

Volume 6, Issue 1 (XXXVIII)

January - March 2019

ISSN 2394 - 7780

Subodh 2018-19



ज्ञान-विज्ञान विमुक्तये  
UGC  
University Grants Commission  
Journal No.: 63571

International Journal of

# Advance and Innovative Research

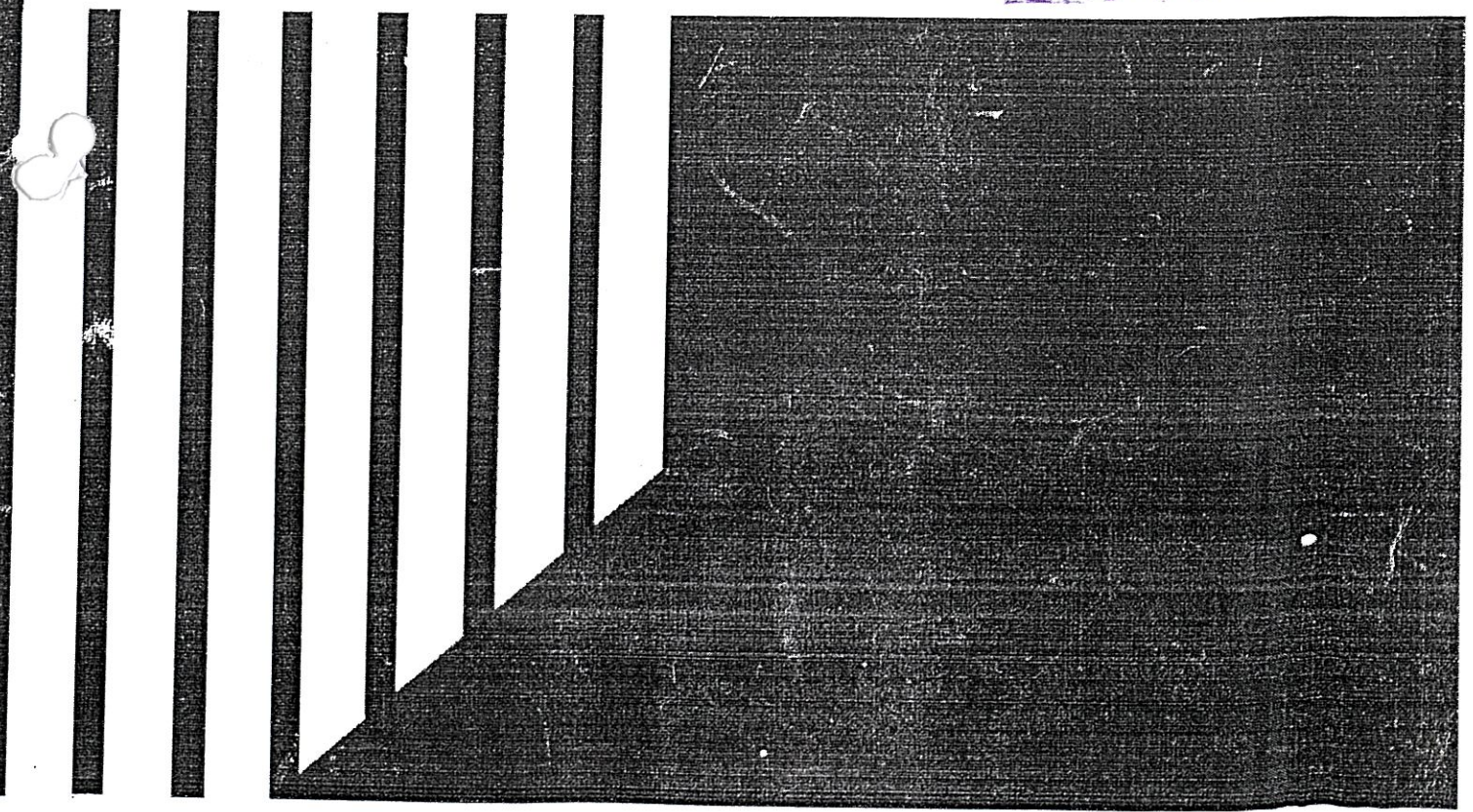
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## “WORLD ROAD TO CASHLESS ECONOMY”

