



Transformation Of Cashless Transaction In India With Reference To Volume And Value Of Cashless Transactions

Dr. R. S. Salunkhe^{1*}, Mr. Bharat Nagargoje²

^{1*}Principal, Arts, Commerce and Science College, Palus, Sangli.

²Assistant Professor, Indira College of Commerce & Science, Tathwade, Pune.

***Corresponding Author: Dr. R. S. Salunkhe**

***Principal, Arts, Commerce and Science College, Palus, Sangli.**

	Abstract
	<p>The medium of exchange for the transactions has been continuously evolved right from the stage of barter system to the current cashless economy. The cashless transactions, in real sense, the transaction between two entities without a medium of exchange. This paper intends to analyze the Cashless transactions in terms of value and volume. For this study the cashless transactions data is analyzed for 5 years. The secondary data is collected from RBI website. The RBI Annual Report 2019-20 and 2021-22 are used to analyze the total cashless transactions in the past 3 years. The statistical tools like Graph, Chart and percentage has been used to analyze the data.</p>
CC License CC-BY-NC-SA 4.0	Keywords: Cashless Economy, Cashless Society, Transactions, Digital Payments, NEFT, Paper based instruments.

Introduction

Payment systems are an important part of every country's economy. The medium of exchange is the key element for the successful implementation of payment system in the country. Right from the barter system, medium of exchange has been change drastically. Historically we had gold, coins, and paper currencies as the medium of exchange.

Various developments in the payment system have happened in recent era due to the emergence of Information technology. Now in electronic payment system, there is no need of any physical medium of exchange. With the use of Information technology, new methods of payments like, Card payments, NEFT, UPI etc. have emerged.

Cashless transactions instruments can be broadly categorized as Paper based instruments and digital payment instruments. The transactions using digital instruments like card payments, UPI, NEFT etc. are increasing every year in term of value as well as volume. At the same time the share of paper based instruments primarily, Cheque payments is decreasing in total cashless transactions.

Digital payments are easier and more convenient than traditional payment methods. Transaction cost is also reduced drastically due to digital payments. Almost all Payment apps and mobile wallets do not charge for the service provided. Till date UPI services are free of cost. The digital payment systems helps to organize routine utility payments like Mobile bill, Electricity bill, gas booking, TV recharge etc.

Due to the emergence of UPI payments which are linked to mobile number, a digital payment for retail purchases are more convenient and faster than the cash payments. A payment can be done in seconds by scanning QR code of vender.

Technological development, Internet infrastructure and affordable android mobile empowered people of all the segments of society to conduct cashless transactions. On the other hand, RBI, under the guidelines of government, created a secure environment to conduct cashless transactions.

Objectives of the Study

1. To know the concept of Cashless Society.
2. To understand cashless transactions conducted through various modes.
3. To analyse the cashless transactions in terms of value and volume from the year 2017-18 to 2021-22

Research Methodology

The present study is descriptive in nature. For this study, secondary data is used. Secondary data is collected from RBI Website, articles published in different journals, published books, periodicals and websites, etc.

Statement of the Problem

The current study 'Cashless Transaction in India: A study with reference to Volume and Value of cashless transactions.' Is conducted to understand the cashless payments. The cashless transactions conducted in terms of value and volume in last 5 years will be studied to know the trend of various cashless payment methods.

Review of Literature

Rudresha C.E (2019): Researcher has discussed the concept of cashless transaction, modes of cashless transactions and merits & demerits of cashless transactions. Researcher has found that financial literacy should be increased and proper infrastructure should be provided for the growth of cashless transactions.

RBI Annual Report 2019-20 and 2021-22: RBI Annual report is comprehensive report published by RBI every year. This report includes current developments in area of economy and banking. It also provides plans and prospects for banking and economy. The payment and settlement section of RBI reports provides the data of cashless transactions conducted using various instruments for last 3 years.

Dr. Anthonima K. Robin (2018): This study has discussed the positive and negative aspects of cashless transactions. The positive aspects like reduction in crimes, control of illegal transactions, convenience etc. are focused. While the safety and security concerns are discussed. Researcher also discussed the Demonetization context.

Dr. Budheshwar Prasad SinghraulV(2018) : Researcher has compared india with other countries for cashless transaction. One of the major findings shows that India is far behind in comparison to other developed countries. India is in first stage of cashless economy and it is gradually moving from cash to cashless transactions.

