

A study on Emerging trends in Digital payment transactions in India

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ABSTRACT - The term "digital economy" is becoming increasingly popular around the world. In his best seller "The digital economy and risks in the age of network intelligence," Don Tapscott invented the phrase "digital economy." This shift in the economy toward digitization now attempts to turn citizens' daily cash transactions into cashless transactions. It is not simply a technological transition, but also a behavioral shift. By today, everyone has used the internet or digital technology for some purpose. The term "cashless economy" refers to a system in which all transactions between two people are completed through payment gateways or plastic money. It is carried out with the primary goal of locating unregistered transactions. The Indian government has established mediums such as banking cards, USSD, AEPS, UPI, mobile wallets, bank pre-paid cards, point of sale, internet banking, mobile banking, and micro ATMs to stimulate the economy through non-cash transactions. The purpose of this paper is to examine why India needs to become a cashless economy, the benefits and drawbacks of a cashless digital economy, and the obstacles that come with changing to a cashless economy.

Key words: Digital payment, E-payment, cashless economy

I. INTRODUCTION

After the demonetization of the 500 and 1000 in 2016, there was a rise in digit payments. Since then, the number of digital payments has steadily increased over time. The formal institutional sector, as well as digital platforms, have made significant advances in technology, communication, and security to serve the people and provide the best possible service to clients. In 2020, Pandemic has increased digital payments by 44%. Cash operations cost the RBI and Commercial Banks roughly Rs 21,000 crore yearly, according to a Tufts University study titled The Cost of Cash in India. A shift away from cash will also make it more difficult for tax evaders to conceal their income, which is a significant gain in a fiscally restricted country. It is predicted that homes in India have the greatest potential for cashless payments. The barriers that restrict households from making non-cash payments were found through an extensive household survey conducted in eight cities (four metros) including 3066 households. It has been determined that non-cash instruments account for 1.38 percent of all household expenditures (2.92 percent in urban and 0.55 percent in rural).

II. REVIEW OF LITERATURE

Cash is no longer a viable form of transaction as a result of policy changes. The country must transition from a cash-based payment system to a cashless (digital) payment system. This will have a number of benefits, including lower

currency management costs, the ability to track transactions, and the ability to detect tax evasion and fraud. Increasing financial inclusion and progressively integrating the parallel economy into the mainstream (M Sumathy, D., & KP, V. (2017)

According to Woodford (2003), a cashless economy is one in which there are no transactions frictions that may be alleviated by the usage of money balances, and hence provide a reason to keep such balances even if they earn a rate of return. How much cash you have in your wallet is basically immaterial in a cashless environment. You can make purchases using a variety of credit cards or a bank transfer (Roth, 2010). It has been observed that industrialized countries around the world are shifting away from paper payment instruments and toward electronic ones, particularly credit cards. Efinance, e-money, e-brokering, and eexchanges improve some aspects of the cashless economy's operation. All of these terms allude to how transactions and payments are carried out in a cashless society (Moses-Ashike, 2011).

According to Marco and Bandiera (2004), growing use of cashless banking instruments improves monetary policy efficacy, and the existing level of e-money usage does not jeopardize financial system stability. It does, however, conclude that if the government does not pursue a responsible fiscal policy, central banks may lose control of monetary policy. India's unbanked population was estimated to be 233 million people in a 2015 analysis by Price

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Objectives of the study:

1. Importance of cashless economy for India
2. Advantages and disadvantages of cashless economy and challenges in digitize the transactions
3. Understand the Indian government preparedness to go cashless economy

Advantages of digital economy:

Following are the pros of cashless transactions to India

1. It will cut real estate prices as a result of the reduction in black money generation, as most black money is invested in real estate, which inflates the price of real estate markets.
2. There are fewer cases of tax evasion because the economy is based on banking institutions, where transaction trails are left.
3. Because money is wired directly into recipients' accounts, welfare services will be more efficient. The entire process becomes clear after money is put directly into the beneficiary's bank account. Payments will be easily traced and collected, and corruption will be reduced as a result, so people will no longer be required to pay to receive what is legitimately theirs.
4. There will be no soiled notes or counterfeit currencies in a cashless economy. In India, soiled, tobacco-stained notes brimming with germs are the norm. There are numerous instances in our lives where we unintentionally send and receive germs in the form of rupee notes.
5. Customers can expect speed and satisfaction from their transactions, with no waits or lines, and no need to contact with bank employees. Making online payments is convenient, and it will result in slimmer wallets because consumers will not need to carry cash.
6. Transparency and accountability will improve with electronic payments. The majority of cashless societies are devoid of corruption since all transactions are tracked, observable, and transparent.
7. Black money is used to fund the majority of elections. Political parties will be unable to spend thousands of crores of unexplained money on elections if they use cashless transactions. Buying votes with cash will also be prohibited. True democracy will emerge as a result.

