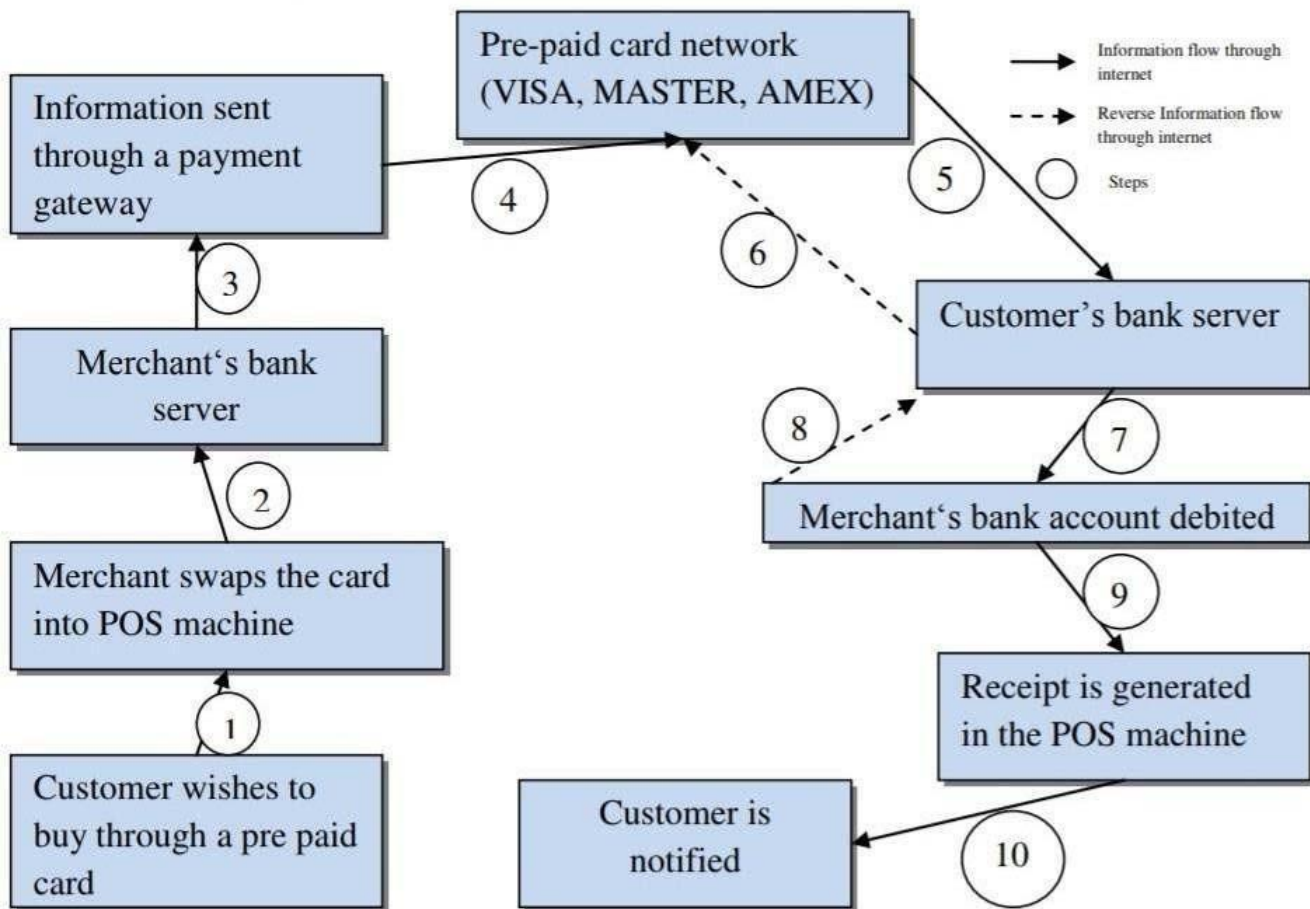
Figure No: 4 Basic Mechanism of a Credit/Debit card



➤ **PREPAIDCARD:**

It is a prepaid credit card size card made of plastic with a microprocessor chip embedded insensitive financial and personal information. The microprocessor chip is loaded with relevant information and lifted from time to time. In addition to this information, a system for storing cash on a chip has been developed. To pay with smart credit, you need to insert the card into the hardware terminal. The device needs a special key from the issuing bank to initiate a transfer to any address.

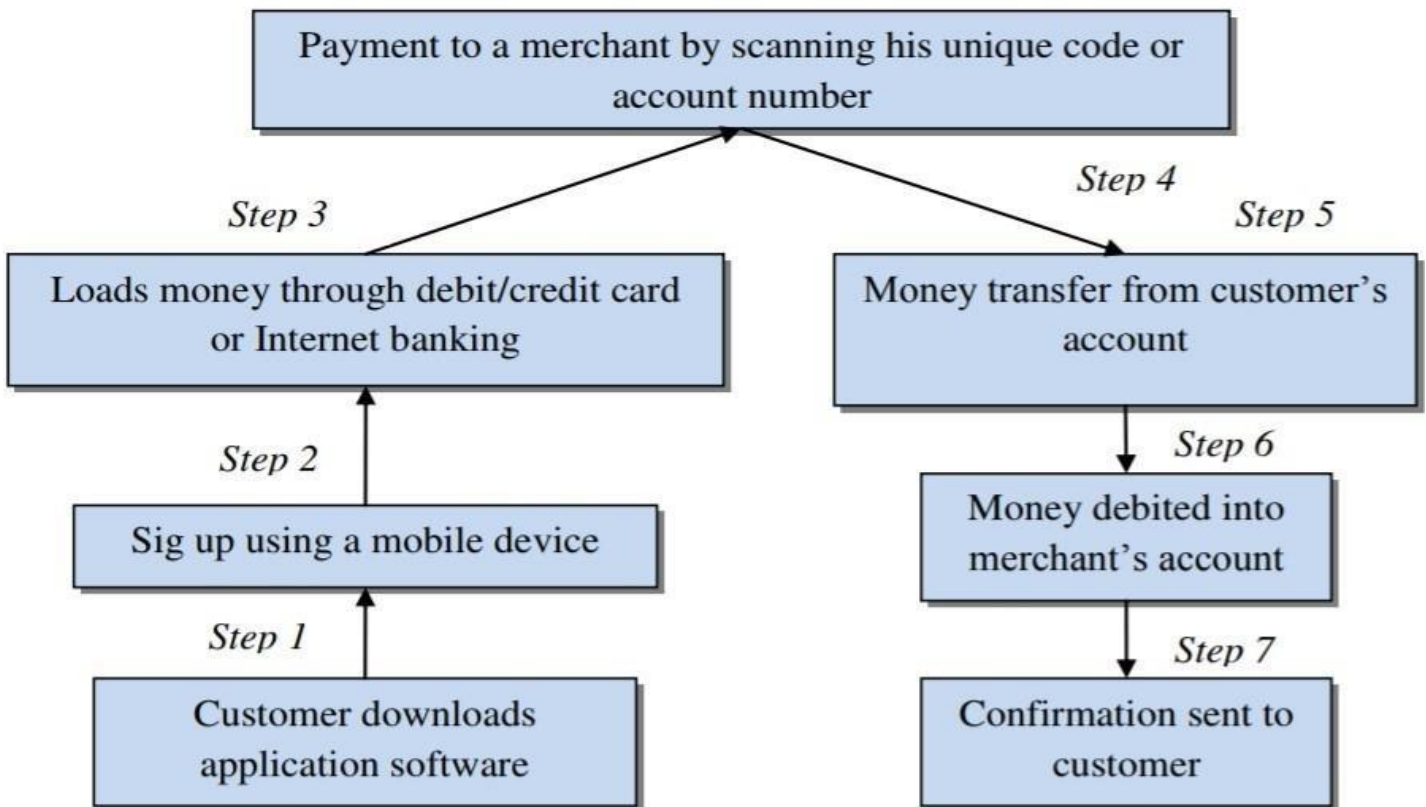
Figure No: 5 Basic mechanism of a Pre-paid card



