

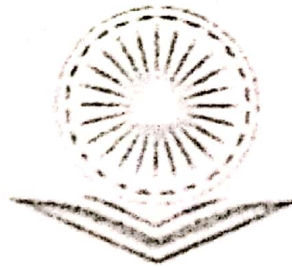
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## 27. Impact of Cash Less Economy on Indian Rural Area

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Financial inclusion has emerged in the last ten years as an important movement to reduce poverty in the developing world. One of its foundations is digital banking, which started in Kenya in 2007 by utilizing cell phone text messages to conduct banking transactions. Nandan Nilekani, former President of Infosys, pioneered in India the creation of a unique ID using biometric and fingerprint data which has already reached a billion Indian citizens. Using its world-class information technology resources, India is striving to maximize the digitization of its economy as emphasized by the 2016. This research paper focus on impact of cashless Economy on the Banking

According to Indian Government, Cash less policy will reduce cash related corruption and attract Investment in India. It is expected that if cash less system will be made in the payment system, it will reduce the cost of banking services and curb banking corruption. Electronic banking will be made banking transaction to be earlier by bringing services closer to their customers. Hence improving banking industry performance safety over digital payments channel is important for cash less Economy and awareness is necessary to adopt the benefits of cash less Economy.

### Introduction

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 slow 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. 10.9% in India. As most of people are illiterate, poor, engaged in small transaction and having less banking habits. For them cash is 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 entry 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 Economy and many countries have made significant progress. It is just a world trend which India is trying to catch up.

#### **The main objective of this paper**

- To study the impact of cashless economy on banking.
- To reduce the burden of the cost of printing currency and also handling them.
- To suggest for make use cashless.

#### **Literature Review**

Review of literature is backbone of every research study. It is important to review the existing literature to have an overview of what kinds of studies have been conducted and what are the gaps in literature. Therefore, various studies on Effect of Cashless Economy on banking sector which conducted in India and abroad have been reviewed.

The Impact of cashless Economy on banking sector, where cheap and expensive.

To hand coins and notes are replaced by efficient electronic payments initiated by various types plastic cards is a tantalizing prospect for the twenty first Century.

#### **Advantages**

Cashless transaction is only possible with white money which renders the black economy untenable. White money is a major problem in India and the fact that less than 5% of all payments in the country are made electronically has not helped matters. The number of tax evaders in India is phenomenally high cashless transaction will help. India get of this perennial problem because in financial Institutional based economy there are always transaction trails which make it extremely trails which make it extremely difficult to avoid taxes.

- Real Estate Prices would drop considerably because a huge share of black money is invested in this sector which inflates the price in the real estate market.
- Cashless transaction can be easily monitored by the government which will enhance revenue collection and consequently increase the funds to carry out developmentally activities.
- The welfare programs that suffer with the chronic problem of corruption and non-implementation would be greatly benefited. The money would be directly transferred to the beneficiary's account and can also be easily traced by the government.
- Counterfeit currency that is pumped into India to wage an economy war by the enemy countries would be eliminated by a cashless society.

#### Disadvantages

- Many poor people do not have bank accounts. Although the Jan Dhan Scheme launched by the Government succeeded in being millions into the banking system though process is not complete and many of the accounts are non functional. The government has to rectify this problem and bring the entire poor and marginalized section into the banking system.
- The small retailers in India deal only in cash and have not been able to invest in the digital infrastructure.
- Hacking and cyber theft are grave dangers that plague the digital world. Hackers can steal information and money from anywhere in the world. The challenge before the government is to put strong security systems in place to protect the online transaction from hackers. Researches have shown that it is easy to crack the PIN number and gain access to the virtual wallet by using a software. If the cyber criminal gets possession of the victim's phone.
- The Indian public is not much educated with regards to the benefits of using cards or online payments methods. Even the card holders consider cash to be a quick method and easy method.

#### Conclusion

Conclusion From the above analysis, it has been that cashless economy is an economy system in which there is little or very low cash flow in a society and goods and services are bought and paid through electronic media cashless economy is the economy in which transaction

are made by debit cards, credit cards, cheques or direct transfer from one account to another. There are many of cashless economy like transactions increased sales, prompt settlement of transaction transparency and accountability, and reduced maintenance cost.

Despite many benefits, there are several challenges before cashless policy in India such as inadequate number of ATM's digital illiteracy, lack of Internet facilities, few banks in villages, costly swipe machines etc. the present study.

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