

CASHLESS ECONOMY IN NAGALAND, NORTHEAST INDIA: BENEFITS AND CHALLENGES

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ABSTRACT

The paper is an attempt to analyze the views of the people on introduction of cashless economy in Nagaland, a state in Northeast India and identify the benefits and challenges. The revolution of smart phone has led to the emergence and popularization of cashless economy such as, e-commerce, m-commerce and other services, including app-based cab aggregators, which encourage digital payments for use of various payment services. The value added services such as cash back, bill payment facilities, loyalty points, rewards and ease of use have resulted in staggering surge of such digital platforms. These developments have given rise to a modern payment model. The study was carried out in Dimapur district, which is the commercial hub of the state of Nagaland, using a structured questionnaire and analyzed using simple percentage method. Results indicates that, problems like counterfeit currency, black money, fighting against funding for terrorism and other cash related activities can be conspicuously reduced through cashless economy, which can boost economic growth of the country. However, attitude of the people, ignorance and illiteracy, cyber fraud and lack of transparency and efficiency of digital mode of payment were some of the challenges identified as hindrance in implementing various cashless policies. Nevertheless, the introduction of cashless economy can be a breakthrough towards advancement and expansion of a country's economy. To become a fully cashless economy for Nagaland and India as a whole is still a long way and for this the government needs to develop a smooth and secure infrastructure.

Keywords: Cashless, Economy, E-commerce, Digital, Nagaland.

Introduction

A cashless economy is a system where no physical cash is in circulation and is one in which all the transactions are done using cards or digital means. Such a replacement does not mean an immediate removal of currency notes but a slow and gradual step in expelling paper currency from the economy by following a proper procedure. Though the trend towards the use of non-cash transactions for settlement of payments began during the 1990's, when electronic banking became popular, in India, electronic payments became popular especially after the demonetization initiative and with the announcement of Digital India by Prime Minister Narendra Modi. The people of India are slowly moving from cash to cashless economy, which can be seen from the increased use of various cashless payments like, credit and debit cards, bank electronic fund transfers or virtual wallets etc. Today, we see people embracing this digital mode of payment in shopping malls, hospitals, and even small merchants to neighbouring vegetable vendors. Digital payment method such as, digital wallet system and NFSC payments, electronic cards or smart phones and electronic bills have bloomed by 2010's and the physical tender and larger cash amount transactions where in some situations, treated with suspicion, due to its versatility and ease of use in money laundering and financing of terrorism.

According to Government of India, the advancement of cashless economy will attract more foreign investors, increase employment opportunities, reduce in cash related corruptions and reduce the risk of cash related robberies. (Kousalya. P. R and Shankar. R.G 2018), reducing Indian economy's dependence on cash is desirable as the country has one of the highest cash to GDP ratios in the world, and lubricating economic activity with paper has costs. The introduction of cashless economy can be seen as steps in the right direction and it will modernize the mode of payment systems. With increasing adoption of electronic payments, there is a growing demand for faster payment services, which in turn, facilitate easy financial transactions. There will

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be a complete change and improvement in performance of banking system with the introduction of electronic banking, which will not only reduce the cost of banking services, but will make banking transaction easier by bringing banking services closer to its customers. It will also reduce the need for high security and safety risk and curb banking related corruptions. Though India had been into electronic mode of payment for quite some time now, for a quick adoption and alternate mode of payment, mobile internet penetration in every corner of the region can be crucial for India. However, the retail sectors with predominance of cash transaction and payment through cash is yet to pick up card as one of the most secured and convenient mode of cashless payment in retail market. The financial safety over the digital payment channel is important for pushing the idea of cashless economy. (Podile and Rajesh 2017) increased use of credit and debit cards will definitely reduce the amount of cash that people have to carry and reduce the risk and cost associated with that. In this paper, an attempt is made to examine the Public perception in Nagaland, India, towards cashless transactions and an attempt is also made to identify the challenges faced by them during their transactions.

Objectives

Objectives of present study are as follows:

- To study the current status of cashless economy in Nagaland, India
- To understand the Importance of Cashless economy and its benefits and challenges
- To assess the preparedness for the implementation of the cashless economy by Indian Government.

