

CASHLESS ECONOMY IN INDIA: CHALLENGES AND OPPORTUNITIES

Deepak Verma*

ABSTRACT

Through cashless transaction in India is a step to move towards a cashless economy by reducing the use of physical cash. The main objective of this study is to describe the current status of India in terms of the use of digital / paperless currency in comparison to other developed countries and to explore the challenges and opportunities that can result from cashless / digital transactions in India. The data is collected using the secondary data collection method. The findings of this study will show that the beginning of a cashless economy in India can be seen as a step in the right direction of the growth of the economy. This has been done to highlight the challenges and opportunities of the cashless economy by adopting digital money instruments, developing electronic financial infrastructures and increasing the number of digital transactions in people to promote cashless system in India. Demonetization was announced by Hon'ble Prime Minister in India on 8 November 2016 which has played a very important role in promoting cashless system in Indian economy and is a revolutionary and dynamic step towards cashless economy in India. This study is expected to increase the tendency for more people to start using digital / electronic payment methods that will work in cashless economy or less cash economy.

KEYWORDS: *Cashless Economy, Digital Payments, Digital Transactions, Less Cash Economy.*

Introduction

A cashless economy refers to an economy in which physical (financial) transactions are not being carried out in the form of currency, currency notes, coins or physical cash money.

In a broader sense we can interpret the cashless economy as a situation in which the cash flow under an economy is non-existent and all transactions are cashless transactions should be through such as credit cards, debit cards, electronic clearing, and payment systems such as immediate payment service (IMPS), NEFT and RTGS in India. Many people in India do not even have a bank account yet, and most people either do not have the knowledge of internet networks and connections etc. to use online payment methods and if there is insufficient knowledge.

Certainly this situation is a big challenge in our country, especially in rural areas, small cities and untapped markets in urban India, so solutions should be found and this is possible only when the people here are increasing the digitalization in the payment system more and more. Insist on Thus, it is a very complex task for the Government of India to develop its economy as a cashless economy with a rapidly growing population.

Although some options of digital / electronic payment methods such as Freecharge, PayTM have been introduced by the Government of India to pay rent through internet banking, and demonetization has been done by the Government of India in the year 2016. After that the Indian economy has moved rapidly towards a cashless economy, but still our economy has to go through a long process of waiting for many years to become a pure cashless economy.

* Dr. Bhimrao Ambedkar Government P.G. College, Nimbahera, Chittorgarh, Rajasthan, India.

Conceptual Framework

In the context of the cashless economy in the Indian economy, the first concept is to properly use digital / electronic payment methods by people to transact for goods and services, without diverting (elimination) physical cash from the economic market.

Cashless economy is an effective way to reduce corruption as corruption is mostly done through physical currency. In essence, cashless is the best in all aspects. But there are some challenges for India to go that way completely. Otherwise, it is as good for a growing economy as India. Challenges of a cashless economy the process of digitalization of a country's economy, it is most important to assure that the availability of proper sources to set-up require technology and sufficient financial literacy is also big challenge in India to adopt digital currency system

Financial literacy basically has based on use of technology to effectively use the power of medium (ICT) like computer, mobile and internet to enable people to have skills, knowledge or information about financial instruments. In India, the total literacy rate is manpower to give prompt services in time. A bank account is a mandatory requirement for digitalization. Hence Banks have a core responsibility to improve and develop them self –first.

There are some challenges in process of cashless economy in India. India has a wide network of small retailers in all over countries area and most of them do not have sufficient resources to invest in electronic payment infrastructure to receive and make payments digitally the perception of consumers on use of debit and credit cards and belief that cash helps you negotiate better.

There is also a vested interest in not moving towards a cashless economy, and most people using cards and cash fear that they will be charged more if they use the card. Also, due to lack of knowledge or insufficient knowledge of new technologies and financial literacy, non-user of a credit card is not aware of the benefits of using a credit card. Indian banks are making it problems for digital wallets issued by private sector companies to be used on the respective banks websites.

This may be a restriction on using bank accounts to refill digital wallets or lack of access to payment gateways. Regulators have to take a tough stance against such rental transactions (behavior) by banks. The condition of mobile Internet in rural areas of India remains poor while internet connection is a mandatory requirement for digitally handling transactions.

But even today there is weak connectivity in India, especially in rural areas. Also, literacy in poor and rural parts of the country is at a low level even after 70 years of independence, due to which the use of plastic money (physical forms of currency) is widely used.

Cashless Economy Opportunities and Challenges

The main opportunities for cashless transactions are that it is possible to keep a proper record of all economic transactions.

Black market and underground economies generally harm the national economy. Plastic money (physical form of currency) is an important role in the promotion of terrorism, as it is well known that cash is a means of money laundering and transactions in terrorism financing is the primary method. Hence a cashless economy is beneficial in reducing such activities to a great extent. The central government also benefits from this cashless transaction as it allows central control of the money supply and it is easy to monitor the income tax paid by an individual in a cashless economy. Cashless transactions are helpful in terms of negative global inflation and quantitative easing.

Going cashless will reduce the level of corruption in the country, due to which real estate prices will also fall as most of the black money is mostly invested in the real estate sector.

Issuing currency (printing) is a process in which the government has to undertake the development, storage, transportation, maintenance, etc. of money which are quite expensive. Such expenses can be avoided to a large extent by digitizing cash transactions in the economy. The digitization of cash transactions paves the way for universal availability of banking services for all as no physical infrastructure other than digital is required.

In a cashless economy, people can easily do their transactions globally. Welfare schemes can be directly availed by the government with great transparency in the accounts of the beneficiaries. Cash transactions also reduce transaction costs by going digital. Often dirty marks of tobacco, cigarettes, etc. are found on physical currency, so that bacteria, germs, viruses reach from one place to another, which become one of the reasons of illness. Such hazards can be eliminated by digitalization.

Recent trends derived from increasing digitalization will result in a drop in operating ATM costs. Emerging markets increase the impact of digital transactions in GDP, leading to the growth of the economy in the context of India. Studies and findings suggest that India's position in adopting digital payment methods is still quite poor compared to other developed countries in the world.

Many countries are already changing with their electronic payment system, this situation in India is still in its primary stage and majority a large part of population is still dependent on cash based transactions mainly due to unavailability of proper internet connectivity in India especially in rural areas. , Lack of awareness and knowledge of financial transactions, payment of fees on cards and un-operational bank accounts. To solve this, India needs to coming up with new effective policies of digital transactions.

It is therefore recommended that the Government of India should promote its agencies and private sector service providers so that they can spread financial literacy among people, especially in rural areas. Should provide additional benefit and additional incentives on cash savings in bank accounts, for this the interest rate should be increased slightly should offer.

At the time deduction in charges of digital transaction or exemption completely on digital banking should be offered for few initial years which can be helpful for speeding up the process of digitalization of payments in India economy?

Conclusions

The objective of this study is to find the opportunities and challenges of cashless economy.

Although cashless of the entire economy is almost an impossible situation, but a cashless economy can be achieved by adopting appropriate and effective methods of digital payment of cash transactions. For this the Government of India needs regular and sustained monetary attention to new financial policies, centralized administrative control, bankers, government agencies and other private service.

Safe and secured services like immediate certification of payments , clear statement of their accounts, no hidden charges, full control on money, shorten process of transaction by fulfill of mandatory information . As an overall review, most of the major developed countries in the world are moving in a very excellent way of cashless economy.

The history of developmental delay in India is very long, but now the time has come when India will progress in full steam and lay the foundation of a new legacy. Like other developed countries, India should also openly welcome making its economy cashless so that we too can take advantage of it.

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