Concept of Cashless Society

From the history of mankind we have witnessed various forms of cash. Cash works as the blood in the economy of any country. According to the book "Building a Cashless Society: The Swedish Route to the Future of Cash Payments", there are 3 paradigms of money

1. Value-Based Money – This is the money whose value is based on the inherent value of the metal of which it is made. Gold, silver or any type of coin is value based Money. We were using Value-based money for thousands of years. Anyone who receives a coin, he can estimate the value of the coin by knowing the price of that metal.
2. Fiat Money- In this paradigm, the value of money is based on the trust in the producer of money and his or her ability to deliver the promise to pay the value of money mentioned on it. The most convenient form of Fiat Money is paper money. Paper is easier to produce, carry and to destroy.
3. Decentralized Money- Bitcoin, Ethereum, cryptocurrencies, or virtual currencies are decentralized money. The record of the transactions of virtual currencies is kept in the ledger which is decentralized and built on the technology called block chain. It is transparent and there is no requirement of middleman like bank, government etc. This is the phase of money where the power of influencing monetary system is not in the hands of any government.

Methods of Cashless Transactions

Cashless transactions can be divided as paper based transactions, card based transactions and electronic transactions.

Paper Based Cashless Transactions

The transactions conducted using Paper instruments other than cash. A Cheque, traveler's cheques, bankers' drafts, paper images, paper based vouchers and paper postal orders are some of the instruments used for paper based transactions. Generally Cheque payments get settled in one or two days.

Card Based Cashless Transactions

These are the plastic cards which include an electronic chip containing the owners personal and bank details. Owner of this card can use this card at shops, hotels, stores and any other point of sale. The card along with the pin, need to be used on POS machines to conduct the payment transaction.

- 1. Debit Card:** This is the plastic card which is attached to the bank account of the owner and at the time of the payment transaction, the money gets deducted from the bank account of the card owner.
- 2. Credit Card:** Credit card allows the owner to spend money and pay it later.
- 3. Prepaid cards:** These cards are not linked with bank account but user of this card can recharge this card with the amount and spend it at the point of sale.

Electronic Payment Based Transactions

In this payment type transactions are carried out electronically using mobile applications, internet banking and electronic payment system. There are various ways to conduct the electronic transaction as below.

- 1. NEFT / RTGS:** This payment system is used to transfer the funds across the banks. Bank customers can initiate NEFT transfer using Internet banking login provided by the bank. The fund gets transferred in batches after a specific time interval.
- 2. UPI:** Using this payment system, customer can transfer the funds anytime to anyone having Virtual Payment Address (VPA). Bank account or the IFSC code is not compulsory to use UPI. A user of UPI needs to have a valid bank account and a registered mobile number, which is linked to the same bank account.

Data Analysis

Cashless Transactions Volume (Lakh)

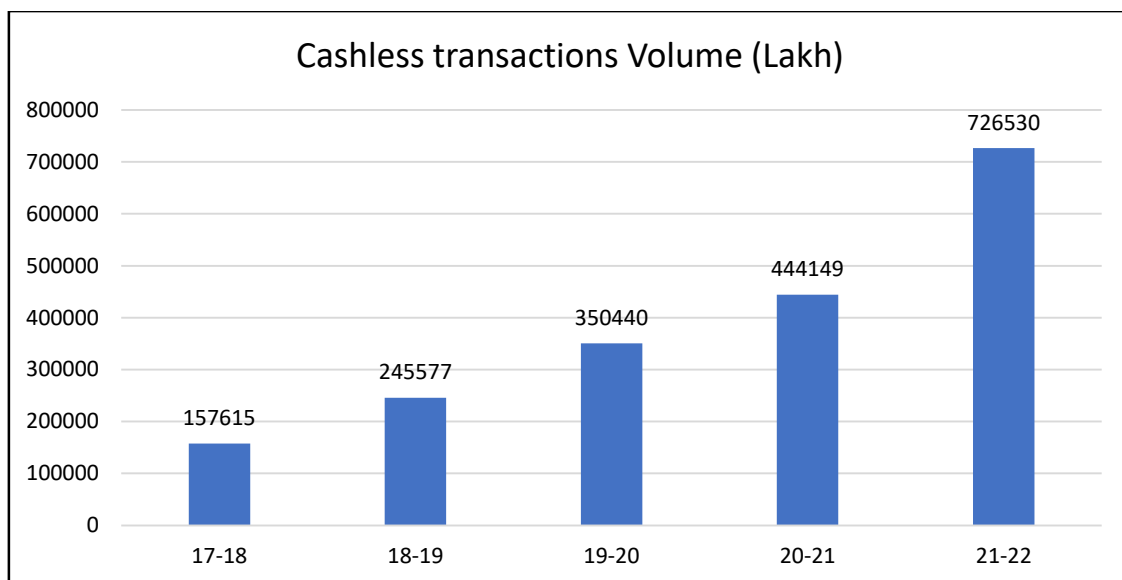
	17-18	18-19	19-20	20-21	21-22
RTGS	1,244.00	1,366.00	1,507.00	1,592.00	2,078.00
Credit transfer	58,793.00	1,18,750.00	2,06,297.00	3,17,868.00	5,77,632.00
NEFT	19,464.00	23,189.00	27,445.00	30,928.00	40,407.00
UPI	9,152.00	53,915.00	1,25,186.00	2,23,307.00	4,59,561.00
Card Payments	47,486.00	61,769.00	72,384.00	57,787.00	61,786.00
Prepaid Payment Instruments	34,591.00	46,072.00	53,811.00	49,743.00	65,812.00
Paper based instruments	11,713.00	11,238.00	10,414.00	6,704.00	6,999.00

