

CASHLESS ECONOMY IN INDIA: CHALLENGES AND OPPORTUNITIES

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ABSTRACT

India's economy has always been centered on cash based. The government's move to seize all black money and undeclared assets, as well as the recent Covid epidemic, has mandated contactless payments and increased cashless transactions. The adoption of demonetization in 2016 paved the way for a cashless economy. The word "cashless" has recently piqued the imagination of bureaucrats, academics, and researchers all around the world. A cashless economy is one in which the majority of transactions are completed without the need for physical cash or hard currency. Almost most of the countries have used cashless transactions. The Indian government has also begun a cashless transaction, similar to the digital Indian economy, by reducing the use of physical cash. This paper examines the obstacles and opportunities that India faces as it moves toward a cashless society and also discusses the concept of a cashless system, as well as the issues that come with it. This report also makes some recommendations for smooth cashless system implementation and how this transition will benefit India in the future.

KEYWORDS: *Cashless Economy, e- Payment System, Challenges and Opportunities of the Society.*

Introduction

The introduction of alternative payment systems has turned the economy into one in which the use of physical currency is reduced. An electronic payment system that uses debit or credit cards, m-wallets, point of sale (POS), mobile banking, online banking, and other ways is known as an electronic payment system. The Indian government is enthusiastic about the establishment of a cashless economy based on information technology. This initiative has not only aided in the speeding up of transactions but has also saved the country a significant amount of time and money. Cashless systems may help regulate dirty money and enhance transparency, but they also come with a plethora of practical issues, the most pressing of which is security and understanding how to operate or utilise them.

The government has also developed an Aadhar-based payment system, for a variety of reasons; it is desired to reduce the Indian economy's reliance on the currency. To control counterfeit notes that may contribute to terrorism, as well as to impact our country's monetary policy and to eliminate black money, Both rich and emerging economies are making significant progress in reducing the use of paper money globally. Sweden is on its approach to become the world's first cashless economy, with major banks abandoning cash transactions. In Belgium, people can't recall the last time they paid in cash. Denmark is also on the list of countries where cash is used for less than 25% of retail transactions, in India PM Narendra Modi diluted the Rs 500 and Rs 1000 currency notes, which account for 86 percent of total money circulation in the country, in an unexpected and abrupt decision on November 8, 2016,

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causing a massive cash crunch in the economy. Millions of people were forced to queue in front of banks as a result of demonetization. Demonetization, according to the government, was implemented to tackle widespread corruption, untaxed black money, promote cashless transactions, and make the informal sector more accountable. It is a brave step to go cashless in a country where cash is heavily used (more than 90% of transactions are conducted in cash). The concept of a cashless economy arose in India as a result of demonetization.

Objectives

- To determine the current state of various forms of cashless transactions.
- To identify the numerous challenges that Indians confront as they transition to a cashless society.
- To understand the benefits of Cashless Transaction System in India.

Methodology

The study based on secondary sources. The current research is both descriptive and exploratory in nature. Secondary data from reliable sources, such as published books, journals, and articles, as well as information compiled by a number of research organizations, were used to draw relevant conclusions regarding the prospects and problems of cashless banking in India.

Electronic Payment Methods:

- **Banking Cards**

One of the most basic forms of internet payment is through bank-issued cards, which may be used to withdraw money from ATMs and make online purchases. Each card has a four-digit pin, and anytime we make an online transaction, we must input the pin as well as an OTP, which is a one-time password delivered to the registered mobile number. Banking cards, whether debit or credit cards, provide consumers with greater security, convenience, and control than any other means of payment.

- **Aadhaar Enabled Payment System (AEPS)**

Aadhaar Enabled Payment System (AEPS): AEPS is a bank-led concept that facilitates online interoperable financial transactions at PoS (Point of Sale / Micro ATM) utilizing Aadhaar verification through any bank's Business Correspondent (BC) / Bank Mitra.

- **Unified Payments Interface (UPI)**

NPCI launched the Unified Payments Interface to allow for quick fund transfers between numerous banks via mobile phones. It is based on the Immediate Payment Service (IMPS), which allows for fund transfers utilising a virtual payment address, account number with IFSC, mobile number with mobile money identifier, and Aadhar number. Each bank has its own UPI app available for Android, Windows, and iOS (s). Each transaction requires the confirmation of a mobile banking personal identification number.

