

Cashless Economy in India: Present Scenario, Potential and Challenges

Sukina Purohit*

Introduction

Many centuries ago India was called as the golden bird of the world which followed a trend to sell and purchase goods by barter system- An early stage of cashless economy. Over the period the policies of the government changed it and then system became cash based as same as the other countries. After 8th November 2016-A new trend of transaction came into existence; known as modern cashless economy. It came into use due to the demonetization of Rs. 1000/- and Rs. 500/- notes of Indian currency. Mostly transactions were cash based .As worldwide progress India has been a developing nation on world's portal ,our country's development can be seen in its emerging cashless economy .It is popularizing among the people who are educated and know the benefits. They know how the cashless economy firstly reduces the time and money, increasing the sense towards technology .Secondly Corruption also can be controlled. Cashless means purchasing and selling through digitalized world with so many ways by using technology i. e computers, mobile phones and many trends of banking now people are filling their wallets by smart cards instead of the money. Transaction is not being by cash people using virtual currency as bank cards, hundies, paper currency and bitcoin currencies in place of. The country that has a strong economic system always be prosperous in knowledge and technology. The Swedish bank is an example of the richness of technology. The Information technology is being used in Swedish bank. Now India has moved its steps towards cashless economy. In india it is known as vimudrikaran or nagadi rahit arthavyawasthaa in hindi. India has seen demonetization twice before the one in 2016. In 1946 notes, (of rupee 500, 1000 and10,000) werescraped.In1978 too (The Hindu –<https://www.google.com.in/amp/s/www.thehindu.com/todays-paper/tp-in-school/what-is-demonitisation/artical19616950.ece/amp/>)

* Assistant Professor, Sh. Bhawani Niketan P.G. Girls College, Sikar Road, Jaipur, Rajasthan, India.

Meaning

A cashless economy or society describes always economic state where financial transactions are not conducted by money as a former of physical banknotes or coins but rather the transfer of the money between transacting parties. It is nothing but using technology in handling cash flow using e-commerce and e-banking.ref. (www.google.com.in/url) According to Economic times there were other supplementary objectives along the way- formalization of economy, financial management of saving, digital penetration. However the primary political narrative of demonetization was about breaking the back of nontax – paid wealth. (<https://m.economictimes.com/markets/stocks/new/demonitisation-as-a-parrondos-paradox/articalshow/65716845>).

Forth Pillar of the Democracy: Media**Described the Demonetization in its Way**

- **The DB POST:** Rs 500, Rs1000 from; paper to mere paper
- **Navbharat Times:** Modi ne kiya money pollution per attack
- **Himdustan Times:** The black buck stop here, says modi
- **The Economic Times:** Modi strikes big bang note
- **The Telegraph:** Abolished: Rs500and Rs1000 notes
- **The Indian Express:** The great cashclean-up
- **The Times of India:** Black out?500,1,000notes no longer valid
- **The Mint:** Modi, smoney mantra :cash no longer king

Modes of Cashless Transactions

Cheques, demand draft, smart cards as debit cards and credit cards, baking services -NEFT, RTGS, IMPS, HUNDIES, E-wallets, mobile banking or social media Apps-pay tm, bhim, Upi Apps-sbi pay, union bank app, gift cards -ready -made cards can be purchased from the merchant or bank, aachar enabled payment system -one of the best cashless payment method like micro ATM, USSD- unstructured supplementary service, from any mobile phone (if you don't have a smart phone or Internet access USSD is best service, USSD is a mobile banking service from any mobile phone by dialing *99#.use this service including sbi, ICICI, Bob, axis bank , AEPS (adhar enabled payment system) allows bank o bank transaction and PNB support USSD payment option.

Types of Cashless Payments

- **Mobile Wallet:** (A Mobile Wallet or E-Wallet is Electronic Prepaid Payment System through Mobile and Computer) It is essentially a virtual wallet obtainable on your mobile phone. You can store cash in your mobile to make online or offline payments. Countless service benefactors offer these wallets

via mobile apps, which is to be transferred on the phone. You can transmission the money into these wallets online using credit/debit card or Net banking. (ref. AJAST)