Source: RBI Annual Reports

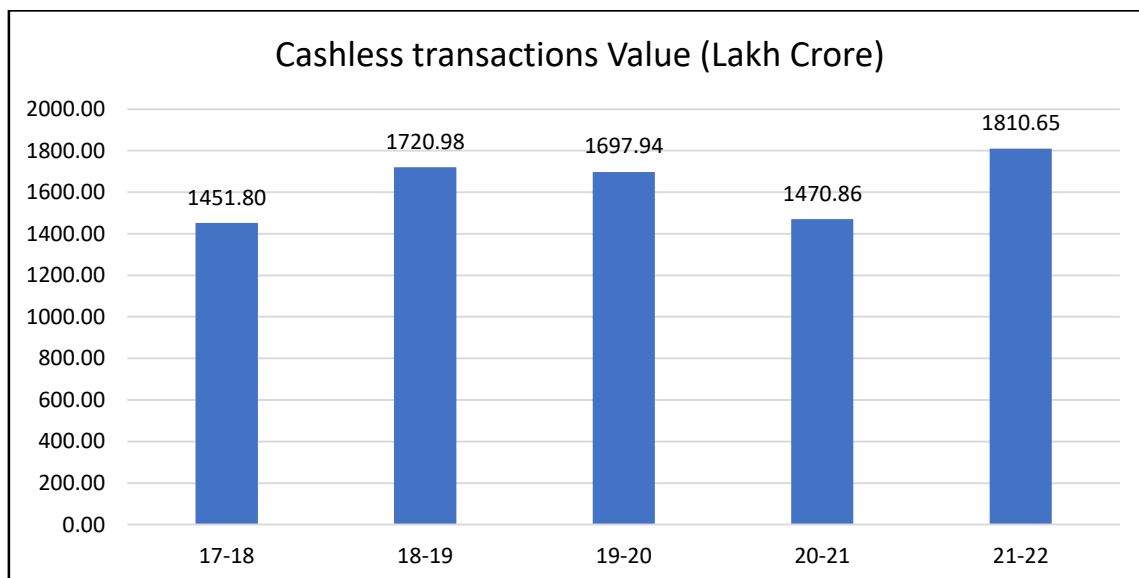
Cashless Transactions Value (Lakh Crore)

	17-18	18-19	19-20	20-21	21-22
RTGS	1,167.12	1,356.88	1,311.56	1,056.00	1,286.58
Credit transfer	188.14	260.98	285.57	335.04	427.23
NEFT	172.23	227.94	229.46	251.31	287.25
UPI	1.10	8.77	21.32	41.04	84.16
Card Payments	9.19	11.97	14.35	12.92	17.02
Prepaid Payment Instruments	1.42	2.13	2.16	1.98	2.94
Paper based instruments	81.93	82.46	78.25	56.27	66.50

