When the transactions in an economy are not heavily based on the money notes, coins or any other physical form of money but are aided by the use of credit cards, debit cards and prepaid payment instruments, such an economy is called cashless economy.

The cashless Economy in India has been amplified with the Indian Government’s initiative of [Digital India](https://byjus.com/free-ias-prep/digital-india/). This is a flagship programme with a vision to transform India into a digitally empowered society and knowledge economy.

There are various cashless payment modes and these are mentioned below:

Mobile Wallet- It is basically a virtual wallet available on your mobile phone. You can store cash in your mobile to make online or offline payments.

Plastic money- It includes credit, debit and prepaid cards. It can be issued by banks or non-banks and it can be physical or virtual.

**Net banking:** It does not involve any wallet and is simply a method of online transfer of funds from one bank account to another bank account, credit card, or a third party.

Advantages

The main advantage of a cashless society in India is that a record of all economic transactions through electronic means makes it almost impossible to sustain black economies and it reduces the chances of [black money](https://byjus.com/free-ias-prep/black-money/) entering the system. The cashless economy will reduce the production of paper currency and coins.

Challenges

Lack of adequate infrastructure is a major hurdle in setting up a cashless economy. Inefficient banking systems, poor digital infrastructure, poor internet connectivity, and lack of robust digital payment interface are some of the issues that need to be overcome.

A cashless economy may take a bit longer to be adaptable.