Methodology

The study was conducted using both primary and secondary data. Primary data was collected using questionnaire method. Altogether, 100 respondents participated from Dimapur district Nagaland, using a random sampling method. Secondary data included information from Newspapers, Journals, various books etc., to make the study more effective. The data was analysed using simple statistical tools and techniques such as ratios and percentages.

Review of Literature

Review of literature enables in understanding the areas of research already undertaken and throws light on the potential areas, which are yet to be covered. With this in mind, an attempt has been made to make a brief survey of the work undertaken on the field of Cashless economy. (Roth, 2010) observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. (Marco and Bandiera 2004) argue that increased usage of cashless banking strengthens the effectiveness of monetary policy and that the current level of e-money usage does not pose a threat to the stability of the financial system. On the other hand, (Worthington 1995) expressed that the cashless society is one, where notes and coins are replaced by efficient electronic payments initiated by various types of plastic cards. (Al-Laham 2009) found that there was considerable interest in the development of electronic money schemes in recent years and it could become an important form of currency in the future. (Tawade, H. P. 2017) in his paper, 'Future and scope of cashless economy in India', stated that the Government of India should try to consider many more steps in digitalizing India and payment methods should be made more secure and risk-free. (Dhanda and Arora 2017) aimed towards studying the factors responsible for the rapid increase in acceptability of plastic card in the recent years and concluded that use of plastic cards is a matter of great pride among teenagers and is considered safe and free from any frauds. (Gujrati. R 2017) tried to create awareness among the people about cashless economy, its benefits, challenges and also the steps taken by government toward cashless economy. Study concluded that, along with all the benefits that cashless economy comes with but at the same time it brings in a lot more challenges.

Interestingly, (Jain, P.M 2006) found that, electronic payments would be able to check black money. (Mandeep Kaur 2011) made an attempted to unveil the perception held by card users and member establishments towards plastic money in India. (Sidhu. N.S 2013) studied the perception and acceptability of selected bank customers about electronic banking. (Bappaditya Mukhopadhyay 2016) developed a theoretical model of payment decisions made by consumers and sellers and found that the convenience of cashless transactions weighed against the temptation to evade taxes. On the other hand (Sharma. A. 2017) stated that, there is a significant scope of cashless India as we can abolish various problems we face today but we must be prepared for the challenges and problems which cashless economy will bring. (Dominic et. al., 2018), studied the behavioural changes in individual towards cashless economy and found out that many individuals have already moved/moving towards a cashless nation but there is still a long way for India to become cashless. (Khurana. B. 2015) in his paper, 'Dream of cashless India: Benefits and challenges', found that the Government need to take up many measure in making India a digital economy in spite of all the steps it has implemented in the recent years. However (Metri and Jindappa 2017) in their paper, 'Impact of cashless economy on

common man in India', states that, since cash has been a dominating factor in India it can never turn into a fully cashless economy and cashless economy will only be feasible for a very small section of the society but not the whole nation.

Current Scenario of Digital Payments in Nagaland

Some of the cashless modes of payments used in Nagaland are:

- **Banking Cards:** Such type of cards includes, debit cards, credit cards, cash cards and travel cards etc.
- **Mobile Banking:** This are services provided by banks to its customers to conduct various banking services from the comfort of our own house by using their mobile phones or tablets through the apps provided by the bank
- **Mobile Wallets:** A way of carrying cash in a digital format where debit cards or credits cars are linked to a mobile for making payments or transactions.
- **Unified Payment Interface:** UPI enables to connect multiple bank accounts into a single mobile application, merging all or some of the banking services.
- **Internet Banking:** As the name suggests, internet banking is a medium through which various banking services like NEFT, RTGS, and ECS etc. Are availed over the institution's website.
- **AEPS:** In Aadhaar Enabled Payment System, people can easily make payments at the point of sale by using Aadhaar authentication.