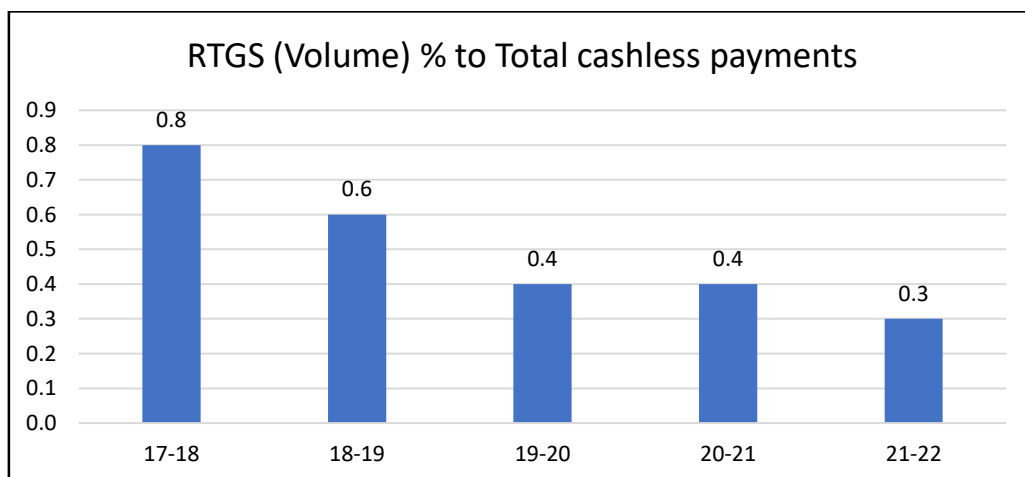
Source: RBI Annual Reports

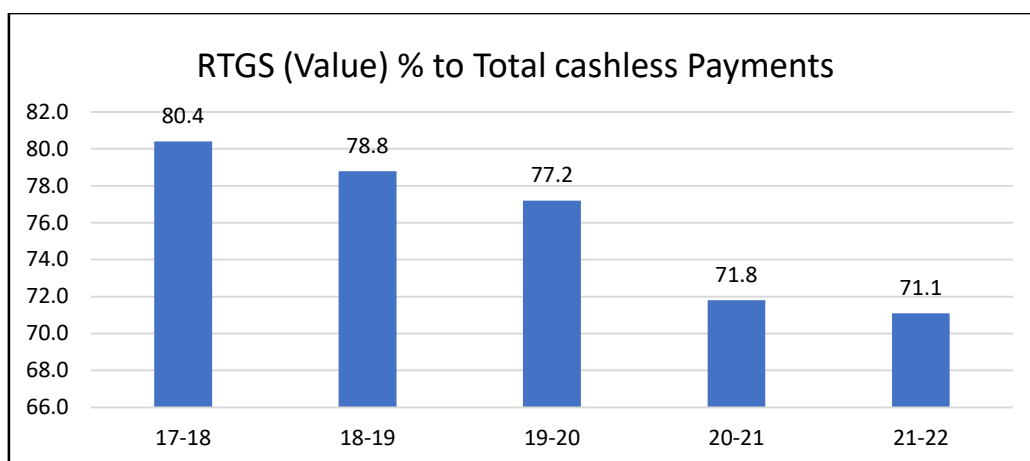


The total volume of cashless transactions are increasing since last 5 years. Number of transactions are increased from 157615 lakh to 726530 lakh in 5 years. This shows an average growth of 68.5 % every year.

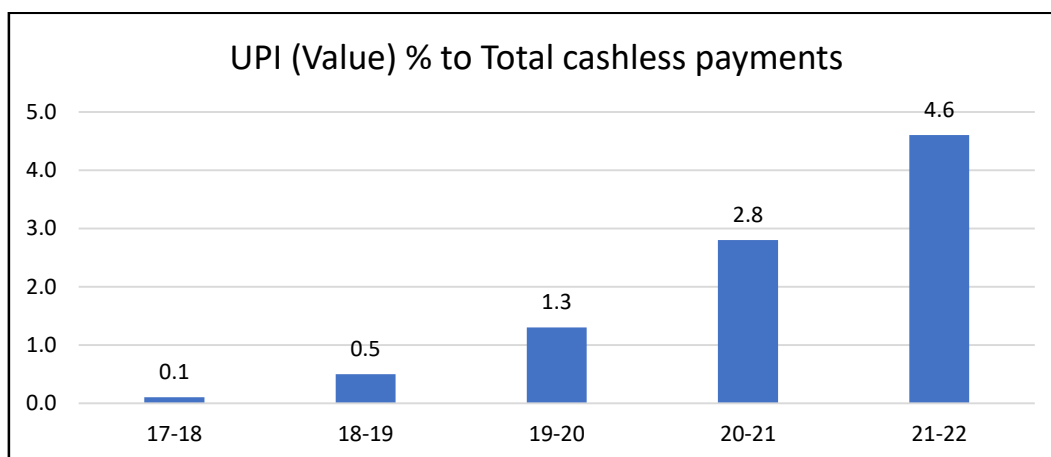
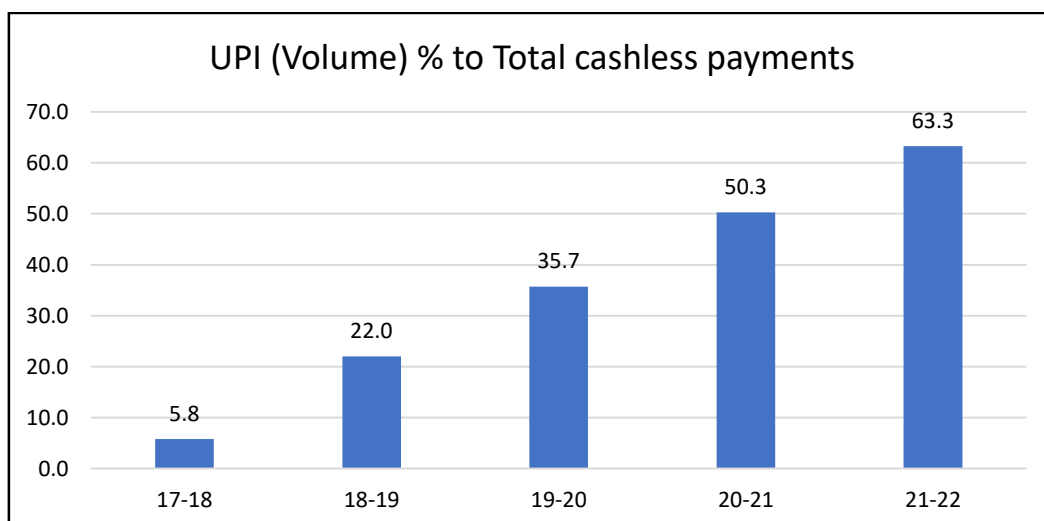


The value of transactions shows a slight increasing trend except in year 20-21 the total value of cashless transactions decreased from 1697.94 lakh crore to 1470.86 lakh crore.

