



# Cashless Economy and Digital Currency: Implications for Jharkhand's Local Markets

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## Abstract

The shift toward a cashless economy is a key aspect of India's digital transformation, supported by the growth of electronic payments and the introduction of the Digital Rupee by the Reserve Bank of India. In Jharkhand, where markets are largely cash-based, digital transactions can enhance financial inclusion, transparency, and efficiency while reducing risks linked to cash handling. However, challenges such as low digital literacy, poor internet connectivity, limited infrastructure, and cybersecurity concerns restrict adoption. Hence, strong policy support, infrastructure development, and awareness are essential for successful implementation.

**Keywords:** Cashless Economy, Digital Rupee, Financial Inclusion, Digital Payments, Jharkhand, Transparency, Digital Literacy, Cybersecurity



## Introduction

India is presently witnessing a significant transformation in its financial system as it steadily advances toward the establishment of a cashless economy. This shift is largely fueled by rapid technological progress, widespread internet connectivity, growing smartphone usage, and strong policy support from the government to promote financial inclusion and digital empowerment.

Over the past few years, the increasing adoption of electronic payment mechanisms has substantially reduced the reliance on physical currency for everyday transactions. Consumers, businesses, and service providers are progressively embracing digital platforms that make financial transactions quicker, safer, and more efficient.

Digital payment systems such as the Unified Payments Interface (UPI), mobile wallets, and internet banking have emerged as key instruments in this transformation. The Unified Payments Interface, developed by the National Payments Corporation of India (NPCI), has simplified peer- to-peer and merchant payments by enabling instant fund transfers through smartphones. Its ease of use, real-time processing, and interoperability across banks have encouraged widespread acceptance among people from various socio-economic backgrounds. Similarly, mobile wallet applications and internet banking services provide flexibility and convenience, allowing users to make payments, transfer funds, and manage accounts without visiting physical bank branches.

These technological innovations have significantly minimized the dependency on cash while enhancing operational efficiency in commercial transactions.

A landmark development in this digital journey is the launch of the Digital Rupee by the Reserve Bank of India. As India's Central Bank Digital Currency (CBDC), the Digital Rupee represents an official digital form of legal tender issued and regulated by the central monetary authority.

Unlike private cryptocurrencies, which operate without centralized oversight and may experience volatility, the Digital Rupee is fully backed by the government, ensuring stability, credibility, and public trust. The introduction of this digital currency marks a major milestone in the modernization of India's monetary framework.

The Digital Rupee is intended to enhance the overall efficiency of the payment ecosystem by reducing transaction costs, accelerating settlement processes, and improving transparency. It also aims to broaden financial inclusion by providing a secure and accessible digital alternative to physical cash. By integrating advanced technology with sovereign backing, the Digital Rupee seeks to modernize financial infrastructure and make digital transactions more dependable and inclusive for diverse segments of society.

The implications of these advancements are especially visible in states such as Jharkhand.

Jharkhand's economy is characterized by a large informal sector, which includes small traders, artisans, micro-entrepreneurs, and unorganized businesses. A significant portion of the population resides in rural and tribal areas where traditional banking facilities may be limited or difficult to access. This unique socio-economic setting provides an important context for examining how digital payment systems and digital currency influence local markets and economic participation.

In Jharkhand, local markets, weekly haats, and small retail establishments serve as the foundation of economic activity. Historically, transactions in these markets have been predominantly cash-based. While cash transactions are simple and immediate, they also pose risks such as theft, lack of proper record-keeping, and restricted access to institutional credit. The gradual introduction of digital payments is beginning to transform these traditional systems.

Traders who adopt digital modes can maintain better transaction records, build financial credibility, and potentially access formal financial services more easily.

However, the movement toward a cashless economy in Jharkhand is accompanied by several challenges. Although digital payments can enable faster transactions, reduce the dangers associated with handling cash, and increase transparency in financial dealings, barriers remain significant. Low levels of digital literacy prevent many individuals from confidently using digital platforms. In several remote areas, unreliable internet connectivity limits the effectiveness of online transactions. Additionally, limited access to smartphones and concerns about cybersecurity and data privacy create hesitation among users.