➤ E-WALLET(MOBILEWALLET):

E-wallets are a very useful tool for those who often shop online. It can be used commercially on pocket computers, pocket computers, laptops and desktops. It provides a safe, convenient and portable online shopping tool. It stores personal and financial information such as credit cards, passwords and pensto facilitate credit card ordering.

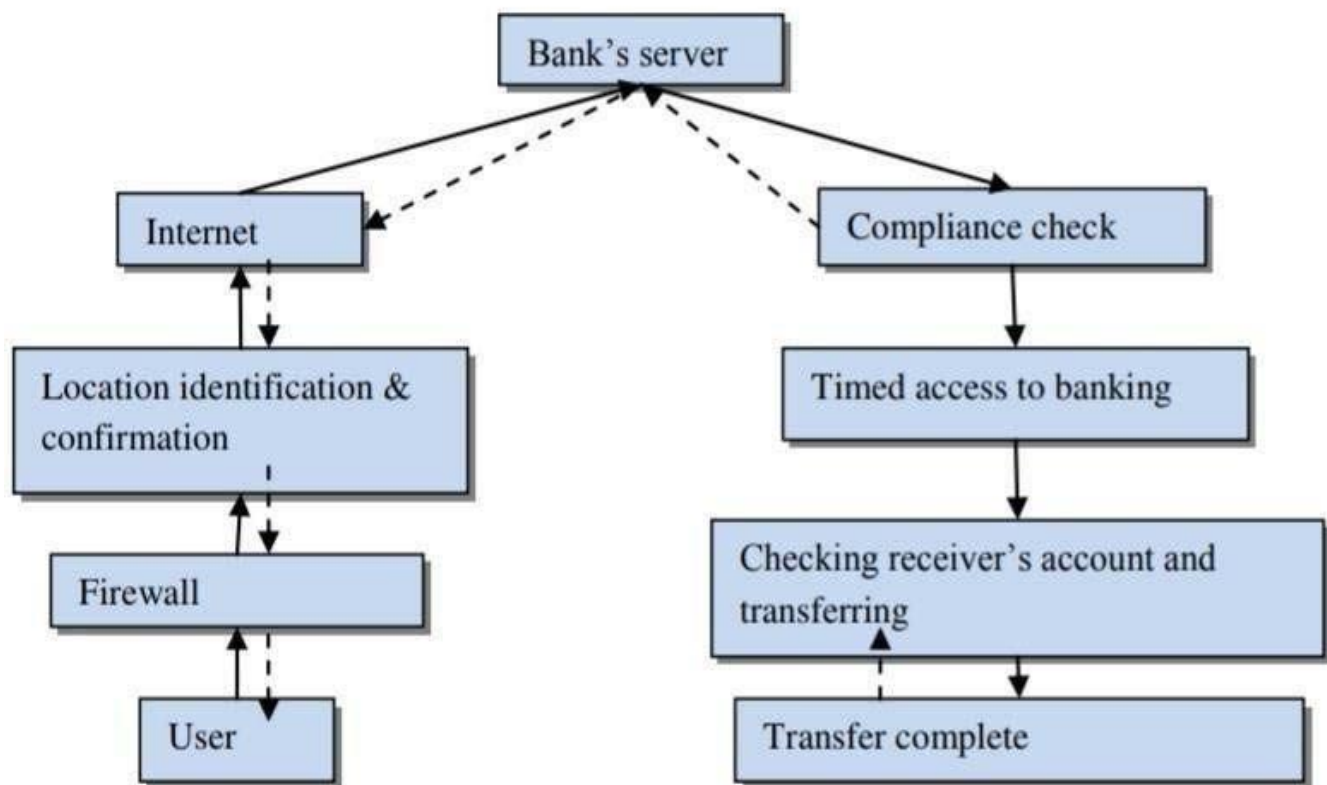
Figure No: 6 Basic mechanism of a Mobile/E-Wallet transaction



➤ INTERNET BANKING TRANSFER:

Online bank transfers are also known as internet banking, electronic banking, or virtual bank transfers. It is an electronic payment system that allows customers of a bank or other financial institution to make a series of financial transactions through the website of a financial institution. Internet banking systems are usually the main banking systems operated by banks, connected via the Internet to branches and banks own intranets.

