

## From Cash to Clicks: The Evolution of Money in India's Economy

Dr. Shobana R<sup>1\*</sup>, Dr. Devi Priya.B<sup>2</sup>

<sup>1,2</sup>Assistant Professor, PSGR Krishnammal College for Women Coimbatore, Tamil Nadu 641004, India

\*Corresponding Author: Dr. Shobana R

DOI: <https://doi.org/10.5281/zenodo.17819681>

Article History	Abstract
<b>Review Article</b>	<p><i>This study analyzes the shift from cash-based transactions to digital payment systems, looking at the dynamics of both digital and physical money in the Indian economy. It examines the technological, social, and economic aspects that influence the use of digital currency, assesses how it affects monetary policy, economic formalization, financial inclusion, and transaction efficiency, and offers a comparison with physical currency. The report also takes into account issues like socioeconomic inequality, internet literacy, cybersecurity, and infrastructure limitations. This paper provides policy proposals to balance physical and digital currencies for sustainable economic growth, highlighting the changing money landscape in India through case studies and numerical data.</i></p> <p><b>Keywords:</b> Indian economy, financial inclusion, cashless transactions, monetary policy, fintech, economic formalization.</p>
<b>Received: 15-11-2025</b>	
<b>Accepted: 02-12-2025</b>	
<b>Published: 04-12-2025</b>	
<b>Copyright © 2025 The Author(s):</b> This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.	
<b>Citation:</b> Dr. Shobana R, Dr. Devi Priya.B. (2025). UKR Journal of Multidisciplinary Studies (UKRJMS), Volume 1(10), 1-3.	

### 1. Introduction

Coins and banknotes have long been the mainstay of transactions in India's cash-dominated economy. Cash is commonly utilized for everyday transactions, such as retail purchases, salaries, and trading in the unorganized sector, in both urban and rural locations. A sizable amount of economic activity, especially in rural regions, still depends on cash because of its anonymity, accessibility, and liquidity despite the expansion of banking infrastructure. India has seen a significant move in recent years toward digital payment methods, fueled by changes in consumer behavior, government regulations, and technology breakthroughs. Digital wallets, mobile banking apps, and the Unified Payments Interface (UPI) have revolutionized the payment environment by enabling faster, more secure, and traceable digital transactions. In an effort to formalize the economy, lessen the flow of black money, and improve financial inclusion, government programs including Digital India, Jan Dhan Yojana, and the 2016 demonetization policy have sped up the use of digital currency. This study examines the relative contributions of digital and physical currency to the Indian economy, including adoption trends, financial effects, obstacles, and prospects for a stable financial system.

### 2. Literature Review

#### 2.1 Physical Money in India

Particularly in areas with restricted banking access and in the informal sector, physical currency offers instant settlement and broad acceptance. For small-value transactions, cash transactions provide ease, anonymity, and flexibility. High handling expenses, the possibility of theft, counterfeit currency, and inefficiency in large-scale business are some disadvantages of physical money (RBI, 2022).

#### 2.2 Digital Money and Adoption Trends

Mobile payments, online banking, UPI transfers, and electronic wallets are all considered forms of digital money. According to studies, digital payments enhance record-keeping, transaction speed, and transparency (NITI Aayog, 2021). Although government initiatives have encouraged internet literacy and accessibility in rural areas, adoption rates are higher among younger and urban groups. India's increasing digital penetration was demonstrated by the country's over 10 billion UPI transactions per month by 2024, with a total value of over INR 20 trillion.

#### 2.3 Economic and Social Impacts

Digital payments contribute to financial inclusion by providing access to banking for previously unbanked populations. They reduce operational costs for businesses, promote economic formalization, and support government

subsidy distribution. Socially, digital money enhances convenience, encourages transparency, and fosters trust in the financial system. Nonetheless, challenges include cybersecurity threats, digital literacy gaps, and unequal access to infrastructure, particularly in remote areas (Sahoo, 2020).

