

A Study of Cashless Transactions in Indian Economy: A Systematic Literature Review

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Abstract: *This study explores the evolution, benefits, and challenges of cashless transactions in India, aiming to understand the prospects of a cashless society. Using a systematic literature review, the study reveals that cashless transactions offer advantages such as faster transactions, reduced costs, and decreased chances of fraud. However, the transition to a cashless society requires overcoming certain challenges, including corruption and the need for traceability in financial transactions.*

Keywords: cashless transactions, systematic literature review, cashless society, corruption

1. Introduction

The Indian economy witnessed the third time demonetization process in year Nov. 2006. Even after demonetization, the consequences have been studied and one of the major consequences is cashless transactions (Chaudhari 2017). If we look at the history of money, we will notice that it went through evolutionary changes starting from the barter system, precious metals used as the means of payment, money made from precious metals and gold-backed money to money whose value is completely separate from the material from which it was made. Central bank digital currency is a completely logical next step in this process of money evolution (Fabris., 2019). In cashless transactions, payments are made or accepted without the use of hard cash. This includes payments made via credit/debit cards, cheques, DD, NEFT, RTGS, or any other form of online payment that removes the need for cash.

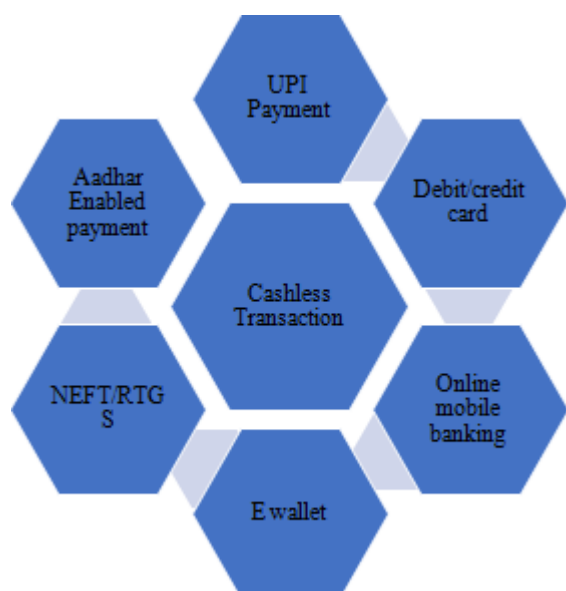


Figure: Mode of cashless transaction
Source: The authors

Thus, the objective of the study is to answer the following research questions.

RQ1 What are cashless transactions and their evolution over time?

RQ2 The purpose of this study is to examine the evolution, role, advantages, and challenges of cashless transactions in the Indian economy, and to explore the future prospects of a cashless society in India.

These are the distinctive characteristics of this work.1) The study's authors thoroughly analyzed earlier research2) Different clusters are built in order to respond to the study questions. The rest of the work is divided into the following sections: The review technique is represented in section 2, which also discusses inclusion and exclusion criteria and a system for data extraction. The findings from a review of the papers collected using the SLR approach were presented in Section 3. The results are outlined in Section 4, along with the study gap and potential future research options.

2. Review Methodology

In a single paper, SLRs can give authors a broad picture of a certain research area. For systematically gathering, reviewing, and synthesizing research data on a particular issue to determine what is known—and what is unknown—in the area, this method is regarded as a scientific and highly informative method. SLRs give readers the chance to gain a thorough comprehension of the literature while also assisting them in locating any remaining research holes. An SLR might be seen as a platform for knowledge expansion in this sense (Paul & Barari 2022).

