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INDIA AS CASHLESS ECONOMY

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ABSTRACT

I had the opportunity to have my scientific research for the topic of "INDIA AS CASHLESS ECONOMY" taken into account. The company's history from its incorporation to the present, as well as its operations, policies, and procedures, are covered in the first section.

The definition of the cashless economy and its history are covered in the first section of the research paper. how the cashless economy has been received by the populace.The second section describes how India, the second-most populous nation, is moving towards a cashless economy, how people are accepting cashless transactions, and what efforts the government is taking to achieve this. When did India start to promote a cashless society, and how did demonetization contribute to its expansion.

How the cashless economy was influenced by fintech and financial inclusion.The third section includes data analysis from a questionnaire, and the bulk of the report is a thorough examination of numerous national and international research articles.

CASHLESS ECONOMY

INTRODUCTION

There is money everywhere. not enough large pockets to hold them. We fled after the money and still worry about being robbed. There were no large wallets to hold notes. While holding notes in our hands, we are always filled with terror. When it comes to safety and protection, carrying cash becomes stressful and uncomfortable rather than merely frightening.

Physical notes, also known as cash, cause issues with acceptance because they can be torn, not in good condition, and, according to RBI guidelines under Section 35A of the Banking Regulation Act of 1949, writing or scrawling on notes is illegal and punishable, which causes a major mess and issue with transactions involving physical notes. Due to human nature, we occasionally write and forget to leave notes, which causes them to mistake a piece of paper for an asset.

Given the current state of affairs, theft and looting are a major nuisance for travellers, and carrying cash is the icing on the cake. Carrying cash around becomes increasingly risky. Carrying cash is akin to inviting problems into your life.

India is a developing nation where the vast informal economy has long relied on currency for survival. More than 90% of Indian households make less than Rs. 15000 each month. Such a modest sum of money is made and spent in cash.

Cash in circulation has increased by 16.7% from Rs 24,20,975 crore in 2020 to Rs 28,26,863 crore, according to data from the Reserve Bank of India. The entire amount of money in circulation as of December 23, 2021, is around Rs 29 lakh crore. Had we ever considered the fact that we Indians are still more reliant on cash because we believe that

cashless commerce and a cashless society are not to our taste.

But do you still believe that young people would continue to rely on such dangerous and inconvenient economic practises? So, a resounding NO is the response to this. Youth are aware that their transactions require a PIN. They are aware that carrying thousands and millions of dollars in a single device won't jeopardise the security of their cash. No hefty pockets, no wallets filled with piles of cash. Your bank account will be as trim as the desired waist.

With this let us know leaving behind traditional physical note practice what is cashless economy. As the name suggested cashless that does not mean no cash no money but no cash in hand but tons of money in your account. Flaunt your account instead of notes now a days.

The term "cashless economy" refers to a condition of the economy in which all financial transactions involving cash are made via electronic means, such as credit cards, electronic store credit, mobile payments, web-based account management, and mobile wallets. The phrase "cashless economy" refers to a system of economics where transactions are made without the need of physical money. To be more clear, let's say that a cashless society is a financial situation in which financial transactions take place between parties without the usage of actual currency, such as banknotes or coins, in the form of trades of electronic representations of cash.

Who is currently behind in going cashless? UPIs are downloaded onto every person's mobile device. Obtaining access to net banking is the first action any account holder takes after creating a bank account. This demonstrates how quickly the cashless economy is gaining traction in society. We can even assert that eventually, the money may simply vanish. But the main factors are when and where. It could vanish in some nations while continuing in others that are developing or undeveloped. And if it occurs in 50 or more years, it won't have much of an impact on those living today.

Cash may no longer be a king as people are being more and more habitual of being cashless.

They enjoy having large accounts and empty pockets. Let's now discuss the benefits and drawbacks of a cashless society.

We are the fourth-largest cash customer in the world. At 12.42 percent, the cash to GDP ratio in India is the most notable.