In collaboration with

University of Mumbai & India Accounting Association [Thane Branch]

(PEER REVIEWED)

SPECIAL ISSUE OF INTERNATIONAL JOURNAL OF  
ADVANCE AND INNOVATIVE RESEARCH



ज्ञान-विज्ञान विमुक्तये

UGC Approved Sr. No. 63571  
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**Journal - 63571**

**UGC Journal Details**

Name of the Journal : International Journal of Advance & Innovative Research

ISSN Number :

e-ISSN Number : 23947780

Source: UNIV

Subject: Multidisciplinary

Publisher: Indian Academicians and Researchers Association

Country of Publication: India

Broad Subject Category: Multidisciplinary

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**CASH LESS ECONOMY: CHALLENGES AND OPPORTUNITIES BEFORE INDIAN ECONOMY**

Prof. Subodh S. Barve

Assistant Professor, Department of Commerce, Ramniranjan Jhunjhunwala College, Ghatkopar (W), Mumbai

**ABSTRACT**

Indian economy is one of the fastest growing economies in the world, but suffering from problems like black money, fake currency, inequality etc. have created hurdle for economic development. Hon'ble Prime Minister Narendra Modi continuously insisting to tackle these issues, economy should transform from cash base economy to cashless economy. Several economic reforms opened the gateway for cashless economy in the form of Credit and Debit cards, Net Banking, UPI, Mobile Wallet etc. Demonetisation of 500 and 1000 rupee notes in 2016 compelled the citizens to go for cash less transactions. It is seen cashless economy has both opportunities and challenges. The objective of this paper to find out important opportunities and challenges of cashless economy in India.

Keyword: cashless economy, credit card, credit card, digital payment.

**INTRODUCTION**

Cashless economy is a system where payments are made through different digital modes like debit card, credit card, internet banking, mobile banking etc.. Cash less economy means less cash economy. Since several years due to unorganised payment mechanism and lack of RBI's control India has witnessed parallel economy in the form of black money which has caused social problems like poverty, low GDP growth rate, corruption etc. Demonetize tion in 2016 has increased cashless transaction volume from,523.33mn transactions worth Rs.93.9 lakhs cr. which was increased to 682.45mn amounting to 150.24 lakhs cr. During November, 2106 to March, 2017. Cashless movement seems to be failed because as per 01st June, 2018, RBI report currency in circulation was 17.9lakh cr.on November 2016 and by June 2018 amount reached to 19.3 lakhs cr. which is more than the amount in circulation before demonetization.

**OBJECTIVES**

1. To understand the guidelines of the Central Government and the RBI to encourage digital payments in India in post demonetisation period.
2. To study the opportunities and challenges of digital payment in India.

**RESEARCH METHODOLOGY**

This paper is based on primary and secondary data. Primary data has been collected from different age groups by questionnaire method. The sample size for the study is 114 respondents.

Secondary data has been collected through books, journals, government publications, reports of research agencies, newspaper, websites etc.

The research is mainly exploratory in nature and analysis is on the basis of observations.

**HYPOTHESES**

1. H0 - There is no specific guidelines for digital payments.  
H1- There is specific guideline for digital payment
2. H0- India has low opportunities and high challenges in digital payment.  
H1 - India has vast opportunities and limited challenges in digital payment.

**GOVERNMENT INITIATIVES FOR PROMOTING DIGITAL PAYMENT AFTER DEMONETISATION**

1. 0.75% discount on purchase of petrol or diesel for payment through digital modes.
2. The Central Government through NABARD shall provide financial help to eligible banks to install 2 POS devices in 100000 villages with less than 10000 population. This covers 75% population to perform agriculture transactions.
3. Issue of "Rupay Kisan Cards" to 4.32 core Kisan Credit Card holders to facilitate them to make digital transactions at POS machines/Micro ATMs/ATMs.
4. From 1<sup>st</sup> January,2017, Railway has started giving 0.5% discount on seasonal ticket and monthly tickets if payment is made through digital modes. And accidental insurance up to 10 laths

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5. Public insurance companies like LIC and GIC started offering 8% and 10% discount respectively on new insurance policies taken through digital means.
6. Public sector banks are advised that merchant should not pay more than 100 per month for POS terminals, Micro ATMs.
7. No service tax for digital transactions up to Rs.2000/- per transaction.
8. For the payment of toll at Toll Plazas on National Highways using RFID card/Fast Tags, a discount of 10% will be available to users in the year 2016-17.
9. The Central Government has introduced its own payment mobile app called as 'BHIM' to facilitate digital payments.

