

Indian Cashless Economy - A New Path towards Modern India: Issues and Challenges

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Introduction

A cashless economy is one in which all the transactions are done through electronic channels such as debit/ credit cards. Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). The essence of the policy is to shift the economy from a cash based economy to a cashless one. To encourage and strengthen cashless economy it's important to inculcate the habit of making e-payments. Government encourages cashless transactions like mobile banking, Ru-pay cards, etc. these are means and methods of digital payments. Less cash economy is in the interest of everyone and it will help in creating a clearer economy in future. Government have also introduced aadhar based payment system, this is for those people who don't have cards or mobile phones. The recently launched Unified Payments Interface by National Payments Corporation of India makes digital transactions simple. Even the RBI has also recently unveiled a document, "Payments and Settlement Systems in India : Vision 2018", setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term.

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Review of Literature

Some studies related to cashless economy were reviewed and their important insights are being highlighted here.

Sharma A. (2017) investigate that Indian economy is developing. Its GDP is among first top ten countries. It is tend to be cash to cashless. It has great potential for moving towards cashless.

Al-Dalaïen B.O.A. (2017) examined the benefits of cashless economy to the general public. The results revealed that cashless economy is not beneficial to the general public.

Gusai, Omprakesh (2017) in their article “Cash to Cashless Economy: Issues and Challenges” studied the effects of this bold move on the Indian economy and the key strategic decisions taken by the Government of India to make India a cashless economy. It is important to explore the possibility and acceptability of peer to peer payment instruments-a category which has been evolving in recent times.

Bidawat, J. Singh (2018) investigate that the Government needs to make the vital strides and make some arrangement contemplations when they are planning for a cashless economy. Cashless gives significantly a greater number of advantages than only accommodation to individuals, organizations and the administration specifically.

Kumawat, H. Sahai and Goyal, S. Kumar (2018) realized in their study that it will save a huge amount of money that is spend annually in printing and maintaining currency. Increasing use of electronic payments boots consumption and GDP. This move by the Government along with the implementation of the GST will eventually make the system more accountable and efficient.

Objectives of the Study

The main focus of the paper is to study of successes of cashless economy in India.

Research Methodology

This study is purely based on secondary sources. The required information has been gathered by accessing website and reports, journals and newspapers etc.

Payment and Settlement System in India : RBI's Vision 2018

RBI's had released the vision 2018 document for the payments and settlement system in India. This document aims to encourage the use of electronic payments to move towards a society with a lower use of cash. Payment and settlement systems are used to settle financial transactions such as clearing cheques. Key aspects of the vision 2018 document are as follows:

- Ensuring interoperability between service providers
- Making services cost effective.

- Making the products and processes easier to use
- Promoting consumer protection
- Wider coverage of electronic payment services

Areas of focus

Key areas of focus under the vision 2018 document are as follows:

- **Regulation**

The RBI would frame a new policy for the regulation of payment gateway service providers and review the guidelines for mobile banking services.

- **Infrastructure**

The Includes increased frequency of clearing electronic transfers of funds and interoperability of systems for services such as toll collection and payments for mass transport systems.

- **Supervision**

It includes designing a framework for oversight and improving the monitoring mechanisms for fraud.

- **Consumers**

It includes strengthening the customer grievance redressal mechanism and improving awareness. This document is expected to result in an increase in customers using mobile banking and accelerated use of aadhaar for payments, among other areas.

Benefits of Cashless Transactions

- It is especially useful in case of emergencies like hospital etc.
- You have the freedom to transact whenever and wherever you want. You don't have to be physically present to conduct a transaction or be forced to do so only during office hours.
- It is also help while filing income tax return.
- It is very easy for people to keep track of their spending.
- Various apps and tools help people analyze their spending patterns and throw up good insights over a couple of years.
- If stolen, it is easy to block a credit card or mobile wallet remotely, but it's impossible to get the stolen cash back.
- If the futuristic cards evolve to use biometric ID like finger prints, eye scan, etc., it can be extremely difficult to copy, making it a very safe option.
- Another plus point is that you can pay the exact amount without worrying about not having change or getting it back from shopkeepers.
- Get discounts:

- **Fuel:** 0.75 % discount on digital purchase of fuel through credit/ debit cards, e-wallets or mobile wallets.
- **Rail Tickets:** 0.5% discount on monthly and seasonal suburban railway tickets from 1 January 2017. Online rail ticket buyers get up to 10 lakh free accident insurance too.
- **Rail Catering:** 5% discount on digital payments for railway catering, accommodation, retiring rooms, etc.
- **Highway Toll:** 10% discount on NH toll payment via Radio Frequency Identification (RFID) or fast-tags in 2016-17.
- **Insurance:** 10% discount by Government general insurers on premium paid online via their portals. 8% discount on new LIC policies bought online via its site. POS: Rs. 100 a month is the maximum rent that PSU banks can charge for POS terminals.
- **Rupay:** Kisan credit card holders to get RuPay Kisan cards.