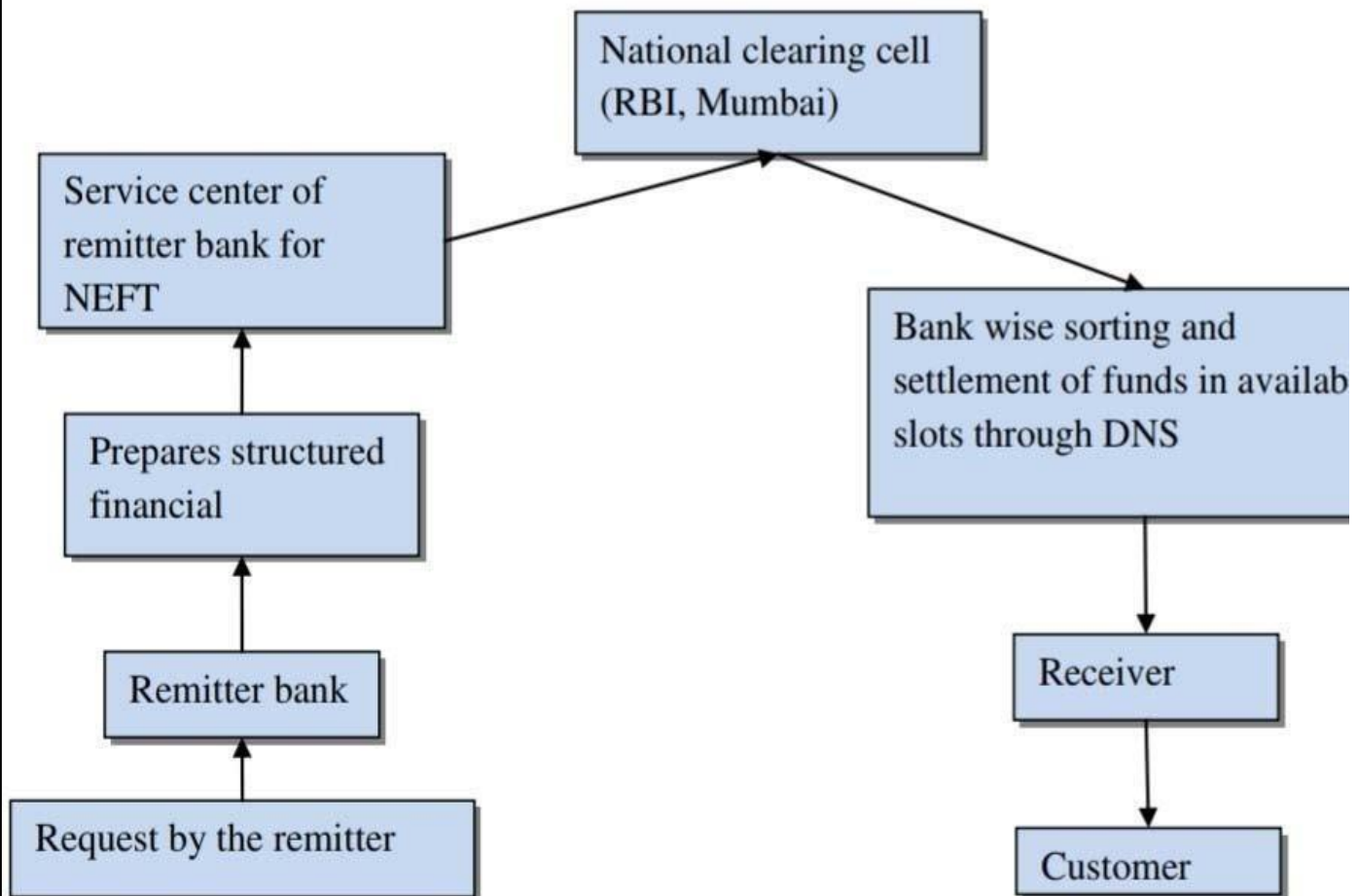
Figure No: 7 Basic mechanism of an internet banking transfer



➤ **NEFT(NationalElectronicFundsTransfer):**

NationalElectronicFundsTransfer(NEFT)isanationalpaymentsystemthatprovidespersonalcashtr ansfers.Thismethodallowsindividualsandlegalentitiestotransfermoneyelectronicallyfromanybra nchtoanindividualorlegalentitywithanaccountinanotherbankinthecountry.Those who do nothave a bank account (regular customers) can also deposit cash at NEFTbranches.OILisadelayedelectronictransfer(DNS)systeminwhichtransactionsarebatched.I n DNS, settlement is made with all transactions received before a set interval, and these transactions are rewarded (paid and received).

Figure No: 8 Basic mechanism of an NEFT transaction

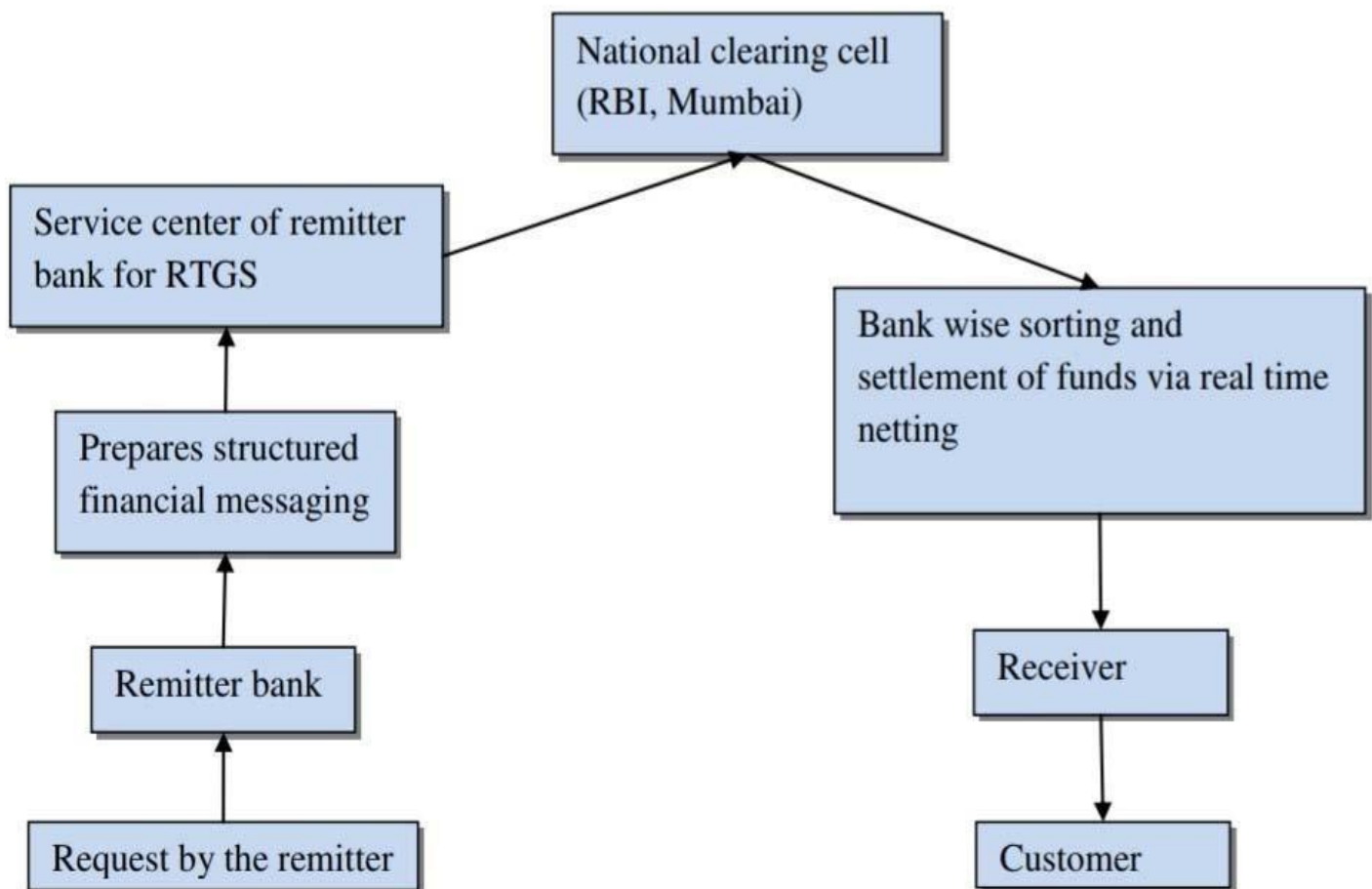


➤ **RTGS(RealTimeGrossSettlement):**

The abbreviation "RTGS" stands for "real-time total payment" and can be defined as a continuous(real-time) payment (no shift) of individual cash transfers for each order. "Real-time" means the processing instruction upon receipt and will not be processed later. Total payment means that