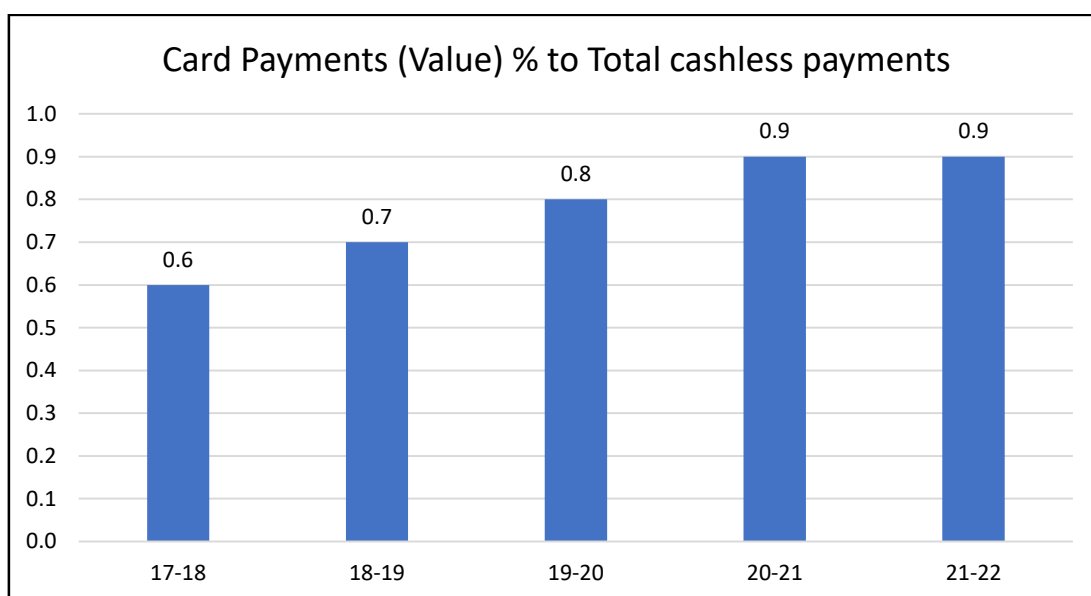
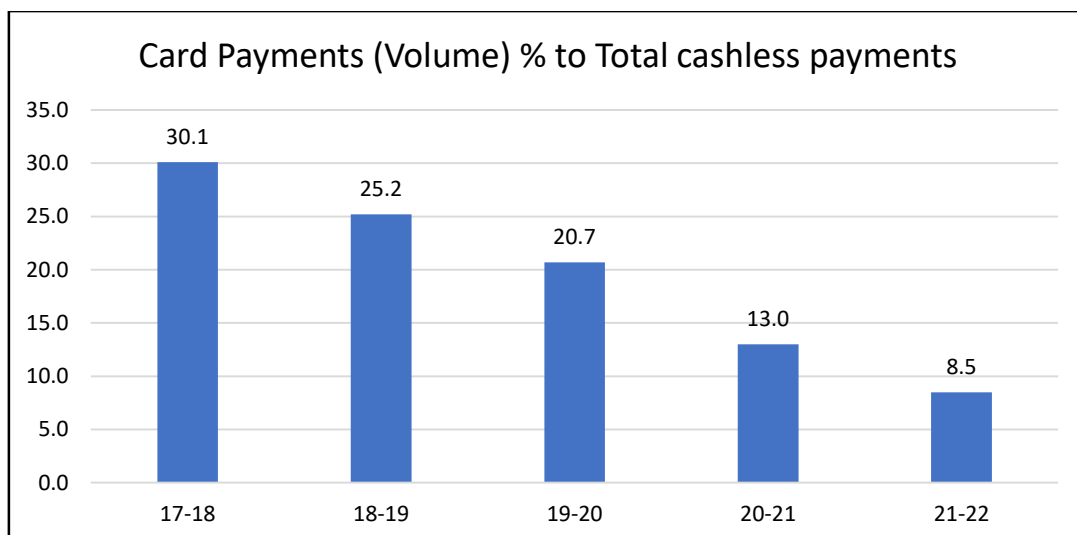




