



## Transactions without cash - ITS methods and benefits

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### Abstract

In these present days without transactions, we cannot survive in business. Most of the payments are done in cash. In order to avoid BLACK MONEY transactions, we all should go for cashless transactions. Going are the days when we are using only cash as a medium of transactions. With the technological advancements various methods were introduced to make the payments easily. Cashless economy means a situation where all the cash inflows and outflows are done through the advanced technology such as debit cards, credit cards etc. But every method has certain pros and cons. This is a conceptual paper which help the reader to understand the meaning, methods and benefits of the concept. This paper is based on secondary data.

**Keywords:** Credit card, debit card, paytm, electronic checks

### Introduction

A paperless economy describes the status of the economy where financial transactions are not conducted with money in physical forms such as Bank Notes or Coins, but rather through the transfer of digital information between the transacting parties. 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, electronic clearing and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). Today, credit cards and online payment services are becoming increasingly popular in urban India, paper currency notes are still an essential part of daily life. One saying is revenue is vanity, cash flow is sanity, but cash is king. Cash may be defined as any legal medium of exchange that is immediately negotiable and free of restrictions.

We are the fourth-largest user of cash in the world. The rate of cash to GDP is the highest, i.e., 12.42% in India. Cash in circulation to private consumption ratio in India is 20% and Card transactions account for 4% of the personal consumption expenditure. As most people are illiterate, poor, engaged in small transactions and having less banking habits. For them cash is the most convenient and easy form of medium of exchange, free from hassles. A cash transaction is immediate and doesn't involve any intermediary. Cash provides individuals and families with liquidity. One needs not to worry about a computer system crashing, power going off, and losing transaction midway. Use of cash doesn't involve any extra cost as in the use of debit/credit cards. Even in the most cashless countries like France and the Netherlands, cash still accounts for 40% or more of all consumer transactions. Usually, cashless economies have low corruptions and less black money. Almost every country is bracing towards cashless economy and many countries have made significant progress. It is just a world trend which India is trying to catch up.

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After reading the various research papers & articles of various researcher we came to find out that Current Position of Cashless India is as under

- The cash centric informal sectors like agriculture, real estate, etc., have been affected by demonetization. However, the experts say that it's a short-term scenario and this move will give positive long-term consequences.
- To bring the economy on track again, government is promoting cashless economy because scrapping of cash needs an alternative to cash.
- India's black money has been estimated by the World Bank in 2010 to be worth about one fifth of the GDP. In a country where 90% transactions are carried out on cash basis it was a revolutionary move to transform from cash to cashless transactions.
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- Under this scheme, 250 million bank accounts have been opened in two years. As per RBI reports bank branches increased by 5% per year but ATMs, debit cards and cards swiping machines have doubled in four years and online transactions have grown 20 times in six years to 2016. All these data show a gradual shift towards cashless economy. Demonetization has sped up this transition.

### Research methodology

Research methodology is the guiding principle for the purpose of creation of knowledge. For the present paper I used the secondary data to collect information both quantitative and qualitative. It is a humble attempt to clear the concept of the reader.

### Methods of cashless transactions

#### 1. POS (Point of Sale)

Point of sale generally means any location where a sale or transaction may take place such as shopping malls, a market

or a city where something likely is going to be brought or sold. POS transaction is one of the easiest methods of cashless transaction [3] through which you can control corruption. In this mechanism three simple steps have to be performed. First swipes, second, password entry, and finally get transaction detail.

## 2. UPI (Unified Payment Interface)

UPI is a kind of payment system through which we can transfer the money between two different parties. By using UPI, a bank account can be initiated to transfer money from any time anywhere with the help of few clicks. The best things of such types of transaction are that you do not need to share your credit details or wallet password.

Every bank has a personal Mobile App through it has become easier to transact. For this some steps need to be taken that are

1. Register mobile number into bank.
2. Download UPI app into smart phone.
3. Generate a unique ID into it.
4. Set UPI pin.

## 3. E-Wallet

This term is used for a kind in of electronic device that allows anyone to make electronic transaction. To use this service, you just need a computer or a smart phone only. Anyone can also link his bank account with it, with the help of driving license, health cards, and other ID proof. To perform online transaction through E-Wallet anybody has to follow the following steps.

- a. download any E-Wallet like SBI Buddy.
- b. Use your Mobile number for registration.
- c. Connect your Debit/ Credit card or Net banking with it.

## 4. USSD (Unrestricted supplementary Service Data)

To get benefit from this transaction you do not need any computer or smart phone. A simple featured phone is enough. Hence it is also known as —Quick codes!

Let's talk about how it works.

When someone sends message to the phone company, the company reverts back with a call or message to give details of what the customer has asked. USSD also be used to refill the balance on user's SIM card to deliver OTP.

To perform the USSD transaction the following steps should be followed.

1. Connect your mobile number with your bank account.
2. Dial \*99# into your phone
3. Dial four numbers before the short name of your bank
4. Select the option of your —Fund Transfer!
5. Dial MMID of the person to whom the transaction money is transferred (Beneficiary).
6. Dial your amount and MPIN; dial four digit of your account number after a space.
7. UIDAI (Aadhar Enabled Payment System)

Link your Aadhar card with your bank and get benefited for the following safe and secure transaction.

