

**IMPACT OF CASHLESS ECONOMY ON DOMESTIC
ACCOUNTING SYSTEM**

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“We want to have one mission and target: Take the nation forward- Digitally and Economically”

--ShriNarendraModi

Abstract

India is among the fast emerging as one of the largest and strong economies. For sustainable development and growth with robust economic development, certain integral factors like improved transparency, corporate governance and restricting the parallel cash based economy. Such developments can be feasible through the cashless economy and digitalization of transactions. A Cashless Economy is an economy in which all type of transactions is done through digital means. Cashless economy system is benefited not only for business organization but also for an individual's life. Through cashless economy system automatically all domestic transactions may be big or small will be recorded and come into accounting system. If all transactions are on record, it will be very easy for people to keep track of their domestic income and spending transactions. For a betterment of life, there is a need of proper planning and controlling of the sources of income, the allocation of income among various element of cost of living and this is possible only when there is proper data is available related to domestic income and expenditure. Domestic accounting system provides these types of data and cashless economy system helps a lot to develop and maintain this domestic accounting system. This paper also studied the view of people on introduction of cashless system and the impact of cashless economy on domestic accounting system. The study was conducted in Jodhpur region, data was collected with the help of structured questionnaire and analysed using simple percentage method and also null hypotheses were developed and tested.

Keywords- Cashless Economy, Digitalization, E-Banking, Domestic Transactions, Domestic Accounting System.

Introduction

Cash is like a life blood for an individual's life. It is a basic necessity without which survival is not possible. A large informal economy that supports a major part of Indian population and their livelihoods also runs in cash. This is why Cash is a King of economy.

The emergence of Information and Communication Technology (ICT) had completely changed the lives and operations of individuals and organizations respectively. ICT and Digital technologies had made great evolutionary development in finance, economics, operational cost and life style of an individual. The era of ICT and digital innovations has come along with dynamic change in the business as well as domestic environment, whereby transactions are constantly shifting from cash-based transactions to digital transactions/cashless transactions. Digital transactions bring in better transparency, scalability and

accountability. The new move will compel more and more persons to accept digital money and cash may no longer be king.

Meaning of Cashless Economy

A Cashless Economy is an economy in which all type of transactions is done through digital means. It includes debit/credit cards, card-swipe or point of sales (POS), Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), E-Banking, Mobile Banking or digital wallets. The circulation of physical currency is minimum.

In simple words no liquid money or paper currency will be used by the people in a given country. In a cashless economy the third party will be in possession of your money. He will allow you to transact that money whenever it is needed. Third party can be a government or any other public or private sector bank.

Present Scenario of Cashless India

At present, India is far behind to other economies with regards to cashless transactions. The ratio of cash to gross domestic product in India is one of the highest in the world- 12.42% in 2014 as compared with 9.47% in china and 4% in Brazil. Another report by Boston Consulting Group (BCG) and Google India mentioned that last year around 75% of transactions in India were cash based while it was 20-25% in developed nations such as US, Japan, France, Germany etc. less than 5% of all payments happen electronically. The number of currency notes in circulation is also far higher than in other large economies.

Now the RBI and the Government are making several efforts to reduce the use of cash in the economy by promoting the digital/payment devices including prepaid instruments and cards. RBI's effort to encourage these new varieties of payment and settlement facilities aims to achieve the goal of a "less cash society". With limited cash in hand and an indefinite crunch in sight, most people are rushing to cashless transactions.

Prime Minister, Mr.NarendraModi launched the Programme "**Digital India**" with a vision to transform India into a digitally empowered nation and creating a cashless, paperless economy. The Government has implemented a major change in economic environment by **demonetizing** the high value currency notes of- Rs. 500 and Rs. 1000 from 8th November 2016 and push India towards cashless future. PM-NarendraModi unveiled two schemes- **Lucky GrahakYojna, DIGI DhanVyapaarYojna** for customers and traders like to promote mobile banking and e-payments. Government have also introduced **Aadhar based payment system**, this is for those people who don't have cards or mobile phones.

The Vision-2018 for Payment and Settlement Systems in India brought by the RBI in |June 2016 reiterates the commitment to encourage greater use of electronic payments by all sections of society so as to achieve a "less-cash" society. RBI has also issued licenses to open new-age small finance banks and payments banks which are expected to give a push to financial inclusion and bring innovative banking solutions.

Importance of Cashless Economy

Going cashless has helped in creating a positive impact on society as the paper based methodology in financial transactions has been reduced thereby economy in operations, time and cost.

Attack on Black Money: It will help in curbing the generation of black money. The cashless economy has attacked the parallel economy. People who hoard money under their bed, people who under money by passing banking channels, terrorists who need money to finance their terror will find difficulty in cashless economy.