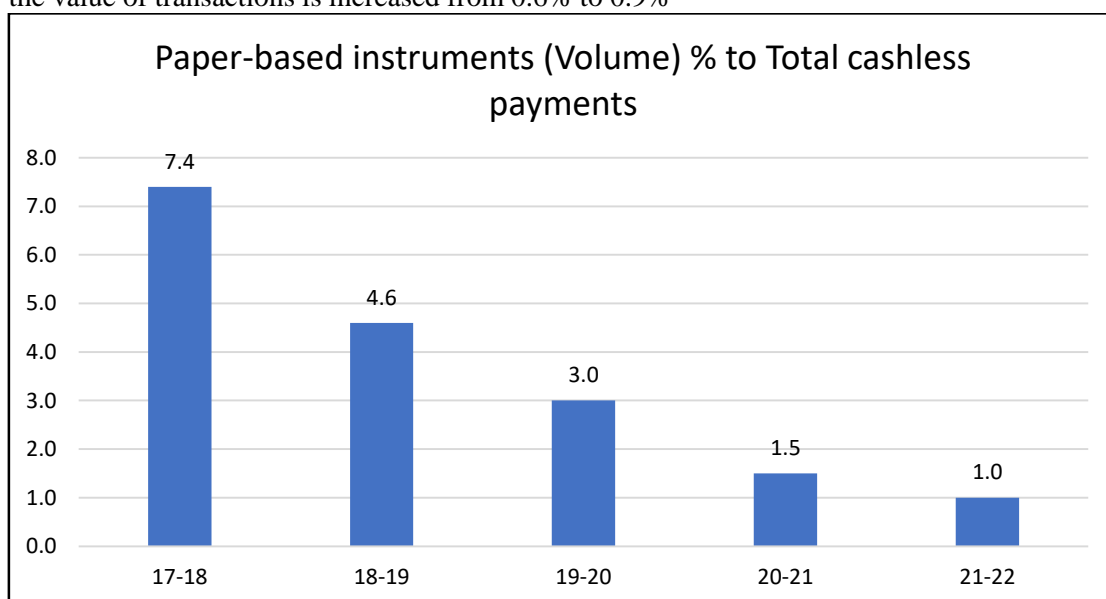
The share of RTGS transactions shows a decreasing trend in terms of value as well as Volume. The number of RTGS transactions decreased from 0.8 % to 0.3 % during the last 5 years, while the value of transactions is decreased from 80.4 % to 71.1 %

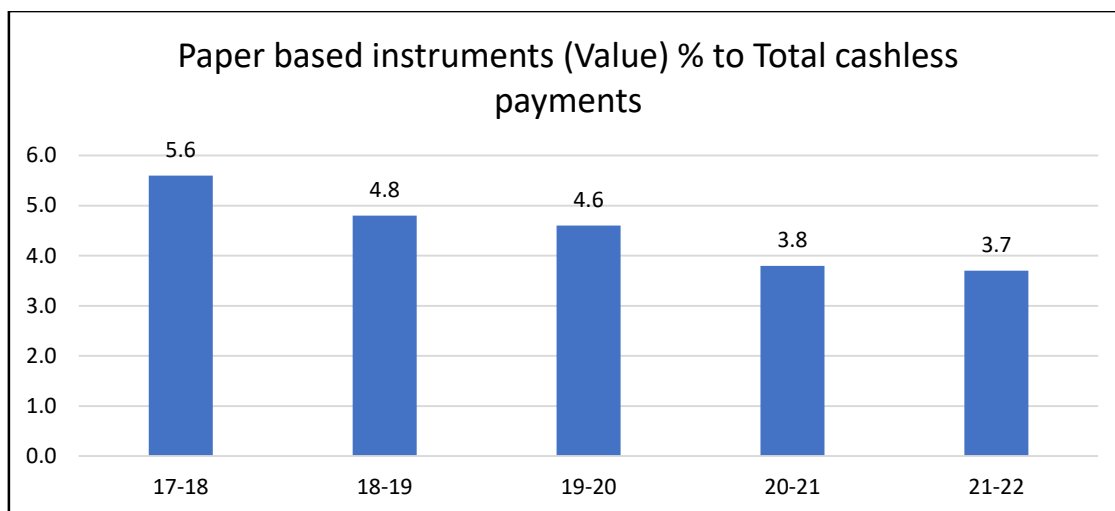


The share of UPI transactions shows an increasing trend in terms of value as well as volume. The number of UPI transactions increased from 5.8 % to 63.3% during the last 5 years, while the value of transactions increased from 0.1 % to 4.6 %.

