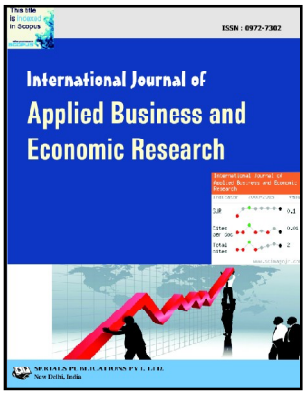

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Examining the Growth of Digital Transactions in India: In the light of Demonetization

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Abstract. The government of India's recent demonetization has affected the various aspects of life in India. One of the claimed objectives of the demonetization from the Indian Government was to enhance the Indian public to adopt online transactions. This research has investigated the present status of online banking Transactions and effects of pre and post demonetisation. Using the data collected from the RBI's latest release, the study found that the sudden spike in the transaction has lost momentum later. However mobile banking transactions marginally increased post demonetization and the upward trend continues is a encouraging observation. The IMPS transactions have increased three fold is an interesting observation. *Purpose*-This research is trying to ascertain the present status of the digital transaction in India in overall with close observation in pre and post demonetization scenario. The research studies the government policy towards the cashless India and existing support system created interventions and the response from the citizen and stakeholders such as financial institutions. *Design/Methodology/Approach*- This research used the existing digital transaction data released by the Central Bank for the period January 2015 to May 2017and government online sources and employed the descriptive research methodology of interpretation. *Findings*-The research observed that short-term impact of demonetization on the spike on the use of digital transaction, however, the trend has not lasted. In over all there is an exponential growth in the digital transaction is encouraging especially in the area of Mobile Banking and Immediate Payment Services (IMPS). The government has created conducive environment regards to policy, infrastructure and little interventions on awareness and cost benefit on promoting digital transactions. The citizens are shying away from the digital transaction due to the significant transaction cost associated with it. Retailers are shying away due to the tax obligation as the transaction is accountable. *Research Implication*- This research would help to understand the trend in the digital transaction and emerging mode acceptance of various available transaction options. This research also demonstrates the real impact of Demonetization experience on the digital transaction as compared to the speculation. *Policy and Practical Implications* – This

research also useful in the policy level development and thrust areas of focusing on the developing policy. The study reveals that though policy level support and satisfaction is in place, awareness creation is lacking. The government also need to develop policy related to digital transaction cost and encouraging retailers to accept digital payments. Though it is achieved at the urban and large retailer level, the penetration is not achieved at the small retailer level. *Originality:* This research has uniquely analysed the data released by Central Bank which none other has study employed. The study also analyzed the present status of Digital payments in the context of Demonetization. *Paper Type:* Research Paper

Keywords: Demonetisation, Electronic Payment System, Cashless Banking, Digital Banking. Status of Digital Banking, Payment Banking.

INTRODUCTION

Government and banking industry is making policy frameworks and providing incentives to promote the cashless transactions among the general public, retailers, businesses and the government. Despite all these efforts, the present status of the digital transactions in India is not that encouraging. This study investigated the status of the on-line banking and digital transactions pre-and-post demonetization scenario. Though corporate have adapted to electronic transaction wholeheartedly. This increased use of online payments by small and large businesses and some individuals using various payment applications/ apps have contributed to the growth of digital transactions. Still, a long way to go for common public to participate in the digital banking in India.

Prime Minister of India, Mr. Narendra Modi, announced the historical decision to the public – Demonetisation of Indian currency notes of Rs. 500 & Rs. 1000 denomination. They ceased to be legal tender at the stroke of midnight on 8th November 2016. These notes were replaced by new notes over a period of three months from the day of demonetization. Unlike in the past demonetization efforts of Government of India in 1946 & 1978, where the working class wasn't dependent on high currency notes and as such it didn't lead to so much panic & chaos. The cash dependent economy did cause consternation among the public. The objective of this decision was to curb the black money and encourage digital transactions among the Indian middle class and lower middle class as the financial inclusion was believed to have been achieved through governments 'Jandhan scheme' of a bank account for every Indian.

The intended main purpose and objective of this research was to study the present status of the digital transaction in India and analyze the Pre-and-Post impact of demonetization in the economy. The government of India has been initiating number of policy measures transform the citizen to adopt digital mode of payment. One of the key objectives of the research is ascertain the impact of the demonetization which also aimed improving the digital transaction. This research objective was trying to investigate the overall impact and results of the government effects to increase the digital transaction and especially in the light of demonitization. Though numerous studies have been published in India, as there was no substantial data was anchored in these research publications, made their claims subtle. This research dissected the latest RBI's monthly release on Indian banks and it has provided some fresh insights on the impacts on pre-and-post demonetization. This research found no substantial growth in online transaction though there was a spike in the initial period immediately after demonetisation. However, as time elapsed the entire system is trending back to the original position dependent more on cash transactions at consumer and retailer levels. The result indicates some silver lining on IMPS and Mobile Banking, which continue to show positive growth trend in transactions after four months since demonetization and after the availability/

circulation of a substantial quantity of new currency notes. The study contributes some insights to the policy makers and the banking sector on the present status of the electronic banking, particularly customer's acceptance towards various emerging banking technology, which offer ease and quality of service viz a viz other payment modes.