#### MODES OF CASHLESS PAYMENTS AND TRENDS

1. **Cheque and Demand Draft** :- it is a negotiable instrument use for small and big amount transactions.
2. **NEFT and RTGS** :- It facilitates quick transfer of funds and fast processing of cheque between banks.
3. **Internet Banking** :- in this mode people can perform several online financial transactions through bank web sites such as payment of tax, bills, fund transfer, investment in shares, etc.
4. **Electronic Clearing Service (ECS)**:- in this mode large volume and amount of transactions can be processed. E.g. payment of salary,
5. **Credit and Debit cards** :- these cards are called as 'Plastic Money' and alternative to cash. These cards provide lot of convenience in payments..
6. **Unifies Payment Interface (UPI)** :- this system facilitates immediate transfer of funds between different banks through Smart mobile phones. It allows send and receive of money without disclosing bank information.. Eg. BHIM
7. **Mobile wallet** :- It allows user to load money in the wallet via Immediate Payment Service . It requires linking of bank account with mobile wallet. Banks and even private companies have developed mobile apps to facilitate payments. Eg. Pay tm,.
8. **Point of Sales**:- it is a machine which facilitates payment transactions only . Payments can be done by swiping debit or credit card. It is mainly used at shopping places like petrol pump, hotels, etc.
9. **Mobile Banking**:- several banks do have their mobile app to provide banking services like checking balance, NEFT, RTGS etc. It is different form mobile wallet.
10. **Immediate Payment Service (IMPS)** :- it is an instant payment interbank electronic fund transfer in India. This service is available on mobile phones across India. It is
11. developed by NPCI with objective. This service is available round the clock and through the year even on bank holidays.

	Values in Billion Rupees		
	2015-16	2016-17	2017-18
CTS	69,889	74,035	79,451
RTGS	8,24,578	9,81,904	11,67,125
NEFT	83,273	1,20,040	1,72,229
ECS DR.	1,652	39	10
ECS CR	1059	144	115
CREDIT CARDS	2,407	3,284	4,590
DEBIT CARDS	1,589	3,299	4,601
UPI	---	69	1098
IMPS	1,622	4,116	8,925

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Source: RBI Annual Report 29<sup>th</sup> August 2018