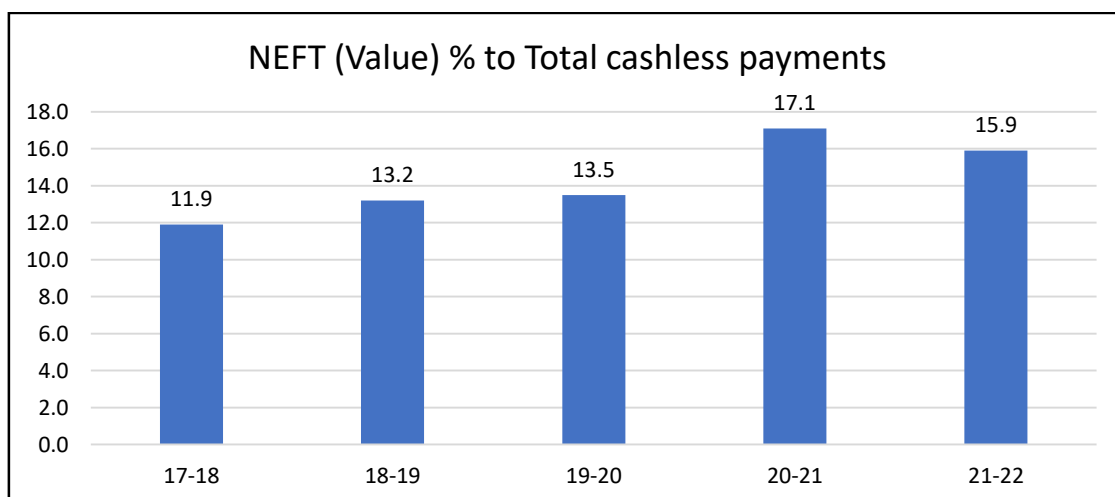
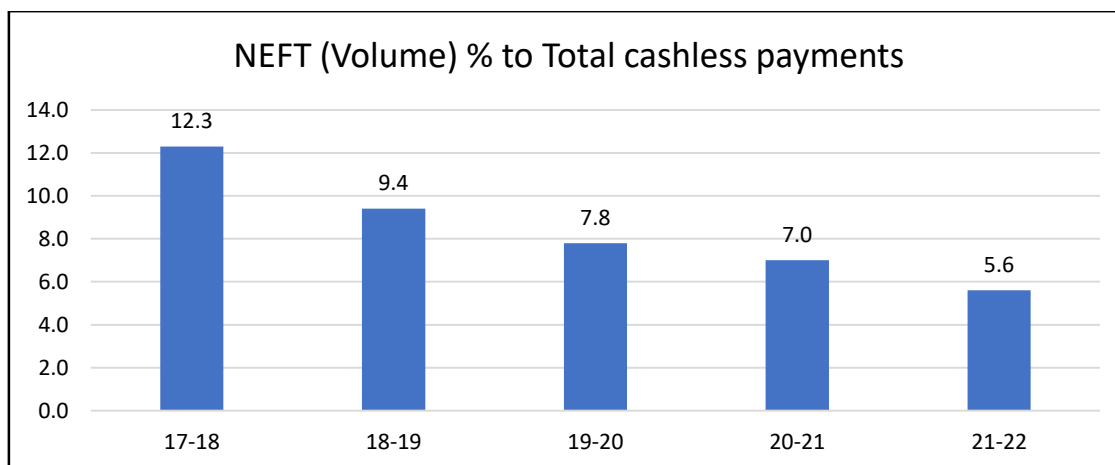


The share of card transactions shows a decreasing trend in terms of volume but shows a slight increasing trend in terms of value. The number of card transactions decreased from 30.1% to 8.5% during the last 5 years, while the value of transactions is increased from 0.6% to 0.9%