LITERATURE REVIEW

Digital Transaction and Cashless Society

Cashless Economy is defined as in a state where entire financial transactions are routed through electronic payment mode or bitcoin where no physical cash involved. The elimination or partial elimination of the cash in the system by means of the digital transaction can lead a cashless society (Humphrey & Berger, 1990, Humphrey et al., 1996, Onley, 1999, Klee, 2004., Garcia-Swart et al., 2006). The cashless society can be achieved by means of financial inclusion. The higher rate of financial inclusion is expected to increase the people who transact digital way which can eventually lead to a cashless society (EFInA., 2013). However, achieving cashless society depends on government's constant thrust over the policy and incentives (Jonker, 2005; Gangopadhayay, 2009; Mas, 2012; Ebiringa, 2010; Kodan & Chhikara, 2013). Integration of three different clouds such as a Physical cloud of hard cash, Digital Cloud and a neural cloud of people brain is required for complete financial inclusion and digital transaction Mas(2012). This integration clouds can be facilitated by financial institution and government. The learning from Nigeria, we understood that the prospective users are unaware of available POS system was a challenge in Nigeria. The awareness and advantage of using the system can improve the use of digital transaction (Ilesanmi, 2012; Abubakar & Ahmad, 2013; Yaqub, et al., 2013; Chiemeke and Evwiekpaefe., 2011; Mofleh, Wanous, & Strachan., 2008) and lack of knowledge of the way government carry out Reffat, (2003). Apart from awareness, people's knowledge about the capabilities of the technology, potential use, and Cost-benefit vis a vis traditional cash based transaction is hampering the digital adaptation to transactions (Nambisan, Agarwal, & Tanmiru, 1999; Rogers, 1995).

Provision of infrastructure such as internet connectivity, Kiosks, Apps could enable the digital transactions (Gangopadhayay, 2009., Bayero & Daneji, 2014., & Gheysari et al., 2012). Mobile banking is also noted as an important driver of digital transactions (Jack & Suri, 2012).

Cashless Policy and Demonetization

The aftermath of demonetization numerous studies have discussed it by linking with various dimensions. The past studies have linked it with the economy, employment, digital, e-commerce transactions and even some have gone to an extent of linking it to the mental health of some public. There are numerous studies has been researching in the context of Nigeria about the cashless economy. Though, few studies that have attempted to study the impact in India are not substantiated with relevant data. On the online banking and electronic transactions scenario, we are unable to come across any notable study. Few studies have investigated e-payment and e-banking in India, the convenience aspect (Jain PM, 2006) and scope of retail transactions using plastic money (Annamalai, 2008). Ashish Das et. al., (2010) have emphasized the importance of the cashless transaction system in India. Literature review further did not come across any study on the status of e-payment and e-banking, particularly impact on it by demonetization. This study focuses on the status of digital transactions in particular and in addition it also explores the Pre-and-Post demonetisation status.

Digital Payment Policy

The Indian government has launched the Electronic Payment policy for the government transactions in the year 2015 that would encourage government use digitally transactions for all government related payments is a mile stone. The Ministry of Information Technology initiated a guideline for Electronic Payments and Receipts (EPR), intended for Central Public Sector Undertakings, State Governments, Govt. of India Autonomous Bodies and Municipalities for expeditiously implementing an appropriate mechanism to enable electronic payments and receipt. In the year 2016, the government also developed policy e-payments above Rs.5000. In order to ensure security for the digital transaction, the government set up an advisory for safeguarding against the attack on smart phones and secure mobile banking. The government also eased the two steps of validation for mobile transaction below Rs.2000. The government also issues a policy note on Security and Risk Mitigation measure and Technical Audit for Prepaid Payment Instrument issuers (e-Wallets). The major areas of policy or government related digital transactions and security and risk mitigation related. There is no policy on transaction costs related to digital transactions yet. The government initiated steps for developing a policy to bring in small retailers rural and lower strata of the people on the board.

Infrastructure

The government of India is implementing a number of policy measures to promote and achieve cashless economy. The government's vision to transform India into a digitally empowered society is very encouraging on the government front. In order to support the vision Government of India also launched various modes of the digital transaction has set up National Payment Corporation (NPCI). Apart from Master and Visa card, the government also launched equivalent Rupay card interoperable through 751 banks. The government also initiated innovative payment service *99# works on Unstructured Supplementary Service Data (USSD) channel. This facility enables mobile banking facility with basic features of mobiles phone without internet data facility for using USSD based mobile banking. The government has launched another service AEPS, which is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the "Aadhaar" authentication. Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platforms. A mobile wallet is created so that, users can links their credit and debit card with the Mobile phone. They also launched Mobile Point of Sales, Virtual Point of Sale and mobile banking. An innovative baking style, Micro ATMs where users can bank at retailer end to deposit or credit. Government also launched a number of capacity awareness programs and incentive packages to the individual to use digital transactions. The government's policy initiatives are satisfactory.