Taxation: All the transactions can be monitored and hence traced back to an individual. Income tax officials can easily trace out the transactions and it will become difficult for individuals to evade taxes. Ultimately, it will help in increasing revenue of the government from taxes and more productive activities can be carried out in the economy.

Reduced red tapism and bureaucracy: With cashless transactions through electronic means the wire transfers are tracked and people are accountable which in turn reduces corruption and improves service time.

Reduce Real Estate Prices: It will lead to reduction in real estate prices because of curbs on black money as most of it is invested in real estate which ultimately inflates the prices of real estate markets.

Pack of Cards: No need to carry bulky notes in a case. Just carrying the required cards or mobile banking will suffice.

No fear of being robbed unlike carrying cash and letting everyone know that there could be something worth snatching.

Discounts: Saving on rail tickets, highway toll, or purchase of insurance can help cut the costs. Add to these the cash back offers and discounts offered by mobile wallets like Paytm, as well as the reward points and loyalty benefits on existing credit and store cards, and it could help improve cash flow marginally.

Lower Risk: If stolen, it is easy to block a credit card or mobile wallet remotely, but it's impossible to get your cash back. This is especially true while travelling, especially abroad, where loss of cash can cause great inconvenience.

Challenges of Cashless Economy

Here are some of the problems which stand in the way of India becoming a cashless society:

- Problems of network connectivity
- Non-tech-savvy
- Higher risk of cyber security
- Higher risk of identity theft
- Infrastructure problems

- High internet cost
- Not enough bank accounts
- Problem of overspending.

Review of Literature

The paper “Cashless Transaction: Methods, Applications and Challenges” by DeepikaKumari focus on the basic concept of cashless transaction, its security issues, method of cashless transaction, their advantages and limitations. The paper “**Impact of Cashless Economy on Common Man in India**” by Pappu B. Metri and DoddayallappaJindappa, includes the meaning and challenges to go digitalization. The research paper “**Impact and Importance of Cashless Transaction in India**” by Ms.Pranjali A. Shendge, focuses on impact and importance of cashless policy in India. The financial safety over the digital payment channel is important for pushing the cashless economy idea. The research paper “**Digital Payments for Rural India- Challenges and Opportunities**” by S. Md. Shakir Ali, drMd. WasimAkhtar and Dr. S.K. Safiuddindiscusses on the opportunities for digital payments in rural market and challenges of implementing digital transactions in rural markets.

Research Methodology

The study has been carried out based on the collection of the relevant secondary data as well as primary data. Secondary data collection was based on various sources such as published books, articles published in different journals and newspapers, conference paper, websites, etc. for the purpose of collecting the primary data; the study is conducted in Jodhpur region. A sample size of 100 was selected using the stratified random sampling procedure out of which 85 respondents were provided data. Survey method is used for collecting data with the help of questionnaire. The responses from the respondents were collected and analysed using the simple percentage method. For finding out an answer of this question that, is the opinion towards cashless system should be introduced in India and is the opinion towards cashless system will help to maintain domestic accounting system, influenced by sex, literacy level and age of the respondents?, this study developed and tested null hypotheses and used χ^2 – Test at 95% level of confidence. Following is the sample profile of the study:

Table 1: Sample Profile

Total No. of Respondents	85
According to Age	
18-40	55
40-60	18
60 and Above	12
According to Sex	
Male	50
Female	35
Educational Qualification	
Literate	62
Illiterate	23
According to Income (Annual)	
Below 3 Lakhs	21
3- 5 Lakhs	47
5 Lakhs and Above	17

Domestic Accounting System

Accounting has generally been associated with business, but it is not only business which makes use of accounting; persons like Professionals, Government, non-profit organizations and individuals also make use of accounting. This is so because, accounting discipline deals with measurement of economic activities affecting inflow and outflow of economic resources, to develop useful information for decision making. A household level, information about inflow and outflow of cash resources helps in assessing liquidity position and to plan household activities. An individual or household entity also needs to make rational and economic decisions related to domestic finance. The planning and controlling of domestic finance can be only possible through a reliable information system. **Domestic accounting system** can provide the information related to income and expenses of an individual through recording, summarizing and finalizing the domestic economic transaction. **Domestic accounting is nothing but the process to keep all records of income and expenditure in the life of a person or a family.** Thus, it can be said that the basic objective of domestic accounting is to develop an accounting information system as a tool for measuring the cost of living for rational decision making about use of scarce resources vis-à-vis maintenance of quality of life and the ultimate aim is to develop accounting system for better life.

Impact of Cashless Economy on Domestic Accounting System

A cashless method is more transparent as every transaction can be traced easily as it leaves its footprints. So through cashless economy system automatically all transactions may be big or small will be recorded and come into accounting system. If all transactions are on record, it will be very easy for people to keep track of their domestic income and spending transactions. For a betterment of life, there is a need of proper planning and controlling of the sources of income, the allocation of income among various element of cost of living and this is possible only when there is proper data is available related to domestic income and expenditure. Domestic accounting system provides these types of data and cashless economy system helps a lot to develop and maintain this domestic accounting system.

