# A STUDY ON CASHLESS BANKING TRANSACTIONS

Dr. Nabaghan Mallick[*]
Miss. Junali Sahoo[**]

## ABSTRACT

*Demonetisation of high denomination currency notes of Rs. 500 and Rs. 1,000 has proved to be an experiment too risky for the government and too testing for the general public. The Centre is making a big push for online and card-based transactions in the country to achieve its target of becoming a largely cashless economy. However, it seems the country is not ready for such an immediate shakeup. The question, however, remains whether India is ready for such an overhaul of its cash-driven economy. RBI figures for July, 2016 show that banks had issued 697.2 million debit cards and 25.9 million credit cards to customers after deducting withdrawn or cancelled cards. Spending habits also say a lot. In July this year, 881 million transactions were made using debit cards at ATMs and PoS terminals. Out of these, 92 per cent were cash withdrawals from ATMs. The principal purpose for cards in Indian setup is thus a means to withdraw cash. Financial security over the digital payment channels is imperative for pushing the cashless economy idea. In this paper a study on cashless banking transactions has been made.*

**KEYWORDS***: Demonetization, Cashless Economy, Cashless Banking, ATMs and PoS Terminals.*

_____

## Introduction

Digital India is a campaign launched by the Government of India to ensure that Government services are made available to citizens electronically by improved online infrastructure and by increasing Internet connectivity or by making the country digitally empowered in the field of technology. It was launched on 1st July 2015 by Prime Minister Narendra Modi. The initiative includes plans to connect rural areas with high-speed internet networks. Digital India consists of three core components. These include:

- The creation of digital infrastructure
- Delivery of services digitally
- Digital literacy

## Cashless Transactions

Cashless Transaction (India) refers to the Cashless India Campaign and e-Khareed Portal. The former brought about by Indian Prime Minister Narendra Modi's Digital India initiative and indirectly by the 2016 Indian banknote demonetization in an effort to remove Indian black money. The latter brought about by Indian Prime Minister- Manmohan Singh in 2012 to reduce corruption in India and increase transparency in Government procurement processes. The basic requirement, to make a cashless transaction, is to have a sim card activated, feature phone, mobile phone or a smart phone. The instructions to operate the transaction will be delivered on dialling a specific number from, customer phone. The vendor also needs to be registered with a National Bank which will provide the vendor, with a code.

## A Cashless Society

A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital

---

[*]     Assistant Professor,  Department of Commerce, Dharanidhar (Auto), College, Keonjhar, Odisha, India.
[**]    6th year PG, Department of Commerce, Dharanidhar (Auto), College, Keonjhar, Odisha, India.

information (usually an electronic representation of money) between the transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bitcoin. However a loss of cash also transfers complete control of transactions, interest, and individual use of money, and information about these, to the nation state and third party providers, since the individual cannot avoid their money being held in an external system capable of regulation and control. Many countries have regulated, restricted, or banned private digital currencies such as Bitcoin.

**Initiation by States of India**

- **Goa:** Goa, is likely to implement the cashless transaction.

- **Andhra Pradesh:** Andhra Pradesh Government is likely to launch a Mobile app for the people, to implement for cashless transaction in the State.

- **Odisha:** Odisha Government has asked National Banks cooperation for, usage of cashless transactions by people. In Bhubaneswar, a awareness program was initiated mutually by East Coast Railway and State Bank of India on cashless transaction operations.

- **Haryana:** Haryana Government, in support of cashless transactions, has implemented, methods to improve electronic payment transactions. The "e-Kharid" portal is a joint initiative of the Haryana State Agricultural Marketing Board and the Department of Food & Supplies, Govt. of Haryana.

- **Delhi:** In New Delhi to create awareness, for cashless transactions, The Parliament of India, started staff food canteen, to which payment on purchases by staff members, will be made by cashless transaction. The BJP party Delhi unit launched an initiative, of mobile phone usage as a tool for cashless transaction.