Findings of the Study

Table 1: Peoples Ideas and Knowledge of Cashless Transaction

Questions	Response	Percentage
Do you have idea about cashless economy?	Agree	40.70
	Strongly Agree	45.50
	Disagree	9.00
	Strongly Disagree	5.00
	Total	100
Do you think Cashless Economy should be introduced in Nagaland?	Agree	33.00
	Strongly Agree	45.75
	Disagree	9.00
	Strongly Disagree	12.25
	Total	100

Field Survey: 2019

Table 1 show that, people in Dimapur, Nagaland are very much aware about cashless transaction, with around 86.20% of the respondent showing to have the idea and knowledge about cashless transaction. The data indicates that, majority of the respondents are in favour of the introduction of cashless transaction in Nagaland and India as a whole. However, few people are sceptical about cashless economy and have less idea and knowledge about it. The underlying reasons for this might be due to ignorance, lack of such technology and preparedness for such system.

Table 2: Advantages and Benefits of Cashless Transaction

Questions	Response	Percentage
Do you think it will reduce corruption?	Agree	45.33
	Strongly Agree	20.45
	Disagree	15.56
	Strongly Disagree	18.66
	Total	100
Do you think it will prevent money laundering?	Agree	33.54
	Strongly Agree	44.57
	Disagree	15.12
	Strongly Disagree	6.77
	Total	100
Do you think it reduce counterfeiting?	Agree	34.87
	Strongly Agree	50.44
	Disagree	12.34
	Strongly Disagree	2.35
	Total	100
Do you think it will help in growth of a Nagaland and the Nation as a whole?	Agree	20.89
	Strongly Agree	65.44
	Disagree	11.55
	Strongly Disagree	2.12
	Total	100

Field Survey: 2019

From Table 2, it is evident that, 85.31% and 78.11 % of the respondents are of the view that, introduction of cashless economy will definitely reduce or prevent the risk of money laundering and counterfeiting because it will enable to trace defaulters through computerized technology. It is also observed that, 63.99% of the respondents are convinced that, it will help lower the corruption in the economy. In addition, 86.33% respondents believe that, with the hidden/counterfeit money coming out in open, it will help in economic growth since all the illegitimate areas will now be freed.

Table 3: Challenges and Disadvantages of Cashless Transaction

Questions	Response	Percentage
Do you think it will increase cybercrime and Internet fraud?	Agree	20.83
	Strongly Agree	67.44
	Disagree	8.45
	Strongly Agree	3.28
	Total	100
Do you think there is Transparency & Efficiency in E-payments?	Agree	17.96
	Strongly Agree	33.45
	Disagree	28.76
	Strongly Agree	19.83
	Total	100
Do you think it will require literacy required?	Agree	31.73
	Strongly Agree	47.27
	Disagree	14.56
	Strongly Agree	6.44
	Total	100

Field Survey: 2019

Though there are many benefits to cashless economy, there are some areas where the people have the fear about such system. Table 3 shows that, 88.27% respondents having the fear of increase in cyber and internet fraud with the implementation of cashless economy. However, 51.41% respondents opine that there is transparency, while 48.59% believe that there is no transparency in such digital system. Since most of the respondents were literate, majority of them responded that they can easily operate digital payment system, which can also be attributed to the increased use of smart phones.

Advantages of Cashless Economy

- **Transparency in Transaction and Financial Inclusion:** Digital payments will enable both the consumers and the Government to have a transparent trading; where consumers cannot escape tax evasion which will help the Government to curb generation of black money. Since it enables to connect all the people with a bank and digital economy, it will promote financial attachment of the people.
- **Higher Revenue to the Government and Lower Maintenance Cost:** Government will get higher revenue due to transparency in transactions, thereby increasing its tax collection. There will also be reduction in maintenance cost of banks and monetary agencies due to the fall in the amount of currency printing, its storage, distribution etc.
- **Lower Transaction Costs and Lesser Illegal Activities:** If implemented properly, cashless transaction will increase digital business in terms of handling cost and waiting time. It will reduce illegal activities because of the risk factor of getting caught while using digital payments, which in turn will encourage people to go cashless.
- **Convenience and Hygiene:** Digital payments make financial transactions easier as it does not necessitate people to carry cash, plastic cards or queue up for ATM withdrawals. Going cashless also has its health and hygiene benefits. Since notes are soiled, it has the risk of germ contamination, which can be contagious, but with cashless transaction, this could be circumvented.
- **Tracking of Spending:** Cashless transaction enables the people to keep a tap on their spending easily. It will also help while filing income tax returns and in case of security, people will find it easier to explain their spending.

