

FACTORS EFFECTING THE PROSPECTS AND IMPACT OF CASHLESS BANKING SYSTEM: A STUDY

Raghuvveer Singh Meena*

ABSTRACT

The study was conducted to assess the underlying factors affecting the prospects and implementation of cashless banking so as to spot and pander to factors inhibiting its usage which is able to assist stakeholders liable for policy formulation in making or reviewing policies which will further increase the recognition of Cashless Banking. Furthermore, the research study will assist in broadening the knowledge of other researchers who will do similar research works on the topic matter, and thereby empower and increase their capabilities. additionally, the research study will help commercial banks that shall conduct periodic customers' satisfaction evaluation exercises to spot customers' expectations, challenges and prospects so as to extend their satisfaction levels with the Cashless Banking services, yet as help commercial banks to conduct customers' satisfaction surveys in banks to see key factors and challenges that affect cashless banking and the way to eliminate or minimize the negative effects of those challenges. The importance of this research study lies in the incontrovertible fact that Cashless Banking is incredibly robust in which customers independently do banking on their own without the direct attendance and support of the Tellers. Furthermore, it's a longtime truth that Cashless channels play a significant role in determining the success of banks in India. The research will help to spotlight the importance of the Cashless Banking that's believed to encourage customers towards having high levels of satisfaction transacting. The findings would supply fundamental information to policy makers in the Indian financial sector of higher ways of accelerating satisfaction in commercial banks.

Keywords: *Commodity, Currency, Banking, Payments, Fundamental, E-Commerce, Digital, Commercial.*

Introduction

The need to create transactions easier by individuals is often traced back to the times of shopping for and selling by exchanging commodity to commodity. Since this was a tedious nature of the strategy, various means for exchange were probe for. Money was introduced and this made money-making transactions less problematic and faster. Since then, diverse types of currency were introduced as means for trade. These ranged from cowries to pennies and so currency. India is essentially a cash-based Banking with large percentage of funds residing outside the banking sector as against the developed world where the money in circulation. Whereas the notes based Banking is characterized by physically hold and touch cash a culture informed by ignorance, illiteracy, and lack of security consciousness and appreciation of the merit of digital payment. The introduction of the e-commerce paved some way for the introduction of several payment tools to help in facilitating transactions over the online. However, majority of those tools are yet to achieve sufficient supports from online users among businessmen and women's. This work answered the subsequent inquiries to bridge this academic vacuum. Before the approaching of electronic devices in the Indian banking services delivery, banking operations were bed evilled with hitches, time consuming bureaucratic, bottleneck, long queues, crowd

* Assistant Professor, Department of Accountancy and Business Statistics, Government College, Tonk, Rajasthan, India.

and complaints from the general public. As a consequence, the psychology picture of the typical individual towards banking transactions has been negatively affected. Some individual seems to value more highly to keep their money to themselves or put it in to application anywhere else but not the bank. They like to try and do so as they always encounter one problem or the opposite whenever they're going to withdraw money at the bank. Moreover, banks generally develop great deal of knowledge in the course of their operations. The collection, storage and management of those data aren't any doubt a awfully daunting task. The normal approaches to those bank services and their management was characterized by long queues, tally numbering, stress, loss of valuable works hour, and so on.

Why is Cash Required?

The magnificence of money is that it just works; even in the isolated whereabouts of India, where the government won't be present physically with its paraphernalia, its injunction runs in the type of monetary system that public uses for business on an everyday basis. An oversized informal Banking that supports a significant a part of Indian population and their livelihoods also runs in cash. This is often why Cash is yet King. The bottom reality reveals, a majority of transactions in Kirana stores, the go-to buy daily purchases in India are cash based transactions, because these are generally small ticket transactions. The shoppers, similarly as Kirana store owners feel easier in coping with cash for little transactions, while these merchants also provide credit facility to customers. However, the governments drive to incentivise consumers and merchants alike to maneuver to electronic modes of payments has not found many takers because our cash driven Banking is fuelled through rampant corruption in society and black money. The modus operations for corruption are cash so unless we rid our society of corruption the least bit levels this may be a large task. Imagine paying a corrupt official through your e-wallet it'll never happen. Also another point to ponder on is why India has such less tax payers during a population of over 1.2 billion people. Is 98% of our population earning below 2.5 lakhs a year. this is often one among the problems that must be addressed and hopefully with more transaction moving electronic & records of the identical being made available more people should constitute the tax net be it small merchants, professionals etc. Will this segment of society adapt to electronic modes of payment in order that the state can take pleasure in the next assembling resulting in better benefits to society at large? A major obstacle for the short 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 are charging money on card-based transactions, which is seen as a hurdle. The low literacy rates in rural India, together with the shortage of infrastructure like internet access and Power make things extremely difficult for people to adopt e-transaction route.