To ensure inclusive growth, it is essential to address these challenges through targeted initiatives. Strengthening digital literacy programmes, expanding internet infrastructure in rural and tribal regions, and promoting affordable smartphone



access are critical steps toward enhancing digital participation. Collaborative efforts between government agencies, financial institutions, and local organizations can build trust and encourage broader adoption of digital payment systems. In conclusion, India's progression toward a cashless economy reflects a substantial transformation of its financial landscape. The expansion of digital payment platforms and the introduction of the Digital Rupee demonstrate a commitment to innovation, efficiency, and financial inclusion. While the benefits of this transition are considerable, particularly in states like Jharkhand, sustained infrastructural development and awareness-building efforts are necessary to ensure that all sections of society can fully participate in and benefit from this evolving digital financial ecosystem.

### **Concept of Cashless Economy and Digital Currency**

A cashless economy refers to a financial framework in which most transactions are executed through electronic channels instead of physical currency such as notes and coins. In this system, digital methods become the primary medium of exchange for buying goods, paying for services, transferring funds, and conducting business operations. The movement toward such an economy is largely influenced by rapid technological development, expanding internet connectivity, rising smartphone usage, and the growing demand for faster, safer, and more transparent financial processes. As digital infrastructure improves, individuals and businesses increasingly depend on online banking, electronic fund transfers, mobile payment applications, debit and credit cards, and digital wallets to manage their financial activities. This reduces reliance on cash while enhancing efficiency and record-keeping.

At the heart of a cashless system is digital currency, which exists entirely in electronic form and does not have a physical counterpart. Among the various forms of digital money, Central Bank Digital Currency (CBDC) has gained considerable global attention. A CBDC is an official digital form of a country's sovereign currency issued and regulated by its central bank. Because it is recognized as legal tender, it carries the same value and authority as traditional paper currency.

Unlike cryptocurrencies that operate on decentralized networks and may experience price volatility, CBDCs are government-backed and centrally regulated, which ensures greater stability, security, and public confidence.

In India, the Digital Rupee represents the country's CBDC initiative. It is issued and supervised by the Reserve Bank of India and is legally equivalent to physical currency. The Digital Rupee has been introduced to modernize the national payment system by offering a secure, cost-effective, and transparent alternative to cash transactions. By minimizing the costs associated with printing, transporting, and safeguarding currency, it enhances overall economic efficiency. Additionally, it promotes financial inclusion by providing wider access to formal financial services.

The advantages of a digital currency such as the Digital Rupee are significant. Advanced encryption and authentication technologies improve security and reduce risks of fraud or counterfeiting. Digital transactions are processed quickly, often in real time, lowering transaction expenses and improving convenience. Moreover, traceable transaction records increase transparency and accountability, helping to curb corruption and illegal financial activities.

Importantly, the Digital Rupee is intended to work alongside existing digital payment systems rather than replace them. By integrating CBDC with established platforms and banking networks, policymakers aim to build a stronger, more inclusive, and technologically advanced financial ecosystem that supports innovation and long-term economic stability.

### **Local Markets in Jharkhand: An Overview**

Local markets in Jharkhand include small retail shops, weekly haats, street vendors, and micro-entrepreneurs. These markets serve as the backbone of the state's economy, especially in rural and semi-urban areas. Traditionally dependent on cash transactions, these markets are gradually adopting digital payment methods due to increased banking access, smartphone usage, and government-led financial inclusion initiatives.

Local markets in Jharkhand comprise small retail outlets, weekly haats, street vendors, and micro-entrepreneurs, forming the economic backbone in rural and semi-urban regions.

Historically reliant on cash, these markets are increasingly adopting digital payments driven by greater banking access, smartphone penetration, and government initiatives promoting financial inclusion, transforming traditional trading practices.

