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## Should the world run on a cashless economy? : A Review

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### ABSTRACT

*In this changing era, the rapid growth in technology has led us towards the digital world. With this digital world due to constant level of technological infrastructure and policy changes, there has been an increase in the number of modes of payment. In this growing era, it is necessary to go along with modern technological methods, one of them is change in the means of making and receiving payments. Cashless economy seems synonymous to Canada and Sweden as manifested in study of Forex Bonuses 2017. Cashless economy is an economic system where small amount of cash is used in transactions. Cashless economy is based on transactions made by credit cards, debit cards, wallets Or digital modes. Cashless economy is cost effective, growth friendly, business friendly, pro-financial inclusion, etc. It has various challenges-escaping attitudes of people, poor transactions security mechanism, insufficient infrastructure etc. It is boon to industries like UBER and OLA. Pros and Cons about the cashless economy will help us to find whether really the world should run on cashless economy or not? Covid-19 had a really big impact on the economy, also how it became a pillar for the cashless economic system will help use to better understand the cashless economic system concept. Cashless economic system in this era has its own significant Importance. The questionnaire and the hypothesis mentioned on this report will help us to understand the point of views of the people on the cashless economic system. Further analysis will be done on secondary data.*

**Keywords:** Cashless Economy, Digital payment, Cashless Society, GDP of Economy, OLA & UBER Industries

### 1. LITERATURE REVIEW

Many empirical studies have been conducted on the project of 'CASHLESS ECONOMY' in India and Abroad. The major emphasis of Off research has been on various issues like fraud, security, usage new method of payment etc.

According to the Research paper of **Dr. V. Chandrakala (January 2019)** ("A study on cashless economy in India"): This paper by Dr. V. Chandrika, focus on concept of cashless economy, pros and cons and to know the modes of cashless transactions. The trend towards use of non-cash transactions and settlement began in daily life during the 1990's when electronic banking became popular. By 2016 in the United Kingdom it was reported in 1 in seven people no longer carries or use cash. The 2016 United States user consumer survey study claims that 75% or respondents preferred a credit or debit card as their payment method while only 11% respondents preferred cash. By 2017, digital payment methods such as Venmo and square contribute to cashless transactions. As per the current status of India, only 7% to 8% of all the payments are taking place electronically. Narendra Modi's government scrapped currency notes of INR 500 and INR 1000 denominations. According to Dr. V. Chandrakala, the future of the cashless India looks pretty promising as the response of the country people towards this move of government and the support towards it is clear indication that the government's move is likely to succeed. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways which will increase the GDP of the economy. This will increase the credibility of the country and make a rise in investments. This step of cashless is truly going to create ripples of big success and it will help to attain vision of Prime Minister Modi's vision of Digital India.

The Research paper by **Dr. P. R. Kousalya and R. Guru Shankar (February 2018)** ("Cashless Economy/Transactions"): Focuses on impact and importance of cashless economy in India. India is gradually transitioning from a cash-centric to cashless economy. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. A large

number of businesses, even street vendors, are now accepting payments, prompting the people to learn to transact the cashless way at a faster pace than ever before.

**“The Faster-Accelerating Digital Economy” ( April 2011 )** published by **Tai-Yoo Kim, Jihyoun Park, Eungdo Kim, Junseok Hwang** : The paper says that the knowledge-based society is expected to bring about significant changes in the production process, which means that intellectual production factors such as knowledge and information will substitute for a large portion of traditional material production factors such as labour, capital, resources and energy. In the future, new knowledge-based goods and services made of these new production factors will provide the driving force for economic growth and national development. The ICT Revolution that had given rise to the digital economy is the very first key to open the knowledge-based society. This paper concludes from an investigation into definition, characteristics, and mechanism of the faster-accelerating economy, that digital Economy is a new economic growth structure, which is qualitatively different from the former industrial society, despite the similarity in the growth pattern. In addition, it is confirmed that the innovative development of ICT is the force behind the faster acceleration of the digital economy. The major contribution of this paper is to classify the reasons of the digital economy's faster-accelerating economic growth into three groups and to investigate how these features make the ERS of an economy more efficient. This paper segmented the ERS of the digital economy by driving the ICT development effects in the economy into the efficient uses of traditional industries through convergence, the creation of new industries by ICT and the IRS production function driving new demand, and the total social changes expediting the economic circulation. This paper pointed out that the ICT productivity paradox was based only on short-term and temporary situations at the incipient stage of the digital economy. This paper provides insights into the economic growth of the knowledge-based society. This paper, which investigated the fruits of the digital economy that humankind has already tasted to some extent, though it has just arrived, is expected to provide clues for the discovery of the wonderful realities of the future knowledge-based society that will have reached full maturity.