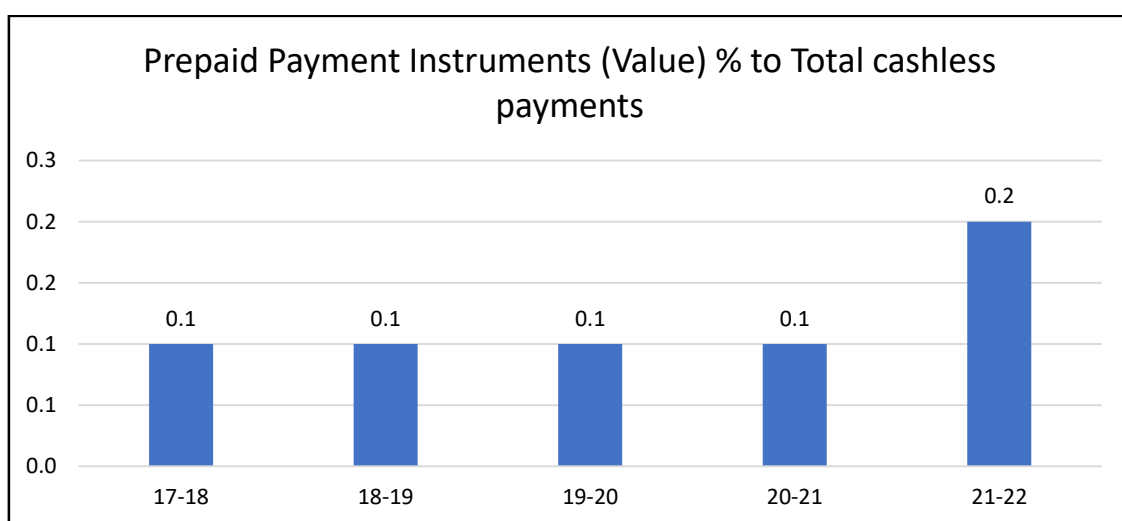
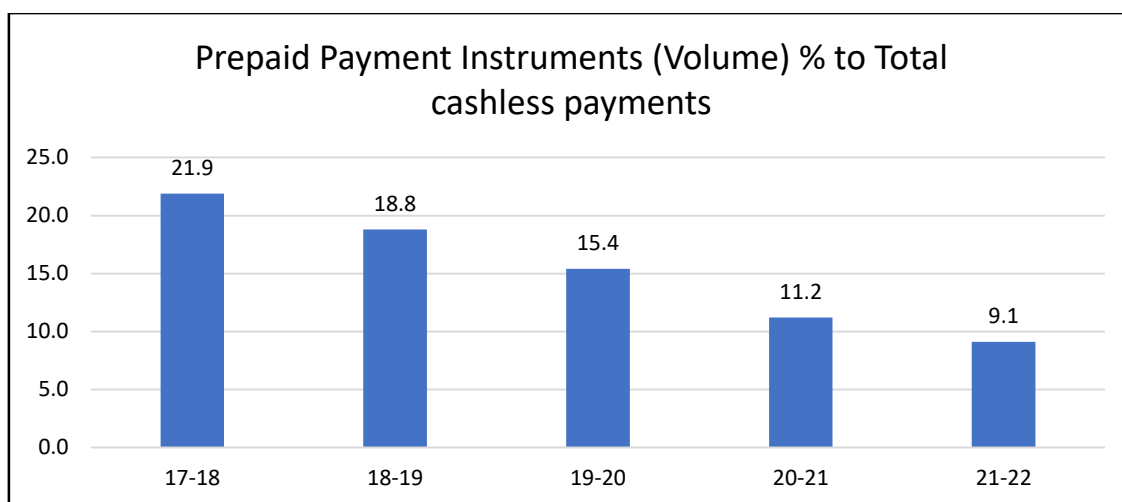




The share of transactions done using paper-based instruments shows a decreasing trend in terms of value as well as Volume. The volume of transactions decreased from 7.4% to 1% during the last 5 years, while the value of transactions is decreased from 5.6% to 3.7%



The share of NEFT transactions shows a decreasing trend in terms of volume but shows a slight increasing trend in terms of value. The volume of transactions decreased from 12.3% to 5.6% during the last 5 years, while the value of transactions is increased from 11.9% to 15.9%



The share of transactions made through prepaid payment instruments shows a decreasing trend in terms of volume but shows a slight increasing trend in terms of value. The volume of transactions decreased from 21.9% to 9.1% during the last 5 years, while the value of transactions is increased from 0.1% to 0.2%

Findings and Suggestions

- The total volume of cashless transactions is increasing since last 5 years with an average growth of 68.5%. This clearly indicates that India is moving towards cashless economy.
- The value of transactions shows slight increase during last 5 years. As Transaction value is not increasing in the proportion of transaction volume, it clearly indicates that the cashless transaction methods are being preferred for small value transactions.
- The share of UPI transactions is increasing in terms of value as well as volume. This shows that UPI is becoming popular for retail payments.
- The share of transactions done using paper-based instruments shows a decreasing trend in terms of value as well as Volume. This indicates that electronic based cashless transactions are becoming more convenient and popular.

Conclusion

There are two types of cashless transactions i.e. paper based and electronic transactions. Paper based cashless transactions are showing decreasing trends, NEFT, card based and prepaid instruments based transactions are also showing decreasing trends. But UPI transactions shows remarkable increasing trend. The value and volume of UPI transactions are increasing while value and volume of the transactions done through Prepaid instruments, NEFT or paper based cashless transactions are decreasing.

This clearly shows that customers are going for UPI transaction, rather than other cashless or cash transactions. UPI transactions are more convenient, easy and fast. UPI is being preferred by the customers as well as the business houses.

Considering the increasing trend of UPI transactions, the payment limit and restrictions should be relaxed for UPI transactions. At the same time security related issues should be handled more effectively. UPI is evolving day by day, various service providers like GPay, PhonePay etc should make their apps user friendly. RBI should also consider linking UPI with other payment technologies for domestic as well as cross border payments.

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