

Growth Of Cash-Less Transactions In India: Challenges And Prospects

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Abstract - A revolutionary change has taken place in our financial setup with digitalisation of the payment system. Cash Less (Transaction) Economy to combat black money, corruption, counterfeit currency and terror financing. The Govt. intends to move towards a Cash Less Transactions. The Cash-Less Transactions done through the credit card, debit card, net banking and other source of Electronic payments. Electronic banking will be made Banking transaction to be easier by bringing services closer to its Customers. India is an ardent effort to more towards a cashless transaction economy by minimising the use of physical cash. A cash Less economy is realisable by promoting electronic money instruments, developing financial infrastructure and spreading digital transaction habits among people. The purpose of the paper is to examine how we can achieve the growth of a cash less transaction in India, and to find out the challenges and the possible measures to overcome them.

Key words: Cash less Transactions, Black Money, Digital Payments, Corruption and Terror Financing.

Introduction:

Cashless economy is defined as a situation in which there is very less cash transactions as most of the transactions are done using plastic cards or digital mobile Wallets or Electronic methods (e. Banking). The government wants India to be a cashless economy; the move towards a cashless economy is a move to wards greater accountability towards the flow to money, reduction in black money and bringing more people into the banking system. A cashless economy is one in which all the transactions are done through electronic channels such as debit/credit cards, Immediate payment services (IMPS), National Electronic Funds Transfer (NEFT), and Real Time Gross Settlement (RTGS). The Indian Economy continues to be driven by the use of cashless than 5 percent of all payments happen electronically. Electronic transactions seeks to drive the development and modernization of India's payment system. The essence of the policy is to shift the economy from a cash based economy to a cashless one. Efficient and modern payment system is a key enabler for driving growth and development. In India, the ratio of cash to gross domestic product is 12.42% in GDP; this is one of the highest in the world.

The government is working at various levels to reduce the dependence on cash. To encourage and strengthen cashless economy it's important to indicate the habit of making e-payments. Indian economy reducing the dependence on cash is desirable for a several reasons. To control counterfeit notes that could be contributing to terrorism. It also affect the monetary policy of our country and to eliminate the black money, curbs illegal activities etc. RBI has also issued licenses to open new-age Small Finance banks and payments bank with are expected to give a push to financial inclusion and bring innovative banking solutions.

Literature Review

Dhanajay. B. And Suresh Chandra B. (2015) They have explained in their article entitled on “ The Electronic Banking Revolution in India”. This article reviews that electronic payment system has progressed in the recent year in so many countries and India also. The RBI was its vision statement has set the objective to promote electronic payment and less cash economy.

Pream Kumar (2015) In his article “An analysis of Growth pattern to cash less Transaction system”. This article reviews that the cashless transaction system is reaching its growth day by day in India and markets become globalised and the growth of banking scheme more and more the people moves from cash less transaction.

Jain, P.M.(2006) In his article “E-payments and e-banking, opined that e-payments will able to check black “An Analysis of Growth pattern of cashless transaction system. Taking fullest advantage of technology, Quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication Networks.

Instruments of Cash Less Transactions

A Cash Less Transaction is more transparent as every transaction can be traced easily as it leaves its foot prints. The important cash less transaction method are online transfer through NEFT and RTGS, credit and Debit cards, E-Wallets, Mobile Wallets, UPI apps. Point of sale (POS), Intermit Banking, Mobile Banking, Micro ATMS and Andhra Enabled payment system etc.

Importance of the Study

Cash Less Transactions is referred to the economy where no liquid money is used. All the transactions are carried out using by electronic means. A Cash Less transaction is nothing but electronic transaction of one's money with aid of Internet banking, credit card, debit card, e-wallet etc. Cash Less transaction helps to authenticate financial transactions and maintain proper record, convenience of customers. This study helps the society based on several reasons. The study helps to the society to understanding growth and challenges cashless transaction. Flently Cash Less Transaction is having a flinty of Importance like digital economy will help to enhance our current banking system, and increase the tax net boost, and security and convenience for customers. Cash Less transaction is useful to society in various way such as save time and money, reduce cost, control the black money, control the illegal activities, increase the tax base and Government revenue, transparency, accountability and prompt settlement etc.

Objectives of the Study:

- To analyse the growth of cash less Transaction in India.
- To findout the challenges of cash less Transaction and to suggest the possible measures to overcome them.

Research Methodology:

This study is based on secondary sources of data/information. Deferent books, Journals, newspaper, and relevant websites have been consulted in order to make the study made an attempts to examine the growth and, challenges of cashless transactions in India.