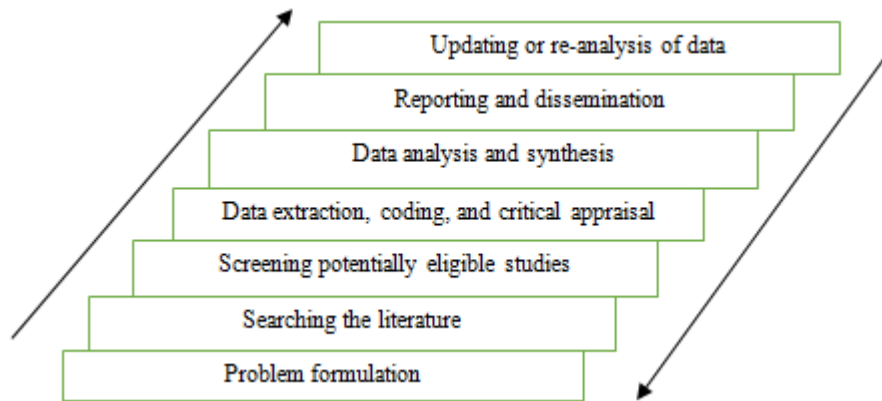


Figure 2: The step-by-step procedure of SLR is described as follows:

Source: The authors

Database, keywords, and inclusion criteria

The most well-known online databases Taylor and Francis, Springer, Wiley, and Sage is used for the study. The data exertion procedure is described as follows.

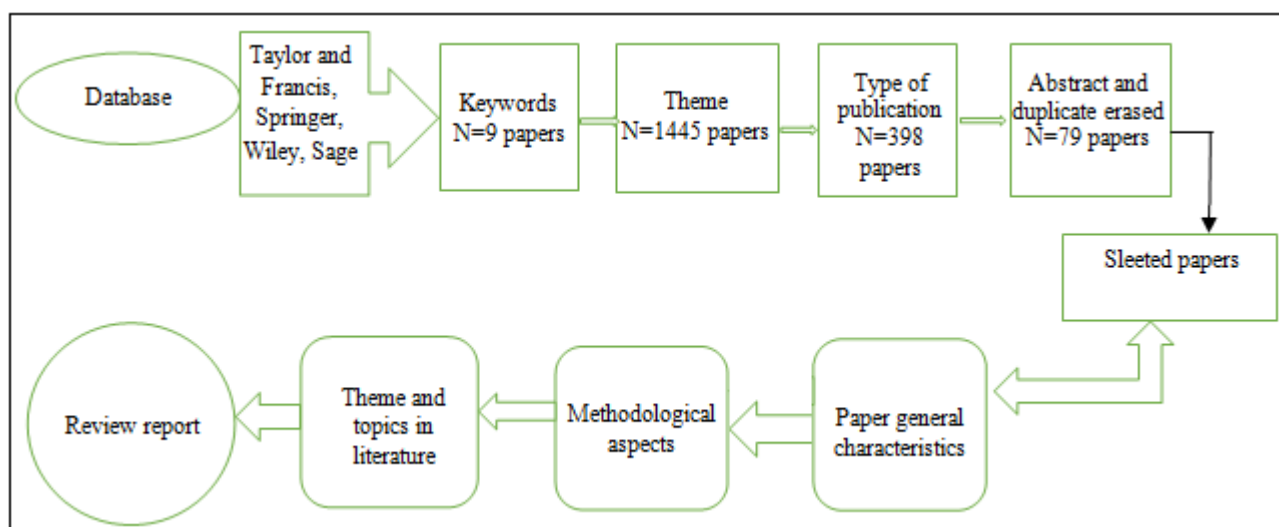


Figure 3: Data retrieval process

Note: The authors

Inclusion / Exclusion criteria

For the supplementary study, papers that satisfy the inclusion criteria are chosen. To investigate the most pertinent literature on cashless transactions in the Indian economy, the author has taken papers from 2000 to 2021 and extracted them. The papers chosen are all written in English. The final number of publications chosen for this study is 79.

stage in this evolution of money is central bank digital currency (Sreenu., 2020).

3. Results and interpretation

Cluster 1 Definitions of cashless transactions and its evolution

In a cashless economy, all transactions take place online using methods like debit/credit cards, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), and Real Time Gross Settlement (Garg & Panchal.,2017).If we examine the evolution of money throughout history, we can see that it started with the barter system and progressed through money made from precious metals, money backed by gold, money made from precious metals, and money whose value is completely independent of the material from which it was made. The next natural