Benefits of Cashless Banking

- **Transparency in transaction:** Needless to mention, electronic dealings or plastic money always leaves a digital impermeable valuable for both the tax payer (consumer) and also the government. It'll curb generation of black money.
- **Financial inclusion:** the need to own a cashless Banking will promote financial attachment of the people. It'll require the government to attach all the households with a bank and plastic Banking.
- **Reduced maintenance costs:** The logistics and provide chain of money is estimated the exchequer affluence. The number of cash mandatory in printing cash, its storage, conveyance, distribution and perceiving imitation currency is large. Concentrated instances of tax escaping because it's financial institutions based Banking imprints are left.
- **Lower transaction costs:** Digital business may be a boon in turns of cost and waiting time. If fulfilled appropriately it'll increase the fasting and production rates and there by cultivating the Banking.
- **Taxation:** With lesser availability of cash at homes and more in banks, there's lesser scope of hiding income and evading taxation and when there are more tax payers are ultimately lends to a lesser rate of taxation for the entire country.
- **Less availability for illegal activities:** When people are encourage to travel cashless, there's lesser cash available with the people and there won't be a method to take a position in other activities to use the perfect cash.
- **Convenience:** the straightforward of conducting financial transactions is perhaps the most important motivator to go digital. You'll now not to hold wads of money, plastic cards and even stand for ATM withdrawals. It's also a safer and easier spending option after you are travelling.

- **Tracking spends:** If all transactions are on recorded, it'll be very easy for people to stay track of their spending. It'll also help while filing tax returns and just in case of a security, people will find it easy to elucidate their spending.
- **Reduced red tapism and bureaucracy:** With cashless transactions through electronic means the wire transfers are tracked and other people are accountable which successively reduces corruption and improves service time.
- **Hygiene:** Soiled, tobacco stained notes filled with germs are a mean in India. This might be circumvented if we move towards cashless Banking.

Facts Observed about Cashless Banking in India during Study

This research was conducted to review the factors affecting the prospects and implementation of Cashless banking industry with specific respect to selected Commercial Banks in India. It absolutely was a motivation due to variety of earlier stated objectives. Major results from the info analysed shows that individuals are responsive to the facilities of cashless Banking in India, which a sizeable proportion of the people are literally embracing the system. Majority of bank customers in India are young adults and intrinsically are in tune with ICT advancements which could be a good indication that Cashless banking industry in India incorporates a brighter prospect. Most of the people who operate accounts with commercial banks in India are learned people with a minimum of degree it are often concluded that the system would be easier accepted as educated people can easily understand a policy and are expected to grasp about Cashless industry and also the way it operates. The attitudes of respondents toward cash machine use of Electronic-Banking and redemption centres such Point of Sales form a serious part of cashless transactions is very positive which may be a sign of prosperous Cashless industry in India although these channels are gradually gaining acceptance in India, Indians are still not too free using Mobile Banking and Debit/Credit Card while they create financial transactions while these have gained global acceptance. Users are further concerned with Improved Network connectivity and Communications, availability of service in the rural areas, regular awareness and sensitization so as to realize public recognition which might make Cashless Banking to be prosperous in India and upward review of withdrawal and lodgement limits.

Factors that Effects the Prospects and Impact of Cashless Banking System

- In spite of Poor network connectivity and communication links, lack of trust and fear of Internet fraud and poor awareness and sensitization especially in the rural areas as a results of shortage in banks and internet services pose high negative effect on cashless banking industry in India, these don't in any way disrupt the implementation and prospect of the system,
- That the understanding of Cashless Banking by customers brings a couple of significant positive perception which will guarantee the prospect and therefore the implementation of the policy in India which mechanism and supporting systems of Cashless Banking by commercial banks can guarantee the prospect of the system in India,
- That Customers' attitude and perception of Cashless industry have significant effect on its prospect and implementation in India which the roles played by banks in implementing Cashless banking industry in India have significantly guaranty the prospect of the System,
- That the issues of Cashless Banking with relevance the supply and reliability of cashless banking channels don't significantly mar the prospects and implementation of Cashless Banking by banks in India.

Measures that can be Implemented for Promoting Effect of Prospects and Impact of Cashless Banking System

The following recommendations were proffered by the research:

- Since the analysis of respondents' gender distribution indicated participation of male respondents over that of female respondents, as banks are known for having more males in the composition of their account holders than females, commercial banks in India should create an avenue where females would be encouraged to have accounts with the banks for fair representation in further researches.
- Finance institutions in the country should specialize in the class because vast patronisers are in the cohort 31 - 40 years. This is often a sign that majority of clientele in India are young adults and in and of itself should be in tune with ICT advancements which may be a good indication that the system has prospects.