**Feinberg Richard A. (December 1986)** : It was found that consumers prefer plastic money over paper money and the major benefit that the card provides to the customers is the convenience and accessibility. The major problem according to them is the increased transactional costs and unnecessary formalities to procure the cards from the financial institutions. They felt that the future of plastic money in bright and according to them, the next thing to come via technology would be the use of digital signature.

**Worthington (1995) (“ The Cashless Society”)** paper describes the cashless society where clumsy-to handle points and notes are replaced by efficient electronic payments initiated by various types of plastic cards is a boom for the 21<sup>st</sup> century. Some of the interested parties stand to gain more than others if the cashless society become a reality. Paper outlines the rationale of those who are keen to promote the cashless society and the implications for marketers charged with winning consumer acceptance for payment by plastic card. The plastic card payment product is analysed under the three headings of pay later, pay now and pay before and a view is offered as to future prospects for each type of plastic card in contributing to the development of the cashless society.

**Telyukova and Wright (2005) and Zinman(2007)** said that consumers maintain balances in their lower-interest-bearing bank accounts for liquidity reasons, even while carrying high-interest credit card debt. The authors suggest that a rational consumer may pay interest on credit card debt to avoid some of the expected costs associated with not holding precautionary or transactions balances.

**“Cashless Economy and Digitalization”** by **(Pooja Maurya)** : In this paper, Pooja Maurya firstly explained the revolution of the economic system in this paper. According to Payment Habits in Sweden ( Risbank 2018) cash now accounts for just 13% of payment stores, even Canada has on average two credit cards per person. There is 226% percentage increase in the use of m-wallets and on the other hand, there is hundred percentage decline in use of paper vouchers. This change manifests that India is rapidly embracing cashless economy by gradually shifting to less-cash. India has 102,395 million banks notes in circulation (in July 2018). Even RBI's Payment and Settlement Systems in India: Vision 2018 emphasize on encouragement of digital payment across all section of Indian society. This road to cashless economy is not an easy one Government should take necessary steps in capacity-building of people, banking infrastructure, digital infrastructure.

**“ Moving From Cash to Cashless Economy: A study of Consumer Perception Towards Digital Transactions)** by **Richa Goel, Seema Sahai, Anita Vinaik, Vikas Garg issued in May 2019** : The study helps on determining the factors which influence the people to switch from cash towards cashless payments and what are the benefits people avail by using other means of payments. The main aim of demonetization was aimed to attack on counterfeit currency, currency used for terrorist financing, black money and corruption. There is a long way for India to become a cashless economy. People still lack trust and confidence while using digital payment methods. A lot of people who still not aware about the cashless economy not only in India but outside of India. Government has faced a lot of criticism in the past from the public for the various plans implemented on the public. There are a lot of challenges in fulfilling the dreams of digital India but in the long run cashless economy will help in growth and will bring a lot of benefits and opportunities with it.

**Few of the major finding according to this study are :**

- There are still a lot of people who do not use any kind of digital payment method.
- There are a lot of scope in the future for cashless society.
- People are mostly influenced by convenience and offers provided for switching to cashless modes of payments.
- There is still a lot to be done to digitalize India.
- People don't feel safe sharing their financial and personal information over the internet.
- People face various problems while using digital payment methods.

**Felix, Rebecca and Igbonoba (2015)** , Appraisal of the impact of e-banking and cashless society in the Nigerian economy. The paper was aimed towards understanding the impact of e-banking and cashless society In Nigerian Economy. The paper was aimed towards understanding the impact of e-banking and cashless society on the people of Nigeria. But after the study was conducted it was seen that most of Nigerian citizens were not at all aware of such concepts and those who were aware were not fully using such facilities and there was no infrastructure Development before implementing such changes.