the transfer order is settled individually. Given that cash payments are being made at the Reserve Bank of India, the payment is final and irrevocable.

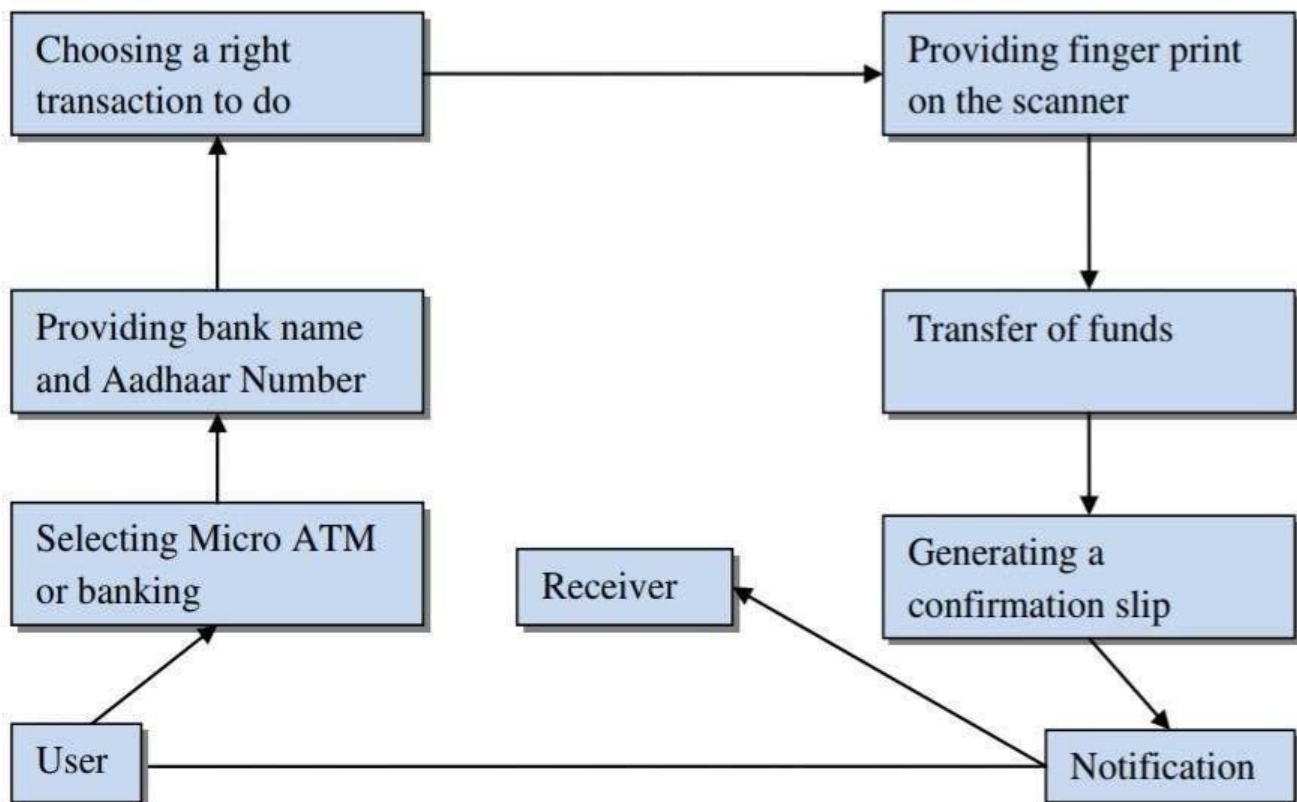
Figure No: 9 Basic mechanism of a RTGS transaction



➤ AADHAARENABLEDPAYMENTSYSTEM(AEPS):

AEPS is a new non-cash method provided by National Payments Corporation in India to banks and other financial institutions using Aadhaar numbers and UIDAI online authentication through their Business Communications Service Center. Aadhaar-enabled payment systems provide basic financial services (cash deposits, balance requests, cash withdrawals and cash transfers) on low-cost devices (so-called ATMs) jointly supported by corporate reporters. Aadhaar supported payment system is a way to receive money from a bank account or cash transfer. The system does not require signatures and no bank branch visits are required.

Figure No: 10 Basic mechanism of an Aadhaar enabled payment system



PARADIGMSHIFT OF CASHLESS TRANSACTIONS IN INDIA

The term "paradigm shift" is described as a change in fundamental assumptions in general scientific theory. The term "paradigm shift" is contextually relevant and refers to the idea of a major change in a particular mindset. A drastic change in complex personal beliefs, systems or institutions that replace traditional and organizational ways with completely different ways of thinking is a paradigm shift. Technology is driving this paradigm shift, and most people prefer online shopping over offline shopping. Indian companies and retailers are seeing a shift in consumer behavior for any product or service from food to commodity. According to the FICCI Techno Pak report, the working age group between the ages of 16 and 60, which makes up 64% of India's total population, has different needs and has two younger consumer bases that are more likely to eat branded foods. Products and Services 2. They want to buy these products and services stylishly, conveniently and quickly. The use of ATM's has increased significantly in recent years, resulting in non-cash

METHOD OF TRANSACTION	2014 IN (BILLIONS)	2015 IN (BILLIONS)	2016 IN (BILLIONS)	2017 IN (BILLIONS)	2018 IN (BILLIONS)	% GROWTH
CHEQUES	25154	27526.11	357256.12	56451.25	92548.72	446.5
NEFT & RTGS	50121	51002	55837.91	60226.19	87287	65
INTERNET BANKING	293523	311516	325462	524254	623251.23	150
MOBILE WALLET	41	62.21	97.12	137.67	343.87	212
CREDIT AND DEBIT CARD	19006	19552	20016.81	21510.39	31069.64	48
AEPS	NIL	190	2210	3890	5120	1063

*AEPS was introduced in the year 2015 and hence will also be included in the study.

