

A Study on Key Initiatives of Government to Encourage Cashless Transactions in India

Dr. Anuj Goel

Associate Professor

School of Business Studies

Shobhit Institute of Engineering & Technology,

(Deemed- to- be- University), Meerut

Email Id: professoranuj@gmail.com

Dr. Preeti Garg

Assistant Professor

School of Business Studies

Shobhit Institute of Engineering & Technology,

(Deemed- to- be- University), Meerut

Email Id: preeti_garg25@yahoo.co.in

Abstract: *Cashless economy is a situation in which the flow of cash within an economy is non-existent and all transactions are done through electronic media channels. Digital transactions bring in better transparency, accuracy and accountability. It leads to freedom to transact whenever and wherever the person wants. This initiative has not only helped the fast transactions but at the same time it has saved lot of time and money in the country. The government is focusing on developing the physical infrastructure as well as software and security infrastructure to ensure the success of its vision of providing infrastructure as a utility to every citizen. Cashless transactions help in saves money and time. Also, companies and governments will get efficient funds. 'Digital India' focuses on transforming India into a stronger digital and knowledge economy. Bharat Interface for Money (BHIM) App also launched by government to promotes cashless transactions. To encourage electronic payments and to empower India as a cashless society or economy in the medium and long term, cashless commerce is transforming as a futuristic business model.*

Key Words: *Cashless Economy, Cashless transactions, Digital India, Cashless Commerce.*

1. INTRODUCTION:

In today's scenario customers deals with cashless transactions in their daily life. Government also wants Indian economy a cashless economy for the development of country. Prime Minister Narendra Modi expresses, "on moving towards a cashless economy and creating an Indian cashless society, for betterment of Indian economy and encouraged people of India, to use cashless transactions, consider mobile phone usage, as a wallet and a bank".

In conjunction with demonetization, the government has announced waivers on convenience charges, surcharge and service charge on digital payments by government departments and organizations to promote digital and payments. Moreover, the cash culture in India is dominant and people prefer to use cash wherever possible.

In another step towards a cashless economy, a new service (UPI) has been recently launched that will allow for transaction using two smartphones. This is helpful for secure transactions for people who are not technology savvy. Aadhaar-enabled payment system (AEPS) also used as cashless transactions. Government also promoting mobile wallets to enhances the cashless transactions in India.

'Digital India' focuses on transforming India into a stronger digital and knowledge economy. Bharat Interface for Money (BHIM) App also launched by government to promotes cashless transactions.

Cashless economy is a situation in which the flow of cash within an economy is non-existent and all transactions are done through electronic media channels such as:

- Direct Debit,
- Credit and Debit Cards,
- Immediate Payment Service (IMPS),
- National Electronic Funds Transfer (NEFT) and
- Real Time Gross Settlement (RTGS).

Digital transactions bring in better transparency, scalability and accountability.

2. NEED AND RELEVANCE OF THE STUDY

As a researcher, it is noticed that in today's electronic age the E- commerce plays very vital role in Indian economy but it also plays challenging role for existing business models i.e., e-commerce. It tries to capture the market share of those who are not using electronic commerce as a means of transactions as B2B, B2C, C2C or C2B.

To encourage electronic payments and to empower India as a cashless society or economy in the medium and long term, cashless commerce is transforming as a futuristic business model. Digital transactions bring in better transparency, accuracy and accountability. It leads to freedom to transact whenever and wherever the person wants. This initiative has not only helped the fast transactions but at the same time it has saved lot of time and money in the country.

A country cannot achieve growth and development without proper strength of economic base. Since past 70 years so many governments tried to clean the economic balance sheet of the country. But, it could not be performed anyhow. Later on, the cashless economy led the country towards more transparent, properly and fairly taxed and formal economic stability.

3. REVIEW OF LITERATURE

Punjavat (1993) in his study found that students followed commonly recommended practices, some were satisfied with their credit card use, several statistically significant relationships were found and between this variables and socio-demographic characteristics pre-developed and evaluated.

Brown et al. (2003) in their study analyzed the advantages, the opportunity of mobile banking and study analyze factors which influence mobile banking.

Sahut and Malgorzata (2004) in their study highlighted on e-payment solutions and the key factors of payment solution such as:

- a) Security,
- b) Cost,
- c) Convenience,
- d) Speed; have examined in this research.

This study also analyses the various competitive, marketing and technological challenges.

Ramachandran S. (2006) focused in her article that the use of plastic money increased in recent years than paper money. It has revolutionized the banking sector in recent times.

Murugesan (2007) in his Ph. D. thesis entitled “A study on bank credit card culture in Chennai city” analysed that the credit card gives ample scope for the expansion and growth of business.

Gronlund et al. (2008) in their study analyzed and compare the applications of mobile technologies in developing countries. For this various studies and tests have been conducted to analyse the results.

Vaisla and Bisht (2010) the article emphasis on the e-initiatives levels and challenges regarding the service delivery initiatives to the citizens using (ICT) in Uttarakhand. The e-initiatives taken by government has been studies in this research.

