

## “Impact of Cashless Payment on Economy Growth”

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### ABSTRACT

*Digital cash brings benefits as well as problems. One major advantage of digital cash is its increased efficiency opening new opportunities, especially for small businesses. On the other hand, it will encourage potentially the worsening of problems over taxation and money laundering. In turn, these problems may alter foreign exchange rates, disturb money supplies, and encourage an overall financial crisis. The transnationality of digital cash - the ability of digital cash to flow freely across national borders - encourages these benefits and problems, and could have significant repercussions internationally. From an economic view, this transnationality is the most important characteristic of digital cash. If digital cash behaved like traditional currencies, circulating within a national border and controlled by a central monetary authority, there would be few economic implications that would be worth analyzing. In this scenario, digital cash would be nothing more than a convenient transaction method such as a credit card. However, digital cash's very transnationality has the potential to cause conflict between cyberspace and nation states. If digital cash spreads successfully in the next century, its history may be written as a transcript of economic battles between nation states.*

**Key Words:** *Cashless Transactions, Cashless Economy, Economic Growth, Electronic-payment , Information Technology, Unified Payments Interface.*

### I. INTRODUCTION

A seamless and non-traditional system involving one or more participants, where transactions are effected without the need for cash. Digital transaction involves a constantly evolving way of doing things where financial technology companies (Fintech) collaborate with various sectors of the economy for the purpose of meeting the increasingly sophisticated demands of the growing tech-savvy users .**Digital currency (digital money or electronic money or electronic currency)** is distinct from physical (such as banknotes and coins). It exhibits properties similar to physical currencies, but allows for instantaneous transactions and borderless transfer-of-ownership. Examples include virtual currencies and cryp to currencies. Like traditional money, these currencies may be used to buy physical goods and services, but may also be restricted to certain communities such as for use inside an on-line game or social network.

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Digital currency is a money balance recorded electronically on a stored-value card or other device. Another form of electronic money is network money, allowing the transfer of value on computer networks, particularly the Internet. Electronic money is also a claim on a private bank or other financial institution such as bank deposits.

Digital money can either be centralized, where there is a central point of control over the money supply, or decentralized, where the control over the money supply can come from various sources.

## II. OBJECTIVES

1. To know the positive and negative impact of Cashless transaction.
2. To know how Cashless Transaction impact on Economic growth

## III. REVIEW OF LITERATURE

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 Alvares, Clifford (2009) in their reports** —The problem regarding fake currency in India. It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

**Jain, P.M (2006) in the article** —E-payments and e-banking opined that e- payments will be 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.

## IV. RESEARCH METHODOLOGY

The study is based on secondary sources of data/ information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one. The study attempts to examine the Impact of Cashless Transaction in India.

### 4.1. Impact of Cashless transaction

As we know every coin has two sides like it Cashless Transaction has also positive and negative impact.

### 4.2. Positive impact of Digital Transaction:

1. A cashless economy will allow less tension of tackling a wallet full of notes along with us, which is not at all safe in a world full of anti-socials. We can rather use our mobile as a one-stop solution for all kinds of transactions such as bill payments, fees payments, funds transfer, recharge, etc.

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2. It will ensure a 'black-money free India' or rather the so-called 'parallel economy' where people bypass the banks to gather money in their closets at home without coming under the purview of tax will suffer a setback.
3. Crime rates have already started diminishing due to cash ban as most of the terrorist activities are funded with black money that has bore the brunt of this. In addition to this, other crimes such as burglary, extortion, bank robbery, etc. are also declining.
4. One of the biggest advantages is the increase in the span of the income tax. Due to least involvement of cash, transactions have to be done through banks where proper KYC verifications will be done prior to banking transactions and hence, it will be easier for the Government to monitor and mend the income tax evasion by the unscrupulous persons. This will, in turn, enhance the revenue received by the Government

### 4.3. Negative impact of Cashless Transaction:

1. The cashless economy will see a hike in the hacking of the personal information over the internet such as credit and debit card numbers, PINs, passwords and other sensitive information due to an increase of digital transactions. In short, cyber crimes will escalate like anything if proper internet security measures are not taken.
2. The poor section of India who is in majority and is scarcely covered under conventional banking system will suffer a lot, as they are solely dependent on cash for their daily wages.
3. Sectors such as real estate, retail, restaurants, cement and other MSMEs, where huge cash transactions are involved are going to be affected terribly.
4. Inadequate internet infiltration, low internet speeds, limited Smartphone and broadband penetration, very less PoS machines are the roadblocks towards achieving full digitalization that is here the main substitute for cash transactions.
5. Funds will always be in control of the third party such as Government, banks, payment interfaces, etc. which lead to extreme uncertainty.

