

Mr.S.Muthukumar, (Ph.D) *Research Scholar, Management studies, Erode Arts & Science College, Erode. muthukumaroo27@gmail.com.*

Ms.A.Sowmiya, *MBA student, Tagore Institute of Engineering and Technology, Deviyakurichi, Attur, sowmiyaatr@gmail.com.*

Dr.S.Senthilkumar, *Principal, Tagore Institute of Engineering and Technology, Deviyakurichi, Attur.*

MONEY TRANSACTION

Abstract

Money is the backbone to the every country, which decides the economics position and power against the other country. Inflation arises when the money highly circulated by reducing interest and bank rates and vice versa. If the country handles the money transaction in a right way it could leads to development. In this paper author explained the pros and cons of money transaction and digital transaction in the detailed manner and concludes digital transaction is a much better methodology to enrich country's income as well as wealth.

Keywords: Cash Transaction, Digital Transaction, Interest Rate, Bank Rate, National Income.

MEANING OF MONEY TRANSACTION:

Money transaction is commonly known as financial transaction, by way of exchanging cash for every business transaction either as a receipt or as a payment between two or more business people. It is generally done in as a settlement for the assets in the form of money.

In a transaction Approach which accords money as a medium of exchange. In Liquidity Approach which accords money as a temporary store of value. In a Scientific Construct Approach which accords money as a measure of value. All are discussed below in turn.

Money transactions are either done as cash transaction or cashless transaction.

CASH TRANSACTION:

Cash transactions are defined as settlement of money in form of cash either immediately or later. If it is an immediate payment of cash for the purchase of asset is called cash on buying or selling else it considered as credit buying or selling. In a credit transaction, the business person availed the contract namely future contract, forward contract and margin transaction. This is the oldest modes of payment. In this case, the buyer pays money in the form of notes and coins to the seller. It is a universally accepted type of payment. The user doesn't need any password or finger print to pay or receive the money.

Advantages of cash transaction:

1. Convenience

The cash transaction system makes individual convenience and comfort, keep in mind

that electronic means of payment, as opposed to cash. The cashless payment system needs some level education as well as awareness, or else they can lose their money. Moreover, payment by electronic means, requires a special technical device, in which no failures are excluded. The work of technical devices is not possible during periods of power outages and the areas affected by natural disasters. Disruptions in the payment system during a natural disaster in Southeast Asia and the U.S. confirm the validity of these words.

2. Easy to use

The cash mode of payment system support to easy to use, Ex: If i have cash in hand i can pay the money value for buying there is no need of special technical devices, and there is no need to notify a third party and wait for its confirmation of the right of the transaction and the recipient of funds can immediately spend them.

3. Anonymity.

When the payment made by cash for goods or services, buyer has the opportunity to preserve their anonymity, and electronic calculations for individual payer is identified by means of technical devices. In this regard, buyers, not wishing to have their operations became known to the general public prefer to use cash.

4. Security.

In case of loss or theft of credit and debit cards, the owner's money transaction may be blocked for certain period, it directly locking operations of the person. However, there is a danger of hacking electronic systems by hackers, who create a variety of traps to steal money from customers' accounts, thus ensuring the

preservation of "electronic money" is still a serious problem.

5. Cost-effectiveness.

For modernization and improvement of electronic payment systems use the latest technology, which inevitably leads to an increase in the total costs associated with the organization of the payment process. According to foreign experts, the costs in making payments through credit cards are much higher than in cash.

Disadvantages of cash transaction:

1. Cash may be easy to use when it is small in number. But when it is bulk dealing, the user may find inconvenient to use. It may difficult to carry and manage.
2. The availability of cash is not easily traceable. It cannot be traced or insured as cash once lost or stolen cannot be recovered.
3. Cash is expensive to print, inspect, move, store and guard.
4. Monitoring of tax compliance is difficult for the government.
5. Cash transactions are not traceable in nature, thus providing no transparency. This leads to corrupt practices and financial crimes.
6. Terrorism is strengthened due to infusing of fake currency.