- **Plastic Money:** It includes credit, debit and prepaid cards with the help of PoS. The concluding can be issued by banks or non-banks and it can be corporeal or cybernetic. These can be bought and recharged online via Net banking and can be used to make online or point-of-sale (PoS) purchases, even given as gift cards. Cards are used for three primary purposes – for withdrawing money from ATMs, making online payments and stealing for purchases or payments at PoS terminals at merchant outlets like shops, restaurants, fuel pumps etc. The RBI classifies every mode of cashless fund transfer using cards or mobile phones as ‘prepaid payment instrument’. They are classified into four types: (www.ijsart.com)
 - **Open Wallets:** These permit you to buy goods and services, withdraw cash at ATMs or banks and transfer funds.
 - **Semi-Open Wallets:** You cannot remove cash or get it back from these wallets. In this case, a customer has to apply what he loads.
 - **Closed Wallets:** This is moderately popular with e- commerce companies; where in a positive amount of money is sealed with the merchant in case of a withdrawal or return of the product, or gift cards.
 - **Semi-Closed Wallets:** These wallets do not authorization cash withdrawals or renovation, but it allows you to buy goods and services from listed wholesalers and perform financial services at listed locations (Gujrati. Dr. Rashmi Indias’ march towards faceless, paperless , cashless economy prof. GSI univ.dwrarka, Delhi)

Reasons

An increased use of digital payments of cash would enable more detailed records of all transactions which take place in the society, allowing more transparency in business operations and money transfer which reduces tax avoidance, money laundering and printing cost of banking also. We would try to understand the reasons through its benefits -

Benefits of Cashless Economy

- **Reduced Maintenance Costs:** The logistics and supply chain of cash is estimate the exchequer affluence. The amount of money mandatory in printing cash, its storage, conveyance, distribution and perceiving imitation currency is huge. Concentrated instances of tax escaping because it is financial institutions based economy where business imprints are left.

- **Transparency in Transactions:** Needless to say, electronic dealings or plastic money always leaves a digital impermeable valuable for both the taxpayer (consumer) and the tax collector (government). It will curb generation of black money.
- **Higher Revenue:** An unoriginal advantage of transparent transactions is collection of tax will increase. Thus producing higher income for the government, this in turn will be changed into public welfare policies and schemes.
- **Financial Inclusion:** The will to have a cashless economy will promote financial attachment of the people. It will require the government to connect all the households with a bank and plastic economy. (Gujrati. Dr. Rashmi Indias' march towards faceless, paperless, cashless economy prof. GSI univ. dwarka, Delhi)
- **Lower Transaction Costs:** Digital business is a boon in terms of handling costs and waiting time. If fulfilled appropriately, it will increase the feasting and production rates, thereby cultivating the economy.
- **Hygiene:** Soiled, tobacco stained notes full of germs are an average in India. There are many such happenings in our life where we significantly or innocently give and take germs in the form of rupee notes. This could be circumvented if we move towards Cashless economy.
- **No Delinquency:** In a cashless economy there will be no delinquent of soiled notes or fake currency reduced costs of functioning ATM's Speed and consummation of operations for customers, no delays and columns, no connections with bank staff mandatory.
- **Boosts the Economy:** It boosts the economy because the cost of creation and treatment paper money is quite high.
- **Decreases the Terrorism:** It decreases the terrorist happenings, as most of the extremist activities are fuelled by the black money in hard cash.
- **Saves the Environment:** This aids the situation, as no trees are cut for production of paper money.
- **Reduction in Crime Rates and Cash Robbery:** Crimes with monetary motives are intermittent in cashless economy.
- **The Remedy for Fake Money:** It is the remedy for fake money problem. No cash simply means any chance for any fake cash.
- Convenience with technology, discounts in money, tracking spends budget discipline, and lower risk small gains are the benefits of cashless economy.

The Efforts to Cashless Economy in India

The union government made a new committee NITI aayog committee to form a strategy to expedite the process of transforming India into a cashless economy-headed by CEO Amitabh Kant. This committee was based for identifying various bottlenecks of digital payment option in all sectors of economy, various payment system, coordinate in accessible and Engage regularly itself with all level of ministry till the root level of administration. (<http://currentaffairs.gktoday.in>) (www.ijsart.com)

The Prime Minister of India (Modi) planned 'cash mukt bharat' to promote a digital cashless economy. Ref(IJSART-Volume 4 issue 7-July2018)* In the aftermath of the cancellation of the legal tender character of old Rs 500 and Rs 1,000 notes, there has been a surge in the digital transactions through use of credit/debit cards and mobile phone applications/e-wallets etc. To further accelerate this process, the Central Government announced a package of incentives and measures for promotion of digital and cashless economy in the country. According to a release by Ministry of Finance, the incentives/measures are as following:

- The RBI kept a document-“Payment and Settlement System in India: Vision 2018”. (www.ijsart.com)
- Licensing of payment bank. (www.ijsart.com)
- The Central Government Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75% of the sale price to consumers on purchase of petrol/diesel if payment is made through digital means.
- To expand digital payment infrastructure in rural areas, the Central Government through NABARD will extend financial support to eligible banks for deployment of 2 POS devices each in 1 Lakh villages with population of less than 10,000 will have facility to transact cashless in their villages for their agri needs.
- Railway through its sub urban railway network shall provide incentive by way of discount upto 0.5% to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means.
- All railway passengers buying online ticket shall be given free accidental insurance cover of upto Rs. 10 lakh.
- The government launched UPI to make electronic transaction much simpler and faster.
- BHIM and UPI (unified payment interface) with all online payment options of government departments and public sector undertakings (PSUs).
- “The same will be done for freight bookings too. Already, 90% of payments for freight are cashfree.

- Government withdrawn surcharges, service charges on cards and digital payments.
- Government promoted mobile banking and wallet that allows users to instantly send money, pay bills, recharge mobile, book movie tickets, send physical and e-gifts both online and offline.
- Recently, the RBI had issued certain guide lines that allow the users to increase their limits to Rs 1,00,000 based on a certain KYC verification.

Present Scenario

Challenges for India in Going Cashless

- High Cash Dependency
- Lack of Digital Infrastructure
- Skepticism in Merchants
- High Merchant Discount Rate:
- Financial Inclusion
- Digital and financial literacy
- Cyber security
- Changing habits and attitude
- Urban- rural divide(<https://www.amazon.in/dp/b06XDY34DJ/#>)
- Taxation and transparency of accounts business gone failed

India Scenario

- **India's Reliance on Cash**
 - Indian economy is primarily to be driven by the use of cash and less than 5% of all payments happen electronically. This is largely due to the lack of access to the formal banking system for a large part of the population and as well as cash being the only means available for many. Large and small transactions continue to be carried out via cash. Even those who can use electronic payments, use cash.
 - Indians traditionally prefer to spend and save in cash and a vast majority of the more than 1.2 billion populations doesn't even have a bank account.
 - Indian economy is primarily driven by the informal sector and it relies heavily on cash based transactions.
 - A report by Google India and Boston Consulting Group showed that in 2015 around 75% of transactions in India were cash-based while in developed countries like USA, Japan, France, Germany etc. it was just around 20-25%.

- RBI estimates for July 2016 show that banks had issued around 697.2 million debit cards and 25.9 million credit cards to customers after deducting withdrawn or cancelled cards. However, cards on its own cannot turn the economy into a cashless one. It is Important to note that the number of cards in operation is not equal to the number of individuals holding those cards. It basically means that many customers hold multiple accounts and cards.
- The difficulty in going digital is exemplified by the data on debit card usage - over 85% (in volume) and 94% (in value) of all debit card usage is at ATMs for the purpose of withdrawing cash. The principal purpose for cards in an Indian context is thus a means to withdraw cash.
- **India's Cash to GDP Ratio:** As calls for going cashless grows louder in India, a key challenge being faced at the global level is to check the continuing rise in the total value of currency in circulation and its share in the overall GDP, a trend particularly seen in the US, Switzerland and Euro area. Such continuing rise in the circulation of currencies for economic activities could well be a major impediment in the transformation to a cashless and digital economy. India's cash to GDP ratio is around 12 to 13%,

The Challenges Ahead

The biggest roadblock India faces in setting up a cashless economy is with regard to Digital and Banking Infrastructure, Security and Literacy. Most of the cash transactions in the country are small exchanges for goods or services and the penetration of PoS terminals is just not enough. Millions of people still don't have a bank account, access to PoS terminals, internet or awareness to understand and use online payment methods etc. So we need a large scale penetration of digital services and PoS terminals to facilitate digital transactions in small towns, rural areas and untapped markets in urban India.