### 4.4. Cashless Transaction impact on Economic growth

- 1) **Cost of printing money:** Printing money is the direct cost that effects the bank( Reserve Bank Of India). In the cash system of economy where maximum people will work on the cash transaction, government has to produce more and more cash notes. Printing notes it is a costly affair. Data from a Right to Information answer by the RBI in 2012 shows that it costs Rs. 2.50 to print each Rs. 500 denomination note, and Rs. 3.17 to print a Rs. 1,000 note. From April 1994 to June 2016, currency has shown a yearly growth rate of 17%, while the share of bank currency has remained around 5%.<sup>2</sup> It was estimated that, for 2009–2010, RBI incurred an annual cost of INR 2800 Crores for printing currency notes (Das and Agarwal 2010). As per the new declaration of demonetization by Modi it has cost the nation an additional burden of 12000 Crore on the exchequer.

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- 2) **Maintenance Cost:** Other than printing cost of the currency notes there are many other expenses that RBI and government has to do. Another important aspect is the maintenance in the form of storage of notes, transportation of the notes to the distant places, security of the notes, and devices for the detection of counterfeit notes. The other major aspect of the maintenance is that the distribution of money through ATM machines at the different locations. It is reported that all this maintenance cost the government about 5% of the GDP of India. In nutshell we can save somewhere around 500 crores by this mean only.
- 3) **Eradication of the corruption:** going cashless is going to eradicate the corruption to some extent. The direct transactions of the money cannot take place easily. These transactions will be simple easy and transparent which in turn will show in the accounts of the senders and the receivers. This cashless economy is going to hit the corruption in a very planned way from the government offices. This is again going to save enough money in the economy of the country.
- 4) **Help to Check High Rate Of Organized Crimes:** Such As Armed Robbery, Kidnapping Terrorist Activities And Money Laundering: It is a well known fact that the criminal underworld usually requires huge volumes of cash to carry out their nefarious operations in order to avoid being traced or tracked. Therefore, placing a limit on the amount of cash flowing in the system, will curtail such activities as armed robbery, kidnapping, drug and gun running and money laundering. In an environment of extensive and predominant use of cheques and e- payments, criminal transactions can be easily traceable and tracked. All the terrorist related activities are highly funded by the cash. The cashless economy helps the government to keep a check on the free flow of cash to the terrorists and terrorist related activities.
- 5) **Wipe away the black money from the market:** it has been observed that many businessmen start evading the real money. Most of them never show the actual business on paper. This habit of evading sales has caused a lot of Impact on the tax of the country. Small shopkeepers and big industrialists do this to save tax. This practice has created a very big problem of loss of tax to the exchequer. The loss of huge money has lead to the parallel economy in the state that has created a big los not only to the government but towards the development of the common people's goal. The presence of cashless economy will definitely lead to the development of the country by means of collecting surplus taxes and also to spend these taxes for the benefit of the scheme. Modi in his poll manifesto of 2014 general election has announced that if the government is able to bring back the black money in the mainstream than every Indian will have 15 Lakhs of rupees in their accounts irrespective of their income potential.
- 6) **Installation of formal and pure form of economy:** It has been observed that cashless economy leads to the start of proper formal and functional economy in the country. When all the transactions are made proper clear clean and taxed, it may lead to the establishment of formal setup of the total financial system that leads the country towards the development.

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- 7) **Stop Leakages:** Cashless economy is the best and one of the few ways in the system to stop leakages of the money by the officials of the government while distribution money to the beneficiary. The present policy of the linkage of AADHAR or UID NO. by the government has resolved this issue to the great extent. The direct benefit transfer policy of the government has helped the identification of the beneficiary on the basis of biometric identity and helps the people to get their dues directly in their bank accounts. This is again a digital or cashless system of transaction that helps the individual to save time and money
- 8) **Decrease the cost of commodity:** the cashless economy aims at reducing the cost of the commodities by setting aside the black market and the proper deposit of the tax. All this leads to the development of the system where one can find the cost of the commodity going down in the market. The developed economy like China is the best example for this. customers. Making Transaction is very easy by using information technology.

## V. CONCLUSION

The adoption of one type of cashless payment will affect another type of cashless payment in the short run. The impact of adopting cashless payment on economic growth can only be significantly observed in the long run. Hence, any policy that promotes cashless payment will not affect the economy immediately.

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