8. The cost of printing notes and maintaining them accounts for 27 billion dollars; this can be avoided by using electronic payments, as there would be no need for paper currency.

9. Increased use of credit cards rather than cash would provide for a more thorough record of all societal transactions, allowing for greater openness in business operations and money transfers.

10. One can evaluate the history of their expenses and arrange their budget intelligently using online payment.

Cons of cashless economy

1. Many rural residents, as well as some city dwellers, still lack a functional bank account that allows them to make online payments
2. The bulk of India's population lives in rural areas, where there are no adequate internet services for making online payments.
3. There are still some establishments that only accept cash and do not accept credit cards. Using a credit card to make a purchase at such places becomes complicated. Because they cannot afford to invest in digital infrastructure, India's small shopkeepers still deal only in cash.
4. Hacking and cyber theft are difficult issues that might arise as a result of online transactions. To prevent money from falling into the wrong hands, cyber security measures must be implemented.
5. There is a lack of digital education among rural people

Challenges in making cashless economy

1. **Digital education:** More than half of the population is still unable to operate a computer. People in rural areas are still unaware of smart phones. Furthermore, there is a scarcity of internet access, and a country cannot go cashless without it. There are still a lot of rural and urban places where getting a 2G network is quite tough. Furthermore, Internet access is extremely expensive.
2. **Location of banks:** There are a number of villages and Tehsils that do not have one. The more banks there are, the more cash is deposited in accounts. Village banks should assist citizens in learning about the procedure, use, and benefits of plastic cards.
3. **Lack of literacy:** Access to banking services is hampered by a low literacy rate. To fully benefit from the benefits of e-payments, citizens must not only be able to read and write, but also have a basic understanding of ICT.
4. **Language:** The internet is a platform that is based on the English language. The information on the plastic card is likewise written in English. The transaction notice received on my phone is likewise in English. As a result, several languages must be used in these operations, or everyone must learn English.

5. **POS availability:** A huge portion of the population is outside the banking system and unable to minimize their reliance on cash. According to a Pricewaterhouse Coopers report from 2015, India's unbanked population was estimated to be 233 million people. Even for those who have access to banking, the ability to use a debit or credit card is limited due to the fact that only roughly 1.46 million points of sale accept card payments.

6. **Preference:** In India, cash is preferred over other forms of payment. In order to avoid paying taxes, merchants prefer not to preserve records, and consumers prefer cash payments. Although the number of cashless transactions has increased in recent years, a successful transition will be dependent on a number of factors, including public awareness, technology advancements, and government engagement.

Government move towards cashless economy

In a country like India, where cash is more widely used, making the move to a cashless economy would take time. Meanwhile, the Indian government faces numerous hurdles in achieving the cashless economy's goals. All citizens must have access to the internet and be financially literate, according to the government.

The steps taken by the RBI and Government of India towards cashless economy

1. Mobile wallets are being promoted by the government. Users can use mobile wallets to transmit money, pay bills, and recharge phones, book cinema tickets, and send physical and electronic gifts both online and offline.
2. The government has also launched the Unified Payments Interface (UPI), which will make electronic transactions much easier and faster.
3. Making the electronic payment infrastructure totally safe and secure, so that cybercrime incidences are reduced and users have faith in the system.
4. Withdraw of surcharge and transaction charges on digital payment and card payment.
5. Liberalized FDI Policy in this sector and also creating good financial system among the rural people.

III. CONCLUSION

Though shifting to a completely cashless economy would take time, efforts should be made to convert urban areas to a cashless economy. Given that metropolitan regions account for 70% of India's GDP, converting them to cashless would be a significant win for the government. As a result, various techniques for cashless migration must be devised for people who have bank accounts and those who do not.

We must accept the reality that a country's payment system development is largely determined by the acceptance of technology, the introduction of new payment instruments,

and the public's trust in these payment instruments. Cash is still the most common means of payment in India. As a result, technology must be used in the most effective manner possible.

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