RESULTS AND DISCUSSION

Table No.01
Growth in Digital Mode of Payment in India

Month/Year	EFT/NEFT		Immediate Payment Services (IMPS)		Credit/Debit Cards (Usage at ATMs and POS)		Prepaid payment Instruments (M-Wallet,PPI card, Paper vouchers)	
	Volume (Million)	Value (Rs. Billion)	Volume (Million)	Value (Rs. Billion)	Volume (Million)	Value (Rs. Billion)	Volume (Million)	Value (Rs. Billion)
Nov-2016	123.0	8807.9	36.2	324.8	896.1	1823.2	169.3	50.7
Mar-2017	186.7	16294.5	67.4	564.7	1089.4	2952.6	324.1	106.8
Aug-2017	151.6	12500.4	75.7	651.5	1097.8	3072.1	261.1	102.9
Mar-2017 over Nov-2016	51.7	85.0	86.4	73.9	21.6	61.9	102.0	110.4
Aug-2017 over Nov-2016	23.2	41.9	109.2	100.6	22.5	68.5	54.2	102.7

EFT/NEFT: Electronic fund transfer/national electronic funds transfer.

Source: Reserve Bank of India.

The table No-01 shows that growth of digital mode of payment in India. According to the data cash less transaction in India increased day by day from different mode of transactions. Further important outcome of demonetisation has been considerable increase in use of digital transaction. The pattern of digital transactions in March 2017 over November 2016 showed that growth rates surged in both value and volume terms compared to the corresponding period last year. The behaviour of electronic payments suggests that the surge in digital activity has been sustained. The latest data reveal that prepaid payment instrument(PPI) volumes increased by 54 per cent between November 2016 and August 2017 and the transactions under the Immediate payment Service (IMPS) more than doubled during the period. Debit and credit card payment at point of sale the familiar and time-tested model of digital payments also recorded a sharp pick-up. (POS). In addition there appears to be a structural break in the volume and of retail electronic payments, coinciding with the onset of demonetisation and the special measures put in place to promote digital payments.

Table no 2
Growth of cashless Transactions in India
(Payment and settlement systems)

System	Volume (Million)					Value (Rs. In Billion)				
	2015-16				2017	2015-16				2017
	112	Oct.	Nov.	Dec.	Sept	5	Oct.	Nov.	Dec.	Sept
1. RTGs	98.34	9.01	7.88	8.84	9.61	1,035,551	97,554.3	101,894.	110,980.	127,730.
1.1. Customer Transacti ons	93.95	8.67	7.56	8.47	9.32	.64	4	49	33	70
	4.37	0.33	0.32	0.37	0.29	700,899.8	65,533.8	66,880.1	72,702.5	91,521.6
	0.016	0.001	0.002	0.002	0.002	2	6	7	7	5

