

Cashless Economy: A Wind of Change in India

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Introduction

Cashless economy is a financial system under which dealings / transactions are not done mostly in exchange for physical currency. Cashless economy is a financial / economic system in which there is very little cash flow in a society and goods or services are purchase and paid through electronic medium. This is the economy that mostly runs on digital or plastic money and hence by means of minimum cash or paper currency. Cashless economy is the economy in which the transactions are made by electronic mediums like debit cards, credit cards, internet banking, mobile payment, digital wallets and electronic funds transfer for instance Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT). In other terms, it refers to the general application of computer technology in the economic system. In this economy, there is not the total absence of cash; however, it is a payment system which is convenient, affordable and secure. This is designed to crash the traditional barrier hinder monetary inclusions of millions of Indians and bring convenient, affordable (low cost), secure financial services to rural, semi-urban and urban areas across the country.

The “Digital India” programme is a principal programme of Indian Government with a vision to transform India into a digitally authorized society and knowledge economy. On 8th November, 2016, Government of India withdrew Rs. 500 and Rs. 1000 notes, two uppermost denominations of paper money in circulation. Main

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objectives behind demonetization were to fight black money and fake currency. This stroke has given a remarkable lift to cashless transactions as digital and card based payments were not stuck as every high denomination cash transactions suffered due to non-existence of higher denomination currencies.

Research Methodology

Objectives

The objectives of the study are as follows:

- To study the concept of cashless economy.
- To examine the efforts of Government & RBI towards cashless economy in India.
- To highlight the benefits / advantages of a cashless economy in India.
- To examine the challenges before cashless economy in India.

Collection of Data

The paper is a descriptive study carried out based on the collection of the relevant secondary data. The secondary data is collected from various books, articles published in magazines, journals, newspaper, periodicals, websites, etc.

Meaning of Cashless Economy

Cashless Economy is defined as a state of affairs under which the flow of hard cash in an economy is absent and all transactions are made through electronic mediums like debit cards, credit cards, internet banking, mobile payment, digital wallets and electronic funds transfer for instance Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) in India.

The Government and the RBI are making numerous efforts to decrease the use of hard cash or paper money in the economy via promoting the plastic or digital money. These efforts are made to encourage accomplishing the goal of a 'less cash' society. Here, the phrase less cash society or cashless transaction economy indicates reduced the utilization of cash or physical currency for payments. Instead of physical cash, digital payments are made to settle the payments. The cashless economy system doesn't mean a lack of cash somewhat it indicates a mode of public settling transactions digitally. In this modern economy, the movement of money is electronically.

Efforts towards Cashless Economy in India

The Indian Government (GOI) and the Reserve Bank of India (RBI) have initiated numerous measures to spread electronic / digital and other non-cash repayment systems. The Vision-2018 designed for Payment & Settlement Systems in India brought by the RBI in June 2016 reiterates the commitment to boost larger usage of electronic / digital payments by every section of society so as to accomplish the goal of a "less-cash" society. The broad outlines of this vision rotate around five

Cs which are coverage, convenience, convergence, confidence and cost. To accomplish these, RBI focuses on four strategic attempts for instance responsive regulation, robust infrastructure, effective supervision and customer centricity. Following are the plans highlighted under the vision statement:

- To decrease the share of paper based payment instruments.
- It aims to increase the growth of the digital / electronic payments space.
- It needs to ensure faster usage of Aadhaar in the payment system.

Government of India also prepared fiscal measures meant for the reinforcement of card digital payments in the budget. One such step was to exempt service charge on the card based and other electronic / digital payments.

Benefits / Advantages of Cashless Economy in India

- **Convenience:** The foremost benefit of cashless economy is that, there is no need to carry cash or plastic cards or still wait in line for ATM withdrawals. The easiness to conduct financial transactions is most likely the foremost motivator for going digital.
- **Lower Risk:** In cashless economy, there is no need to carry cash; these in turn reduce the chances of theft. It is quite trouble-free to block a credit card or debit card or mobile wallet remotely if it has been stolen. But, it's impossible to acquire the stolen cash back.
- **Fast Transactions:** It has been proved that queue up at vending machines and point of sale terminals is significantly reduced; normally three times additional individuals can be served via cashless system than might have been in the event that they were paying cash.
- **Transparency and Accountability:** Plastic money or electronic transactions always leave a digital proof. In digital transactions, it is simple to track the transactions as every record is present with the banks; these results in additional transparent transactions. It will be easier to track the illegal transactions and black money as cash is used directly for doing transactions.
- **Prompt Settlement of Transactions:** E-banking speeds up the clearance of transactions both locally and globally, where the bank remains as paying bank to the clients for clearance of transactions or as collecting bank for collection of payment on transactions.
- **Taxation:** As every transaction will be done by an organized channel specifically by banks & financial institutions it results in rise in tax revenue for the government. As a result, there is minor scope of tax evading and hiding income. When there are more taxpayers, it eventually leads to a smaller rate of taxation in the entire country.

