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| **Abstract**  This article examined development and challenges of cashless policy in Indian economy and determined its effect on business transactions and financial reporting. Sample size was drawn from the population in south of India. Questionnaire and oral interview were main research instruments; analysis of data and test of hypotheses were carried out using Z – test statistics and Chi-square. Main findings in the study include; Stakeholders in the financial statements of corporate entities place more credence on financial statements emanating from cashless-based economies because of its effect on reduced tax evasion, inflation and revenue leakages, easier to comply with auditing standards and effective performance of business transactions. Challenges on adequate and standard infrastructure, low level of literacy and poor banking habits were revealed. There was also this perceived increased cost on the part of vendors while disposing of their wares which would have been avoided if the transaction was by cash. |  |