STATISTICAL ANALYSIS OF OPPORTUNITIES AND CHALLENGES IN CASHLESS TRANSACTIONS IN INDIA :-

1. Gender

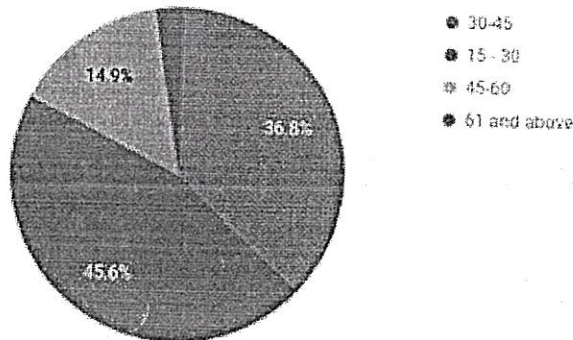
Males	Females
69.6%	30.4%

4. Cashless Transactions

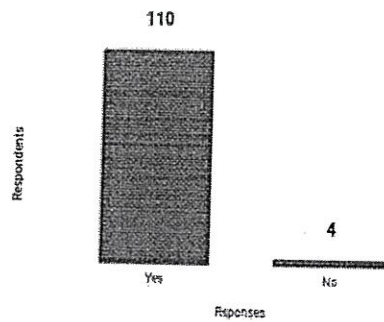
2. Occupational status

Salaried	51.8%
Unemployed	28.1%
Professional	16.7%
Business	3.4%

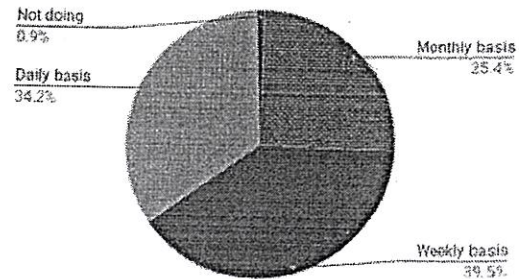
Age



5. Frequency of cashless Transactions  
 Are you doing cashless transactions



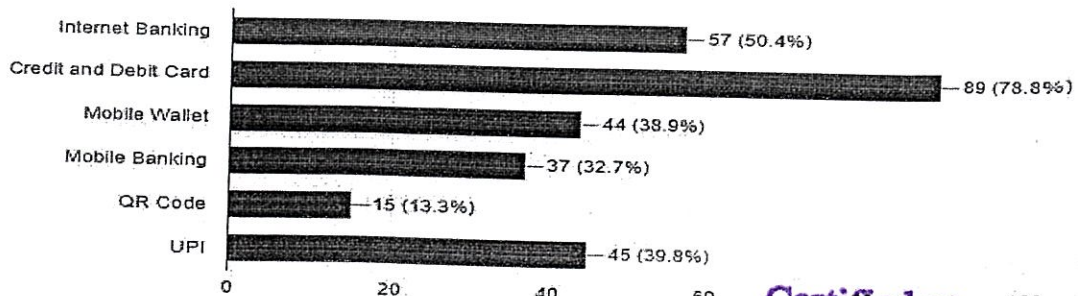
Frequency of Cashless Transactions



6. Modes of Digital Payments

Which of the following Digital Mode of payment do you prefer for payment ?

113 responses



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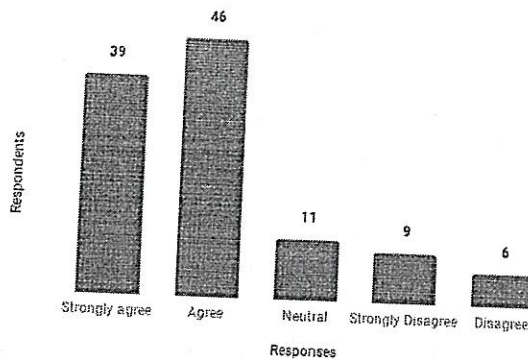
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**OPPORTUNITIES FOR CASH LESS TRANSACTIONS IN INDIA**

1. Reducing corruption:-

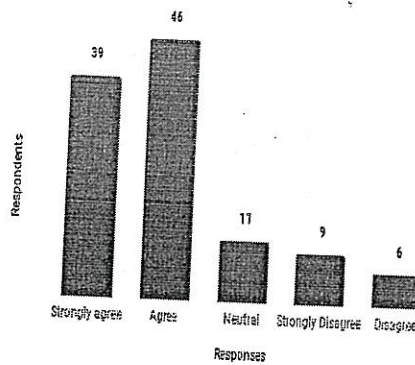
Cashless transactions will reduce some amount of corruption because of fairs of transactions. Out of 114 respondents around 70% agreed that digital transactions will reduce corruption

[Reducing Corruption]



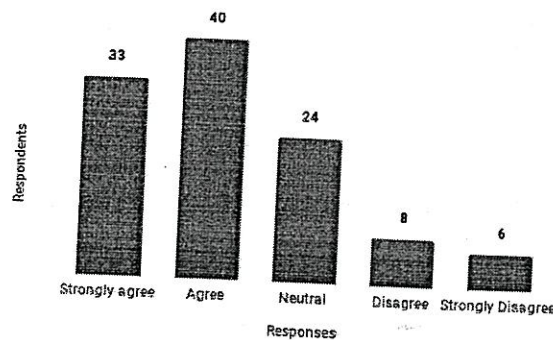
2. Control of fake currency :- Indian currency has been suffering from fake currency notes due to which it own value diminished..Out 114 respondents 85 of them have expressed positive opinion that India can overcome counterfeit problem through cashless transactions

[Reducing Corruption]



3. Increases in Government Revenue:-

Increases revenue of the Government



73 out of 114 respondents expressed that cashless movement will increase revenue of the government in form of tax, penalty and so on. After demonetisation in 2016, it has been seen that number of tax payers have increased tremendously which is highest in last 10 years.