Data and Methodology

For this research, we considered, data of online banking transaction for the period of January 2015 to April 2017 from Reserve Bank of India's monthly release was used. The data covered ECS Credits and Debits. RTGS transfers of Interbank and customers, NEFT-inward credits and outwards debits. Mobile Banking transactions, national payments corporation data of IMPS, Rupay card usages for PoS and e-

commerce, AEPS transactions over Micro ATMs, BBPS, Bill fetch and Bill payment, UPI including BHIM. All these transaction vehicle types cover both the data volume as well as value. The RTGS and NEFT typically cover all major business and financial transfers of corporate as well as individual customers. In this research, given the nature of the data and proposed analysis, a descriptive research methodology was adopted.

ANALYSIS

Electronic Clearing Service (ECS)

Electronic Clearing Service (ECS) Transactions from January 2015 to April 2017 ECS is an electronic mode of funds transfer from one bank account to another. From this graph, we can observe that there are two types of transactions, ECS Credit, and ECS Debit. As seen, there was a sudden increase in the online transactions from Sept to Oct 2016 but it showed a decreasing trend in November 2016, given that the demonetisation was announced on November 8, 2016. In December, the graph increases as this are the month when online transactions were at its peak. Cash was not available on the market. Hence, the public didn't have any other option apart from E-banking/ online transactions. In January 2017, it registered a decline as cash supply had increased in the market. However, March 2017 witnessed a spike in ECS as it was the last month to replace all old demonetised currency notes.

Table 1
ECS Credit Transactions

	ECS Credit		*ECS (Debit)*	
Month	*Volume*	*Value*	*Volume*	*Value*
January-15	9646433	165501.487	19487138	148825.572
February-15	8293368	159009.944	19105289	149765.488
March-15	8568200	151259.780	20273076	155170.389
April-15	4831187	127102.141	18841245	145634.233
May-15	3948996	98511.542	19648921	150547.962
June-15	3033658	86534.786	20041387	156692.367
July-15	3697771	104444.923	20138153	157461.706
August-15	3463431	83793.912	19699849	156429.583
September-15	3760597	85584.148	20086466	157761.245
October-15	3998558	95936.750	20274362	160211.136
November-15	2085550	56311.432	20045822	157774.992
December-15	2094255	89685.471	31566832	153055.890
January-16	2938370	71544.889	13358921	99007.927
February-16	1609798	71296.176	11040531	82132.536
March-16	3508005	87698.805	9169626	68310.202
April-16	1384055	34301.146	2031174	14379.682
May-16	542211	9111.700	1212631	5053.462

contd. table

	ECS Credit		*ECS (Debit)*	
Month	*Volume*	*Value*	*Volume*	*Value*
June-16	796462	9643.889	995788	3227.641
July-16	596503	7490.480	888706	2659.792
August-16	949066	9652.278	848194	2546.616
September-16	846648	8351.123	817972	2056.361
October-16	955374	16553.690	816006	2039.241
November-16	756910	7894.608	279784	1379.441
December-16	910743	12844.153	253977	1546.982
January-17	762010	10510.620	199739	1428.200
February-17	682469	8036.002	193256	1307.928
March-17	919141	9693.016	231868	1548.263
April-17	492601	9683.797	186096	1209.777

Value in INR Million.

RTGS Transactions:

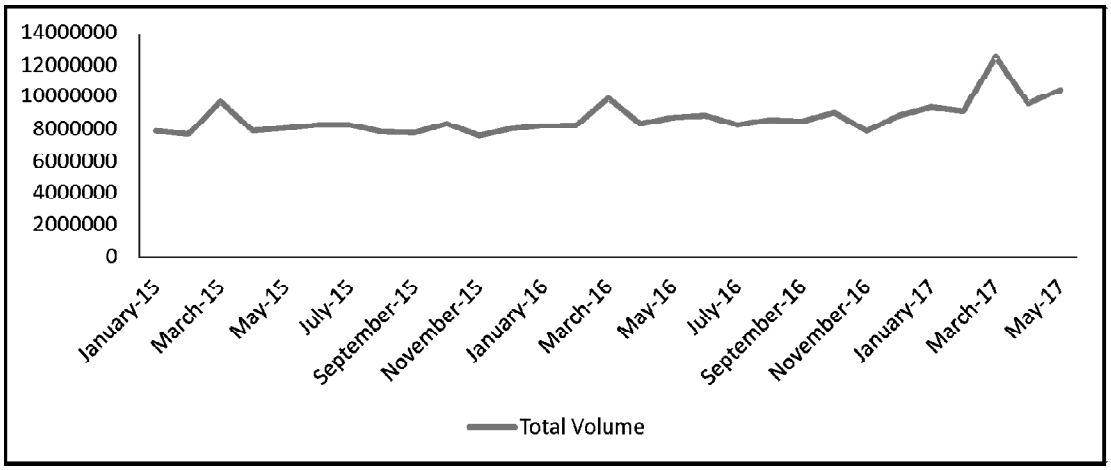

Figure 1: RTGS Transactions in Volume

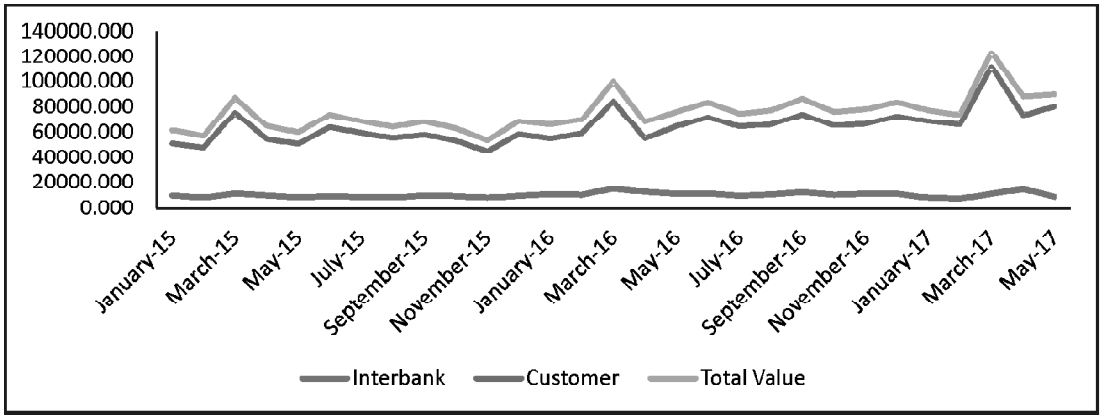

Figure 2: RTGS Inward in Value

Table 2
RTGS Transaction

		Inward		
Month	*Total Volume*	*Interbank*	*Customer*	*Total Value*
January-15	7889908	10291.658	51356.364	61648.023
February-15	7687796	8897.177	48516.932	57414.109
March-15	9672739	11771.535	75649.947	87421.482
April-15	7897752	10323.294	54876.541	65199.835
May-15	8059280	8993.535	51057.919	60051.454
June-15	8255629	9901.447	64280.035	74181.483
July-15	8255249	9177.042	59713.995	68891.037
August-15	7822176	8773.964	55602.259	64376.223
September-15	7767111	10399.975	58391.377	68791.352
October-15	8335150	9845.088	53520.476	63365.564
November-15	7600845	8614.951	45281.078	53896.030
December-15	8024735	10211.401	58712.638	68924.040
January-16	8220044	11210.305	55307.399	66517.704
February-16	8223609	10845.836	59496.063	70341.899
March-16	9864091	15383.374	84661.987	100045.361
April-16	8325513	12895.590	55515.681	68411.272
May-16	8703795	11392.853	64939.730	76332.583
June-16	8828509	11810.749	72024.192	83834.941
July-16	8254641	10201.289	64718.264	74919.552
August-16	8557454	11092.373	66495.951	77588.323
September-16	8467531	12618.220	74069.126	86687.345
October-16	9006720	10939.437	65533.856	76473.293
November-16	7874669	11599.017	66880.174	78479.190
December-16	8840374	11393.905	72702.573	84096.478
January-17	9330505	8622.424	68863.648	77486.072
February-17	9104185	7836.505	66382.307	74218.812
March-17	12538081	11550.821	111825.014	123375.835
April-17	9543080	14908.491	73603.695	88512.186
May-17	10432997	9453.904	80716.621	90170.525

In Billion (INR)

Real-time gross settlement (RTGS) is a specialist fund transfer system, where the transfer of money or securities takes place from one bank to another on a "real time" and on a "gross" settlement basis. Settlement in "real time" means a payment transaction is not subjected to any waiting period, with transactions being settled as soon as they are processed. "Gross settlement" means the transaction is settled on a one-to-one basis without bundling or netting with any other transaction. "Settlement" means

that once processed, payments are final and irrevocable. From the above graph, it is evident that people are already using the RTGS mode of transaction. The value of inward RTGS transactions dropped in October 2016 but rose in November 2016. After November's demonetisation, RTGS transactions were expected to increase. This is exactly what happened but the increase wasn't phenomenal. In February 2017, the value of inward RTGS transactions was the lowest (Rs 74 trillion) from Sep 2016. However, in March RTGS transactions suddenly increased as 31/3/17 was the last date to exchange old notes for RBI notes.