In India, 20% of all transactions are made in cash, and 4% of all individual usage expenditures are made using credit or debit cards.

Compared to using debit or credit cards, utilising cash has no additional expenses. In fact, even the most advanced cashless countries, like France and the Netherlands, cash still accounts for at least 40% of all consumer interactions. Since the majority of people lack education, are depressed, and primarily engage in little transactions, they have terrible account management tendencies. Cash is the most convenient and hassle-free form of exchange for them. A monetary exchange happens instantly and without the use of an intermediary.

Economies without cash typically have lower levels of illegal and depreciated currency. Most countries are preparing for a cashless society, and several have already made significant progress in this direction. Simply put, India is attempting to keep up with a global trend.

Transactions in a cashless economy are completed via digital methods like e-banking, debit cards, credit cards at point of sale, digital wallets, etc. In layman's terms, we may state that there won't be any readily available cash or paper money in the form of coins or notes among the nation's residents.

LITERATURE REVIEW

IJIRMPS Volume 6, Issue 4, 2018 Authors Jyoti, Ajay Kumar

According to their findings, a country's economic growth can significantly boost when it adopts a cashless economy. From 2011 to 2015, increased card usage in countries like the United States resulted in global consumption of about US$296 billion, increasing GDP by 0.1 percent. Although going cashless is challenging, it makes life much simpler and more comfortable. And doing so aids in reducing tax evasion, corruption, and black money, all of which have a positive impact on economic growth. As long as we don't eliminate or drastically restrict the use of currency, there will always be a risk of theft and robbery. But the most crucial factor is defence against cyberattacks, which are one of the biggest concerns with regard to cashless transactions. Cashless transactions have many advantages in addition to being convenient. If India

is to get ready for a future with mobile payments, preventing mobile payment fraud and safeguarding the safety of its citizens, it would need to take a proactive approach to fraud prevention. The government has implemented a number of initiatives, regulations, and strategies for its purchasing, array of services, and expenditure with the aim of promoting digital payments and transforming India into a cashless economy. In a cashless economy, financial transactions are more transparent, simple, and accessible.

SSRN Posted, 4 January 2019 Author Pooja Maurya

The economy has changed over time, according to her research, from the mercantilist era to the barter system to the cash and cashless economies. India's economy is one in which money is king and rules over all other factors. However, on November 8, 2016, when 86% of the total amount of cash in circulation was withdrawn, the cashless economy was born.

IJAR Volume 8, Issue 2 February 2018 Authors Dr. P.R Kousalya,R. Guru Shankar

According to their study, cashless transactions are becoming more popular and helpful to a large number of consumers. Digital payments are becoming more and more popular. Digital transactions are simple to monitor and they prevent the use of black money and tax avoidance. India is becoming more modernised in terms of transactions thanks to digital payments, and e-payments are growing at an unmatched rate. Even small merchants on the street now accept electronic payments, demonstrating the enormous popularity and growth of cashless transactions.

IJR (International Journal of Research) 2518SAT, 18 July 2020, Author Divya Kumar 1221

According to his research, global digitalization is pervasive due to technological progress. Following the demonetization, the Indian government is now urging its citizens to stop using cash and place their trust in electronic payments. A cashless economy offers several benefits, like making budgeting easier, making it more difficult to lose money, making it simpler to trace where money goes, making it simpler to prevent the spread of viruses, and many more. Prior to demonetization, the country's cash to GDP ratio ranged between 12 and 13 percent, but it quickly fell to 7.3 percent after demonetization. Compared to the US, where the cash GDP is 7.8%, it was lower.

International Journal of Economics, Commerce and Research (IJECR) TRANS STELLAR, Published 23 January 2020, Author A. Aysha Muzammila

According to her research piece, it will take a lot of work to digitally transform India. It promoted cashless transactions and electronic payment methods. To raise awareness of the cashless economy and digital payments, the government should run frequent campaigns on the topic. They are completely comfortable doing away with cash, and the general public may take advantage of the enormous advantages of digital payments. Going cashless, however, should improve internet security for quick and safe transactions. Rushing the nation towards a cashless society could be harmful. Therefore, the government needs to gain the people's confidence in the Indian financial system.