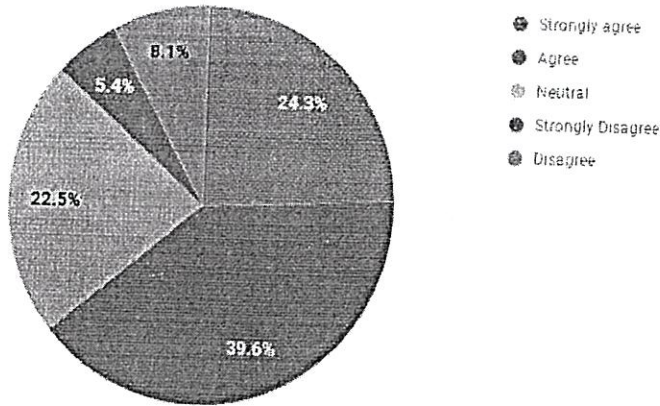
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4. Better Economic Growth :-

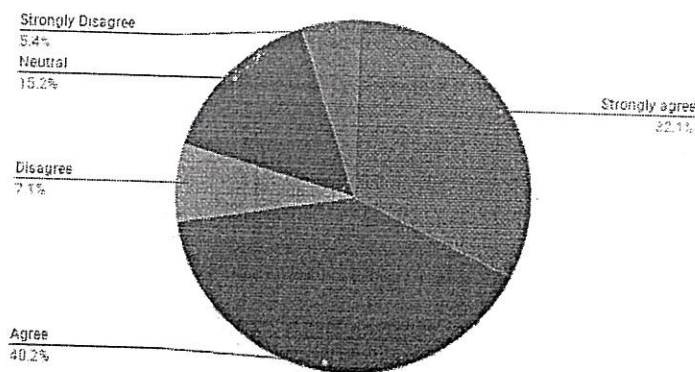
Better Economic Growth



Since 2016, GDP has increased from 7.1% to 8% growth rate in Q1,2018. 64% respondents are of the opinion that digital mode of payments will accelerate economic growth in coming financial years.

5. Control Over Tax Evasion:

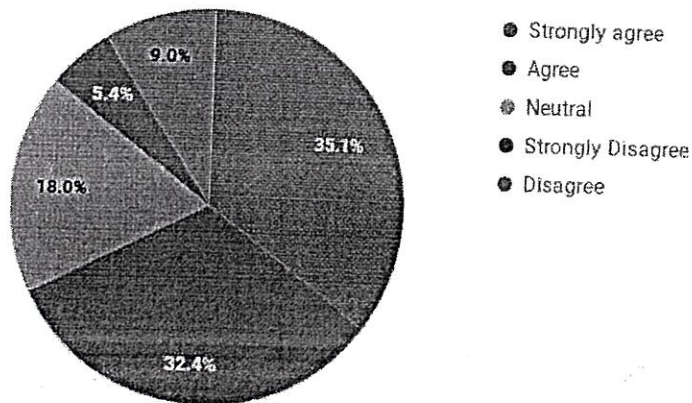
Control of Tax Evasion



73% population is of the opinion that due to digital cash transaction tax evasion can be reduced which will lead to increase government revenue and transparency in business.

6. Control of Black Money :- Black money is a major hurdle in economic growth of the country results in to several social problems like poverty, inequality, etc.