CHAPTER-03:-DEMONETISATION IN INDIA

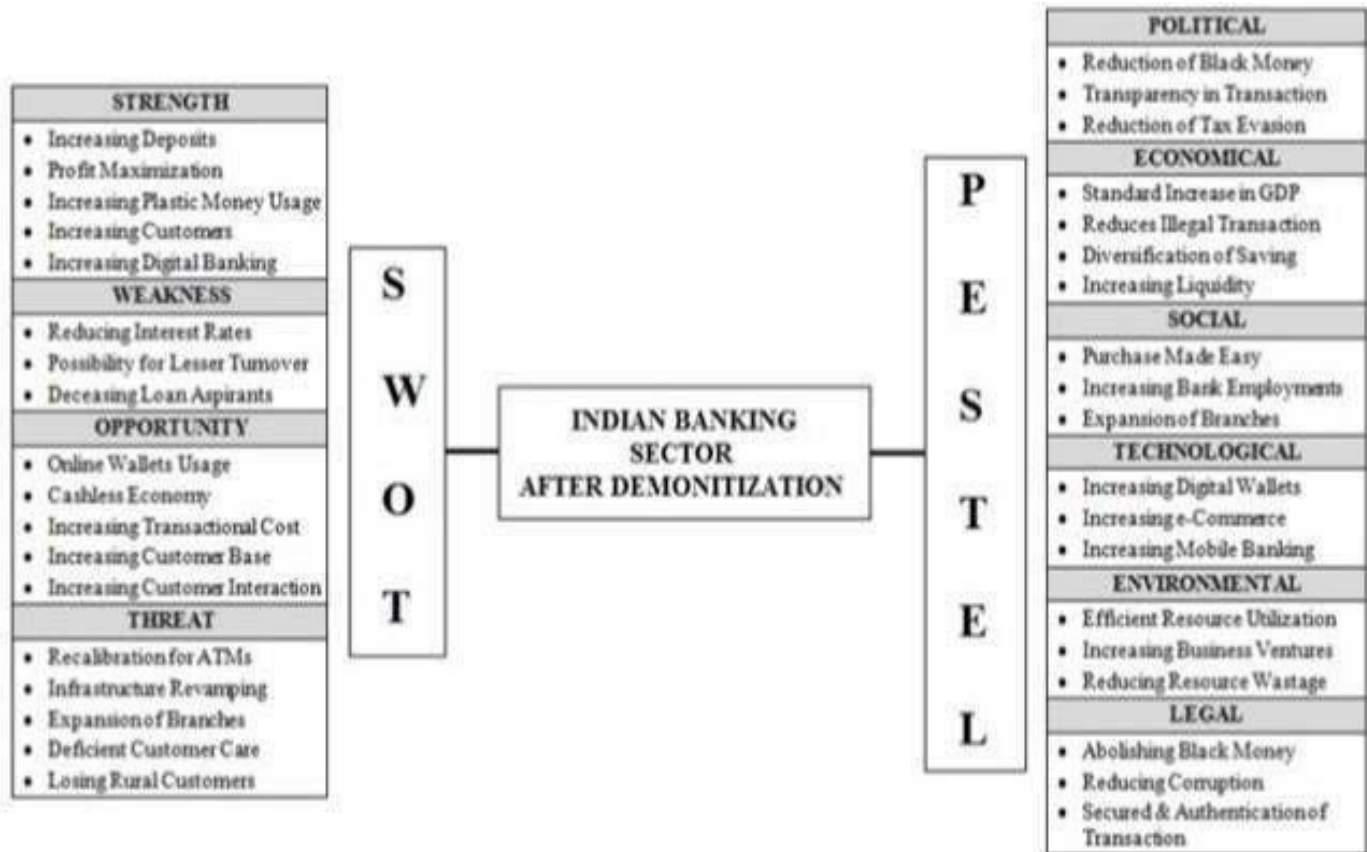
Demonetization is the act of a country's government depriving the circulation of one or more monetary units in legal tender status. This demonetization process is primarily aimed at revealing the black money accumulated from corruption. In 1969, not only India, but also several countries such as the United States, Zaire 1990; Australia 1996; Zimbabwe in 2010 and North Korea in 2010 relied on democratization. These efforts have been successful in advanced liberal economies in the United States and Australia, but not in less developed countries in Africa.

3.1 INTRODUCTION:

- In independent India, the first blackout occurred in 1946 and the second in 1978. At the time, expensive bills accounted for only 3% of the total circulation, and the impact on inconvenience was minimal.
- In connection with a power outage in November 2016, Rs 500 and Rs 1000 accounted for a significant portion of bills in circulation in 2016.
- The size of the economy, the rate of economic growth, and the role of the private and services sectors in economic growth and development were small in 1946 and 1978 compared to 2016.
- The number of people not eligible for income tax also decreased in 1946 and 1978. Currently, PAN card holders are over 11 million, and the number is steadily increasing. ▪ In 1946 and 1978, threats did not bring much benefit to the economy, as the public already knew that the government would introduce threats sooner or later.
- A key element of the 2016 demonetization was that it was kept secret so that black money holders did not have time to convert their black money and fake money into white money.

3.2 OBJECTIVES BEHIND DEMONETISATION

- One of the goals is to use the taxable income from this movement for economic growth, promoting development activities and improving the economic situation of the poor.
- The presence of black money is one of the main reasons economic inequality, poverty and unemployment remain in the country.
- In its report on "Black Money -1971," the Wanhua Committee described black money as "avicious growth in the national economy that will surely lead to destruction if not stopped in time." The emergence of black money in the social, economic and political space of our lives is having a weak impact on national governance and public policy institutions.
- The success of a comprehensive development strategy is largely dependent on our society's ability to eliminate bottom-up corruption and black money.



1- STRENGTH

- **Increased deposits:**

More than 90% of the money owed is in the bank. Interest rates are falling due to the inflow of money to the bank.

- **Maximize profits:**

Interbank loans are declining due to increased liquidity in deposits. Higher CASA rates reduce costs and increase Northern Ireland benefits.

- **Plastics are increasing in us:**

Debit card usage increased by 70% and credit card usage increased by 40%. The bank has launched a mobile ATM to facilitate customer service.

- **Increased number of customers:**

A new customer comes to the bank and opens a new account. 215 million new accounts have been opened since the robbery.

- **Expansion of digital banking:**

More than 14 million people have downloaded the mobile application. In a short time, the number of smartphone users has increased by 80%.

2- WEAKNESS

- **Lower interest rates:**

This can be short or medium term and can help lower interest rates by increasing liquidity in the banking system. It doesn't take long to increase the bank's growth.

