



CASHLESS TRANSACTIONS TOWARDS TRANSFORMING THE INDIAN ECONOMY

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Abstract

A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. Cashless societies have existed based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bitcoins. Cashless India is a mission launched by the government of India led by prime minister Narendra Modi to reduce the dependency of the Indian economy on cash and to bring hordes of stashed black money lying unused into the banking system. The term Digital Payment means making a payment to another person with the help of the internet or through electronic mode instead of paper money. The initiative of Digital Payments was taken by the Government of India after the announcement of demonetization on 8th November 2016. Digital Payments were initiated to bring transparency in transactions and eliminate black money initially the Government was providing considerable incentives for digital payments but now a decline has been seen in this push. This paper seeks to identify the present trend toward the adoption of digital payments in India. It also focuses on how the digitalization of financial services has turned our economy into a cashless one using various data from the reserve bank of India website and they also help in economic development. with the help of statistical tools, the study has been analyzed.

Keywords: *Digitalization, Cashless payments, digital payments, impacts, and effects.*

INTRODUCTION

Transactions are vital for economic operations and cannot be ignored while addressing efficiency concerns. Efficient transactions save time and money by minimizing the usage of a tangible or intangible resource. E-payment system is a way of making transactions or paying for goods and services through an electronic medium, without the use of checks or cash. It's also called an electronic payment system or online payment system. The growing spread of internet-based banking and shopping increased the use of electronic payment systems over the last decades. E-payment system is a way of making transactions or paying for goods and services through an electronic medium, without the use of checks or cash. It's also called an electronic payment system or online payment system. The growing spread of internet-based banking and shopping increased the use of electronic payment systems over the last decades.

The cashless policy will also reduce cash-related corruption and attract more foreign investors to the country. It is expected that its impact will be felt in the modernization of the payment system, Reduction in the cost of bank services, Reduction in high security and safety, risk and also curb banking-related corruption. In India cash is expensive (every year RBI spent and Rs 32 billion on printing currency) no people use it for tax evasion black money etc. The government is decided to increase tax revenues so a cashless economy mom dates all citizens to have a bank account so we are decided to study what is the impact of cashless transactions on society

A cashless economy is an economy in which all types of transactions are carried out through digital means including E-banking, debit cards, credit cards, card swipes, machines, and digital wallets cashless economy increases the speed at which the money is transferred from one person to another and a large part of the population is still outside the scope of net banking like the use of credit card or debit card making transaction using a mobile phone and using the internet to pay bills they are not in a position to reduce its dependence on cash. the government of India followed a detailed criterion by the first SIT on black money then Jan –Dhan yojana which is followed by tracking on foreign accounts and money, when demonetization is done then people have no money to buy some commodities so there is a cashless system evolved.

REVIEW OF LITERATURE

Gourab and Nishant (2020): Online banking has the potential to dramatically change the landscape of the unbanked population's economic interconnection and help its financial inclusion.

Fransiska, A.M. & Sahayaselvi, S. (2017) conducted a research study aimed at examining the different types of means adopted by people for making digital payments. This research study was based on secondary data and majorly covered the features of different options of digital payments briefly as mobile banking, card usage,

NEFT, RTGS, and other options. This study had a major research gap of not consisting of any empirical assessment and it didn't pertain to recent findings related to the Covid-19 situation in India.

Sagayarani, D. (2017) conducted a research study to find out whether India going cashless had helped its citizens and whether India will turn out to be a successful cashless society. The study revealed that it was important to strengthen Internet Security to protect against online fraud. The research gaps existed in the form of the sample not being representative and it didn't show any statistical analysis. The current research study has filled the research gaps identified in the mentioned research studies.

Shah, Z.A. (2017) conducted a research study on digital payment systems with the objectives to assess the infrastructure available in India to support the digital payment system, analyzing the different digital modes of payment system available in India, and investigating the problems and prospects of cashless economy and the challenges in making India a cashless economy. It was purely based on secondary data and explained the entire journey of India towards a cashless economy. The research gap was that it was not based on primary data and didn't measure customer satisfaction with the digital payments facility.

Bappaditya (2016) Lower currency cost of maintenance, financial recordkeeping, better taxation systems, financial inclusion, and limiting fund seepage are some of the economic benefits of going cashless for India.

Rudresha (2019) The concept of cashless transactions is widely accepted. It aids in the fight against large illegal or unethical economic activities such as terrorism, corruption, and money laundering, among others.

STATEMENT OF THE PROBLEM

The government of India taking some initiative to develop our economy, our honorable prime minister introduces digital India for adopting the technology and maintains all transactions should be digital transactions in our country. To accelerate the execution of the concept of the digital economy, there several digital payment systems were introduced. These payment systems can make changes in the standard of living of people. In India, many cashless payments systems were launched such as E-Payments, online payments IMPS, NEFT, unable wallets, etc... In this research, the researcher's article indicates various cashless payments in India and their impact after demonization. It becomes important to know how the cashless payments are working after the launch and whether they are having any relationship with economic development or they have any influence on the economic growth. This study is focusing on how cashless payments are working and their trend and growth over the period. this also evaluates whether there is any relationship or impact on economic development.

OBJECTIVES OF THE STUDY

- To study the trend and growth of cashless payments over the period
- To analyze the relationship of these cashless payments with the growth of the gross domestic product.

HYPOTHESIS OF THE STUDY

- There is no relationship between cashless payments and gross domestic product.

Research Methodology

The study is analytical.