Local markets in Jharkhand play a vital role in the economic landscape of the state, especially in rural and semi-urban regions where formal retail infrastructure may be limited. These markets encompass a diverse range of trading platforms, including small retail shops, weekly haats, street vendors, and micro-entrepreneurs, each contributing significantly to local



livelihoods and community sustenance.

Small retail shops are often family-run businesses that provide essential goods such as groceries, clothing, and household items. These shops serve as the primary source of daily necessities for local residents, fostering a close-knit economic environment. Weekly haats, traditional open-air markets held on specific days, are social and economic hubs where farmers, artisans, and traders converge to buy and sell fresh produce, handicrafts, and other local products. Street vendors, operating in busy marketplaces and along thoroughfares, offer a variety of affordable goods, from fruits and vegetables to clothing and accessories, catering to the needs of passersby and local residents.

Micro-entrepreneurs, often operating small-scale businesses or home-based enterprises, form the backbone of rural economies. They engage in activities such as tailoring, food processing, and small manufacturing, providing employment opportunities and supporting local economic development. These markets are crucial for the livelihood of countless families and contribute significantly to the state's gross domestic product (GDP).

Traditionally, transactions within these markets have been predominantly cash-based, which, while effective, posed challenges such as security risks, difficulties in record-keeping, and limited financial inclusion. However, recent developments have led to a gradual shift towards digital payment methods. This transition is driven by increased access to banking services, widespread smartphone adoption, and government-led financial inclusion initiatives like the Pradhan Mantri Jan Dhan Yojana and Digital India campaign.

The adoption of digital payments offers numerous benefits, including enhanced transaction security, transparency, and ease of record-keeping. It also facilitates access to credit and other financial services for small traders and entrepreneurs, fostering a more inclusive economy. As digital infrastructure continues to improve and awareness spreads, it is expected that more vendors and customers in Jharkhand will embrace cashless transactions, further integrating these local markets into the broader digital economy.

### Research Objectives

- To examine the concept and evolution of a cashless economy and digital currency in India.
- To analyze the level of awareness and adoption of digital payments and digital currency among local market participants in Jharkhand.
- To assess the impact of a cashless economy on the functioning of local markets in Jharkhand.
- To identify the opportunities and benefits of digital currency for small traders and vendors.
- To examine the challenges and barriers faced in the adoption of digital currency in Jharkhand's local markets.
- To suggest policy measures for effective and inclusive implementation of digital currency in the state.

### Research Hypotheses

Based on the objectives of the study, the following hypotheses have been formulated for empirical testing:

**H<sub>01</sub>:** A cashless economy does not have a statistically significant impact on the operational efficiency of local markets in Jharkhand.

**H<sub>11</sub>:** A cashless economy has a statistically significant positive impact on the operational efficiency of local markets in Jharkhand.

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**H<sub>02</sub>:** Adoption of digital currency does not exert a statistically significant influence on the level of financial inclusion among small-scale traders in Jharkhand.

**H<sub>12</sub>:** Adoption of digital currency exerts a statistically significant positive influence on the level of financial inclusion among small-scale traders in Jharkhand.

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**H<sub>03</sub>:** There is no statistically significant relationship between digital literacy and the adoption of digital currency in local markets of Jharkhand.

**H<sub>13</sub>:** There exists a statistically significant positive relationship between digital literacy and the adoption of digital currency in local markets of Jharkhand.

### Research Methodology

The present study adopts a descriptive as well as analytical research design to examine the impact of digital payments and digital currency on local markets. Both primary and secondary sources of data have been utilized to ensure a



comprehensive and balanced analysis of the research problem. The descriptive approach facilitates an understanding of existing conditions and patterns, while the analytical component enables interpretation of relationships among variables.

Primary data has been collected through structured questionnaires administered to small-scale traders, retail shopkeepers, street vendors, and consumers operating in selected rural and urban markets of Jharkhand. In addition to the survey method, informal interviews were conducted to gain deeper insights into participants' perceptions, experiences, and challenges regarding digital payment adoption. The study employs a combination of convenience sampling and simple random sampling techniques to select respondents, ensuring practical feasibility while maintaining a degree of representativeness.