- **Possibility of reducing profits:**

In the short term, bank profits will decline slightly due to cuts in bank rates and restrictions on short-term transaction fees.

- **Reduced number of loan applicants:**

Banks cannot keep their deposit flow in active and some resources must be used for deposits. So, you need to find someone who can efficiently invest or lend you money back.

3- OPPORTUNITIES

- **Online wallet usage:**

People don't want to try new things if they don't have to. The blackmail will drive more people to reduce their reliance on financial transactions and switch

to digital payments. The Free charged digital wallet recently increased dealer registration by a factor of 10. Paytm is India's largest mobile payment wallet, with over 100 million users making 2 million transactions every day.

- **Convenience of a cashless economy:**

The simplicity of conducting financial transactions is perhaps the biggest motive for digitization. You don't have to wait in line to bring cash, plastic cards, or to withdraw cash at an ATM. It's also a safer and easier spending option while traveling. Discount: Under 2000 rupees, exemption from service tax on card transactions is one of the incentives the government offers to facilitate digital transactions. After that, a series of free cuts and gifts followed. Reduced risk: In case of theft, it is easy to block credit cards or mobile wallets, but no refunds are possible. "In that sense, the digital alternative offers limited security.

- **Greater transaction value:**

India's major private banks said they would charge at least Rs 150 for bank deposits and withdrawals after four free transactions a month, and reviewed fees postponed after the government's accusation on November 8. ICICI and Axis calculate fees aimed at reducing cash transactions. At the bank a rate of Rs 5 for every Rs 1000 or Rs 150 you have.

- **Expansion of customer base:**

The bank account seems to be a must after the robbery. As a result, this automatically increases the number of customers in private and state-owned banks. There will definitely be a fight between private banks to increase the number of customers.

- **Increased customer engagement:**

You can interact more effectively with customers and bankers through digital or traditional transactions. If a country is moving towards a cashless economy, buyers have a great responsibility. Online transactions and digital payments are practical for both bankers and customers, but they are also the responsibility of both parties.

4- THREATS

- **ATM machine recalibration:**

It takes a long time to calibrate all ATMs to a new currency. The bank will charge the cost of recalibrating the ATM, which reflects a short-term decline in bank revenue. This will again create a short-term effect.

- **Infrastructure reconstruction:**

Banking systems, like the telecommunications infrastructure that provides the basis for digital transactions, require significant modernization. In order for people to be able to transact anytime, anywhere and consider it a reliable means of exchange, it's important not only to update the banking system, but to provide support as well to ensure that transactions are completed without problems. Infrastructure is also relevant. For example, many sectors of the economy have limited and intermittent power supplies, as well as mobile communications. In this field, it will be difficult to expect people to switch to electronic exchange.

- **Branchexpansion:**

To meet the needs of customers, banks have to extend their branches beyond the horizon. Also, as the banks are growing, expansion is inevitable. Customers are more focused on the bank.

- **Inappropriate customer service:**

As banks pay more attention to their customers, there is a big threat behind this. Digital payments and online banking can cause problems for customers at any time. The bank must have a suitable team to respond to customer inquiries at any time. This makes customers more loyal to the bank.

- **Rural customer losses:**

Sometimes customers from the countryside get more deposits in the bank. However, the strange cashless transaction process can hinder them and create a negative impression on your bank.

PESTEL ANALYSIS

POLITICAL

- **Black Money Reduction:**

In India, all backgrounds are accustomed to using cash transactions, and these practices are maliciously abused by some of the poorest in society. Because of this practice, people with accounts have also begun using cash transactions for bulk transactions. This leads to a parallel economy with free cash that is more powerful than the traditional economy. Parallel economy-funding black money, corruption, counterfeit currencies and terrorism. These problems hindered the growth and development of the economy. Against this backdrop, the de-pegging of the 500 and 1,000 rupee bills is a big step forward as it will help solve problems such as surplus and corruption and help the economy digitize. This move forces the black shadows to open up for cash or destroy free cash. Intimidation will put a lot of effort into limiting the threat of black money and limiting hidden money.

- **Transaction transparency:**

Likewise, it has a huge impact on the corruption that exists in India as well as financing terrorist activities in India. Therefore, it was considered a bold move in the fight against unaccounted money. According to the RBI Indian Economic Statistical Manual 2015-16, at the end of March 2016, SEK

16.42 was in circulation, of which SEK 14.18 was 500 rupees and 1000 rupees, equivalent to about one hundredth of the total value. Of currencies and coins in circulation. Considering the number of bills in circulation, 500 rupees and 1,000 rupees are about 2,200 crore, which is about 26% of the total number of bills in circulation. Therefore, this non-moving phase will be an important part of the currency in the system, which is expected to cause short-term discomfort for the population.

- **Reduced tax avoidance:**

By closing the voluntary disclosure window for undisclosed cash, the government is known to be watching deposits of 2 lakhs or more in cash. This means a net tax increase, higher tax collection, and a better tax-GDP ratio. According to the Philips Capital report, the size of the parallel economy, which was 23.2% of GDP, is now about 25-30% of GDP. Reporting money and raising more taxes may be tempting governments to want to lower

their tax rates in the future businesses to avoid black money.

SOCIAL

• Easy to buy:

Using cashless payments and consumer awareness, and recognizing the available systems and their designs increases convenience and usability. Traditionally, transactions have been conducted online through the provision of debit and credit card information or through internet banking interfaces. Security issues have been constantly improving, but the payment process has not been easy to

use. These features were mainly limited to computers with access to the Internet. But after the smartphone revolution, everything has changed completely. India has exploded in digital payment options, from e-wallets to single payment interfaces and combinations of the two. There are many cashless payment options in India.

• Increases bank employee income:

Mostly, bank employees in the public sector are paid a 15% increase in salary and two other holidays as part of the industry-wide salary. This is what the union of workers and bank executives agreed at Monday's meeting under the auspices of the Banking Association of India (IBA). According to the agreement, the union halted a four-day strike that will begin on February 25th. The annual salary increase for the 45 participating banks is a total of ₹4,725 per year. 10th five-year wages across the industry (2012-2017). Nearly 8.5 million workers in the banking sector are expected to benefit from wage payments, including all public banks, some old generation private banks and some foreign banks. The revised salary applies retroactively from November 1, 2012. Banks are closed on the 2nd and 4th Saturday of the month, subject to terms agreed on Monday. The remaining Saturdays are full working days. The same goes for private banks. The proliferation of ATMs, internet banks and mobile banks in recent years seems to have convinced bank executives that the second and fourth Saturdays of each month could be closed under the auspices of the Bank of India (IBA)..

"Considering the technology used in the banking system, it's unlikely that Saturday twice a month will bother banking customers," a senior public sector official said.

TECHNOLOGICAL

• The number of digital wallets increases.