## 2.4 Policy and Technological Initiatives

Government policies such as Demonetization (2016), Digital India Campaign, and the promotion of cashless transactions have been instrumental in shaping the adoption trajectory of digital money. Technological innovations, including QR code payments, biometric authentication, and interoperable payment systems, have enabled widespread adoption across urban and semi-urban areas. These initiatives aim to balance the convenience of digital transactions with accessibility for cash-dependent populations.

## 3. Methodology

This study adopts a descriptive and analytical approach, integrating qualitative and quantitative methods. Data sources include:

- i. **Reserve Bank of India (RBI)** reports on currency circulation, digital transaction volumes, and banking penetration.
- ii. **Government reports** on digital payment adoption, financial inclusion, and fintech growth.
- iii. **Statistical data** on UPI, NEFT, mobile wallets, and cash usage trends across urban and rural India.
- iv. **Case studies** illustrating digital adoption in different regions and demographics.
- v. **Content analysis** of media reports, fintech publications, and user surveys to assess perceptions, challenges, and user behavior.

The combination of these sources enables a comprehensive understanding of the coexistence and transition between physical and digital money in India.

## 4. Discussion & Analysis

### 4.1 Comparative Overview: Physical vs. Digital Money

#### Physical Money:

Cash transactions do not require personal identification, making them private and untraceable. This is especially valued in contexts where privacy is a concern. Payments are settled instantly without the need for intermediaries, network connectivity, or processing delays. Cash is universally recognized and accepted across all demographics, including those without access to banking or digital payment systems. Cash remains the preferred medium for low-value purchases such as groceries, street food, and local transport. It's heavily relied upon in the informal economy, including street vendors, day laborers,

and small-scale service providers who may not have access to digital infrastructure or formal banking. Governments incur significant expenses in designing, printing, and distributing currency securely. Logistics such as transporting cash, maintaining ATMs, and securing vaults add to operational costs. Businesses also bear costs in cash handling, including counting, storing, and safeguarding money. Despite advanced security features, counterfeit currency remains a persistent threat, undermining trust and economic stability. Cash is physically stealable, making it risky to carry large amounts or store without adequate protection. Unlike digital transactions, lost or stolen cash is rarely recoverable, posing a direct financial loss.

#### Digital Money:

Digital payments are processed almost instantly, reducing wait times and improving efficiency for both consumers and businesses. Every transaction is recorded electronically, creating a transparent audit trail that helps in financial tracking, fraud detection, and regulatory compliance. Advanced encryption, multi-factor authentication, and fraud monitoring systems make digital payments more secure than physical cash in many contexts. Digital platforms enable **high-value transfers** without the need to physically carry large sums of money, which is safer and more convenient. They support **remote payments**, allowing users to send or receive money across cities, countries, or continents—ideal for e-commerce, international trade, and remittances. Digital payments minimize the need for **cash handling, ATM networks, and currency printing**, lowering operational costs for banks and governments. They also reduce the burden on businesses to manage cash flow, store physical currency, and deal with theft or counterfeit risks. Users must have access to smartphones, computers, or POS systems, along with a stable internet connection—a barrier in rural or underserved areas. Digital literacy is essential to navigate apps, avoid scams, and manage accounts securely. Lack of awareness or technical skills can exclude vulnerable populations from fully participating.

### 4.2 Adoption Patterns in India

Urban areas show high adoption rates due to better internet connectivity and banking literacy. Rural adoption is rising through government initiatives and mobile banking agents. Digital wallets like Paytm, PhonePe, and Google Pay have expanded accessibility. UPI has emerged as the most widely used platform, integrating banking systems with everyday payments.

### 4.3 Economic Implications

- i. **Financial Inclusion:** Digital payments extend banking services to remote populations.

- ii. **Formalization:** Digital transactions contribute to tax compliance and reduce informal cash economy.
- iii. **Efficiency:** Digital payments reduce cash handling costs for banks, retailers, and consumers.
- iv. **Monetary Policy:** Real-time transaction data allows better monitoring of money flows and inflation trends.

