

# Cashless Transaction: Modes, Advantages and Disadvantages

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**Abstract – The RBI and the Government are making numerous efforts to lessen the usage of coins with inside the economic system with the aid of using selling the virtual/charge gadgets which include pay as you go contraptions and playing cards. RBI's attempt to inspire those new styles of charge and agreement centers targets to obtain the intention of a much less coins society. With confined coins in hand and an indefinite crunch in sight, maximum humans are speeding to cashless transactions. Digital transactions deliver in higher transparency, scalability and accountability. The new flow will compel extra traders to simply accept virtual cash. Cash may also not be king.**

**Keywords: Convergence, NEFT, RTGS, AEPS, Factor of Sale**

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## INTRODUCTION

The RBI and the Government are making numerous efforts to lessen the usage of coins with inside the economic system with the aid of using selling the virtual/charge gadgets which include pay as you go contraptions and playing cards. RBI's attempt to inspire those new styles of charge and agreement centers targets to obtain the intention of a much less coins society. Here, the time period much less coins society and cashless transaction economic system imply the equal element of decreasing coins transactions and agreement as a substitute doing transactions digitally. Cashless transaction economic system doesn't suggest scarcity of coins as a substitute it suggests a subculture of humans settling transactions digitally. In a present day economic system, cash actions electronically. Hence the unfold of virtual charge subculture in conjunction with the enlargement of infrastructure centers is wanted to obtain the intention. On November 8th, authorities withdrawn Rs 500 and Rs 1000 notes- maximum denominations in circulate. Main goals have been to combat counterfeit cash and black cash. The movement has given extraordinary enhance to cashless transactions as card primarily based totally and virtual bills have been now no longer hindered while all excessive denomination coins transactions suffered due to absence of excessive denomination currencies.

## EFFORTS TOWARD CASHLESS TRANSACTION ECONOMIC SYSTEM

The RBI and authorities have released numerous measures for the unfold of digital and different non-

coins agreement subculture. The Vision-2018 for Payment and Settlement Systems in India delivered with the aid of using the RBI in June 2016 reiterates the dedication to inspire extra use of digital bills with the aid of using all sections of society that allows you to obtain a much less-coins society. The wide contours of Vision-2018 revolve round 5 Cs coverage, convenience, confidence, convergence, and cost. To obtain those, Vision-2018 will recognition on 4 strategic projects which includes responsive regulation, strong infrastructure, powerful supervision and client-centricity, RBI.

The imaginative and prescient declaration highlights following plans: The regulator desires to lessen the percentage of paper-primarily based totally clearing contraptions. It targets to elevate increase of the virtual bills space. It desires to make certain extended use of Aadhaar in charge structures. Government additionally made monetary measures for the encouragement of card subculture with inside the 2016 finances. Exempting carrier rate on card-primarily based totally and different virtual bills became one such step. Aadhar primarily based totally charge gadget might be a large enhance for selling the cashless transaction subculture. A committee of 7 members, chaired with the aid of using a ministry official, Neeraj Kumar Gupta became shaped to advocate steps for the discount of coins primarily based totally transactions. The era has unfold net banking, cell banking, pay as you go contraptions, credit score and debit playing cards etc. and on the equal time, digital bills gadget is rapid growing. All those imply that India is transferring toward the RBI's intention of much less coins economic system-regular however slowly.