E-wallets are very popular these days. After extortion, the use of electronic wallets has become very widespread. These wallets allow users to pay with their mobile number or scan a QR code to pay instantly. All you have to do is download the wallet to the payment machine.

• E-commerce growth:

Online banking is another convenient way to conduct non-cash transactions. All you need is a bank account with an electronic bank active. You can transfer money to someone else's account without leaving your home. You don't have to go to the bank to send money. All

payments and transfers can be made directly. This is a very convenient way to pay cash-free in India, even from a business point of view.

- **The increase in mobile banking:**

Mobile payments in India originally gained popularity primarily in metropolitan areas. However, they are gradually adapting to the suburbs. When mobile banking and payment companies put more emphasis on KYC to increase their trading limit from the current 10,000 INR to at least 100,000 INR. India's current mobile banking consumption is estimated at around 14% and is expected to rise above 30% by the end of 2020 due to recent threats from the state. Some of these important factors are expected to drive the growth of the mobile market. popularity. Banking in India has a growing popularity of mobile smart phone penetration (currently estimated 290 million) and online shopping and other non-cash online payment methods. Like a digital wallet, Mobile payment agent, etc.

ENVIRONMENTAL

- **Efficient use of resources:**

Online payments offer positive travel opportunities in a broad sense. This allowed people and companies to pay for the money they need through self-verification and security features and resource-efficient payments. One person had to travel in a car to borrow or receive money, but now it's very easy to do the same thing without physically moving. So, if we consider the state or our country as a whole, we have saved a lot of fuel on this.

- **E-commerce growth:**

The only thing that grows fast after hijacking is online payments. You can't solve the situation at the same time, but e-commerce traders can take steps to make it easier for their customers to pay and help their business. In addition to payments via internet banks and debit or credit cards, mobile wallet payments are also good. E-commerce websites can also add more payments and payment options through popular mobile wallets. Compared to the number of online orders today, the number of POS devices is very small. E-commerce players can make them customer friendly by providing security and convenience with cash on delivery orders by increasing the number of POS devices. This, in turn, creates a win-win situation by reducing the number of orders or orders that cannot be forced for online merchants. Several retailers have implemented attractive promotions and discounts to encourage people to place orders. Online traders have introduced impressive discounts on all non-cash payments. This helps e-commerce companies maintain a reasonable cash flow by encouraging more customers to choose a payment method other than COD and claim a refund.

- **Resttoterror:**

Kashmir is where intimidation has shown its influence in the past. The long-standing Kashmir riotin Kashmir ended with a lack of funds from those who did so at the order of others. The Hawalamethod was used to transfer funds for Kashmir's unrest, and the threats ceased altogether. India'sNaxislivedonlyonblackmoney.Nowtheyhavenomoneyforrecruitment,housing,foodpurchases and other activities. Their annual turnover is estimated at about 500 million SEK, received throughterrorism,non-governmentalorganizations,counterfeiting,extortionandlocaltaxfunds.So,norealmoneymeans noharmful behavior.

LEGAL

- **BlackMoneyCancellation:**

According to a recent study, India's black market economy is over 3 billion rupees (about 20% oftotal GDP). This is much larger than the GDP of countries like Thailand and Argentina. Now, afterthis decision, black money holders have only two options: sending money through a bank, filingincome,or burninghidden files.

- **Pollutionreduction:**

Since this is a win-win situation for both the giver and the bribe, the devil cannot rule out corruption.Ingenious corruption plots are known as fast money, convenience fees, facilitation payments, ordepartmental expenses. Parent donors will be happy to provide officers with cash compensation forout-of-schoolservices.Manycompaniesaredoingwellinthesedeals.Noonecomplains.

- **Securityandtransactionverification:**

Thanks to the blackmail, the public began to use electronic money for all purchases and transactions,and payment confirmations became clear and legal accordingly. If government payments remaintransparent, the risk of black money and people being held accountable is reduced. The availabilityand strength of Internet access needs improvement for future development, but the prospects for thisareknown andsustainable.

HowFarAreWefromBecomingaCashlessSociety?

1. Halfofthepopulationdoesnotbelongtothebankingsystem:

As I said earlier, 50% of Indians are not protected by the banking system. So, what can you thinkofa cashless economy?

2. LimitInternetpenetration:

Indiahasover350millionInternetusers.Internetpenetrationisonly27%,whichisverylowcomparedtocountr iessuchasNigeria,KenyaandIndonesia.

Thisshouldbeabovetheglobalmedianof67%.

3. Restrictionsonthespreadofsmartphones:

Only17%ofIndiansusesmartphones,whichisaverysmallscaleforacashlesseconomy.

4. Limited smartphones with broadband subscription:

Only 15% of Indians can access the Internet with their smartphones. So, only 145 million people can use broadband on their smartphones.

5. Internet speed: Internet download speed is very slow. The average page load time in India is 5.5 seconds and in China it is only 2.6 seconds.

6. Limited number of PoS machines:

All non-cash transactions require a point of sale (PoS) machine. However, there are 1.44 million PoS machines in India. This means there are only 856 units per million, which is a very small figure compared to China, which has 4,000 units per million.

If you read more than 6, you can conclude that India does not have infrastructure for a cashless economy. So it will take a long time for India to think of a cashless economy.

CHAPTER 5- REVIEW OF LITERATURE**National Reviews**

❖ KARAMJIT KAUR and DRASHUTOSH PATAK (2016)

In a research paper titled "Electronic Payment Systems in Indian E-Commerce", I described various types of cashless transaction methods, including functions and processing. They found it difficult but possible to provide a better payment system. Some systems are very similar; only minor details are different. So, there are a number of factors that influence the use of payment systems for e-commerce.

❖ Doctor. High Tessica for (2016),

In the research paper, 'Customer Satisfaction and Electronic Finance', I tried to identify the factors contributing to consumer satisfaction with Internet banking. The banking sector was one of the first to launch a global presence. As the bank uses the technology, the strategies used by the bank also change. Service quality parameters such as type, reliability, responsiveness, trust, and empathy have had some significant influence on customer satisfaction with Internet banking services.

❖ SIDNITASIFTEKHAR(2015),

Their research paper, IT Literacy Education in India: A Way Forward, investigated that the application of information and communication skills and skills (ICT) to the functional skills that underlie lifelong learning should be a key factor. In India, formal and informal adult education needs to be expanded through the concept of lifelong learning using ICT.

❖ SUSUBRAMANYANS(2014), In his research paper, Paperless Payment Systems-

A Case Study in India, he analyzed that electronic payment systems were effective in India during the study period. In addition, this study found that all electronic payment methods, such as checks and drafts, increased significantly compared to actual paper payments.