Secondary data has been gathered from credible and authoritative sources, including official reports published by the Reserve Bank of India, publications of the Government of India, peer-reviewed academic journals, books, newspapers, and other reliable online databases. For data interpretation, statistical tools such as percentage analysis, frequency distribution, and graphical representations have been applied. The scope of the study is confined to selected districts and market areas within Jharkhand, with a primary focus on stakeholders directly engaged in local market transactions.

### Analysis and Interpretation

**Table 1: Awareness and Usage of Digital Payment Methods among Local Traders in Jharkhand**

Particulars	Number of Respondents	Percentage (%)
Aware of Digital Payments	80	80%
Using UPI / Mobile Wallets	65	65%
Aware of Digital Rupee (CBDC)	30	30%
Willing to Adopt Digital Currency	45	45%
Prefer Cash Transactions	55	55%

**Source:** Primary Survey (Illustrative)

#### Interpretation:

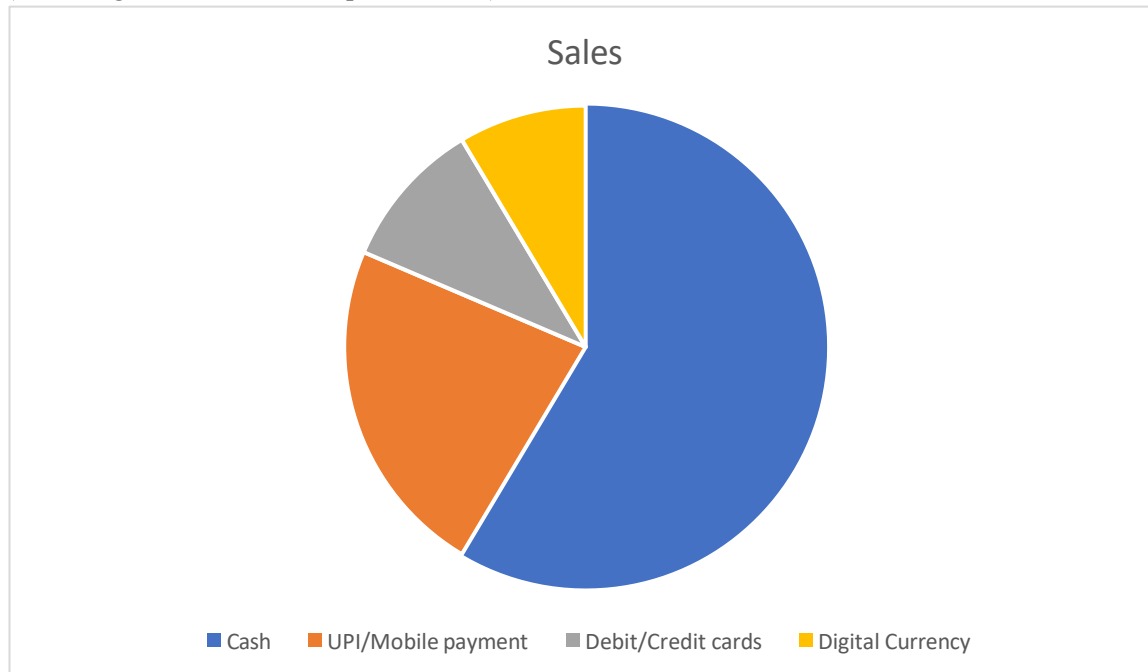
The data presented in the table indicates that while a considerable proportion of local traders are familiar with digital payment mechanisms such as UPI, their awareness of the Digital Rupee remains comparatively limited. Despite the growing presence of electronic payment options, a significant number of respondents still prefer cash transactions for their day-to-day business

activities. This pattern highlights the continued dominance of traditional payment methods and suggests that digital currency adoption is still in its early stages. The findings underscore the need for targeted awareness campaigns, educational initiatives, and confidence-building measures to enhance understanding and trust in emerging digital payment systems among local market participants.