- **Universal Financial Inclusion:** Despite the success of Jan Dhan Yojana in improving financial inclusion, it has been found that most accounts have been dormant. 23% of PMJDY accounts lie empty and have been labeled as zero-balance accounts.
- **Card Acceptance Infrastructure:** India struggles to keep pace with its growing population, in. India's modern banking system maps neatly onto social and spatial inequalities. Only 18% of all ATMs are deployed in rural India
- **Consumer behaviour & Financial Literacy:** the usage of cards, mobile banking and PoS terminals to be a complex process. This requires large scale literacy and awareness

- **Low Penetration of Mobile Banking:** The impact of mobile wallets in hastening the transition to a cashless economy is clearly overstated. Merely 26% of India has internet access, and there are only 200 million users of digital payment services
- **Poor Internet Connectivity:** Despite the exponential surge in mobile penetration, India is riddled with below par internet connectivity and electricity shortage.
- **Securing the Digital Gateways:** Banking infrastructure is wide open to compromise and that has been witnessed to multiple Indian banks accounts were hacked. Cyber-attacks have become increasingly difficult to curb and the focus needs to also be on drafting a strong legislation to guarantee digital privacy and data security
- **Privacy Concerns:** The potential loss of privacy is an obvious concern that comes with a cashless economy. Possibilities of personal surveillance and electronic snooping as well as profiling without consent have been pointed out by many.
- **Changing Trends:** Cash is all set to lose currency in India, as an explosion in smart phone usage is driving a digital payments boom. By 2020, nearly \$500 billion worth of transactions in India will happen digitally via online wallets and other digital-payment systems

Cashless Indian Economy? - A Reality??

By Navroze Dastur, Managing Director, NCR India: December 16, 2016

The low literacy rates in rural India, along with the lack of infrastructure like internet access and power make things extremely difficult for people to adopt e-transaction route. The financial technology industry would be unwise to ignore the rise of mobile transaction services, person-to-person networks and the whole range of digital disruption in the payments arena from the likes of Bitcoin, ApplePay and PayPal that undoubtedly is putting pressure on cash. Cash is like water a basic necessity without which survival is a challenge. Nevertheless, cash use doesn't seem to be waning all that much, with around 85% of global payments still made using cash..India has a large volume of black money. The achievement or failure of demonetization as a incomes to curb black money and fake currency can only be resolute after a couple of months but the fact that digital economy is good for the country, is crushingly accepted as true. The government planned to handle the after-effects of the demonetization is much like an onion - many-layered and occasionally tear-inducing. However despite the dollar rupee's value is going down falling. From choking the parallel economy to pushing cashless transactions, the move has created ripples that will not die down anytime soon.

Conclusion

Cashless Economy is a way to endorse cashless dealings among citizens, which is actually a good idea for the country. But the question is whether India is ready for it or how feasible it would be for the government to opportunity India into a cashless economy by 2020. Today there has been a major change in the mindset of people towards digital transactions through digital media. People have come to know that digital media is also safe, easy, convenient and transparent and there is no scope for black money or fake currency in cash in India.

References

- ✧ A study on public awareness and level of adaptation of various modes of cashless transaction. <https://www.researchgate.net/publication/326836292>
- ✧ Cashless Economy in India-present scenario, potential, prospect and challenges Aheadf (<https://www.amazon.in/dp/b06XDY34DJ/#>)
- ✧ Gujrati. Dr. Rashmi Indias' march towards faceless, paperless , cashless economy prof. GSI univ.dwrarka, Delhi
- ✧ https://scroll.in/article821096/front_page-headlines-how-indian-papers-reported-modis-currency-note-move
- ✧ https://scroll.in/article821096/front_page-headlines-how-indian-papers-reported-modis-currency-note-move
- ✧ <https://twitter.com/dbpost/status/>
- ✧ <https://twitter.com/economi timesstatus/>
- ✧ <https://twitter.com/htTweets/status/>
- ✧ <https://twitter.com/Indian Express/status/>
- ✧ <https://twitter.com/livimint/status/>
- ✧ <https://twitter.com/ttindia/status/>
- ✧ <https://scroll.in/article/821096/front-page-headlines-howindian-papers-reported modies-currency-note-move>
- ✧ https://www.google.co.in/url?sa=t&source=web&rct=j&url=https://googleweblight.com/i/%3Fu%3Dhttps://www.mystudycorner.net/cashless-india-meaning-essay-speech-article/%26grqid%3DdSkbwp_b%26s%3D1%26hl%3Den-IN%26geid%3D1046&ved=2ahUKEwiNvu_SrZbdAhXMOo8KHQt_DIsQFjAJegQIBhAB&usg=AOvVaw0TWH0Df0ya-G1yT_GMquLq