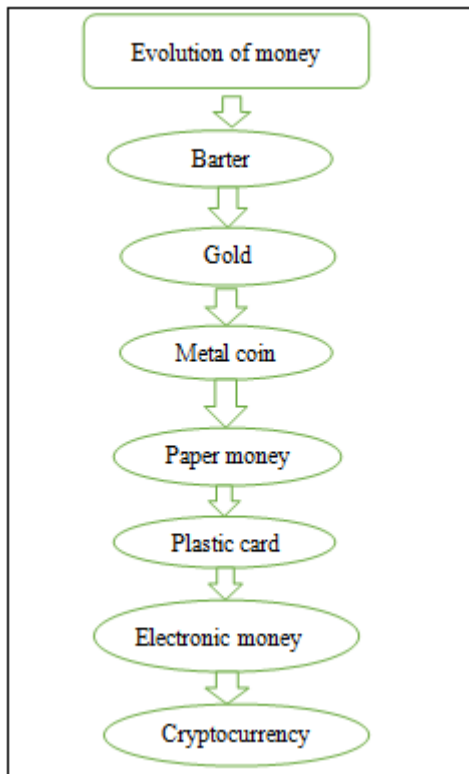


Figure 4: Evolution of money
Note: The authors

Cluster 2 Role of cashless transactions in the Indian Economy

Following demonetization, the use of mobile payment systems has grown dramatically in recent years. Over the years, two sorts of facilities have been popular. These platforms are UPI- and wallet-based. Although the online pattern tends to be more prominent in major cities, the Indian government is concentrating on bringing rural implementation to urban settings. The new system will effectively track taxable entries over time in addition to decreasing the flow of "black money"(Aggarwal et al., 2021).The use of a cashless policy on Indian economic development in the short term will be negative, whereas, in the long term, it will impact positively (Srouji, 2020).A more open and accountable society will result from all remittances being made online, from one's wage to their mobile recharge (Kumari & Khanna., 2017).

Cluster 3 Advantages and challenges of cashless transactions

A cashless economy can be realized by implementing suitable digital payment procedures. It just needs newly developed financial regulations that have been well tested, centralized administrative oversight, and ongoing oversight of banks, government entities, and other private services. Services that are safe and secure include instant payment certification, a clear account statement, no hidden fees, complete financial control, and a streamlined transaction procedure by providing all necessary information (Singhraul & Garwal, 2018).

| Advantages of cashless transactions | Challenges of cashless transactions |
|--|---|
| <ul style="list-style-type: none"> • Decline in crime and money laundering • Convenient means of payment • Threats to privacy • Reduced shadow economy • Personal safety • Lower transaction costs | <ul style="list-style-type: none"> • Cybercrime • IT risk |

Cluster 4 Future of cashless economy

Although the shift towards a cashless economy is undoubtedly a good one, it will take some time before it becomes fully operational. The government's initiatives and those of the commercial enterprises that have e-wallet apps like Paytm, Ponape, etc. are both succeeding. The largest problem facing the government is the lack of education and awareness among the populace as well as their concern over the possibility of financial loss while using digital payment systems. For the country to have long-term sustainable economic growth, the government must address these obstacles to a cashless economy and promote digital payments (Baghla.,2018)

4. Conclusion and Implication of the Study

The study concludes that a cashless society offers numerous benefits, including faster transactions, reduced costs, and decreased chances of fraud. However, the transition to a cashless society in India requires overcoming challenges

such as corruption and the need for traceability in financial transactions. The government and private sector must work together to address these challenges and promote digital payments. Digital transactions leave a digital trail that can be recorded and audited, which increases transparency and accountability. There are several benefits, such as quicker transactions, lower costs, and fewer risks associated with using real money, such as theft and fraud. But since every financial transaction in a cashless world will have a paper trail and be able to be tracked, corruption will undoubtedly decline. All counterfeit money notes can be stopped. Tax payment is an obligation in a cashless world, and this infraction might be significantly decreased. The state receives more money as a result of the greater tax value, which it can then use to fund welfare programs.

This study is benefited society in many ways:

This study is significant as it provides a comprehensive understanding of the cashless transactions landscape in

India. It offers insights into the benefits and challenges of a cashless society, contributing to the ongoing discourse on digital finance and economic development. This work will also help society as a whole. People would save time and effort and have cheap transaction costs.

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