NEFT Transactions

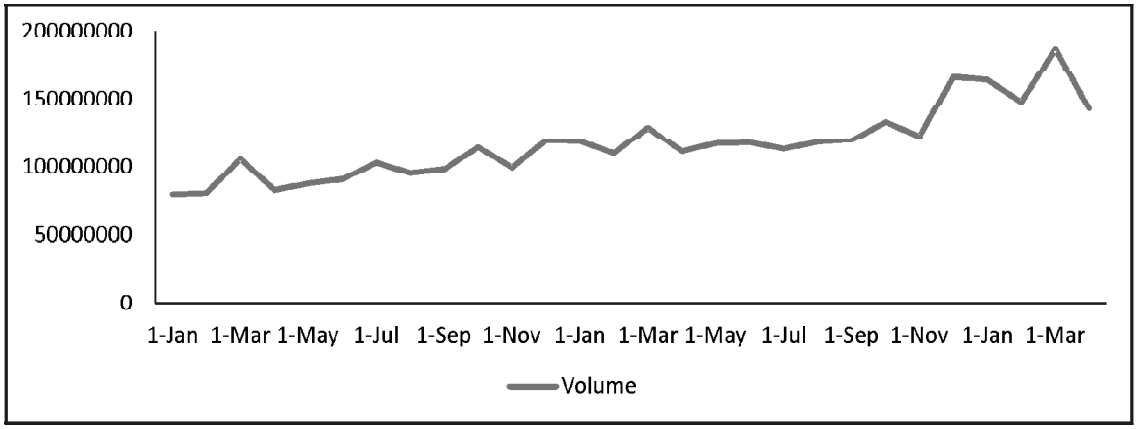

Figure 3: NEFT Transactions in Volume

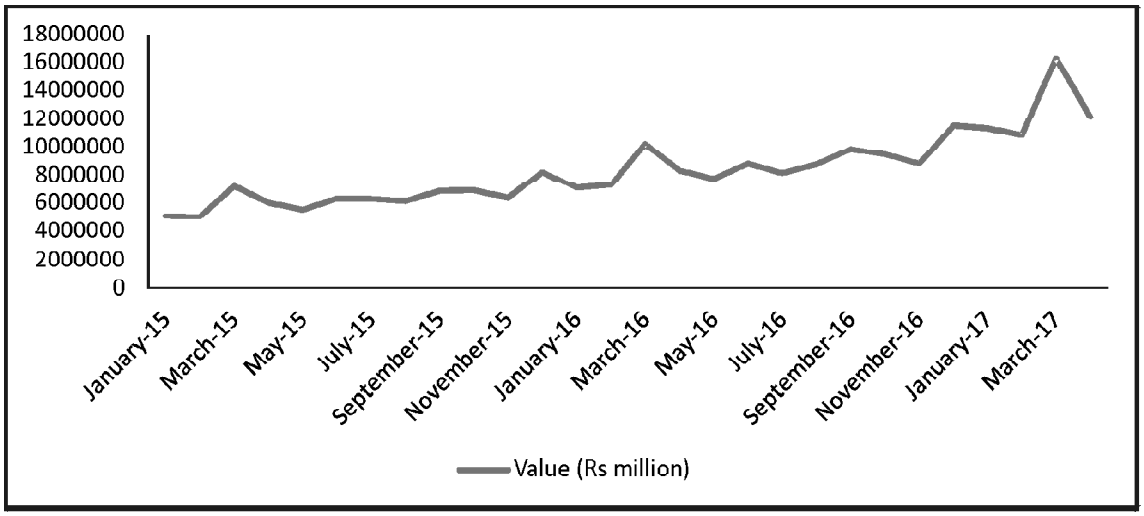

Figure 4: NEFT Transaction in Value

The NEFT Transactions during the demonetisation period from Sept. 2016 to April 2017. The National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the scheme. Basically NEFT & RTGS perform same functions. they both help in the transfer of funds.

NEFT Transactions

Outward Debit

Month	*Volume*	*Amount*
January-15	80224999	5084734.151
February-15	81185268	5046413.884
March-15	106001351	7173091.372
April-15	83529820	6043747.130
May-15	88131920	5536026.938
June-15	91223469	6324580.000
July-15	103108904	6289369.458
August-15	95941677	6153377.173
September-15	98538930	6860207.189
October-15	114604683	6906880.114
November-15	99817780	6370162.256
December-15	119606646	8197208.823
January-16	118973141	7086750.172
February-16	110171311	7278602.466
March-16	129236970	10226358.711
April-16	111844163	8324516.546
May-16	117502585	7732543.428
June-16	118290743	8815307.010
July-16	113480913	8145387.849
August-16	118556378	8764139.661
September-16	120147454	9880165.111
October-16	133213109	9504502.100
November-16	123046178	8807884.811
December-16	166306956	11537633.140
January-17	164187826	11355075.026
February-17	148205456	10877909.230
March-17	186703464	16294500.000
April-17	143169413	12156171.604

In INR (Million)

From the data, we can conclude that in March 2017, the highest amount (Rs. 16 trillion) was transferred via NEFT. The reason for this is that more people had started using digital banking services after demonetisation. Moreover, we can observe that after demonetisation, the value & volume of transactions increased to 2- 5 percent points as people started to transfer from bank instead of using cash. But, this trend didn't continue & NEFT transactions decreased in Jan & Feb 2017. This happened as cash problem ended after demonetisation. In March 2017, there was a sharp increase in NEFT transactions that may be attributed to the closing of the financial year. The interpretation of the data suggests subtle changes in the NEFT transactions.