There is lesser scope of hiding income and evading taxation because of lesser availability of hard cash at homes and more in banks.

Challenges of Cashless Transactions

- Swipe machines can only be afforded by rich shopkeepers. Many street vendors, shopkeepers don't know how to use swipe machines.
- The details on the plastic card are in English. So it is required to use multiple languages regarding these processes or make everyone learn English.
- Low literacy rate is a major challenge of cashless policy.
- It is a problem for the older people who may suddenly find themselves locked out of their accounts if they cannot download an app or don't have cash.
- The digital medium proves a challenge for the tech-unfriendly people, who will need more time to adapt or the availability of other options to conduct transactions.
- Losing phone can not only make you susceptible to identity theft, but you could also be rendered helpless in the absence of physical cash or any other payment option.
- Another drawback is that you need to keep your phone constantly charged. If the phone dies on you, you will be stranded, particularly if you are in the middle of an important purchase or dealing with an emergency.
- With the rising incidence of online fraud, the risk of hacking will only grow as more people hop on the digital platform.

Table 1: Value (Rupee Billion) of Cashless Transactions

Months	Cheques Transactions	%	IMPS	%	Credit cards	%	Debit cards	%	Mobile banking	%	Total value	Total %
Oct. 16	5974.14	57	343.57	3	302.42	3	2767.23	26	1135.64	11	10523.00	100
Nov. 16	5419.22	61	324.81	4	264.32	3	1569.14	17	1372.78	15	8950.27	100
Dec. 16	6811.91	65	431.92	4	312.37	3	1429.65	14	1498.18	14	10484.03	100
Jan. 17	6618.44	61	491.25	5	328.62	3	2006.48	18	1383.01	13	10827.80	100
Feb. 17	5993.95	58	482.21	5	286.31	3	2286.81	22	1279.93	12	10329.22	100
Mar.17	8062.77	61	564.68	4	336.20	2	2616.45	20	1730.88	13	13310.98	100
Apr. 17	6990.65	58	562.06	5	333.76	3	2543.41	21	1612.17	13	12042.05	100
May 17	6745.89	55	585.59	5	364.02	3	2539.00	20	2133.07	17	12367.57	100
June17	6409.95	55	596.55	5	357.50	3	2632.17	22	1807.65	15	11803.82	100
July 17	6342.50	60	604.76	6	342.15	3	2614.11	24	801.36	7	10704.88	100
Aug. 17	6224.34	58	651.49	6	366.03	3	2706.09	25	799.13	8	10747.08	100

(Source: Economic Times dated 7 Nov. 2017 and Author's Calculations)

Table 2: Total Monthly Growth of Cashless Transactions

Months	Total Value of Transactions	Increase/ Decrease	% Change
Oct. 16	10523.00	-	-
Nov. 16	8950.27	1572.73	15%
Dec. 16	10484.03	-1533.76	-17%
Jan. 17	10827.80	-343.77	-3%
Feb. 17	10329.22	498.58	5%
Mar.17	13310.98	-2981.76	-29%
Apr. 17	12042.05	1268.93	10%
May 17	12367.57	-325.52	-3%
June17	11803.82	563.75	5%
July 17	10704.88	1098.94	9%
Aug. 17	10747.08	-42.20	-0.39%