Vaisla et al. (2011) entitled “Framework of e-initiatives for Uttarakhand,” An improved model for e-initiatives in the State of Uttarakhand in India has been presented. The various e-initiative applications have been also proposed.

Patel, B. & Amin U. (2012) in their study focused on use of cashless commerce, with its life becomes easier and financial system would become possible which would also helpful for tax legislation.

Singh (2013) the author discussed the growing trend of internet usage in urban, semi urban and rural areas. The study focused on the following points:

- Adoption of internet linked services;
- penetration of mobile phone;
- internet usage.

Vinayagamorthy et al (2015) the authors studied the perception of rural consumers towards internet banking services. It is noticed that most of the banks trying to reduce the operational costs with the help of various value-added services and innovative distribution networks.

Kumari, D. (2016) in her studies identified importance of cashless transaction with its different methods, advantages and challenges. This paper will help to understand the basic of the cashless transaction.

Saini, B.M. (2016) ‘Demonetization-Metamorphosis for Cashless India concludes that cashless transaction will lead to e-transactions. The study focused on aware the people to keep credit and debit cards transactions safe and risk free.

Patil and Mishra (2017) study to find out people as a customer will only shift when it’s easier, certain and safe to make cashless transactions rather than cash transactions.

4. OBJECTIVES OF THE RESEARCH PAPER:

- To study the modes of cashless transactions in India.
- To study the government initiatives to encourage cashless transactions in India.

5. RESEARCH METHODOLOGY:

Methodology is required for every researcher for getting the information related to the research work. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. The researchers used various sources for collection of secondary data in this research paper.

MODES OF CASHLESS TRANSACTIONS:

- **Cheque:** It is a known method to everyone. A cheque when presented for payment must be paid on demand. Payments through cheques lead to cashless transactions in Indian society.
- **Demand Draft:** Demand draft leads to cashless transaction. DD helps the customers to get payment through banks.
- **Online Transfer – NEFT or RTGS:** NEFT is also one of the modes to promote cashless transactions in economy. NEFT or RTGS helps the individuals in exchanging the amount through electronically.
- **Credit Card or Debit Card:** These cards lead to the usage of cashless transactions and in today's scenario after demonetization mostly the payments are done through debit and credit cards.
- **E-Wallets:** It is simplest cashless method. At present time mostly the online shopping payment are done through e-wallets.
- **Mobile Wallets:** Government also promoting mobile wallets to enhances the cashless transactions in India.
- **UPI Apps:** UPI is another mobile payment system which allows person to do various financial transactions on their smart phone.
- **Aadhaar Enabled Payment System:** People can use AEPS in order to perform transactions like Aadhar to Aadhaar fund transfer, Cash withdrawn, Cash deposit, etc.

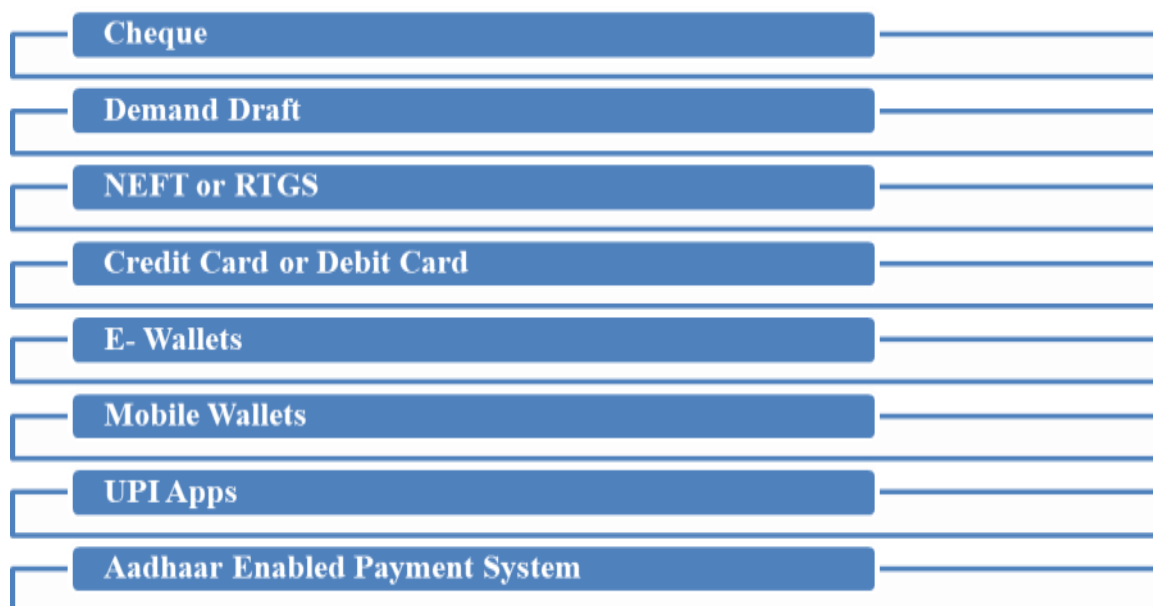


Figure 1: Modes of Cashless Transactions

6. GOVERNMENT INITIATIVES TO ENCOURAGE CASHLESS TRANSACTIONS IN INDIA

The government is focusing on developing the physical infrastructure as well as software and security infrastructure to ensure the success of its vision of providing infrastructure as a utility to every citizen.