Period of Study

The period of study is from 2016-to 2020

Source of data

The data used are secondary sources of information collected from various official websites of the Reserve Bank of India, World Bank, NPCL, and other respective websites and articles.

Tools used for the study

Statistical tools are been used such as trend analysis, descriptive statistics, correlations, and regression.

ANALYSIS AND INTERPRETATION

1.1 Trend Forecast and Growth Forecast of Total Digital Payments for the period 2016-2020

Table 1.1

Year	Total of Digital Payments	Trend Forecast	Growth Forecast
2016-17	112099726	126500435.8	125057457.4
2017-18	136986734	134887536.7	133240942.8
2018-19	163713425	143274637.6	141959937.6
2019-20	162089411	151661738.5	151249484.3
2020-21	141483892	160048839.4	161146918.5

The above table 1.1 shows the trend and growth forecast of digital payments over the period. There is an increasing trend in total digital payments from 126500435.8 in 2016-17 to 160048839.4 in 2020-21. And the growth forecast also increased over the period from 125057457.4 in 2016-17 to 161146918.5 in 2020-21. hence it is to be concluded that the usage of digital payment as cashless payments have increased and people are very much comfortable with using these digital services.

1.2 descriptive statistics for the various cashless platforms over the period 2016-2020

Table 1.2

Year	Settlement system	Large value credit-RTGS	Credit Transfer	Debit Transfer Direct Debit	Card Payment	Prepaid Payments Instrument	Paper Based Instruments	Total Digital Payments
2016	105617336	98190.3	12858.40	308855	658289	83801	8095815	112099726
2017	107480202	11671.2	18814.28	399300	919035	141634	8193493	136986734
2018	116551038	13568.8	26090.47	524556	1196888	213323	8246065	163713425
2019	134150192	13115.6	28562.85	719708	1434813	215558	7824822	162089411
2020	161943141	10559.9	33522.15	872399	1291799	197695	5627189	141483892
Mean	1251483.82	11746.9	23969.63	564963.6	1100165	170402	7597476.8	143274637.6
St. Deviation	234650.14	16065.4	81682.80	230830.7	310697.1	56906.8	1113324.16	21132672.24
skewness	1.191	-0.023	-0.406	0.385	-0.65	-1.089	-2.122	-0.678
kurtosis	0.609	-2.309	-1.053	-1.587	-0.867	-0.248	4.56	-0.191

The above table 1.2 exhibits the descriptive statistics of the various cashless payments services. settlements payments have the highest mean value with 1251483.82 followed by the paper-based payments with a mean value of 7597476.8. the standard deviation is found high in paper-based payments and followed by the settlement payments which shows that they are highly volatile they keep on fluctuating with the user level. And skewness is positive except for settlement payments and debit transfer and direct debit and rest are negatively skewed between -1 to =1. Which means they are highly skewed. The kurtosis value is positive in settlement payments and paper-based payments and the rest have been negative for the rest of the cashless payment services the kurtosis is found platykurtic.

1.3 analysis of the relationship between various cashless payments along with gross domestic product

Table 1.3

Correlations									
	SS	LVCRTGS	CT	DTDD	CP	PPI	PBI	TDY	GDP
SS	1								
LVCRTGS	.932	1							
CT	.043	.513	1						
DTDD	.007	.761	.009	1					
CP	.168	.247	.023	.054	1				
PPI	.278	.139	.038	.126	.009	1			
PBI	.026	.511	.200	.104	.493	.624	1		
TDY	.592	.024	.177	.346	.055	.014	.976	1	
GDP	.143	.274	.014	.042	.000	.008	.443	.063	1

*. Correlation is significant at the 0.05 level (2-tailed).
 **. Correlation is significant at the 0.01 level (2-tailed).

The above table 1.3 reveals the relationship between cashless payments along with the gross domestic product. There is a high positive relationship between settlement services with large value credit with a value of .932. and a strong positive relationship is found between large value credit with credit transfer, debit transfer, and direct debit with values .513 and .761. apart from that prepaid payment instruments have a strong relationship with paper-based instruments .624. total of digital payments has a direct relationship with settlement systems and paper-based instruments. But these cashless payments don't have any relationship with a gross domestic product which means we accept the null hypothesis that there is no relationship between cashless payments and gross domestic product.

FINDINGS

- There is an increasing trend in total digital payment.
- And the growth forecast also increases over the period.
- There is a high positive relationship between settlement services with large value credit with a value
- A strong positive relationship is found between large value credit with credit transfer, debit transfer, and direct debit.
- Apart from that prepaid payment instruments have a strong relationship with paper-based instruments.
- Total digital payments have a direct relationship with settlement systems and paper-based instruments.
- But it is clear that these cashless payments don't have any relationship with gross domestic product

CONCLUSION

The future of cashless India looks pretty promising as the response of the country's people towards this move of the government and the support towards it is a clear indication that the government's move is likely to succeed. The study concludes that a cashless transaction economy is one of the good and strong decisions of the government of India. Many people accept the concept of a cashless transactions system. It helps to fight against major illegal or unethical activities in the economy like terrorism, corruption, money laundry, etc. Therefore, it's important to strengthen internet security to protect against online mischievousness. Customers and small retailers are faced a high degree of risk and problems in the application of cashless transactions. The main reason is the low literacy rate in rural areas. Government should be educated about cashless transactions services. The government tries to promote customers' minds toward the risk factors. This study concludes that there is an increase in cashless payments and they are showing a trend and growth but it doesn't have any relationship with a gross domestic product which means it doesn't impact also.

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