Journal of Asian Finance, Economics and Business Vol 8 No 4 (2021) 0043–0054, Authors Kartik Aggarwal, Sushant Malik, Dharmesh K Mishra, Dipen Paul

They conducted research and development analysis for their research piece and discovered that both urban and rural areas are seeing a significant rise in technology acceptance and adoption in terms of digital payments. Which clearly demonstrates how consumers are moving away from cash transactions and towards cashless ones, as well as the transformation of the cash-based economy.

Rationale of study

Technology improvements have led to a change in business practises towards electronic payments. Prior to the cashless era, only 5% of payments in India were made electronically.

In comparison to other major economies, the United States has a much higher number of currency notes in circulation. A Boston Consulting Group (BCG) and Google India study found that in 2016, over 75% of transactions took place in cash in India as opposed to 20–25% in industrialised nations like the United States and Japan. In the United States, 80 percent of consumer transactions are carried out

electronically, compared to barely 3 percent of transactions in Sweden, per a Mastercard poll.

Paid SMS, M-PESA, PayPal, Google Wallet, Bitcoin, Flatter, and other methods of payment In a recent report titled "Payments and Settlement Systems in India: Vision 2018," the Reserve Bank of India outlined a plan for promoting electronic payments. Although cashless transactions are still in their infancy in India, it is still unclear how they will affect the country's economic growth. Technology improvements have led to the emergence of creative payment options.

The importance of comprehending a cashless economy cannot be overstated. A developing nation like India, where the majority of the population lives in rural areas and is illiterate, is undergoing a very large shift because the majority of its citizens are unaware of digital platforms, online transactions, or cashless transactions.

However, as society becomes more digitally savvy, trends are changing. The government is playing a significant role in this transition from cash to cashless transactions by requiring them throughout the nation.

The current desire for the rise of cashless and digital transactions is the primary reason for conducting research on the cashless economy. With many advantages, our Indian economy is transitioning from a cash-based system to a cashless environment. Additionally, no nation in the world has completely eliminated cash use as of today, and India, a developing nation with the second-largest population, must overcome many obstacles while reaping significant benefits. In order to understand why this study is being undertaken, it is necessary to examine the advantages and disadvantages of the cashless economy as well as how India views it and how customers feel about it.

Objective of Cashless Economy

A cashless economy is a cutting-edge way to protect a nation's riches. But as you are aware, the implementation of a cashless economy can have a negative impact on both black money and corruption.

By implementing a cashless economy, the government may properly and fully collect taxes without any tax fraud or amalgamation.

Knowing about the history of cashless transactions and how cashless economies came into being is the fundamental goal of hence cashless transactions and cashless economies. Additionally, to understand the effects of the cashless economy. Every coin has two sides, one of which is advantageous and the other detrimental. Additionally, it is important to be aware of the various tools that can be used to convert a cash-based economy to a cashless one.

What procedures and items are common in a cashless society? Additionally, to be aware of the advantages and disadvantages of a cashless society and cashless transactions.

This study allows us to assess the value and advantages of cashless policies in a nation's economy as well as how they impact economic expansion.

Some of the key objectives of this are as follows: -

To determine India's position or status in relation to other nations with regard to cashless transactions and the cashless economy, as well as the various challenges and opportunities that come with implementing the cashless policy in India.to find solutions to the issues that India's implementation of its cashless policy has caused.

Limitations of study

In terms of demonstrating the relationship between cashless rules and other financial aspects, the study's model breadth is constrained.

Research Methodology

This study's data and material came from both primary and secondary sources. original data is information that researchers have gleaned directly from original sources using techniques like tests, surveys, and interviews, among others. The greatest kind of data for study is believed to be primary data, which is typically obtained directly from the source.

