



A conceptual study on cashless economy: Digital India

Dr. C Dhanalakshmi

Head of the Department, Department of Commerce BI & RM, Sri Krishna Arts and Science College, Coimbatore, Tamil Nadu, India

Abstract

Government initiatives to drive card transactions and cashless payments posted healthy growth over the last couple of years subsequent to the government's demonetization initiative in November 2016. Although the expansion in mobile payments, card transactions continue the hugest driver of cashless payment transactions. In this article, an attempt has been made to study about digital transactions with cashless economy and declines in Cash payments due to the expansion of digital transactions in India post demonetization.

Keywords: cashless payment, digital transactions, demonetization

1. Introduction

India is primarily a cash-intensive economy. A large percentage of payments are carried out in cash due to poor financial literacy in the country. In the recent years, the government has offered major spurs to bring as many people under the banking system as possible. The Digitally Empowered economy such as 'Faceless, Paperless and Cashless' economy were created by the government of India through 'Digital India Campaign'. According to the 360 survey conducted by ICE, it was found that about 99% of household are holding bank account but banking instruments are not being used by them to save or invest. It was found that there is increase in usage of digital transactions such as more credit and debit card transactions and mobile - wallets to make payments, after the implementation of demonetization. Post demonetization, people gradually initiated embracing digital transactions and at the same time small time business merchants and shop owners started receiving payments by means of digital mode. In this research article we will have a detailed study about digital transactions with cashless economy and declines in Cash payments due to the expansion of digital transactions.

2. Decline in Cash payments due to the expansion of digital transactions

Traditionally, India is a cash grounded economy with cash accounting for utmost end user payment transactions. The cash transactions have been decreasing due to propel taken by the government of India to encourage and expand digital transactions specifically by buttressing the country's infrastructure for payment in terms of credit and debit card and through mobile apps. Under the Jan DhanYojana initiative new bank accounts were opened in semi-urban and rural areas and new debit cards were provided to account holders and the government impelled the setting up of new POS terminals by banks.

3. Digital Payments-Concepts

The Payment and Settlement Act, 2007 has defined Digital Payments. As per this any "electronic funds transfer" means any transfer of funds which is initiated by a person by way of instruction, authorization or order to a bank to debit or credit an account maintained with that bank through electronic means and includes point of sale transfers; automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and, card payment. Digital payment is a method of transactions in which the payment is made through digital modes. In digital payments, customer and receiver both use digital modes to pay and accept money. Digital payment is also called electronic payment, which is instant and convenient method to make payments and no hard cash is involved in digital payments. All the transactions in digital payments are completed online. A digital payment occurs when goods or services are purchased through the use of various electronic mediums. There is no use of cash or cheques in this type of payment method. In a cashless economy, all transactions are carried out using different types of payment methods and this does not involve the physical use of money for the purchase of various goods and services.

4. Different types of digital payments in India

Digital payments has many types of payment. Some modes meant for tech-savvies and some for less-technical persons.

- Banking cards
- USSD
- Aadhaar Enabled Payment System (AEPS)
- UPI
- Mobile Wallets
- Bank pre-paid cards
- Point of Sale (PoS)
- Internet Banking
- Mobile Banking
- Bharat Interface for Money (BHIM) app

5. Cards and Payments Market by Applications

1. Commercial
2. Bank
3. Shopping
4. Other.

6. Measures taken by RBI to increase the usage of Digital Transactions

In order to promote cashless transactions all over the country, the Reserve Bank of India has urged commercial banks,

government entities and other regulatory bodies to work in collaboration with the start – up eco system. A numeral tax benefits are expected to be offered for those business proprietors who have integrate digital payments in their transactions. The government of India has been taking a numerous initiatives in order to encourage digital payments in the country. After demonetization, it was found that around 60% of all Amazon India’s transactions were made digitally. To make their payments, most of the Amazon customers used their Amazon Pay Wallet.