Total value of digital transactions increased from **INR 200 trillion in 2020 to INR 350 trillion in 2024**. Cash in circulation increased post-pandemic to **INR 35 trillion**, but its share in total transactions declined from 85% in 2016 to 40% in 2024. Digital adoption among rural households rose from 23% in 2016 to 58% in 2024.

#### 4.4 Social and Technological Factors

- i. **Trust and Security:** Users are influenced by perceived security of digital platforms.
- ii. **Digital Literacy:** Training programs improve adoption, especially among older populations.
- iii. **Technological Infrastructure:** Mobile network coverage and smartphone penetration are crucial for digital money adoption.
- iv. **Cultural Preferences:** Cash is preferred for certain cultural and ceremonial transactions.

#### 4.5 Challenges in Digital Transition

- i. Cybersecurity risks and online fraud remain significant concerns.
- ii. Digital divide between urban and rural populations persists.
- iii. Technical glitches and system outages can undermine confidence in digital platforms.
- iv. Resistance from cash-dependent informal sectors slows complete digital adoption.

#### 4.6 Case Studies

- i. **Urban India:** Metro cities report over 70% of small retail transactions being digital.
- ii. **Rural India:** Programs like **Jan Dhan Yojana** and agent banking have enabled 58% of rural households to access digital payments.
- iii. **Fintech Innovations:** QR-based payments, NFC-enabled POS systems, and UPI interoperable apps are transforming payment ecosystems.

#### 4.7 Future Trends

- i. **Cashless Economy Goals:** Policies aim to gradually reduce cash dependence while ensuring inclusivity.
- ii. **Blockchain and Cryptocurrencies:** Potential integration for secure, transparent transactions.
- iii. **AI and Big Data:** Enhance fraud detection, transaction monitoring, and personalized financial services.

- iv. **Digital Payment Ecosystem:** Increasing interoperability between banks, wallets, and merchants.

### 5. Implications

- i. **Policy:** Need for robust cybersecurity frameworks, digital literacy campaigns, and infrastructure expansion.
- ii. **Banking Sector:** Opportunity for fintech partnerships, digital banking expansion, and reduced cash-handling costs.
- iii. **Economic Impact:** Formalization of the economy, improved tax compliance, and better monitoring of money flow.
- iv. **Social Impact:** Greater financial inclusion, empowerment of underserved communities, and enhanced convenience for citizens.

### 6. Conclusion

Physical money continues to play a significant role in India, particularly in rural and informal sectors, due to its accessibility and cultural acceptance. However, digital money is rapidly gaining traction, driven by government initiatives, fintech innovations, and changing consumer behavior. The coexistence of both forms of money reflects a transitional phase toward a more efficient, inclusive, and formalized economy. To maximize benefits, policies must balance accessibility, security, and infrastructure development while addressing digital literacy gaps. The evolution of money in India highlights the potential for a resilient financial ecosystem that integrates traditional and modern modalities for sustainable economic growth.

### References

1. Reserve Bank of India (2022). *Report on Currency and Payment Systems*. RBI.
2. NITI Aayog (2021). *Digital Payments in India: Progress and Challenges*. Government of India.
3. Digital India Initiative Reports (2023). Ministry of Electronics and IT.
4. Sahoo, P. (2020). Adoption of Digital Payments in India: Trends and Challenges. *Journal of Financial Technology Studies*, 12(3), 45–59.
5. Choudhury, S., & Kaur, R. (2019). Cash vs. Digital Money in India: Economic Implications. *Indian Economic Review*, 54(2), 101–118.
6. Agarwal, V., & Singh, A. (2021). Digital Payment Adoption in Rural India: An Empirical Study. *International Journal of Banking and Finance*, 8(1), 15–34.
7. Sharma, R. (2020). The Role of UPI in Transforming Indian Payment Systems. *Journal of Digital Economics*, 5(2), 55–73.