Mobile Transactions

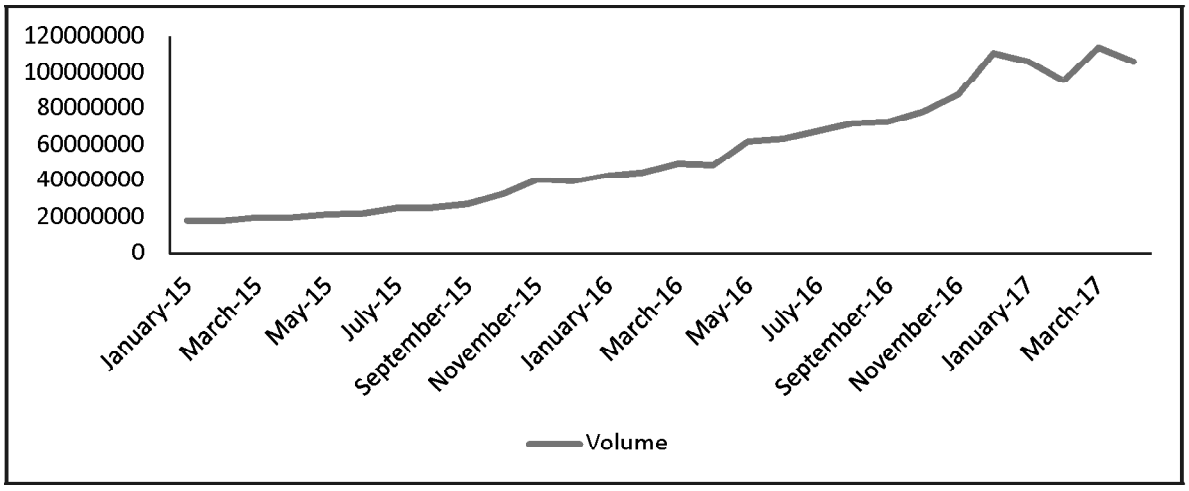

Figure 5: Mobile Banking Transaction in Volume

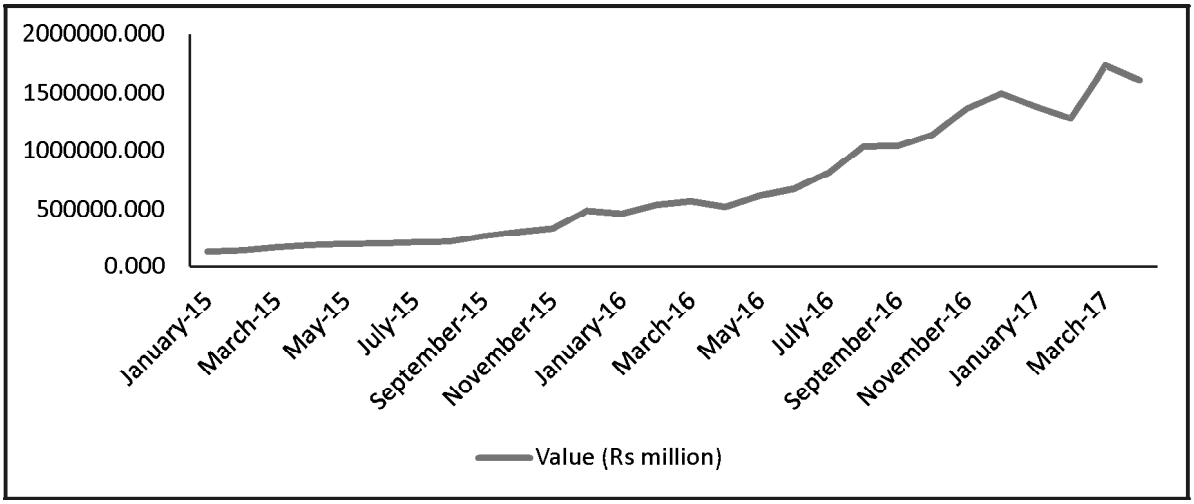

Figure 6: Mobile Banking Transaction in Value

Table 4
Mobil Banking Transaction

Month	*Volume*	*Value*
January-15	18071922	129174.170
February-15	17910105	140663.662
March-15	19757203	169138.295
April-15	19775045	188693.553
May-15	21355799	199180.520
June-15	21872314	202910.593
July-15	25024395	214561.954

contd. table 4

Month	*Volume*	*Value*
August-15	25158909	217984.375
September-15	27105418	269602.076
October-15	32484266	305677.166
November-15	40453431	334714.800
December-15	39491499	490291.434
January-16	42799697	465210.088
February-16	44651974	540001.831
March-16	49476880	572803.968
April-16	48666571	524831.881
May-16	61732229	618133.624
June-16	63170109	673475.350
July-16	67470316	809591.237
August-16	71759269	1038973.304
September-16	72627195	1042599.417
October-16	78118883	1139405.060
November-16	87473088	1365700.340
December-16	110637281	1498182.542
January-17	106127679	1383053.709
February-17	95414809	1279932.584
March-17	113650251	1730881.482
April-17	106184513	1612170.496