## MODES OF CASHLESS TRANSACTIONS

1. **Cheque** - The cheque is one of the oldest techniques of cashless charge. It is a acknowledged approach to everyone. In this approach, you problem a cheque for the unique quantity to a person else. The cheque receives deposited with inside the respective financial institution. The financial institution approaches a charge thru a clearing house. The complete transaction finished thru cheque receives recorded and there may be a evidence of charge. However, there are times wherein cheque bills get dishonored because of signature mismatch or inadequate fund. In order to keep away from such problem, we are able to use different cashless charge alternatives.
2. **Demand Draft** - Demand draft is some other rudimentary manner of cashless transaction. It is most secure choice to acquire charge from anyone. Demand draft (DD) in no way receives defaulted as it's miles signed with the aid of using the banker. The drawback of DD and cheque is you want to go to a financial institution to be able to deposit cheque and call for draft. The clearance of cheque or DD takes extra time.
3. **Online Transfer** - NEFT or RTGS - The 1/3 handiest approach for the cashless transaction is on-line switch the use of NEFT or RTGS. In order to do on-line cash switch, you want net banking facility. Online switch the use of NEFT or RTGS is relatively quicker than cheque or DD. Online switch may be finished from everywhere the use of net facility.
4. **Credit Card or Debit Card** - Credit card or debit card is some other cashless charge approach. The utilization of credit score card and debit card became confined in India. However, utilization of credit score card and debit card is growing now due to demonetization. The issue of this charge approach is an availability of swipe card facility (PoS) at service provider give up.
5. **E-Wallets** - E-Wallet is subsequent cashless charge alternative-Wallet may be used to buy merchandise beginning from grocery to airline tickets. In order to apply E-Wallet client and service provider, each require a clever tele-cell smartphone with lively net connection. The maximum famous instance or E-Wallet is PayPal. After registering for E-Wallet you want to hyperlink your credit score card or debit card together along with your E-Wallet id. You can use E-Wallet for fund switch or on-line shopping. It is handiest cashless approach.
6. **Mobile Wallets** - The subsequent cashless charge approach is a cell pockets. You do now no longer want a debit card, credit score card or net banking password for making charge the use of a cell pockets. Just load cash on your pockets through IMPS and apply it to the flow. You can down load cell pockets app from play store. Few examples of cell wallets are Paytm, PayUmoney, MobiKwik, etc.
7. **UPI Apps** - UPI is a cell charge gadget which lets in you to do diverse monetary transactions to your tele-cell smartphone. UPI lets in you to ship or acquire cash the use of digital charge cope with with out getting into financial institution information. Merchants can join with banks to simply accept bills the use of UPI. Like within side the case of a PoS machine, the service provider could require a cutting-edge account with a financial institution to simply accept UPI bills. The examples of few UPI Apps are SBI Pay, Union Bank UPI App, Phonepe, etc.
8. **Gift Card** - The subsequent cashless charge approach is a present card. Gift card is a readymade card and may be bought from a service provider or from the financial institution. The present card is loaded with a restoration coins quantity you should buy any object from the unique seller with the aid of using the use of a present card.
9. **Aadhaar Enabled Payment System** - Aadhaar Enabled Payment System (AEPS) is one of the high-quality cashless charge techniques. AEPS is like Micro ATM it makes use of tele-cell smartphone and a finger-print scanner for the transaction. In order to apply this facility, its miles obligatory to hyperlink your Aadhaar card on your financial institution account. You can use AEPS to be able to carry out transactions like Aadhar to Aadhaar fund switch, Cash withdrawn, Cash deposit, etc.
10. **Unstructured Supplementary carrier Data** - You can use USSD cashless alternative in case you don't have a tele-cell smartphone or net connection. Unstructured Supplementary Service Data is cell banking carrier. From any cell tele-cell smartphone, you could dial \*99# and use this carrier. You can do all this stuff which might be to be had to someone with tele-cell smartphone and net connection. Almost which include SBI, ICICI, BOB, Axis Bank and PNB helps USSD charge alternative.

## ADVANTAGES OF CASHLESS TRANSACTIONS

There are numerous motives why the authorities and the RBI brings up measures to sell cashless

transaction economic system. Besides convenience, virtual transaction gives more scope for recording of transactions and on this manner it's miles a primary step towards the unfold of unaccounted cash or black cash. Secondly, the trouble of counterfeit notes also can be averted while charge is settled digitally.

**Convenience** - The ease of carrying out monetary transactions might be the most important motivator to head virtual. You will not want to hold wads of coins, plastic playing cards, or maybe queue up for ATM withdrawals. It's additionally a more secure and less difficult spending alternative while you are visiting. The advantages are widespread in case you omit the low-profits group, on the way to face a massive mission. For the relaxation of the country, it's miles optimistic and simple. It might be specifically beneficial in case of emergencies. The freedom to transact on every occasion and anyplace you want. You don't need to be bodily gift to behavior a transaction or be compelled to achieve this simplest for the duration of workplace hours.

**Discounts** - The current waiver of carrier tax on card transactions as much as Rs 2,000 is one of the incentives furnished with the aid of using the authorities to sell virtual transactions. This has been observed with the aid of using a chain of cuts and freebies. It's a very good time to boom your financial savings in case you take benefit of those. For instance, 0.75% cut price on virtual buy of gasoline method that the petrol rate in Delhi at Rs 63.forty seven in line with litre may be delivered right all the way down to Rs 62.99/l with virtual charge. Similarly, saving on rail tickets, dual carriageway toll, or buy of coverage can assist reduce your costs. Add to those the cashback gives and reductions supplied with the aid of using cell wallets like Paytm, in addition to the praise factors and loyalty advantages on present credit score and store playing cards, and it may assist enhance your coins go with the drift marginally.

**Tracking spends** - If all transactions are on document, it'll be very clean for humans to maintain song in their spending. It may also assist whilst submitting profits tax returns and, in case of a scrutiny, humans will discover it clean to give an explanation for their spending. Besides the tax, it'll have a very good effect on budgeting.