Control of Black Money



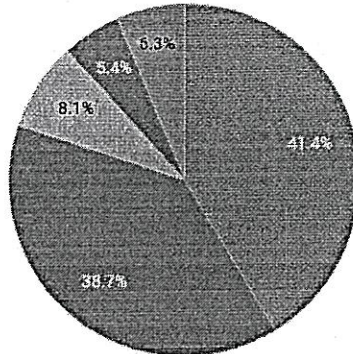
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Around 67% people are of the opinion that black money can be controlled through digital transactions because it reduces use of cash and also impel people to record transactions. This will gradually reduce volume of black money in the economy.

7. Transparency in Transactions :-

Transparency in transactions

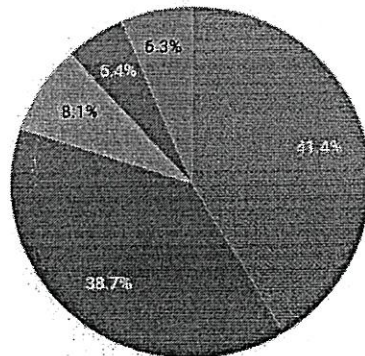


- Strongly agree
- Agree
- Neutral
- Strongly Disagree
- Disagree

80% population in the respondents are saying that use of digital mode of payments will bring transparency in business because book records are created, this will do away with creation of black money and evasion of taxes.

8. Reduction in crime :-

Transparency in transactions

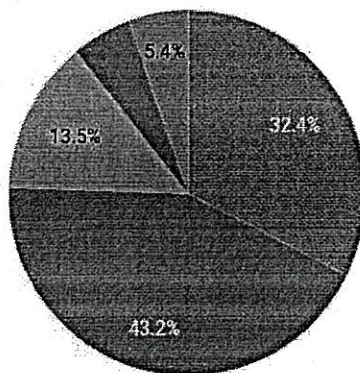


- Strongly agree
- Agree
- Neutral
- Strongly Disagree
- Disagree

Around less than 50% believe people feel that rate of crime can be controlled because of cashless transactions. But, at same time 30% population are neutral and cannot decide whether crime can be controlled or not. And remaining 20% are disagreed about reduction in crime.

9. A step to develop nation :-

A step to Developed Nation



- Strongly agree
- Agree
- Neutral
- Strongly Disagree
- Disagree

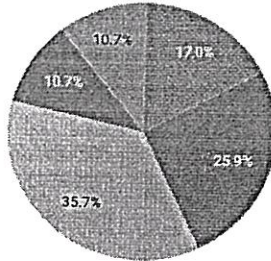
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75% population is of the opinion that cashless economy is a step towards developed nation. India being developing country it is keenly needed to introduce cashless transactions. This will automatically curb social problems.

10. Overcoming social problems :-

Over Coming Social problems



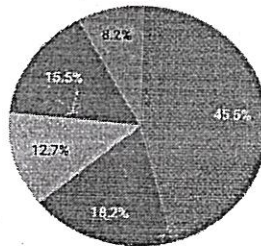
- Strongly agree
- Agree
- Neutral
- Strongly Disagree
- Disagree

More than 60% population is of the opinion that promotion of cashless economy will overcome social problems in the time to come by avoiding leakages in the economy.

**CHALLENGES FOR CASH LESS TRANSACTIONS IN INDIA :-**

1. High cash dependency :-

High Cash Dependency

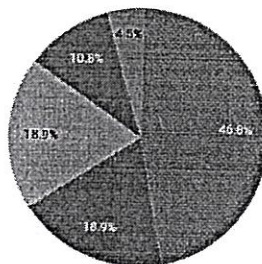


- Agree
- Neutral
- Disagree
- Strongly agree
- Strongly disagree

Indian people are very much habitual of using cash for large and small transactions. More than 63% respondents feel that use of excess cash in the economy is a majore challenge in cashless economy.

2. Poor Digital Infrastructure :-

Poor Digital infrastructure

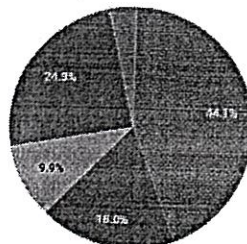


- Agree
- Strongly agree
- Neutral
- Disagree
- Strongly disagree

More than 63% respondents are of the feelings that poor digital infrastructure is the main challenge in making cashless economy. Poor infrastructure refers to low connectivity, limited covered etc.