1.2. Interbank transactions						123,678.19	10,939.44	11,599.02	11,393.90	10,826.48
1.3. Interbank clearing						210,973.63	21,081.04	23,415.30	26,883.86	25,382.57
2. CCIL Operated systems	3.12	0.27	0.35	0.31	0.30	807,370.42	82,322.56	97,225.02	95,947.71	92,763.82
2.1 CBLO	1.02	0.12	0.17	0.13	0.10	178,335.28	17,707.05	17,637.88	24,112.95	23,778.02
2.2 Govt. Securities Clearing	0.88	0.11	0.15	0.12	0.08	8	5	8	5	2
2.2.1 Outright	0.134	0.013	0.015	0.015	0.018	269,778.20	30,889.57	40,141.88	38,256.72	34,013.49
2.2.2 Repo	1.89	0.13	0.17	0.16	0.19	97,285.41	14,508.37	20,487.48	14,966.22	11,098.06
2.3 Forex Clearing						172,492.78	16,381.26	19,654.46	23,290.46	22,915.42
						359,256.94	33,725.94	39,445.26	33,578.04	34,972.31
3. Paper Clearing	1,096.37	88.03	93.50	138.82	94.37	81,860.79	6,501.66	5,845.13	7,289.40	6,429.99
3.1. Cheque Truncation system (CTS)	958.39	-	-	-	-	-	-	-	-	-
3.2. MICR Clearing	-	-	-	-	-	-	-	-	-	-
3.2.1 RBI Centers	-	5.99	6.42	8.81	2.22	11,971.64	527.52	425.92	477.49	158.47
3.2.2 Other Centres	137.98									
3.3 Non MICR clearing										
4. Retail Electronic clearing	3,141.53	346.46	312.73	418.54	427.72	91,408.14	10,634.97	9,748.25	12,608.01	15,624.23
4.1. ECS DR	224.75	0.81	0.26	0.23	0.14	1,651.50	1.92	7.74	1.39	0.84
4.2. ECS CR (includes NECS)	39.00	133.21	123.05	166.31	157.67	83,273.11	16.54	8,807.88	10.31	9.60
4.3. EFT/NEFT	1,252.88	42.09	36.17	52.78	82.85	1,622.26	9,504.50	324.81	11,537.63	14,182.14
4.4. Immediate Payment Service (IMPS)	220.81	169.39	152.51	198.72	186.58	3,801.83	343.57	606.62	431.92	717.60
4.5. National automated clearing House (NACH)	1,404.08						768.44		626.76	714.06
5. Cards	10,038.67	1,032.14	906.78	1,025.48	1,096.45	29,397.65	3,069.65	1,833.46	1,801.29	3,163.59
5.1 Credit Cards	791.67	89.49	0.40	111.84	113.29	2,437.02	302.42	264.32	299.89	377.76
5.1.1 Usage at ATMs	6.00	0.62	97.60	0.38	0.65	30.41	3.00	1.39	1.01	3.11
5.1.2 Usage at POS	785.67	88.86	808.78	111.45	112.63	2,406.62	299.42	262.93	298.88	374.65
5.2 Debit cards	9,247.00	942.65	573.99	913.64	983.16	25,371.36	2,547.81	1,252.97	1,062.66	2,419.54
5.2.1 Usage at ATMs	8,073.39	802.06	234.79	592.10	717.86	1,589.27	219.41	316.16	438.74	366.29
5.2.2. Usage at POS	1,173.61	140.59		321.54	265.30					

6.	Prepaid payment instruments (PPIs)	748.02 603.98 143.47 0.56	126.90 99.57 27.29 0.04	169.03 138.09 30.89 0.05	261.09 213.11 47.93 0.05	240.29 199.48 40.76 0.04	487.58 205.84 253.77 27.97	60.22 33.85 24.34 2.03	50.10 33.05 14.42 2.62	97.70 74.48 20.89 2.32	109.77 81.54 26.19 2.05
6.1.	M-Wallet										
6.2.	PPI Cards										
6.3.	Paper Vouchers										
7.	Mobile banking	389.49	78.08	85.39	89.61	113.69	4,040.91	1,135.78	1,374.43	1,485.83	847.82
8.	Cards outstanding	686.04 24.51	766.63 27.34	771.95 27.71	779.83 28.09	853.11 33.34	- -	- -	- -	- -	- -
8.1	Credit card	661.54	739.28	744.24	751.73	819.76	-	-	-	-	-
8.2	Debit Card										
9.	Number of ATMs (in actuals)	212061	219578	220166	219866	221722	-	-	-	-	-
10.	Number of POS (in actuals)	13,85.6 68	15,12.0 68	15,89.2 63	17,05.4 23	29,00.0 38	-	-	-	-	-
11.	Grand Total (1.1+1.2+2+3+4+5+6)	15,126.04	1,602.80	1,490.26	1,853.08	1,868.74	1,835,102.59	179,062.35	193,181.15	201,840.57	220,439.54

Note: Data for latest 12 month period is provisional (Source: RBI bulletin Dec. 2015-16 and Nov 2017)

Table no 2 analyse the cashless transaction in India increased considerably from different transaction methods. RTGS system of transaction was increased total value (Rs. in billion) from 110,980.33 to 127,730.00 during the from total value (in billion) Dec 2016 to Sept 2017. Electronic clearance is increased from Billion of Rs 12608.01 to 15,624.23 during Dec 2016 to Sept 2017. The Mobile banking is also very important method to using the cashless transactions. The total value of transactions of mobile banking is reducing from billion of Rs 1485.83 to 847.82 Now days very popular method from is (PPI) especially E wallet. The report shows that the total value of traction done using e-wallet was 97.70 (Rs. In billion) Dec-2016 and it increase considerably 109.77 (Rs in billion) in Sept. 2017. The data reveals that e-wallet payment method is more preferred by customers than any other payment methods. India is gradually transitioning from a cash-centric to cashless economy. The whole country is undergoing the process of modernization in money transactions, with e-payment services gaining unprecedented momentum. A large number of business, even street vendors. Are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than before.

Challenges of Cashless Transaction in India

Some of the challenge which stand in the way of India becoming a cashless transaction there are.