1. Fund transfer.
2. Balance enquiry.
3. Withdraw/ Deposit cash.
4. Interbank transaction

## Cashless payment benefits

The effects of demonetization are being felt across the entire nation, and many people are confused because our prime minister has hinted at a cashless society. Many wonder how a cashless society would be advantageous.

Going cashless has a number of advantages and is quickly rising to the top of the list of options. Cashless transfer refers to digital or electronic capital transfers made through net banking, credit cards, etc. Using their laptops or smartphones, people can easily manage their finances, shop, schedule transactions, and pay their bills online.

Going cashless makes life easier while also assisting in the formalisation and authentication of transactions. This contributes to reducing corruption and the flow of illicit funds, which boosts economic growth. The cost associated with printing and shipping currency notes is decreased. Cashless transactions are not common in a country like India, and this is because of the technology gap and a lack of proper education. Even though these are serious issues, the government or financial institutions must deal with them in order to build a strong cashless economy.

The advantages of cashless transactions are as follows:

### 1. Command over illicit funds

Now that black money has become a risk, it is crucial to control it with cashless transactions. Every time we purchase a product, the distributor avoids paying taxes by not disclosing their income to the government. Since this money is not tracked by the government, it is referred to as black money. Black money refers to any properties that are not inspected by the government and for which no taxes have been paid.

### 2. Command over Fake note

If everyone in society uses cashless transactions, it is impossible to make fake notes because they become useless. In this instance, every transaction will be completed online.

### 3. Refusing to finance terrorism

The holders of black money use their unaccounted funds to finance terrorism. However, cashless transactions will eliminate both counterfeit money and black money, preventing support for terrorism.

### 4. Payment of tax

Since all transactions will be made online, nobody can keep money on them. Therefore, everyone must pay taxes for what they possess.

### 5. Unlawful funding of politics

The main issue in the nation is political donation. The majority of political party funding is opaque and neither the party nor the donor discloses it. If a government adopts cashless transactions, all such illegal transactions would come to an end.

### 6. The price of producing and distributing money

Since there are no paper notes to print and distribute, the cost of currency printing and distribution would be zero for a cashless transaction.

## Result of the study

A cashless India will lessen instances of tax evasion in addition to reducing unreported wealth. The Indian

economy has been shocked by demonetization. Time will tell if it is successful in assisting transactions towards a cashless economy or if it causes enough economic harm. Below are a few examples of direct advantages:

### Direct Advantages

1. Expensive maintenance fees The Reserve Bank of India (RBI) reports that as of June 2016, the provisional estimates for the total amount of currency in circulation are INR 16.61 trillion, of which only 5% is held by banks. While the share of bank currency stayed at around 5% from April 1994 to June 2016, currency showed a 17% annual growth rate.
2. According to Das and Agarwal (2010), printing currency notes cost the RBI an estimated INR 2800 crores per year between 2009 and 2010. This amounts to 0.4% of the total amount of currency in use.
3. This price excludes expenses for security, transportation, storage, identifying fakes, etc. The price of printing and distributing cash accounts for roughly 0.2% of India's GDP when we include the cost of storage and maintaining these currencies through ATMs alone. Given these expenses, a 5% annual growth rate in cashless transactions will save more than INR 500 crores every year.
4. Accounting information and tax receipts Although it is challenging to obtain precise estimates, there is undoubtedly a significant amount of "black money" in the nation, both in terms of value and as a percentage of GDP.
5. The government recently announced the immediate demonetization of all high-value currencies as a preventative measure. According to Schneider (2006), black money accounts for between 23% and 26% of India's GDP. According to some recent estimates, it accounts for 40% to 75% of the GDP.
6. India is also one of the nations with low tax collection rates. In India, the tax burden is estimated by the Economic Index of Freedom to be only 17.6% of GDP, which is lower than the global average of over 25%.
7. A complicated tax structure and low tax compliance are the main causes of the lower tax burden. India's direct tax rate is 30.9%, lower than the 35.6% global average, but only 1% of the country's total population pays income taxes.
8. Increasing the collection of indirect taxes is the goal, so. All transactions involving cashless payment systems would generate digital traces. Financial transparency will be higher in a system that encourages and rewards the "buyer" to use cashless instruments (increasing the use of bank-to-bank transactions without involving actual money). This is possibly the most direct method of addressing the corruption and black money problems in India. Recently, Bhattacharya and Singh (2015) found a strong causal relationship between high currency notes and corruption using a panel of 54 countries over the years 2005–2013. Perhaps the indirect advantages of going cashless are greater for India. We focus on two advantages that are crucial in the Indian context. Promoting financial inclusion is the first, and better targeting is the second.

### Conclusion

While the Indian government has implemented demonetization, it is attempting to educate its citizens about cashless transactions through a variety of advertising techniques. However, many people are still waiting for the implementation of cashless transactions. This essay examines the various forms of cashless transactions, as well as their benefits and drawbacks. This essay will aid in understanding the fundamentals of cashless transactions.

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