## Figure 1: Preferred Mode of Transaction in Local Markets of Jharkhand

(Bar Diagram / Pie Chart Representation)



- Cash
- UPI / Mobile Payments
- Debit/Credit Cards
- Digital Currency (CBDC)

### Figure Description:

Figure 1 clearly demonstrates that cash continues to be the most widely used mode of transaction in local markets across Jharkhand. Despite the growing availability of digital payment platforms, traditional cash-based exchanges still dominate everyday commercial activities among traders and consumers. UPI-based transactions hold the second position, indicating a gradual but noticeable shift toward digital payment methods. However, the use of digital currency, including the Digital Rupee, remains minimal. This limited adoption reflects its recent introduction, early stage of implementation, and the relatively low level of awareness and familiarity among market participants regarding its usage and benefits.

### Implications of a Cashless Economy for Local Markets

The movement toward a cashless economy presents several significant advantages for local markets in Jharkhand. The increasing use of digital payment platforms enhances transparency in financial transactions by creating verifiable records, which reduces the likelihood of fraud and informal dealings. It also lowers the risks associated with carrying and storing physical cash, such as theft or misplacement. Moreover, digital transactions help decrease operational costs related to cash handling, counting, and transportation. The introduction and adoption of digital currency further enable faster settlement cycles, improving liquidity management for small traders and vendors. By integrating digital payments into daily business practices, local enterprises can gradually enter the formal financial system, thereby gaining improved access to institutional credit facilities and government-sponsored welfare schemes.

Findings from the study suggest that digital payment mechanisms have improved transactional efficiency and reduced vulnerabilities linked to cash-based systems. Although digital currency holds considerable potential to enhance transparency and strengthen liquidity within local markets, its successful implementation depends on user-friendly platforms, public trust in digital systems, and the development of reliable digital infrastructure.

### Challenges in Adoption of Digital Currency

Although digital currency offers considerable benefits, its adoption in Jharkhand faces multiple structural and behavioral challenges. One of the primary obstacles is the low level of digital literacy among traders and consumers, which limits their ability to confidently use digital platforms. In many remote and rural areas, unreliable internet connectivity and inadequate technological infrastructure further restrict seamless digital



transactions. Concerns related to cybersecurity, data privacy, and potential financial fraud also discourage users from fully trusting digital systems. Moreover, many small traders express apprehension about increased tax scrutiny and the perceived complexity of digital payment procedures. These factors collectively slow down the widespread acceptance and integration of digital currency within local markets..

### **Limitations of the Study**

(The study has the following limitations:

The research is limited to selected local markets in Jharkhand; therefore, findings may not be fully generalizable to the entire state.

The study relies partly on respondents' perceptions, which may be influenced by personal bias or lack of complete information.

Limited availability of time and resources may restrict the sample size.

Rapid technological and policy changes related to digital currency may affect the relevance of findings over time.

Due to low awareness of CBDC, responses regarding digital currency adoption may be based on limited understanding.

### **Policy Measures and Way Forward**

Focused policy measures—such as strengthening digital infrastructure, promoting digital literacy, and implementing awareness programmes—are necessary to support adoption.

Offering incentives and technical assistance to small traders can further motivate broader acceptance. Moreover, coordinated efforts among government bodies, financial institutions, and local organizations are vital to foster trust and promote inclusive economic development.

### **Conclusion**

The shift towards a cashless economy, supported by digital currency, holds considerable potential to reshape local markets in Jharkhand. Although it promises improvements in efficiency, transparency, and financial inclusion, its effectiveness largely depends on overcoming infrastructural limitations and socio-economic barriers. Through inclusive approaches and consistent policy backing, digital currency can reinforce grassroots market systems and support sustainable economic growth in the state.

The adoption of digital payment platforms and the Digital Rupee offers a significant opportunity for transformation in Jharkhand's local markets. While the advantages of moving towards a cashless economy are clear, targeted policy measures, digital literacy initiatives, and strengthened infrastructure are critical to achieving widespread and inclusive implementation.

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