Value INR (Million)

Mobile banking (mBanking) or text (SMS) banking refers to online banking that occurs via a mobile phone rather than via a PC (online banking). The earliest mobile banking services were offered over SMS, but with the introduction of smart phones and the Apple iOS and Google Android operating systems, mobile banking is now primarily offered through applications as opposed to text messages or even a mobile browser. From the data, it was

Observed that the mobile banking transactions spiked in November 2016 as a result of demonetisation. In December 2016, this trend continued due to cash shortage in the market. So, people heavily used digital payments, the point of sale (POS) & online transactions. After December 2016, all mobile banking transactions dropped due to increased cash inflow in the market. This trend continued until February 2017. However, there was a steep rise in March 2017 that may be attributed to last-minute tax collections & payment rush towards various saving instruments. The data suggests that, the impact on the use of Mobile Banking has increased and that it is stabilizing at a higher level, is an interesting outcome of the data analysis.

Transaction through NPCI

Table 5
Transaction through NPCI

Month	*IMPS*	*RuPay (POS)*	*RuPay (eCom)*	*AEPS*	*BBPS*	*UPI (Including BHIM)*	*NETC*
April,2016	210.44	6.07	1.27	0.19	-	0.00001	
May,2016	216.18	6.48	1.54	0.32	-	0.00001	
June,2016	237.17	6.74	1.88	0.53	-	0.00001	
July,2016	256.17	7.6	2.18	0.85	-	0.004	
August,2016	268.49	8.1	2.45	1.11	0.00002	0.03	
September,2016	289.12	7.95	2.57	1.54	0.0003	0.32	
October,2016	343.71	11.97	3.06	2.21	0.0003	0.49	
November,2016	324.81	30.06	4.97	1.28	0.0002	1.01	
December,2016	432.01	70.05	10.95	2.07	0.0004	7.02	0.88
January,2017	491.26	57.97	10.53	3.16	0.004	16.96	1.79
February,2017	482.21	40.12	8.42	3.92	0.01	19.38	1.84
March,2017	564.68	36.86	9.53	5.64	0.02	24.25	2.09
Total	**4,116.24**	**289.95**	**59.34**	**22.82**	**0.04**	**69.47**	**6.61**

Values INR Billions.

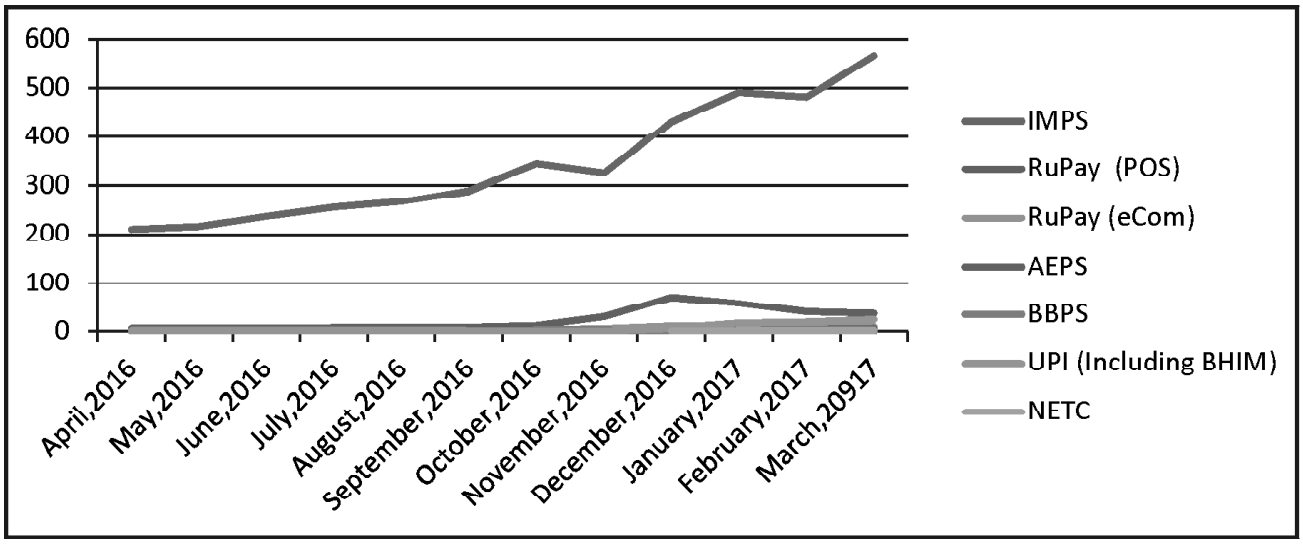

Figure 7: NPCI Transactions from April 2016 to March 2017

Rupay card and Rupay Point of sales (PoS)