3. Non Bank Population :-

Non- Bank population



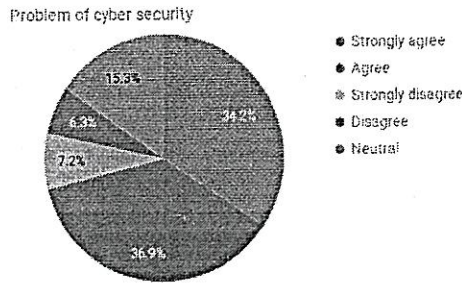
- Agree
- Strongly agree
- Disagree
- Neutral
- Strongly disagree

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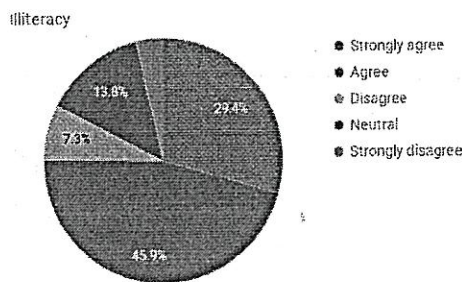
62% population feels that people not having bank account is the major challenge of cashless economy. Bank account is the basic requirement of digital transactions.

4. Problem Cyber security:-



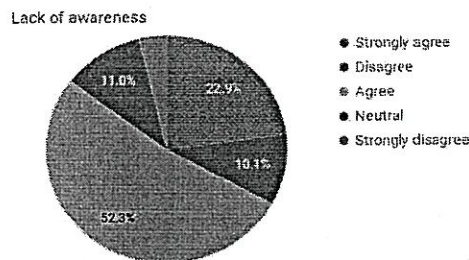
More than 70% respondents are of the opinion that they fear to perform cash less transactions because of low cyber security. Some people do not have knowledge about security which can be victims of cyber crimes.

5. Illiteracy:-



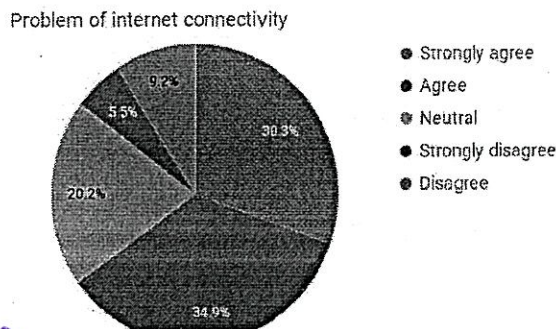
73% population said that illiteracy is a challenge in cashless movement. Even 8% people are not possible to decide whether illiteracy is a problem or not.

6. Lack of awareness :-



More than 80% people are of the expression that lack of awareness is a challenge to cashless transactions in India.

7. Problem of internet connectivity :-

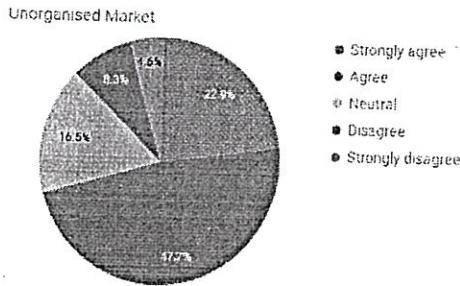


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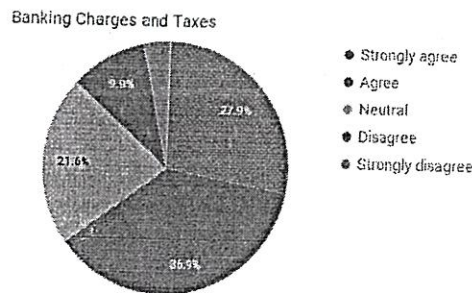
Around 65% respondents in the view that internet connectivity is not sufficient in different parts of the country which is utmost need for cash less transaction. This reduces willing to perform cashless transactions.