DIGITAL TRANSACTION:

A digital transaction converts a traditional cash-operational society to a cashless one. Digital payment is also called as electronic payment which means the payment is made through digital modes. In digital payments, payer and payee both

use digital modes to send and receive money. This helps to reduce the corruptions which are increasing now a day in the modern society. Numerous schemes were introduced to reduce corruption.

Ways for making digital transaction:

1) Net banking:

It allows transferring money from one place to another through internet. For doing net banking, you just need a login Id and password. With the help of net banking, you can check your account balance, statements, you can pay your credit cards bills, electricity bills, do a wi-fi recharge, you can even recharge a mobile or any prepaid connections. It allows you to do third party payment transfer. From net banking, you can also apply for a loan. Purchase of mutual funds, insurance can also be executed through net banking. It is a very secure mode of carrying out multiple transactions. It comes with a range of transaction options such as IMPS, NEFT, RTGS.

2) Credit Card:

Suppose you went to a shop and purchased grocery for Rs 5000 and on an agreed future date of payment in good faith, you made the payment on that particular day. Extending the same logic, why should you carry cash when you can simply use a credit card which serves the same purpose? The credit card saves your time as there is no need to go to banks or ATMs. You only need to swipe your card through a machine which shopkeepers and grocery stores normally keep these days. On

every purchase made through credit cards, you get reward points which again can be used for the purchase of other products.

There is a misconception about credit cards that you will have to pay hefty charges, but if you are paying your bills within the time frame (due date) then there's no credit involved. Credit is the grace period given by the banks for paying up the bill. You normally get a credit limit based on your income level, but that also depends on certain factors such as your past credit score, stable job, liabilities against any loan taken and various other payment dues. Some merchant outlets may charge up to 2.5% extra if credit card is used, so do watch out for that.

3) Debit Cards:

They are just like credit cards, without the 'credit' element. Whenever you are in need of money, this card will provide you cash in 24x7 through any ATM machine. There is no need to worry about bank timings, stand in queues for withdrawing cash – leaving out special circumstances like the one we are seeing right now. These are bank account-linked ATM cards, that are mainly used for withdrawing cash. As soon as the cash is taken out from an ATM machine, by swiping your card, the amount gets debited from your bank account. An instant message is sent to your registered mobile phone providing you the details of cash withdrawal. These are widely accepted cards. Debit cards can be used for online transactions and at merchant outlets.

4) India QR Code:

It is a significantly greater effort taken by the government to launch the 'India QR code' for making payments using the cryptic matrix barcodes technology. Currently, every company has their own QR code mechanism, This code will facilitate financial transactions between Visa/MasterCard/Rupay/UPI/Aadhaar-enabled payments and bank transfers. Although the QR payment system is yet to be launched, but once it will be onboard, you can easily make transactions without disclosing any personal information to the third party.

5) Digital Wallets:

Instead of keeping money in your pocket, purse or physical wallet, you can keep money in e-wallets. These e-wallets are similar to your physical wallets which you keep in your pocket. It is a mobile based application which can be downloaded from any app store and can be accessed through your mobile phone. Transaction or transfer of funds through these wallets can be done across the country between person to person (usage of e-wallet app should be same between the end users). The only thing you need to do is to reload your wallet every time by transferring money into it through your bank account. These wallets are highly encrypted, so, there is no need to worry about security. Currently, e-wallets are offered by PayTm, Mobikwik, Freecharge, Oxygen, Reliance Money, etc. Even banks like SBI, HDFC Bank, AXIS, ICICI Bank, etc. have

launched their e-wallets app viz a viz Buddy, Payzapp, Lime, Pocket respectively.

6) UPI (Unified Payment Interface):

Simply put, it enables you to transfer money from one bank account to another. It is an infrastructure provided by NPCI's (National payment Corporation of India) to all the public, private & cooperative banks where they can build their own interface and help the common man easily make micropayments with a maximum cap of Rs 1 lakh through various modes like virtual address (a single identifier code), account number with IFSC code, mobile number or aadhaar number. It will ease the e-commerce payment gateway where we do not have to share account number or any sensitive information between person to person.