**Budget discipline** - The written document will assist you maintain tabs to your spending and this can bring about higher budgeting. Various apps and equipment will assist humans examine their spending styles and throw up appropriate insights over more than one years. Controlled spending can also bring about better investing. If the equal amount of money does now no longer go with the drift lower back into circulate and those keep to apply cell wallets and playing cards, it's also in all likelihood to deliver down the latte thing.

**Lower danger** - If stolen, it is simple to dam a credit score card or cell pockets remotely, however it's not possible to get your coins lower back. In that sense, the virtual alternative gives confined safety, says Pai. This is specifically actual whilst visiting, specifically overseas, wherein lack of coins can motive incredible inconvenience. Besides, if the futuristic playing cards evolve to apply biometric ID (fingerprints, eye scan, etc.), it may be extraordinarily tough to copy, making it a totally secure alternative.

**Small gains** - It might not look like an awful lot of an benefit, however being cashless makes it clean to beat back borrowers. Another plus is that you could pay the precise quantity without stressful approximately now no longer having alternate or getting it lower back from shopkeepers.

## **DISADVANTAGES OF CASHLESS TRANSACTIONS HIGHER RISK OF IDENTITY THEFT**

Higher danger of identification robbery the largest worry is the danger of identification robbery. Since we're culturally now no longer attuned to virtual transactions, even well-knowledgeable humans run the danger of falling into phishing traps. With the growing occurrence of on-line fraud, the danger of hacking will simplest develop as extra humans hop directly to the virtual platform. Besides, the state-of-the-art flow with the aid of using the authorities to eliminate the -thing authentication technique for on-line transactions as much as `2,000, will now no longer assist. Irrespective of the scale of transaction, the absence of this extra layer of safety will reveal hundreds to the danger of identification robbery. Another vulnerable hyperlink is the insufficient redressal mechanism. With the bad redressal gadget in India, consider what a bad rickshaw puller will do if he has his Aadhaar ID stolen? Given the tedious technique and bad grievance redressal, humans will don't have any clean recourse in the event that they lose cash on-line. There isn't any any stringent prison technique to address this type or scale of fraud.

**Losing phone** - Since you'll be depending on your phone for all of your transactions at the flow, dropping it may show to be a double whammy. It cannot simplest make you prone to identification robbery, however you may additionally be rendered helpless within side the absence of bodily coins or every other charge alternative. This can be especially complex in case you are visiting overseas or in smaller cities or villages with loss of banking infrastructure or different charge alternatives. Another downside is which you want to maintain your phone continuously charged. If the phone dies on you, you'll be stranded, in particular in case you are within side the center of a vital buy or handling an emergency.

**Difficult for tech-UNSAVVY-** India has a low Internet penetration of 34.8%(2016), in keeping with the Internet Live Stats, and simplest 26.3% of all phone customers have a phone (2015), as in line with Statista figures. Besides the sensible trouble of going virtual, a larger block is the mental shift. You are unexpectedly leaping 3 generations to the virtual medium. It's a trouble for the older humans, who may also unexpectedly discover themselves locked out in their money owed in the event that they can't down load an app or don't have coins. The virtual medium may also show a mission for the tech-unfriendly humans, who will want extra time to evolve or the supply of different alternatives to behavior transactions.

**Overspending** - While there may be no denying the benefit of card or cell pockets transactions, it may open a spending entice for an unsuspecting population. According to behavioural finance theorists, the ache of parting with cash is felt extra acutely in case you use bodily coins in preference to a card. Hence, the use of coins in preference to playing cards or cell pockets acts as a herbal bulwark for individuals who discover it tough to govern their spending. This is the cause that humans should turn out to be overspending, throwing their budgets into disarray. Besides, an excessive penetration of the virtual charge gadget is contingent at the truth that the equal amount of money does now no longer come lower back into circulate. If it does, humans are much more likely to replace lower back to the previous ease of the use of coins as its miles a dependency that they'll discover tough to break.

## CONCLUSION

With confined coins in hand and an indefinite crunch in sight, maximum humans are speeding to cashless transactions. Digital transactions deliver in higher transparency, scalability and accountability. The new flow will compel extra traders to simply accept virtual cash. Cash may also not be king. While you anticipate the serpentine queues at ATMs to peter out and foreign money notes of Rs. a hundred denomination to come to be without difficulty available again, the adoption of virtual charge answers is choosing up at a livid pace. Everyone from the community vegetable seller to the chai and bhelpuri-wala is embracing virtual charge answers to tide over the coins crunch. ET Wealth carried out an internet survey to discover the extent of adoption of virtual charge answers and consumer behavior. The findings screen that whilst humans are becoming cushy with cashless bills, a few attitude troubles are keeping lower back many from embracing the more modern platforms. The findings additionally endorse that the utilization behavior of these who've taken to cashless modes may be exposing them to safety threats.

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