8. Unorganised Market:-



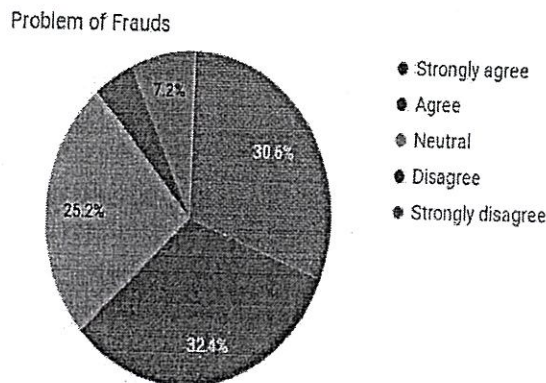
Indian markets are highly unorganised and as a result people tend to perform cash transactions rather than cash less transactions. 65% interviewees feel that unorganised market is hampering cashless movement.

9. Banking Charges and Taxes :-



Around 70% respondents are of the feelings that transactions through Credit card, NEFT, Debit card, Net Banking etc. attract banking charges and taxes also. These charges create unwillingness among the people to perform cashless transactions.

10. Problems of Fraud:-



62% respondents are agreed that cashless transactions will give rise to fauds in the form of hacking, cloning of cards etc.

**HYPOTHESIS TESTING**

Hypotheses are tested on the basis of percentage method.

1. H0- null hypothesis is rejected because government has done specific guidelines for promoting cashless economy.
2. H0- null hypothesis is rejected because India has lot opportunities and less challenges in case of cashless economy.

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### FINDINGS

1. People making payments through Credit and Debit cards are approx.79% followed by internet banking 50%. However, users of other modes of cashless transactions like UPI, Mobile Wallet, Mobile Banking, QR code etc are less than 40 % .
2. Indian people are dependent on cash , This may be due to poor digital infrastructure, and lack of awareness.
3. Digital infrastructure which includes internet connectivity, speed, mobile connectivity etc.very poor especially in rural areas.
4. Bank account is an essential pre requisite for digital payments. Many Indian citizens do not have bank accounts. This is the big hurdle in cash less economy.
5. Many people are illiterate who cannot read and understand complexity of digital payments.
6. Still majority of the population does not know how to use credit card, debit card, internet bank etc. This seems that people are lacking in awareness of cashless economy and it benefits.
7. Indian markets are mainly unorganised in nature where most of the transactions are performed on cash basis rather than through digital mode.
8. It seems that due to bank charges for ATM, Debit and Credit Cards, POS machines etc. people are reluctant to do cashless transactions.
9. People feel that online transactions should be taxed.

### RECOMMENDATIONS

1. The Government should encourage opening of more bank accounts with Zero balance.
2. Banking Charges should be waived off for Debit Card, Credit card , NEFT and so on this will motivate people to use cashless transactions.
3. More focus should be given by the Internet Service Provider to improve connectivity and speed of the internet.
4. All transactions beyond Rs. 10000/- should be made compulsorily cashless to avoid creation of black money.
5. People should be educated through TV, Newspapers, Workshops and so on regarding use of Digital Payment modes.
6. Use of UPI, QR code, POS transactions must be facilitated to convert unorganised market into organised market.
7. Online transactions up to Rs. 10000/ should not be made liable for taxes.
8. Cyber security needs to be strengthening to avoid cyber frauds and develop the confidence of the people towards online transactions.
9. There should be insurance coverage for higher amount of transactions to protect against likely frauds.
10. Incentives must be given to regular users of digital payment modes.
11. Make payments Bio Metric which will enable people do not remember passwords.

### CONCLUSION

After demonetisation Indian economy has gone through major changes in respect of cashless economy. It is seen by new UPI app, Mobile wallets , IMPS transactions and so on. Young population is techno savvy that can play a major role in making Indian economy cashless. India, through cashless transactions can tackle two major problems like black money and fake currency. Though there are several opportunities for cashless economy, but main challenge is high dependency on cash and persuade human minds for cashless transactions.

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**DECLARATION**

I, Shri Subodh S. Barve the Author of the research paper titled as "Cash less economy: Challenges and Opportunities before Indian Economy" informing that the research work is original work and the same paper has not been submitted anywhere.

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