Table 1: Payment System Indicators in India (2018)

Payment System Indicators (2018)				
System	Jun.	Jul.	Aug.	Sep.
RTGS	1,42,542	1,38,629	1,38,236	1,31,258
Retail Electronic Clearing	21,261	19,621	21,072	20,328
Cards	3,626	3,648	3,733	3,614
Prepaid Payment Instruments (PPIs)	163	175	190	177
Mobile Banking	1,895	2,092	2,022	2,075
Paper Clearing	7,197	6,833	6,428	6,344

Source: RBI Bulletin

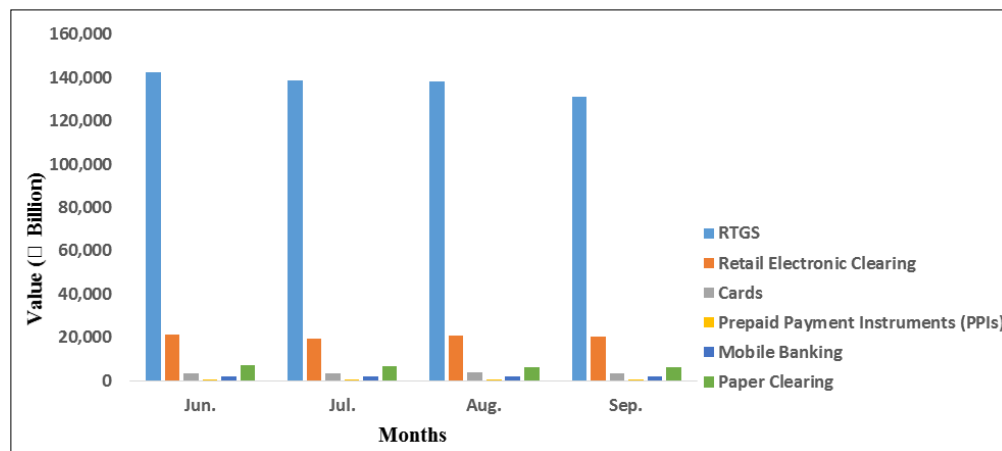


Chart 1: Payment System Indicators in India 2018

From the above table and chart it was inferred that there was gradual decline in usage of paper clearing transactions from ₹7197 billion to ₹6,344 billion from the month of June 2018 to September 2018 respectively and the usage of Mobile banking transactions were surged during that period.

7. Conclusion

It was predicted that in forthcoming years there will be a sharp and unexpected rise in the number of digital payment transactions in India. The digital payments sector i.e., cashless payments transactions will touch 1 trillion in succeeding 5 years. UPI and Aadhaar will help increase digital penetration, according to sources. UPI fund transfer money can be sent using a virtual address without providing IFSC code or account number. The usage of UPI based transactions continue to grow exponentially touching Rs.542 billion value in Aug'18.

8. References

1. <https://www.indiamacroadvisors.com/page/category/economic-indicators/money-and-banking/payment-system-indicators/>

2. https://rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=17086
3. <https://www.medianama.com/2018/09/223-credit-card-debit-card-data-india-june-2018/>
4. <https://marketdataforecast.com/market-reports/India-cards-and-payments-market-6918/>
5. <https://www.euromonitor.com/financial-cards-and-payments-in-india/report>
6. <http://www.thewisemarketer.com/cards-payments/india-credit-debit-card-usage-on-the-rise/>
7. <https://indianexpress.com/article/business/move-over-mastercard-visa-indias-upi-now-almost-half-the-value-of-debit-credit-card-swipes-5328317/>
8. <https://www.reportbuyer.com/product/2861603/the-cards-and-payments-industry-in-india-emerging-trends-and-opportunities-to-2021.html>
9. <https://www.prnewswire.com/news-releases/india-cards-and-payments-market---size-share-development-growth-and-forecast-to-2020-300380035.html>