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**IMPACT OF E-BANKING ON CASHLESS SOCIETY IN INDIAN ECONOMY**

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**INTRODUCTION:**

Cashless transactions defined as a situation in which the flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing, payment systems such as Immediate Payment Service (IMPS), National Electronic Funds. Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

Internet banking is changing the banking industry, having the major effects on banking relationships. Banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. In true Internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service. The net banking, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services.

The Indian Economy continues to be driven by the use of cash; less than 5% of all payments happen electronically. In India, the ratio of cash to gross domestic product is 12.42% in GDP, which is one of the highest in the world. It was 9.47% in China or 4% in Brazil. Further, the number of currency notes in circulation is also far higher than in other large economies; India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US.

**E-Banking**

E-banking is the electronic bank that provides the financial service for the individual client by means of Internet. Internet banking (or E-banking) means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions. In internet banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking. The network which connects the various locations and gives connectivity to the central office within the organization is called intranet. These networks are limited to organizations for which they are set up.

**LITERATURE REVIEW**

Annamalai, S. and Muthu R. Iyakkuvan (2008) in their article "Retail transaction: Future bright for plastic money" projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money.

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.

Ashish Das, and Rakhi Agarwal, (2010) in their article “Cashless Payment System in India- A Roadmap” Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.

### COUNTRIES DEAL AS CASHLESS ECONOMY

Denmark, Sweden, and Norway are already considering it, while the European Central Bank is considering getting rid of large-denomination bills. Cash, according to a recent MasterCard study, accounts for nearly 85% of global consumer transactions.

COUNTRIES	CASHLESS TRANSACTIONS
1-Singapore	61%
2-Netherlands	60%
3-France	59%
4-Sweden	59%
5-Canada	57%
6-Belgium	56%
7-United Kingdom	52%
8-USA	45%
9-Australia	35%
10-Germany	33%
11-South Korea	29%
12-Spain	16%
13-Brazil	15%
14-Japan	14%
15-China	10%
India	2%

### OBJECTIVES OF THE STUDY

- To know the importance of Cashless Transaction System.
- To assess the customer trust and confidence in Cashless Transaction System.
- To assess the uses pattern and nature of transaction done by the customer for its different uses.
- To identify the factors promoting Cashless Transaction System.

### RESEARCH METHODOLOGY

Methodology is the systematic, theoretical analysis of the methods applied to a field of study. Typically, it encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques. I have collected **Secondary Data** to develop information for the research.

### BENEFITS OF CASHLESS ECONOMY

The cashless economy has its own advantages. The transaction costs are coming down and will further go down. Once a substantial part of transactions are cashless, it would bring down the cost of printing,

managing and moving money around. Further, the cashless economy automatically solves the problems of cash out on long holidays, risk of carrying currency notes etc. Further, the lesser use of cash strangulates the grey economy, prevents money laundering and increase tax compliance. Increased tax base would result in greater revenue for state and greater amount available to fund the welfare programmes.

### LIMITATIONS OF INDIA IN CASHLESS SOCIETY

- Cyber security
- Network connectivity
- Internet cost
- Charges on cards, online transactions
- Smart phone affordability
- Internet blockage
- Not enough bank accounts

### FINDINGS

There are many benefits that are related directly or indirectly to the India's economy with the use of cashless transactions in the market. The direct benefits include:

- 1.COST OF PRINTING MONEY:** Printing money is the direct cost that affects 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.
- 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 loss 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.
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.

### **EFFORTS TOWARDS CASHLESS ECONOMY**

The RBI and government have launched several measures for the spread of electronic and other non-cash settlement culture. The Vision-2018 for Payment and Settlement Systems in India brought by the RBI in June 2016 reiterates the commitment to encourage greater use of electronic payments by all sections of society so as to achieve a "less-cash" society. "The broad contours of Vision-2018 revolve around five Cs — coverage, convenience, confidence, convergence, and cost. To achieve these, Vision-2018 will focus on four strategic initiatives such as responsive regulation, robust infrastructure, effective supervision and customer-centricity," – RBI.

1. Banning Cash Transactions exceeding a specified amount
2. Capping on Cash Holdings
3. Incentives for encouraging electronic payments
4. Removal of Electronic Transaction Charges
5. Bharat Bill Payment System (to allow for all bills payments)
6. Make up our Mind (Willingness to accept changes)
7. Awareness about Technology
8. Strict Cyber Security

## 9. Mobile Money Wallets

### CONCLUSION

The cashless transaction system is reaching its growth day by day , as soon as the market become globalized and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done.

So, it is without doubt said that future transaction system is cashless transaction system.

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