- Cyber Security:** In October 2016 the details of over 30 lakh debit cards was feared to have been exposed at ATMs. It was believed that the card and PIN details might have been leaked due to which customers were advised to challenge the PIN of their ATM-cum-debit cards. Stringent steps issuing new cards were also taken so these are cyber-crimes is very dangerous to use the cashless transaction.
- Network Connectivity:** Since the day demonetization was announced, people are trying to use more of card transactions to save that dreaded trip to the bank and to save the last penny of the hard cash in hand. So many people have faced trouble standing in line to pay for a transaction at a shop when the card machines have stopped working due to an overload on the network. Connectivity issues must be resolved before dreaming about a cashless society.
- Internet Cost:** The Internet cost in India is still substantially high. There is no Wi-Fi at public places and if people do not get their monthly data packs recharged, there is no way they can be connected to make online payments. In order to convince people to do cashless transactions, the cost of the internet should be lowered and free Wi-Fi should also be provided at public places.
- Charges on Cards Online Transactions:** Heard of convenience charges of course we would have it we do online transactions. These are additional charges that are levied by the vendors when they offer an online payment facility but when the government is forcing us to go cashless should not this compulsory seen on online transaction be taken off. So charges of cards are main problem of cashless transaction.
- Non-Tech-Survey:** The new generation is glued to their phones and gadgets, computer literacy among the people in the over50 age group is still now so not many people are comfortable using computers are mobile phones and depend on their children when it comes to using computers are mobile phones and depend on their children when it to educate people on how to use phones for transactions.

6. **Smart phone Affordability:** Several companies have come up with new and inexpensive phones but they still not affordable for most of the population in India. More affordable options should be launched by the government for people to buy smart phones for cashless transaction. So smart phone affordability is most important problem of cashless transaction.
7. **Not Enough Bank Accounts:** So many people still do not have bank accounts. Most often there is just one account per family which also limits the number of cards people can have individually a family of even four people cannot be dependent on just one card for all household expenditure so lack of banking knowledge is one of the main problems of cashless transaction.
8. **Internet Blockage:** States like Jammu and Kashmir often face crack down where the internet is the first thing that is blocked. In such situations neither is it possible to use cards for transactions nor is it possible to use of E-wallets.
9. **Encourage People to Spend:** Spending by cards often encourages people to spend more giving cash by hand helps people keep a check on their expenses but paying by cards gives people a true hand. Not just through credit but even the debit cards give that impression that we can make that payment immediately.
10. **Illiteracy:** One of the biggest problems which India is facing is illiteracy. Around 30% population is yet to be educated. These are the people who don't know how to read or write. Irony is that those who are known as educated people many of them know how to use computer and internet. So they are far away from Internet Banking.
11. **Lacking infrastructure:** Lacking infrastructure is one of the main problem of cashless transaction retailers and consumers chose to deal in cash because swipe machines are not available on large scale ATMs are available but those are not sufficient. Most of the nationalised banks lacking behind in providing survive customers has to wait in queue for long time for depositing cash in banks.

Recommendation and Policy Implications

1. Government is promoting Mobile wallets, Mobile wallet allows users to instantly send money pay bills recharge mobile book movie tickets send physical and e gifts both online and offline these are the helps to the Cashless Economy.
2. Licensing of payment banks is one of the best suggestions to promoting the cashless transaction. Because increasing payment banks automatically increased to using the cashless transaction to people so government need to licensing payment banks is good suggestion for cashless transaction
3. Promotion of E-Commerce by liberalizing the FDI norms for this sector one of the suggestion to cashless transaction.
4. Making electronic payment infrastructure completely safe and secure so that incidents of cybercrimes could be minimized automatically increase in people using the electronic payments.
5. Create a culture of saving and faith in financial system among the rural poor.
6. Awareness to people cashless program related to implementation of cashless transactions so increasing the cashless transaction in India.

Conclusion

To conclude an important growth of cash less transactions has been the inducement to digital economy. It has boost to financial Inclusion efforts. There has been a distinct increase in proper saving flows. There has been a sharp increase in the number of accounts. Which has given a boost of Banking sector. India cannot completely become a cashless economy considering its high proportion of digital illiteracy and cash transaction but Indian government is working towards increasing the share of cashless transactions which is a good thing for any economy. But this method have so many problems such as network problem, illiteracy, security problems, cyber security, internet cost, phone battery etc. Government take good steps to the improve the cashless transaction, Such as increasing awareness programmes, increase incentive programmes.

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