- **Reduce Maintenance Costs:** Digital transaction is an advantage in terms of and waiting time and processing costs. If executed properly, it will raise the consumption and production rates, thus improving the economy. Furthermore, the sum of money requisite in printing paper currency/cash, transportation, storage, distribution & detecting fake currency is huge.

Challenges / Obstacles of Cashless Economy in India

Though, in India of 1.3 billion people, not all is perfect and not all is wonderful. India is a large country needs a transformation that is systemic and systematic. Following are the challenges of cashless economy:

- **Cash Dependency:** In India there is a very high level of cash circulations. Cash in circulation amounts to around 12% of India's GDP, which is among the utmost in developing countries. In Indian economy cash being one of the major dominating factors. This shows our dependency on cash is very acute and it needs time to tackle the situation.
- **Lack of Digital Infrastructure:** A strong digital infrastructure is needed to support a cashless economic system for facilitating the smooth flow of electronic currency. In India there is a need of proper and sufficient infrastructure. Some of the common issues faced by users of digital mediums are network failures, unauthorized fund transfer, data leakage, virus attacks, etc. Further, there is a need of proper internet facilities and without it a country cannot grow into cashless.
- **Digital Illiteracy and Unawareness:** In India large portion of the population are not literate. They still don't know the usage of a computer. In rural areas people still don't know about smart phone. Mere knowledge of reading and writing is not sufficient to handle digital mediums of transactions. Hence, without basic ICT awareness and literacy a country cannot grow into cashless.
- **Few Banks in Villages:** In India there are some villages and tehsils that don't even have single bank. More the banks more will be the deposits of cash in accounts. Further, banks in the villages must be helpful in educating the residents the procedure, usage and advantages/ benefits of cashless system & plastic cards.
- **Language Barrier:** Internet is an English centered platform. The information's on the plastic card are also in English. Messages received on the mobile phone concerning transaction are also in English. Hence, it is requisite to make use of multiple languages regarding these processes or make every person learn English.
- **Lack of Access to Banking Services:** In India large portions of the population don't have access to basic banking services. Because of Jan Dhan

Yojna, 125 million new accounts were opened in the banks by the end of January, 2015 however 72 % of these accounts are in a dormant state. According to the reports of the World Bank on financial inclusion, only 15% of adults were reported using bank account to transact.

- **Lack of Point of Sale (POS) Terminals:** Points of sale terminals (POS) are neither adequate nor evenly scattered. India needs approximately 20 million POS terminals. According to Reserve Bank of India (RBI), 1.44 million POS terminals are installed by various banks across locations till the end of July, 2016. However, most of them remain in urban/ semi-urban areas. According to Ernst and young report, there were only 693 POS terminals per million of India's population. This figure is very small as compared to Brazil, China, and Russia where there are 32,995, 4000 and 4000 POS terminal respectively per million of population.

Future Prospects of Cashless Economy in India

The transformation of electronic banking through debit cards, credit cards, internet banking, mobile payment, digital wallets and electronic funds transfer will indeed accelerate. According to report of McKinsey, a consultancy, the usage of cash for retail transactions in 2013 was 95%. While the Business Standard reported, quoting CLSA, a brokerage group, in 2016 it was 68%. However, Government of India's plans do not address substantial hurdles, which will likely hinder future growth. Following are four indicators of growth in India's cashless economy and the barrier they face:

- Fivefold growth in electronic bank transfers,
- ATMs and Point of sales (POS) terminals double,
- Debit cards rise 170%; credit cards rise 50%,
- Mobile phone banking transactions tripled.

Conclusion

In the summary, it can be concluded that there are several reasons why the Indian Government and Reserve Bank of India (RBI) brings up measures to encourage cashless transaction economy. Besides convenience, digital transactions give more scope to record transactions and within this mode, it is a foremost step against the increase of black money or unaccounted money. Secondly, the difficulty of fake currency can be also evaded when the payments are settled digitally. The spread of digital payment culture accompanied by the expansion of infrastructure facilities is needed to achieve these goals. Simultaneously the digital payment systems should be secured from the cyber-attacks which are the major threat for cashless transactions.

India is a large country needs a transformation that is systemic and systematic. The Indian Government should take vital measures to overcome all the challenges / obstacles of the cashless economy in India. The technology has spread debit cards, credit cards, internet banking, mobile payment, digital wallets, etc. and simultaneously, electronic payment system is fast rising. The Aadhaar based payment systems will be a big-boost for encouraging the cashless transaction systems. All these show that India is moving in the direction of the RBI's goal of less cash economy, steadily but slowly. A cashless economic system in India can be viewed as a step on the right track. It fosters the growth and development of economy in India.

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