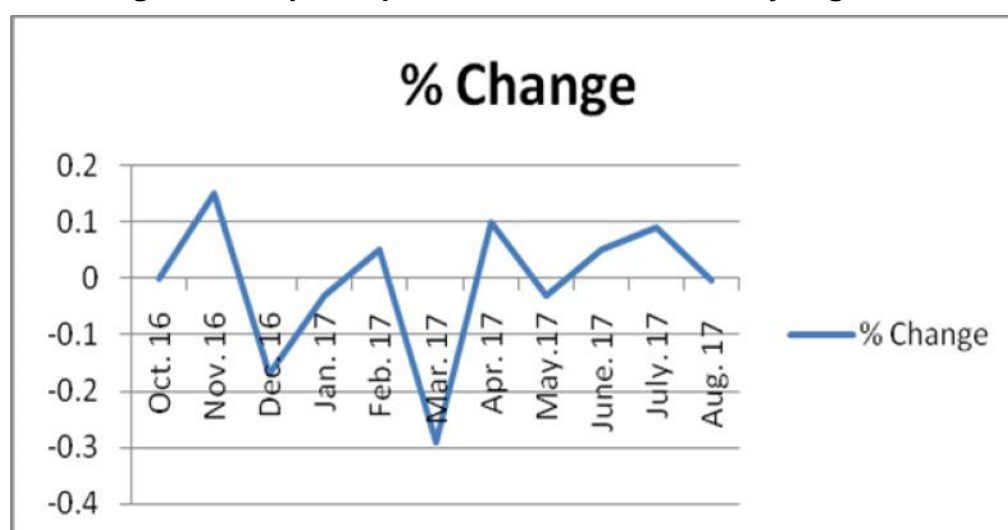
Figure 1: Graphical presentation of total monthly % growth

Table 1 shows that approx 3% transactions made by credit cards and approx 3% to 6% transactions by IMPS. Percentage of cashless transactions by cheque was more than mobile banking. Table 2 shows total monthly growth of cashless transactions and figure 1 it's graphical presentation. The number and value of cashless transactions, understandably, shot up right after the note ban and remained high till about March 2017. After March 17 total value of transactions was reduced.

Table 3: Volume (Million) of Transactions

Months	Cheques Transactions	%	IMPS	%	Credit cards	%	Debit cards	%	Mobile banking	%	Total value	Total %
Oct. 16	82.04	7	42.09	4	89.49	7	942.45	76	78.08	6	1234.15	100
Nov. 16	87.08	8	36.17	3	98.31	9	808.78	72	85.45	8	1115.79	100
Dec. 16	130.01	9	52.78	4	116.46	8	1045.93	72	110.64	7	1455.82	100
Jan. 17	118.45	8	62.42	4	113.24	8	1040.97	72	106.12	8	1441.20	100
Feb. 17	100.44	8	59.75	5	95.08	7	944.32	73	95.41	7	1295.00	100
Mar.17	119.21	8	67.41	5	108.10	8	981.28	71	113.65	8	1389.65	100
Apr. 17	95.26	8	65.08	5	107.06	8	928.32	71	106.18	8	1301.90	100
May 17	97.08	7	66.72	5	115.88	9	922.99	70	114.10	9	1316.77	100
June17	91.85	7	65.84	5	110.03	8	922.47	71	115.73	9	1305.92	100
July 17	92.20	7	69.07	5	111.38	8	958.85	72	102.40	8	1333.90	100
Aug. 17	92.05	7	75.66	6	115.99	8	981.81	72	99.64	7	1365.15	100

(Source : Economic Times dated 7 Nov. 2017 and Author's Calculations)

Table 4: Total Monthly Volume of Transactions

Months	Total Volume of Transactions	Increase/ Decrease	% Change
Oct. 16	1234.15	-	-
Nov. 16	1115.79	118.36	10%
Dec. 16	1455.82	-340.03	-30%
Jan. 17	1441.20	14.62	1%
Feb. 17	1295.00	146.20	10%
Mar.17	1389.65	-94.65	-7%
Apr. 17	1301.90	87.75	6%
May 17	1316.77	-14.87	-1%
June17	1305.92	10.85	0.82%
July 17	1333.90	-27.98	-2%
Aug. 17	1365.15	-31.25	-2%

Table 3 and table 4 shows that the highest volume of transaction made in the month of Dec. 16 and Jan. 17. In the month of Feb. 17 total monthly volume of transaction was reduced in the comparison of Jan. 17. March 17 and Aug. 17 it was improved in the comparison of other months.

Conclusion

Result of data analysis concluded that Indians are taking baby steps towards cashless transactions due to low literacy rate, online fraud and poor redressal system in India, etc. the payment system should be protected from the cyber-attacks. We will have to wait and watch how banks and the RBI will go ahead from here on to tackle customer protection when it comes to cashless transactions.

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