The phrase "primary data" refers to information that the researcher personally collected. Primary data sources are commonly selected and modified to meet the objectives or specifications of a particular research effort. Prior to choosing a data collection method, it's critical to identify the objectives of the study and the intended audience.

For instance, while conducting a market survey, the survey's goal and sample population must be

decided upon beforehand. In comparison to online surveys, this will determine which data collection approach is most appropriate; an offline survey will be more suited for a population living in rural areas without access to the internet.

Primary data is information that sociologists independently collect through their own research utilising tools including experiments, survey questions, interviews, and observation. Tables, charts, graphs, and diagrams are a few examples of primary quantitative and statistical data. This type of data needs to be carefully analysed and assessed. Check out the data's size organisation in particular. Are there any other breakdowns, such as percentages, hundreds, or thousands? Is it a look at trends over several years or a snapshot of one particular year?

Primary data, such conversation transcripts from participants, can also be qualitative. Some researchers nearly totally use their subject's words to make their points. Because of this, the facts speak for themselves, and readers are encouraged to draw their own judgements.

In this study, a questionnaire is used to collect the main data. A questionnaire was used in the survey to collect information about customers' tastes and preferences. Their support for and opposition to cashless transactions. And whether or not digitalization is practical for them. How many times a day do they do transactions using e-payments?

Data Analysis and Interpretation

The following are some given data, its analysis and its interpretation in the form of pie charts and tables.

Question 1

Do you favour electronic transactions over cash?

Options	Percentage
Yes	77%
No	23%

Question 2

Convenience of cashless transactions

Options	Percentage

The questionnaire was given out to homes, businesspeople, and students. And the age group between 15 and 50 obtained the majority of the responses. The ratio in which we could was 60:30. There were 40% women and 60% men.

Secondary data is the other method of data collecting used in this study. Information that has been previously obtained from primary sources and made available to researchers for use in their own studies is known as secondary data. It is a type of data that has already been obtained. The primary goal of secondary data is to enhance the sampling size. It is also used to improve the efficiency and speed of the current document.

Secondary data facilitate large-scale research endeavours where secondary data are gathered collaboratively by numerous research organisations. The primary researcher is then instructed to concentrate on particular primary research interests. Government, public sector, library, and census data are typical sources of secondary data.

Books, journals, national and international research papers on a certain issue, articles linked to the topic, and libraries served as the secondary sources for this study's data. As noted in the literature study, the research also contained conclusions drawn from three international publications and three national journals.

Yes	89%
No	11%

Question 3

Install a UPI payment app on your smartphone.

options	Percentage
Yes	96%
No	4%

Question 4

People with salaries of less than Rs. 10,000 prefer electronic payments.

Options	Percentage
Yes	41%
No	59%

Findings

A cashless economy is one in which the majority of transactions are carried out or carried on electronically. Due to the speed at which transactions are completed, the cashless economy has helped the nation save money as well as time.

The number of withdrawals from ATMs decreased as the number of cashless transactions rose. which has lightened the load on the banks and contributed to lower maintenance costs for such equipment.

A novel strategy for safeguarding a nation's wealth is a cashless economy. The introduction of a cashless economy has a negative impact on both corruption and black money. The government can now appropriately and completely collect taxes.

The amount of digital payments has significantly increased by 11.4%. According to a research released by the Bank of India, 41% of the population still does not have a bank account, with 61% of these individuals living in rural areas.

In a word, we can save up to 500 crores by becoming cashless. The cost of printing notes is 5% of the nation's GDP.

Getting rid of cash will go a long way towards eliminating corruption. due to the absence of any cash transactions directly. Since they appear in both the sender's and the recipient's accounts, cashless transactions are easier and more transparent.

As we know, the criminal underground needs a large sum of money to carry out their nefarious operations and avoid being found out. Therefore, by restricting cash flow, such activities and money laundering will decline.