Ru Pay Card is an Indian version of credit/debit card. It is like international cards such as Visa/Master. Post demonetization there has been an increase in Ru Pay card usage at Point of Sale (POS) machines and

in the e-commerce business as the economy went cashless. In the case of Ru Pay card usage at POS machines, the figures increased from 11.97 billion in October 2016 to 30.6 billion in November 2016 when the demonetization happened. From 30.6 billion it drastically increased to 70.05 billion. These figures are evident from the fact that as the economy went cashless it gave rise to payments being made through debit/ credit cards. Ru Pay card scheme became significant during the critical phase of demonetization. While Rupay card usage has increased many folds immediately after demonetization, later receding back to it is original level.Rupay usage was higher at Point of Sales (PoS) while comparing to Rupay e-commerce transactions.

Unified Payments Interface (UPI) Including BHIM

Unified Payments Interface (UPI) is a payment system launched by National Payments Corporation of India and regulated by the Reserve Bank of India which facilitates the instant fund transfer between two bank accounts on the mobile platform. There was rise in transactions done through this system from 1.01 billion in October 2016to 7.02 billion in November 2016 and from 7.02 billion the figures had doubled up to 16.96 billion in…..?. From the rise in these figures, we can figure out that people have used their smart phones by downloading UPI apps of various banks such as ICICI, Axis Bank, SBI etc. which citizens found it convenient to pay/collect funds from all banks. The UPI transactions made subtle progress in usage but not comparable to other transactions such as Rupay.

Immediate Payment Service (IMPS)

Immediate Payment Service (IMPS) is an instant interbank electronic fund transfer service through mobile phones. It is also being extended through other channels such as ATM, Internet Banking, etc. Post demonetization there was a rise in IMPS services offered through smart phones. The IMPS transaction is the most significant aspects of the demonetization as it is the only transaction type which grown three-fold and still making a progress in the usage. The another reason for the exponential growth in IMPS usage is it offers the advantage of the immediate credit to the account of the receiver which NEFT and RTGS fail to offers. Over the period we may witness the steady decline of NEFT and RTGS usage by individual users that may be spread over to small traders and corporate.

DISCUSSION AND CONCLUSION

The interpretation on the pre-and post-demonetization, the data highlights that the present status of digital transactions in India is not encouraging as much it should be. After the demonetization, there was some spike in the usage of Rupay and Mobile banking; the trend is not supported over a longer period. The status report further provides insights that there is a silver lining for IMPS and Rupay usages and Mobile banking is making a gradual upward trend. While NEFT and RTGS transactions are making slow progress IMPS is making an exponential growth in usage. The demonetization exercise has slightly moderated and provided a compulsive opportunity to test the mobile banking system. This study could demonitrizarion effect last over a very short period; Apart from demonetizations, the data observed a longer run growth trend in over all electronic transactions is worth noting other than Electronic Clearing Services (ECS) which needs to be investigated. The results offer a speculative insight that why IMPS and Mobile banking continue to grow post demonetisation? What policy is needed to promote Rupay and BHIM applications?

The government has taken adequate measures to promote digital transactions by creating application, policy, and incentives, however a long way to go to achieve complete cashless economy. As discussed in the literature review, the government need to work on creating awareness among the users about the advantage of using digital payments and cost benefit and convenience it offers. There is a growing concern over using the mobile wallet and debit cards as the transaction cost ranges from 1 to 2.5 percent, even some retailers demand to charge up to 2.5% more that would save the loss they encounter to pay tax as it is a white transaction. The cash transaction has the advantage of under-reporting their income that would save from their GST and direct taxes obligations. The critical issue which is shying away from e-payment is transaction cost, where in hard cash there is no transaction cost is involved. The consumers are penalized for taking e-payment mode. The digital payments offset the black money as it is accountable unlike cash transaction, a major hindrance for digital transactions supports from small retailers to evade tax obligations. The transaction fee for online use of debit cards is much less in Europe and United Sates, varying from 12 cents per transaction in the US to 0.2% in Europe. The government has to find out the way to tackle this complicated behavior of the retailers in the urban market. The need to create awareness about the use of digital transactions among the public is another challenge. The responsibility may be entrusted by the people to the system is very well in place as it is people's responsibility to adapt it. The government should promote all digital literacy and educate next tier of citizens through media awareness program about advantage and convenience of using digital payments. Final note, overall, the endeavor of achieving the cashless economy is quite encouraging and it is entrusted upon the governments' policy on transaction cost and creating awareness among the citizen from lower and middle strata of the society.

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