- Training and retraining should be conducted in the aspect of upper edification and of cashless banking services, as most of the account holders are people with a minimum of degree. This can assist understanding the system and therefore the way it operates better.
- Additional sensitization should be extended to customers as most of them seldom use E-Banking banking facilities in their financial transactions. With the utilization of the utilization M-Banking channels for financial transactions in India on the common scale and frequent use of the web banking to hold out financial transactions, banks should improve on these aspects so as afford smoother financial transactions.
- Since most Indians believed that improving Network connectivity and Communications and provision of adequate banks and internet services in the rural areas if Cashless Policy is to be prosperous in India, improving the features of the system would be prosperous and would go a protracted way in stabilizing the System in India, therefore Banks and also the government should introduce regular awareness and sensitization so as to achieve public acceptance.
- Government should review of withdrawal and lodgement limits and reduce processing fees for withdrawals above set limits by banks. This effort will lead proper implementation of Cashless industry in India.
- There's also the decision for monitoring and improve the standard of network connectivity and communication links as failure to try to do so would pose high negative effect on the implementation of cashless banking industry in India.
- On condition that level of education required to work this method is gigantic, banks have to educate their customers on the way to approach the services provided by the system as this might erase lack of trust and fear of Internet fraud among Indians.
- Banks should employ more qualified and competent expatriates placed on the standby to require care of machine malfunctions/Technical issues that will occur.
- While efforts by banks guaranteed the long run prospect of cashless banking industry in India, they ought to be organizing seminars, workshops, symposium, etc., on the utilization and benefits of the system, reduce service charges with inter banks provide effective and efficient transfers and payments system, adherence to CBN's policy on Cashless banking industry and its sustainability in the country, and introduce new compatible products would enhance the system in India.

Conclusion

The future of the cashless India looks pretty promising because the response of the country people towards this move of the government and also the support towards it's a transparent indication that the government's move is probably going to succeed. The transparency in the banking will increase through the e-commerce transactions and therefore the digital payment gateways which can increase the GDP of the banking. This can increase the credibility of the country and make an increase in investments. The Prime Minister's move to incentivize digital payments will offer a powerful support to the continuing efforts in helping the country leapfrog the cash generation to digital payment solutions. This may not only help variant Indians overcome the hassles of dealing in cash but also act as a major step towards propelling India to emerge as a very cashless banking. Digitalizing a wider swath of the banking is supposed to be a fix for several aspects of India's society that the government aims to reform. First of all, it creates the simplest way for all purchases to be tracked and recorded, which may work towards limiting the effectiveness of the black market. Economic digitization also increases the government's ability to boost its taxation systems. India's informal banking is liable for roughly 45% of GDP and 80% of employment, which implies that billions of dollars are being exchanged annually without the collector of internal revenue taking his cut. Currently, only one of India's population pays revenue enhancement. A digital banking is a banking which is tracked in real time. Each transaction is mapped and it'll certainly help expand the tax net.

References

1. Ambalika Sinha and Divya Rai, Effect of Demonetization on Rice Procurement, IRACST – International Journal of Commerce, Business and Management (IJCBM), ISSN: 2319–2828 Vol. 6, No.1 Jan-Feb 2017.

- 16 International Journal of Education, Modern Management, Applied Science & Social Science (IJEMMASS) - January - March (III), 2022
2. Balamurugan and Hemalatha, A Study on Problems and Challenges Faced By Small Hotel Businesses during Demonetization in Mysuru City, IOSR Journal of Business and Management (IOSR-JBM), e-ISSN: 2278-487X, p-ISSN: 2319-7668 (April, 2017) PP 38-43.
 3. Banerjee and Newman, Occupational Choice and the process of Development, The Journal of Political Banking, Volume 101, Issue 2, April 1993, 274-298.
 4. CRISIL Inclusix, An index to measure India's progress on financial inclusion, Volume III, June 2015.
 5. Darmesh Krishanan, Aye Aye Khin and Kevin Low Lock Teng, Attitude towards Using Mobile Banking in Malaysia: A Conceptual Framework, British Journal of Economics, Management & Trade 7(4): 306-315, 2015
 6. Dr. Raghuram Rajan , A Hundred Small Steps Report of the Committee on Financial Sector Reforms, Planning Commission, Government of India, 2009.
 7. Indian Brand Equity Foundation and iMaCs Research on "Technology Application for Financial Inclusion"
 8. Jyotiranjana Hota, Saboohi Nasim and Sasmita Mishra, Automated Teller Machines in India: A Literature Review from Key Stakeholders Perspectives, Proceedings of GLOGIFT 13 December 13-15, 2013 Department of Management Studies, IIT Delhi pp. 1086-1105.
 9. Mandira Sarma and Jesim Pais. (2008). Financial Inclusion and Development: A Cross Country Analysis, Indian Council for Research on International Economic Relations, pp 1-28.
 10. Meena R, Automated Teller Machine – Its Benefits and Challenges, IRACST – International Journal of Commerce, Business and Management (IJCBM), ISSN: 2319–2828 Vol. 4, No.6, December 2015.
 11. Parul Mahajan and Anju Singla, EFFECT OF DEMONETIZATION ON FINANCIAL INCLUSION IN INDIA, International Journal of Science Technology and Management, Vol no: 6, Issue no: 1, January 2017.
 12. Shah and Dubhashi, M, Review Paper on Financial Inclusion – The Means of Inclusive Growth, Chanakya International Journal of Business Research, Vol 1(1), 37–48, March 2015
 13. Venkatesh, V. & Davis F.(2000): A theoretical extension of the Technology Acceptance Model. Management Science, Vol. 46 (2000), 186-204.