Numerous businessmen have been seen to hide real money. Additionally, this practise caused a sizable tax loss for the exchequer.

It has been noted that a cashless economy has provided the country with the ideal foundation for a formal and functional economy. It will result in the official structure of the entire financial system, which will drive the nation's progress.

One of the best and uncommon ways to stop money leakages by government personnel when providing funds to the beneficiaries is a cashless economy.

By eliminating the illegal market and properly collecting taxes, a cashless economy seeks to lower the cost of goods.

Challenges

As we can see, barely 60% of the population of the nation has access to bank accounts. Under the PMJDY scheme, 228 million bank accounts with zero balances were opened; the majority of these accounts still have no activity on them. Lack of understanding prevents those individuals from managing their accounts.

There are still some areas in India where having a bank is still a pipe dream. To access banking services, people must travel long distances. The development of a fundamental and safe infrastructure for banking services should be a top priority for banks and the government.

The country's rural residents lack the literacy needed to use and manage digital financial services efficiently. Additionally, those with less exposure and education cannot even operate cards.

The cashless economic revolution is based on technology. Technology should be accessible throughout the nation, from rural to metropolitan areas, and it must be simple for people to use, which is a very difficult task given India's enormous population.

India has the second-largest population in the world, as we already know. 40% of the population lacks access to a bank account. In order to provide banking services to everyone, there must be adequate market penetration, which presents a significant barrier for the government.

The status of the joining banks varies. Since private banks and nationalised banks have different goals, the setting is very uneven and out of balance in this situation.

Suggestions

More ease and security should be offered to the cashless economy. Campaigns should be properly run to educate the public on the nature of digital payments and the ease with which people in remote areas can use them.

To safeguard people from cyberattacks, a solid security system should be set up for digital payments. As the Indian market is still largely dominated by cash and people are still hesitant about going digital, governments should ease the transition by offering some preventive measures for how to gain their trust.

There should be fierce rivalry and calculated moves. collaborations to help consumers transition to a cashless society. in order for customers to accept the cashless economy with commitment and interest, they should make good judgements for it.

In order to make the public more reliant on electronic payments, there should be less cash movement in society and cashless transactions should be promoted among small business vendors.

The government should encourage residents in rural and semi-urban areas to use banking services and open bank accounts.

Instead of encouraging people to retain cash on hand, the government should encourage them to save more and deposit it primarily in bank accounts. The government ought to explain the risks of holding cash, like theft

Conclusion

The government should implement some crucial, preliminary, and necessary actions and develop policy considerations for the implementation of a cashless economy. However, e-payments need to be secured against cyber-attacks. Because one of the biggest risks to cashless transactions is cyberattacks.

Additionally, the government ought to be able to assist that segment of society that is unbanked. Therefore, cashless transactions ought to be available to everyone in the nation.

The government should implement the necessary measures to boost society's liquidity so that people experience fewer drawbacks when participating in cashless transactions. In order to increase the number of people who have access to cashless transactions, the government should implement the necessary measures to upgrade the overall banking and internet infrastructure.

In order for cashless transactions to be necessary and valuable to the economy, society must comprehend them and support the government's efforts to make India a cashless nation.

We might conclude by saying that, in order for society to advance into the modern period, a cashless economy must be adopted. And in particular, it is tremendously advantageous to society, the corporate class, and the government. The implementation of a cashless economy reduces tax evasion, which immediately increases the economy of the nation by generating more income for the government since taxes are a source of revenue. This promotes GDP growth by enhancing the economic situation.

Although the cashless economy has curbed many bad practises like money laundering, it is still new to most people, who require sufficient education to engage in cashless transactions.

But all we can say is that everyone will live in a cashless society in the future. In this kind of economy, we will survive and develop. It will be beneficial for us if we can quickly develop a habit of cashless purchases. Now is the time for modernization and digitization so that we don't lag behind the rest of the world in terms of technology.

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