**(Digital Payments, the Cashless Economy, and Financial Inclusion in the United Arab Emirates: Why Is Everyone Still Transacting in Cash?) By (Jeremy Srouj) Received: 4 September 2020; Accepted: 28 October 2020; Published: 30 October 2020** : The drive towards a cashless economy in Saudi Arabia and the UAE seems to have hit a wall, despite the best efforts of monetary authorities, banks, and the payments industry to establish a world-class digital payments eco-system modelled on South Korea and Sweden. Both economies remain heavily cash-reliant, with cash accounting for 67 percent of the total value of payments in the UAE in 2019, and 64 percent in Saudi Arabia. Explanations for this trend tend to point to infrastructure readiness, cybersecurity concerns, and high transaction costs, particularly merchant service fees for small businesses. Much less work, however, has been done to understand the socio-economic context in which countries like South Korea and Sweden, among the world's most egalitarian societies, have reduced their reliance on cash and diversified their payment eco-systems, and whether this is comparable to the UAE, where an estimated 35 percent of the working population is unbanked, where cash-based remittance corridors continue to be important, and where informal lending is still prevalent among businesses and households. In discussing the cases of Saudi Arabia and the UAE, this paper has also sought to reflect on a tendency in economics, as well as in industry circles, to see cash and digital payments in binary terms, with a linear evolution expected from one to the other. In reality, across the world cash-in-circulation is increasing in parallel with digital payments, in a dynamic that is still not fully understood. For emerging economies, it may well be that cash and digital payments play complementary and not alternative roles. This does not mean that such countries should renounce plans to become cashless economies, but that these plans would need to be backed by financial inclusion initiatives that promote equitable access to digital financial services, connectivity, and infrastructure. The alternative could mean adding digital exclusion to long-standing socio-economic exclusion.

**(“Is the U. S. On its way To becoming a cashless society ?”) By Shelle Santana ( July 23, 2019) (An article by Economics and Society)** : The rise of digital payments, including credit cards, debit cards, and mobile payments systems, have contributed to the steady shift in payment practices among consumers. According to the FDIC, cash represented just 30% of all payments in 2017, and the percentage of U.S. households with a credit card jumped by more than 5 points between 2015 and 2017. Business owners who recognize this trend are responding accordingly, with some opting to go entirely cashless in an effort to increase operating efficiency, reduce wait times for customers, and create a safer work environment by mitigating the risk of theft. However, driven by concern for those without access to banks and cards, legislation in some cities is limiting the move to go cashless. This article cites several factors managers should consider as they mull whether to continue taking cash, and predicts that the full move toward a cash-less society is unlikely anytime soon.

## **2. CONCLUSION**

According to the literature review, all the authors tell us about how the cashless payments help us to move forward with easy payment methods, time saving, the transparency in the economy will increase through e-commerce transactions and the digital payment gateways which will increase the GDP of economy. They also told us how this step of cashless is truly going to create ripples of big success. They told us how the digital transactions are traceable, therefore easily taxable, leaving [no room to the circulation of black money](#). In future, new knowledge-based goods and services made of these new production factors will provide the driving force for economic growth and national development. They also said how the ICT Revolution has given rise to the digital Economy and how it has become a very first key to open the knowledge-based society. They also said us how it is convenient and easy to access digital payment. According to them the next thing to come via technology would be the use of digital signature. They said that consumers maintain balances in the lower interest- bearing bank accounts for liquidity reasons, even while carrying high interest credit card debt. The concept of **cashless economy** is very useful for curbing out the black money from the nation. The lack of sufficient infrastructure and illiteracy is one of the major hindrances in the path of the **cashless economy**. The downward impact of COVID-19 on the payment landscape has been profound and significant, yet not irreparable. Elements in the payment ecosystem are most adaptable to disruption and least dependent on physical infrastructure have been able to withstand, mitigate and even so far as capitalize the crisis, turning an imminent threat to their advantage. The pandemic has compelled individuals as well as organizations to re-evaluate their payment framework and infrastructure so as to incorporate considerations of disruption mitigation and continuity planning. Additionally, the pandemic has put a spotlight on inherent flaws brought forth by rigidity or inflexibility of being overly reliant on cash as a sole method of payment, for many legacy players in the industry as well as individual consumers. The COVID-19 crises called into question the assumption of cash being the ultimate liquid asset, causing payers to evaluate its consideration as a sacrosanct payment method with the most access and convenience. Payers have displayed considerable apprehension to revert to cash payments once they have accepted digital modes of payment. That being said, cash is not expected to disappear anytime in the near future. Cash withdrawals in the NFS network have displayed signs of rebounding to pre-COVID-19 levels indicating that the Indian populace has a certain proclivity and propensity to transact in cash. Thus, COVID-19 may have given a sizable push in the endeavour to marginalize cash transactions, but not so far as to eradicate it completely. The pandemic has uncovered new perspectives and opportunities for Indian businesses and individuals, which can only be capitalized upon, by due agility and versatility to anticipated change.

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