Budget is an important tool and plays a significant role in domestic accounting system. Cashless system can provide written records of domestic transactions. The written record will help a person to keep tabs on spending and this will result in better budgeting. Various apps and tools will help people analyse their spending patterns and throw up good insights over a couple of years. Controlled spending could also result in higher investing. If the same amount of cash does not flow back into circulation and people continue to use mobile wallets and cards, it is also likely to bring down the latte factor. This means that the Rs 5 a person spent on candy or chips or cup of tea is likely to take a hit since a person will be short of loose change and smaller currency notes. There's a lessor chance of budgetary leaks and unaccounted for spends sneaking into budget at the end of the month.

One biggest problem is also found in survey that respondents do not maintain domestic accounting system because of lack of time to memorize and records of domestic transactions. But in cashless system, automatically the footprints or documental records of domestic transactions will be available to a person and time will be saved.

Survey Results

Table 2: Preferences towards Cashless System

	Yes	No	Total
Having Bank Account	83	2	85
Having Debit / Credit Cards	20	60	85
Using E-Banking System	15	70	85
Using Mobile Banking	22	63	85
Maintaining Domestic Records	25	60	85
Cashless System should be introduced in India	75	10	85
cashless system will help to maintain domestic accounting system	76	9	85

The aforesaid table reveals that out of 85 respondents, 98% respondents have bank account, which is good sign to move towards cashless economy. Out of total respondents only approximately 23%, 17%, and 26% respondents using debit/credit cards, e-banking and mobile banking. This study also found that this % was very less before 8th Nov.2016. It seems that after demonetization, using digital mode of payment increased. Out of total respondents, only 29% respondents maintain domestic income-expenses records and they provided the main reason for not maintaining the records is lack of time (85%). Few respondents show negative opinion towards cashless economy, while 88% of the respondents prefer that cashless economy should be introduced in India. Approximately 89% respondents agreed that cashless system will help to maintain domestic accounting system.

Hypothesis Testing

For finding out an answer of this question that, is the opinion towards cashless system should be introduced in India and is the opinion towards cashless system will help to maintain domestic accounting system, influenced by sex, literacy level and age of the respondents?, this study developed the following null hypotheses and used χ^2 -Test at 95% level of confidence.

Hypothesis 1: The opinion towards cashless system should be introduced in India is not influenced by sex.

Hypothesis 2: The opinion towards cashless system should be introduced in India is not influenced by literacy level.

Hypothesis 3: The opinion towards cashless system should be introduced in India is not influenced by age.

Hypothesis 4: The opinion towards cashless system will help to maintain domestic accounting system is not influenced by sex.

Hypothesis 2: The opinion towards cashless system will help to maintain domestic accounting system is not influenced by literacy level.

Hypothesis 3: The opinion towards cashless system will help to maintain domestic accounting system is not influenced by age.

Table 3: Result of Hypothesis Testing

	Hypothesis 1	Hypothesis 2	Hypothesis 3	Hypothesis 4	Hypothesis 5	Hypothesis 6
Degree of Freedom	1	1	2	1	1	2
Level of Confidence	95%	95%	95%	95%	95%	95%
Critical Value	3.841	3.841	5.991	3.841	3.841	5.991
χ^2 Value	1.65	10.62	3.514	0.86	4.15	3.98
Decision	Accept	Reject	Accept	Accept	Reject	Accept
Interpretation	Insignificant	Significant	Insignificant	Insignificant	Significant	Insignificant

The above table reveals that at 95% level of confidence difference is to be considered insignificant for hypothesis 1,3, 4 and 6 and these hypotheses are accepted and difference is to be considered significant for hypothesis 2 and 5 so these hypotheses are rejected. Hence, it can be concluded that, the opinion towards cashless system should be introduced in India is not influenced by sex and age factor but influenced by literacy level. Same as the opinion towards cashless system will help to maintain domestic accounting system is also not influenced by sex and age factor but literacy factor affects the opinion of respondents.

Conclusions

The future of the cashless India looks good promising as the response of the country people towards this move of the government and the support towards it is a clear indication that the government's move is likely to succeed. With limited cash in hand and an indefinite crunch in sight, most people are rushing to cashless transactions. Digital transactions can bring in better transparency, scalability and accountability in domestic accounting system. Cashless economy system will improve the domestic accounting system and this will help a person to do proper planning and controlling of spending, saving and investment decisions. A cashless economy is a welcome idea but not without preparation. Indian consumption is still dominated by cash, so there is huge growth opportunity of cashless economy in India.

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