

# The Impact of Cashless Transaction on the Economic Growth of the India

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## ARTICLE DETAILS

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## ABSTRACT

Cashless economy is economies where the maximum transactions are do without using the physical cash or the means of hard cash. It is the economy where economic transactions are done with the facilities like credit card, debit cards and on line transactions by means of fund transfer and using e-wallets. The new policy of demonetization and the stress of the government on cashless transaction is a clear message towards the good economic growth in the country. The demonetization policy has increased the use of online banking services, cheque and e- wallets. It has not only reduced the threat of theft and loss of money on the one side but also facilitated the risk free transactions.

It also paves the ways for the employment opportunities, high living standards and equal growth in the economy. The present article aims to study the impact of demonetization and cashless society in the country. The research indicates the overall development of the market and society. It also studies the challenges faced by the government to establish the cashless economy

## 1. Introduction

The introduction of electronic banking, online transactions and mobile banking in India has paved way for a new era of development where the used and demand for physical cash is gradually declining. These recent evolution of technology in the India financial institutions possess interesting questions for economist, financial institutions, business analysis and the government regarding the current economic status, logistics and availability of instruments to guarantee economic growth and stability, efficiency and effectiveness of the cashless policy.

Since the inception of humanity various payment methods have been used to purchase goods and services starting with the trade by barter. The trade by barter method of transaction has been the foundation for the introduction of money and coins to solve the problem of double coincidence of wants.

## 2. Review of literature

Review of literature provides an understanding of theory in the field to assist the researcher to place his question in outlook. Studying the related literature makes one learn which procedures and instruments have proved useful. The success and failure of the previous studies provides insight for designing one's own study. A thorough study of related literature helps to avoid unintentional replication of previous studies. It also helps the investigator to explore the facts, which has remained unexplored in the previous studies. A synthesized collection of prior studies helps the researcher to identify the significant overlaps and gaps among the prior research works.

Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to **Woodford (2003)**, Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they

earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (**Roth, 2010**) observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy (**Moses-Ashike, 2011**).**Marco and Bandiera (2004)** argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it does conclude that central banks can lose control over monetary policy if the government does not run a responsible fiscal policy.

## 3. Objectives of the study

1. To study the benefits of cashless economy
2. To assess the preparedness for the implementation of the cashless economy by Indian Government.

## 4. Research Methodology

### Sources of Data

The study has been collected the data of both primary as well as secondary data. The primary data collected from 100 respondents those who are live in north zone of TamilNadu. Survey method is used for collecting data with the help of questionnaire .The responses from the respondents were collected and analyzed using the simple percentage method.

### Sample

A sample size of 100 was selected using the convenience sampling procedure. This represents a response rate of 100%.The sample includes both literate and illiterate population since they are the ones who give their views on

introduction of cashless economy and use of digital payment methods, there response determine the reliability of survey.

The Researcher have been collected the data from the respondents Three months from September 2018 to November. 2018

**Period of the study**

The study period is not quite enough to measure the impact of the cashless transactions on the Economic Growth.

**5. Results and Discussions**

**Table 1**  
**Knowledge about Cashless Policy**

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
Known about India's Cashless Economy						
Frequency	66	24	7	2	1	100
Percentage	66	24	7	2	1	100
Cashless Economy should be introduced in India						
Frequency	39	21	25	10	5	100
Percentage	39	21	25	10	5	100

Source: Primary Data

**Inference**

From the above Table shows that there is a high degree of awareness among the population about 90% of the respondents are aware of cashless economy in India. The study considered academic community which means, by all standards they are expected to be fairly aware of the happenings in the society. Few respondents however show a strong dislike for the cashless economy. While 55.1% of the

respondents prefer that cashless economy should be introduced in India. The following reasons might have accounted for the low enthusiasm about its immediate introduction, the lack of preparedness for the system, the nation having other problems to solve now, freedom to use cash to any amount, inadequate technology, and that the flow of money will be hampered.

**Table 2**  
**Cashless Economy Benefit**

Opinions	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
Reduce Risk of Fake Currency	57	25	12	06	04	100
Reduce Corruption	43	13	31	08	05	100
Stimulate Economic Growth	61	15	18	05	01	100

Source: Primary Data

**Inference**

From the above table shows that the 82% of the respondents believes that the most significant benefit of the cashless economy is reducing the risk of fake currency. 56 % of the respondents believe that it contribute towards reducing corruption. Another benefit is that it will stimulate economic

growth as money hidden in other illegitimate areas will now be freed up. 76 % of the respondents believe that efficient and modern payment system is positively correlated with the economic development and economic growth of country.

**Table 3**  
**Cashless Economy- Challenge's**

Opinions	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
Literacy required	57	10	20	10	03	100
Transparency & Efficiency in E payments	64	17	15	03	01	100
Increase in Internet fraud	67	12	18	03	00	100

Source: Primary Data

**Inference**

From the above table shows that there are some problems which respondents are facing to come with the cashless economy. 67 % population are literate they easily operate digital payment system; operate mobile phones, which will ultimately increase the users of the digital payment methods. 81 % of the respondents believe that lack of transparency & efficiency in payment system. Internet fraud is the major problem to be tackled in the cashless economy as 79% of the

respondents see exposure to fraudulent activities as a big problem.

**6. Conclusion**

From the above analysis it also appears that many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India. Large number of

population is still below literacy rate living in rural areas .For smooth implementation of cash less system in India, the following measures are recommended Government have to bring transparency and efficiency in e-payment system, strategies used by government and RBI to encourage cashless

transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments.

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