**Types of Cashless Transactions**

The government wants India to be a cashless economy: the move towards a cashless economy is a move towards greater accountability towards the flow of money, reduction in black economy and bringing more people into the banking system. 59% of Indian households are banked while the mobile tele-density is around 74%. The fastest growth is coming from mobile payments. The interbank mobile payments service has increased from just 860 transactions in its first month in November 2010 to 4.4 million transactions in August, 2014. The concept of mobile banking was virtually non-existent five years ago. But in just 3 years, number of transactions using mobile banking has increased 4 times to 95 million while the amount transacted has increased three times to 60 billion rupees. Going cashless is trending in India now-a-days. Soon after government's demonetization move, people started adopting to modern ways of cashless payment options. There are many cashless payment options available in India. But in this post I will share with you the best 4 cashless payment options that you can use to transact cashless India. To promote cashless economy, many cashless transaction providers have started giving out 100% cash back on cashless transactions, such as:

BHIM (Bharat Interface for Money) is a Mobile App developed by National Payments Corporation of India (NPCI), based on the Unified Payment Interface (UPI). It was launched by Narendra Modi, the Prime Minister of India, at a Digi Dhan programme at Talkatora Stadium in New Delhi on 30 December 2016. It has been named after *Bhim Rao Ambedkar* and is intended to facilitate e-payments directly through banks and as part of the 2016 Indian banknote demonetization and drive towards cashless transactions.

**Limitations of BHIM**

There are certain limitations of BHIM. These can be a disadvantage for some people but because of these limitations BHIM app is very simple:

- You can add only one bank account at a time.

- You can have only two Virtual payment address. The first would be default containing your mobile number while you can set the second VPA.

**Improvements Required**

- It should give the flexibility to enlist multiple bank account.

- The app should fetch the mobile number from the contacts of the phone. The Phonepe app uses this feature. However, once you save a number for Future use, It would appear in the BHIM app itself.

- There should be a feature to capture QR code which is shared with you. You can't scan such QR code.

**Unified Payments Interface**

Unified Payments Interface (UPI) is a payment system launched by National Payments Corporation of India and regulated by Reserve Bank of India which facilitates the fund transfer between two bank accounts on the mobile platform instantly.

UPI (Unified Payments Interface) is an advanced version of Immediate Payment Service(IMPS) platform designed for transferring funds using: Transfer through Virtual Payment Address (Unique ID provided by bank) or Account Number + IFSC or Mobile Number + MMID (Mobile Money Identifier) or Aadhaar Number or Collect / Pull money basis Virtual ID. A MPIN (Mobile banking Personal Identification number) is given to the banking customer once they register for UPI which is required to be entered while confirming a money transfer.

**E-Wallets**

A digital wallet refers to an electronic device that allows an individual to make electronic transactions. This can include purchasing items on-line with a computer or using a smartphone to purchase something at a store.  An individual's bank account can also be linked to the digital wallet. They might also have their driver's license, health card, loyalty card(s) and other ID documents stored on the phone. Here Are The Top 20 E-Wallets in India:

| | | | |
|---|---|---|---|
| 1 | Airtel Money | 11 | Mobikwik: |
| 2 | Citi MasterPass: | 12 | MomoeXpress: |
| 3 | Citrus Pay: | 13 | Money on Mobile: |
| 4 | Ezetap: | 14 | Mswipe: |
| 5 | Freecharge: | 15 | Ola Money: |
| 6 | HDFC PayZapp: | 16 | Oxigen: |
| 7 | ICICI Pockets: | 17 | Pay Mate: |
| 8 | JioMoney: | 18 | Paytm: |
| 9 | Juspay: | 19 | PayUmoney: |
| 10 | LIME: | 20 | State Bank Buddy: |

**Plastic Money**

Plastic money or polymer money, made out of plastic, is a new and easier way of paying for goods and services. Plastic money was introduced in the 1950s and is now an essential form of ready money which reduces the risk of handlings a huge amount of cash. It includes Debit cards, ATMs, smart cards, etc. Credit cards, variants of plastic money, are used as substitutes for currency:

- **Credit Card**
    - Cashless payment with a set spending limit
    - Payment takes place after the purchase
    - Great flexibility thanks to installment facility
    - Most well-known credit cards: American Express, Mastercard, Visa
- **Charge Cards**
    - Cashless payment without a set spending limit
    - Payment takes place after the purchase
    - No credit or installment facility
    - Most well-known charge cards: American Express, Diners Club
- **Debit Card**
    - Card is directly linked to the cardholder's bank account
    - Transaction is debited immediately from bank account
    - No credit or installment facility
    - Most well-known debit cards: Maestro, Postcard

- **Customer Card/ Store Card (PLCC)**
    - Card with payment and credit function
    - Can only be used at specific retailers
    - Well-known customer cards: myOne, Globus, Media Markt

**Prepaid Card/Gift Card**
    - Card is topped up with credit before use
    - No credit or installment facility
    - Open system (American Express, Visa, Mastercard) or closed system (can only be used at specific retailers)

However, plastic money has its share of issues that one must be careful about. Plastic money definitely provides an alternative in some cases and compliments cash as a medium.

**Is India Ready for Cashless Transactions?**

The question, however, remains whether India is ready for such an overhaul of its cash-driven economy. A report by Google India and Boston Consulting Group showed that last year around 75 per cent of transactions in India were cash-based while in developed countries like the US, Japan, France, Germany etc it was around 20-25 per cent. Due to demonetization business for mobile or e-wallet companies has boosted by up to 4 times and the figures are keeping up. Much of the cash transactions in the country are small exchanges for goods or services and the penetration of PoS terminals is not enough. Millions of people still don't have a bank account, access to PoS sale points, internet or infrastructure to understand and use online payment methods etc. So we need a large scale penetration of digital services and PoS terminals to facilitate digital transactions in small towns, rural areas, untapped markets in urban India. Finally, financial security over the digital payment channels is imperative for pushing the cashless economy idea. When recently, data of lakhs of debit cards was rather easily stolen by attackers, the ability of Indian financial institutions to safeguard electronic currency and exchanges came into question. Also a big reason why people prefer cash as financial fraud has become too common and complicated for the common person.

**Positive & Negative Impacts of Cashless Economy**

The drastic digitalization over the past few years has indeed affected almost every sphere of our lives. One of the most recent effects has been the move towards a cashless economy in India. Starting with the note ban in November 2016 due to the sudden withdrawal of the notes of Rs.500 and Rs.1000 denominations from the economy overnight, the Indian economy is going cashless. Cashless economy is definitely a wise move, given the fact that it provides the following advantages:

- 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.

- 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.

- 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.

- 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. Above all, the cashless economy will lead to the most convenient and secure economy for all. In short, a cashless economy can only be possible with sufficient infrastructure and planning that are required for supporting an economy like India.

**Conclusion**

A major obstacle for the quick adoption of alternate mode of payments is mobile internet penetration, which is crucial because point-of-sale (PoS) terminal works over mobile internet connections, while banks have been charging money on card-based transactions, which is seen as a

hurdle. The low literacy rates in rural India, along with the lack of infrastructure like internet access and Power make things extremely difficult for people to adopt e-transaction route. The financial safety over the digital payment channels is important for pushing the cashless economy idea. Imagine losing your credit cards or being the victim of digital hackers can lead to a whole host of issues like denied payment, identity theft, account takeover, fraudulent transactions and data breaches. Currently, there is a mix of cash and cashless transactions happening across the country, while many enablers are working towards turning the cashless economy dream into a reality. We have taken big strides towards becoming a cashless economy; however it will take more than a generation to change the habit from cash to no cash transaction. Rushing the economy into a cashless state without proper planning and infrastructure will be disastrous and its consequences will be everlasting. A gradual move towards less-cash society as said by the Prime Minister is the right way forward.

**References**

❀      www.google.com
❀      www.bhimapp.com
❀      www.upiapp.com
❀      www.ewallet.com
❀      www.cashlessindia.gov.in
❀      www.digitalindia.com

○○○