7) E- Coupons:

These electronic coupons are offered by various online mega stores. They are very helpful in taking discounts on purchase done through online shopping. We only need to enter the e-code and get the discount automatically. They do not require any printing or clipping, They carry unique identification code which can be accessed through the internet at particular sites.

8) AEPS (Aadhaar Enabled Payment System):

Going ahead, you can use Aadhaar cards as a debit card in various merchant stores. These cards have been already linked to your bank accounts. You will be provided with a finger scanner at the merchant's store to do your payments. Aadhaar-cum debit cards will allow

you to do micro-payments for not more than Rs 4000. However, there are several questions like which bank account will be taken into consideration for making payments.

9) Med Health Cards:

These are discount cards specially designed to avail benefit from the healthcare sector. These cards provide various health care savings programs. These cards provide free OPD consultation service. You can use this card and get a health check up done.

10) Gift/Forex Cards:

These are prepaid cards which have certain cash limit assigned to them. These are readily accepted cards and can be used at any shop and can also be used for. These are prepaid cards which have certain cash limit assigned to them. These are readily accepted cards and can be used at any shop and can also be used for online purchase of products. Most of these cards are reloadable but they are reloaded only when the amount is either consumed or gets expired. You can request for this prepaid card through your net banking by going into the card section and selecting the option of 'request for prepaid cards' and with few verifications, you will get your card at your doorstep.

Advantages of digital transaction in India:

1. It will be very convenient for everyone if cashless transactions are widely accepted. No hassle to carry cash and less risky.

2. All cashless transactions become above ground and visible / traceable. So they are taxable (less black money) and also encourage people to transact legally and pay taxes.
3. Tax collections will increase significantly and that revenue can be used for the benefit of society - building infrastructure, helping poor and less privileged people, education, health care etc. It can be used to lift Indians out of poverty and also fuel economic growth.
4. As tax collection increases; tax rates can be reduced (as tax net becomes wider) and tax rules simplified.
5. Any monetary help to poor and needy people can be through bank transfers (even payment for rural employment generation schemes like MNREGA). No instances of middle men siphoning off the aid and exploiting the poor. This is coupled with infrastructure so that those people can use the money in their bank accounts for cashless transactions (even using non-smart feature phones).
6. It will be difficult to have counterfeit currency and / or support criminal activities and terrorism.
7. Much better data of India's GDP including informal and service sector to understand what sectors are growing and where support is needed.
8. Less need to print paper currency and replace it so reducing those costs.
9. Wealth stored with banks as savings accounts, FDs or investments is used for

productive use (invested back in public and private sector by their banks) instead of wealth lying unused as stacks of currency bills hidden under mattresses and in cupboards.

Source://economictimes.indiatimes.com/articleshow/55908649.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Disadvantages of digital transaction:

1. Only 34.8% of population has access to the internet (even after digital India campaign)
2. 392.2 million customers are still using 2G network because of which 6 out of 10 transactions fail due to low speed on 2G connectivity.
3. Only 90 million people have 4g mobile and LTE enabled.
4. Language compatibility:- Apart from a few companies, No e-commerce company tried going the Indian language way. There's part of the population in India which still isn't able to read and write, let alone being able to read and write in English.
5. Making digital payments is costlier either for the merchant or the customer or both.
6. Time taken for a transaction:- If you have driven through a toll booth and transaction is in process, then because of low connectivity there will be problems with both customer and the merchant.

Impact of implementing cashless transaction in India:

1. Every business transactions and individual transaction becomes accountable.
2. The possibilities to avoiding payment of taxes are minimized.
3. The concept of black money might be eradicated.
4. Nation revenue incomes will be increased because of paying taxes regularly.
5. Counterfeit currencies will be eliminated from currency practices.

CONCLUSION:

In this paper author critically examined the cash transaction and digital transaction and concludes that digital transaction is a much better methodology to enrich country's income as well as wealth.

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