❖ DR. VIPINKUMAR and KADAMBINIKUMARI(2014),

In his research paper Change, the Consumer Paradigm Towards Online Shopping, he defined and changed the paradigm under the influence of technology, where most people prefer online shopping over traditional offline shopping. The purpose of this study is to understand the difference between online and offline shopping. See the study "Changes in consumer behavior for these shopping methods" compared to other shopping methods, such as real shopping, which was a trend in the past.

❖ CHANDRAGNASAMBANDAM(2012),

McKinsey and his technical report published for the company Online and Upcoming Events: The Impact of the Internet on India... This study evaluates the impact of the Internet on different groups of users divided into four main types: individuals, entrepreneurs, companies and authorities.

❖ DR. Karima Malik(2013),

The magazine "Scope Study of SMS/Mobile Banking Implementation and Use in India with a Focus on Public Sector Banks" examined banks' and customers' perceptions of technology connectivity. The study says, "While SMS/mobile banking services are becoming more and more popular with the very day consumers, banks still have the potential to increase customer usage. However, the absence of e-banking rules in India is still a barrier to mobile banking and needs to be addressed to build customer trust and make it more efficient in the future.

❖ VijayM.Kumbhar(2011),

DeterminantsofATMCustomerSatisfaction:India'sempiricalevidenceaimstoconductapreliminary study of factors influencing ATM customer satisfaction. According to this study, themost importantfactors are system availability, electronic performance, cost effectiveness, securityand responsiveness, efficiency, simplicity, connectivity and connectivity. This study is about privateandpublicbanks.However,cooperativebankswerenotconsidered.

❖ SACHINKUMAR(2011),

In the article"IndiaontheWaveofATM",there a noticedthatbetweenJanuary2010andJanuary2011,thenumberofATMstripled,whilethenumberofATMs increasedbyalmostone-third.Exactlyhe mentioned the author. An important reason why ATMs are growing in popularity in India is the rangeof services they offer.

INTERNATIONALREVIEWS

❖ HOCK-OLDTEE&HWAY-BOONONG(2016),

His book Cashless Payment and Economic Growth explored the effectiveness of the introduction ofcashless payments in five EU countries (Austria, Belgium, France, Germany and Portugal) during2000-2012. In the short term, the introduction of one type of non-cash payment affects other non-cashpayments.Thelong-termimpactofcashlesspaymentsoneconomicgrowthcanonlybeseeninthelongrun.Asaresult,policieshat encouragecashlesspaymentsdonothaveanimmediateimpactontheeconomy.

❖ SOLEYMANIRUZBAKHANI(2015),

In a research paper titled "Customer Satisfaction Case Study: Pasargad Bank Electronic PaymentBank", we investigated the purpose and descriptive correlations between survey types in terms ofmethodology.Thisstudyhasshownapositiveandimportantrelationshipbetweenelectronicpaymenttool sandelectronicbanking.Thus,theresultscanhelpidentifyeffectivecustomersatisfactionfactorsand,conse quently, provideacompetitiveadvantageforsimilarorganizations.

❖ JASHIMKHAN,MARGARETCRAIG-LIZ(2014),

According to a research article entitled "Cashless Transactions: Impact on Shopping Behavior," credit card payments have increased the amount, value, and type of products purchased. It relates to the credit or non-cash component of the transaction. The idea that cash materials affect perception is not new, but it is not being tested. Awareness can have a direct impact on buying behavior.

❖ ALAVIE ADAMS ADVALE(2013),

In an article titled "The Cashless Payment System as a Solution to All Problems in Nigeria's National Security Problem," he explained that the cashless payments system has a huge impact on the economy and some illiterate people do not have access to these methods. The illiteracy of these societies plays an important role in the success of the country's cashless economy. He also explained that the cashless system reduces crime and terrorism because no direct cash is used for these transactions.

❖ RAULL.KATZ&PANTELISCOUTRUMPIES(2013),

In his research paper "Measuring Socio-Economic Digitization: A Paradigm Change," he defined paradigm change as a social change resulting from the large-scale adoption of digital technologies for the production, processing, exchange and delivery of knowledge. Unlike other technological advances, digitization is based on network access technologies, semiconductor technologies, software development, and the side effects of using them. The results strongly support the effectiveness of digitization across all growth drivers.

CHAPTER-07:-KEY FINDINGS/LEARNINGS

As you know, more than 70% of India's population lives in the countryside. Therefore, the government's biggest challenge is to develop a plan to build the necessary infrastructure in rural India. India has already begun the process of digitizing its economy. PoS works over a mobile internet connection, so a low level of penetration of the mobile internet is essential.

In addition, low literacy in rural areas and lack of access to the Internet or basic equipment in many places makes it very difficult for people to get used to digital trading. It can be said that the conversion will not be truly effective until these online payment penetrations reach local stores.

India has an extremely marginalized and disadvantaged area in a society without financial services. Without the

economic integration of this part of society, the goals of the economy cannot be achieved without money. Hence, financial consolidation is a fundamental step towards a cashless economy.

However, it will be interesting to see the impact of India's funding shortage in the long run. This provides all transaction information to agencies that monitor evasion and tax evasion. You need to cross your fingers to see which side the camel is on.

How will India cope with this change and how will people perceive this change? If everything goes as planned, it could dramatically change India's fiscal position.

CHAPTER 8- CONCLUSION

After researching the topic of society going cashless, I have come to some conclusions.

The debate about a cashless society far outweighs the debate against. The debate over the security, speed and usefulness of digital cards and currencies is an excellent debate against technology fail and such.

The future belongs to a cashless society. My predictions for the future are as follows. Even if one thinks there is no cashless future, it will take time. A journal published by Eric de Putter said it very well.

“A less-cash society is more likely and is likely to exist for quite some time. It is going to be very difficult to completely get rid of cash. There is a lot of it in circulation and still some people rely on it.”

We see a bright future for electronic money. Many of my acquaintances, including myself, use very little cash. If you have cash, you don't have to carry it around as you use it right away or deposit it at the bank. This can be a burden and I always feel at risk of losing it.

Although non-cash transactions are on the rise today, India at the moment cannot be a completely cashless economy given the low digital literacy rate and cash transaction rate. However, the Indian government is working to increase the proportion of non-cash transactions that are beneficial to all economies. We expect the use of card and cash applications to increase significantly and physical cash use to decline over the next five years. More and more people are using credit/debit cards, payment services like PayPal, Visa and Apple Pay, paytm, Google Pay, etc.

Despite the downsides, the cashless system is actually an improvement over the traditional cash registers system. However, none of the developed countries have completely

replaced cash. Because it is virtually impossible. However, reducing the amount of cash and increasing the amount of non-cash transactions will certainly improve the transparency of business operations, which will benefit the country and the country economy.

I hope you have enjoyed and learned something new from my research about becoming a cashless society.

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