Challenges of Cashless Economy

- **Cashless Machines are Costly and Involve Language Barrier:** Swipe machines are costly and only rich shopkeepers can afford it. We cannot expect such machines in the hands of normal grocery sellers, street vendors, taxi drivers etc. There is also the problem of language barriers, a large number of population lack the skill\ability in understanding English language and most of the machines and information we receive regarding transaction are fitted with English language. So, it becomes difficult for uneducated people to use such machines.

- **Low Literacy Rate and Digital Illiteracy:** People should not only have knowledge of reading and writing but also possess basic digital literacy to enjoy the advantages of e-payments. However, in India, more than half of the population is still techno illiterate, especially in the rural areas. Even smart phones are still unknown to many. Many rural and urban areas still lack internet facilities and without it, it is unthinkable for a country to go cashless. Moreover, the cost of Internet access is very high as compared to developed countries.
- **Less Number of Banks in Villages and Transactions are in cash:** Apart from towns and cities, majority of the population who are living in the rural areas cannot have access to banking facilities. There are many informal and unorganized sectors in India where most of the transactions are done in cash. Another reason is the numbers of people who have debit card are very less. India has over 24 million credit cards and over 660 million debit card holders but most of the people who have a debit \ credit card owns multiple cards. This means the actual number of people who have the debit \ credit card is less. This also means that nearly half of the people in India do not have bankcards.
- **No Law on Data Security:** Developing countries like India have concerns for data security when it comes to digitalization. Due to this, people are sceptical about cashless transactions. The primary reason behind this attitude of the people is the absence of the provision of legal\judicial security. People are concerned about breach in transactions leading to revealing their purchases and transfers in public.

Findings and Policy Implication

In spite of the manifold implementation challenges of the policies of cashless economy, the study suggests that, majority of the people are actually in favor of the Government implementing policies for making India, and Nagaland in particular, a cashless economy. The main reasons for such is, it will help make the country fight against money laundering, black money, corruption and fight transfer of money for terrorism etc. However, since the country is not well equipped with advanced technology, cyber-crime, fraud, and illegal access to data are some of the few problems faced by the Government in implementing cashless policies.

The Government need to find measures to protect against online fraud by strengthening Internet Security. Proper internet connectivity connecting every corner of the country is also another measure that the Government needs to look into. There is also need for digital literacy and for smooth implementation of cash less system in India. The Government has to bring transparency and efficiency in e-payment system. Number of banks should also be increased to ensure availability and accessibility among the rural population, who can avail debit and credit cards for various benefits. Reserve Bank of India (RBI) also needs to encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. In addition, there is need for financial literacy campaign by the banks and government from time to time to make the population aware of the benefits of electronic payments.

Colclusion

From the study, it can be concluded that, the future of India, with Nagaland in particular, as cashless economy looks very promising. People are willing to welcome and accept transformation as they have become conscious of the fact that, the move by the government in making the country a digital economy with an efficient cashless economy will enhance GDP and bring transparency in the economy through the e-commerce transactions and the digital payment gateways. This step will automatically increase investment thereby increasing the credibility of the country. The effective and efficient implementation of the policies can help accelerate the process of securing the visions of Digital India become a reality. In spite of all the positives, study concludes that there is a long way for Nagaland and India to become a cashless economy. There is lack of trust and confidence among the people about digital methods of payments and lot of development in the field of infrastructure is required to make the dream of into a reality. There are still many people who are still unaware about the cashless economy and the government have to go through many challenges in fulfilling the dream of digital India. The move for demonetisation by the Prime Minister of India and digitalization if implemented effectively than it will help ease the move towards India becoming a cashless economy.

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