- The Pradhan Mantri Jan Dhan Yojana (PMJDY) is clearly the largest financial inclusion exercise ever witnessed in the world. However, this should reduce significantly given the recent demonetization announcement by the government.
- In conjunction with demonetization, the government has announced waivers on convenience charges, surcharge and service charge on digital payments by government departments and organizations to promote digital and card-based payments.
- In another step towards a cashless economy, a new service Unified Payment Interface (UPI) has been recently launched that will allow for transaction between two bank accounts using two smartphones. This is very helpful for secure transactions for people who are not technology savvy.

- Aadhaar Pay is the merchant version of the Aadhaar-enabled payment system (AEPS) which is already in use. It will become an alternative for all online and card transactions which require password and PIN. Rural areas are home to two thirds of the country's population of some 870 million people where much of the challenge lies in achieving cashless transactions for the rest of the decade.
- Government has also launched UPI, payment system that can be used for immediate mobile transfers.
- Bharat Interface for Money (BHIM) App also launched by government to promotes cashless transactions.

7. CONCLUSION:

The government is focusing on developing the physical infrastructure as well as software and security infrastructure to ensure the success of its vision of providing infrastructure as a utility to every citizen. A new service Unified Payment Interface (UPI) has been recently launched that will allow for transaction between two bank accounts using two smartphones. Government has also launched UPI, payment system that can be used for immediate mobile transfers. Bharat Interface for Money (BHIM) App also launched by government to promotes cashless transactions. Cashless transactions help in saves money and time. Also, companies and governments will get efficient funds. 'Digital India' focuses on transforming India into a stronger digital and knowledge economy.

REFERENCES:

1. A, Vinayagamoorthy & M, Ganesan (2015). A Study on Rural Consumer Perception towards Internet Banking Services in Salem District, *International Journal of Applied Research*, 1(12), 726-732.
2. Brown I., C. Zaheeda, D. Douglas and S. Stroebel. (2003). Cell phone banking: predictors of adoption in South Africa – an exploratory study, *International Journal of Information Management*, 23, 381-394
3. Garg, P. and Panchal M. (2017). A study to find out advantages and disadvantages of making India a cashless economy, *Kaav International Journal of Economics, Commerce & Business Management*, 4(1).
4. Gronlund, A., Andersson, A., and Hatakka, M. (2008). Mobile Technologies for Development - A Comparative Study on Challenges, *Proceedings of SIG GlobDev's First Annual Workshop*, 13, Paris, France.
5. Kumari, D. (2016). Cashless Transaction: Methods, Applications and Challenges, *International Journal of Enhanced Research in Educational Development (IJERED)*, 4(6).
6. Murugesan, S. (2007). A study of bank credit card culture in Chennai city. Unpublished Ph.D. Thesis. Tiruchirappalli: Bharathidasan University, India, 259.
7. Patel B., Amin U. (2012), Plastic Money, Roadmap Towards Cash Less Society Paripex, *Indian Journal of research*, 1(11).
8. Patil V.S. and Mishra J. (2017). A study to find out advantages and disadvantages of making India a cashless economy, *Kaav international journal of economics, commerce & business management*, 4(1).
9. Punjavat, T. (1993). Credit card: Understanding international graduate students. Unpublished Ph.D. Thesis. Corvallis, USA: Oregon State University (August 1993), pp.441.
10. Ramachandran, S. (2006). RIFTD technology, and the Payment Process Systems, *Treasury Management*, February, ICFAI University press, pp. 37 - 41.
11. Saini, B.M. (2016). Demonetization – Metamorphosis for Cashless India, *International Journal of Science and Research (IJSR)*, 5 (12).
12. Sahut, J.M.; and Malgorzata, G. (2004). Electronic Payment Market: A Non-Optimal Equilibrium, *Proceedings of the IEEE International Symposium on Applications and the Internet Workshops (SAINTW'04)*, IEEE Computer Society, Tokyo, Japan, 1-6.
13. Singh, P. (2013). An Exploratory Study on Internet Banking Usage in Semi - Urban Areas in India, *International Journal of Scientific and Research Publications*, 3(8), 1-5.
14. Vaisla, K.S.; and Bisht, M.K. (2010). SWOT Analysis of E-Initiative in Uttarakhand, *International Journal of Computer Applications*, 12(5), 5-14.
15. Vaisla, K.S.; Bisht, M.K.; and Pant, D. (2011). Framework of e-Initiatives for Uttarakhand, *International Journal of Innovation, Management and Technology*, 2(4), 278-285.