- **Mobile Wallet**

A mobile wallet is a device that allows you to carry digital money on your phone. To make online purchases, one can use the mobile wallet application to link credit or debit card information. Rather than using a credit card, a smart phone, tablet, or smart watch can be used to make transactions. To load money into a digital wallet, an individual's account must be linked to it. E-wallets are available from most banks and certain private companies. Paytm, Free charge, Mobikwik, oxygen, rupee, airtel money, Jio money, SBI friend, its cash, Vodafone m-Pesa, axis bank lime, ICICI pockets, speed pay, and so on are some examples.

- **Internet Banking**

Internet banking, often known as online banking, e-banking, or virtual banking, is an electronic payment system that allows bank or other financial institution customers to execute a variety of financial transactions via the financial institution's website.

- **Mobile Banking**

In today's digital age, mobile banking is incredibly convenient, with many banks offering remarkable apps and it is quite easy to transfer money and this service is provided by some financial institutions, especially banks. Clients and users can conduct a variety of transactions using mobile banking. People use mobile banking to access their accounts and get all of the information they need.

- **Micro ATM**

Micro ATMs are small machines that Business Correspondents (BCs) or business facilitators use to give basic banking services to the general public via bank cards. They are cash dispensers and deposit machines that print transaction receipts for every transaction. This enables a customer to deposit or withdraw funds instantly, regardless of which bank is linked to a certain BC. A mobile phone connection is used to power the device, which is available on all corporate PCs. Customers' identities would only need to be validated before they could withdraw or deposit money into their bank accounts.

Challenges in establishing Cashless Economy

Indian economy is highly original economy near to 50% to 55% of Indian population engaged in agricultural sector and third sector of organized so It is very important to see the facts that most of the situations and circumstances have posed as big challenge to the government. The major challenges that are there to establish the cashless economy are.

- **Financial Inclusion**

The majority of Indians do not have bank accounts, the cashless economy poses a significant problem to the Indian government. The government's decision to open huge bank accounts through the PradhanMantri Jan DhanYojna has furthered the cause of providing an account to every person of the country. Until July 2016, almost 228 million accounts were established under the PMJDY scheme. The majority of these accounts had zero balances, and many of them are now dormant in the bank. People who do not understand how to operate accounts are in no way qualified to do so. Other factors include a lack of funds, a lack of income, illiteracy, and a lack of information for account holders.

- **Lack of Education**

People living in rural villages and sections of the country are still under-educated and unable to successfully use banking services. They are unable to run their bank accounts due to a lack of education and a substandard curriculum implemented in schools. In addition, illiterate people who have had little experience with such facilities are unable to use the cards.

- **Lack of Infrastructure**

There are numerous places in India where a bank is still a faraway dream. Banks are still not readily available in distant locations. People must travel to far locations to conduct banking activities. In the outlying locations, there are no ATMs. Even the ATM is not fully operational due to a lack of energy and other IT-related services. The government and banks are primarily concerned with developing basic and secure infrastructure for banking services.

- **Access to Technology**

The backbone of this banking revolution is technology. Banks and financial institutions must have advanced technology, yet rural places in India do not have access to it. Technology must include all features that assist users in performing tasks more efficiently and effectively. The second important component of technology is that it should be simple to manage and operate. One of the most important aspects of banking is that the customer must be aware of technology and be able to use it efficiently. People are unaware of technology and are not as engaged in its use as they should be.

- **Unwillingness to Participate in Cashless Banking Solutions**

For various reasons, most people are unwilling to participate in cashless banking solutions. The main reason is that vendors are unwilling to take credit cards or checks since sales made through POS terminals and cheque transactions would be recorded. Another important factor is that sellers frequently request a processing charge, which raises the price of the item. The only way to solve this problem is for a big number of individuals to embrace the cashless revolution by using a debit or credit card. This will make it easier for banks and service providers to cut transaction costs and conform to the new normal.

Participants with a Mixed Profile

The banks taking part in this mission have a mixed profile. National banks and privatized banks have different agendas, and their services are uneven in this context to some extent. Because the majority of cards are issued by nationalized banks, they have varying levels of motivation. In private banks, the service objective is missing, which makes the transaction more expensive.

Consumer Awareness

Customers are unaware of the various features of cashless transactions due to a lack of customer awareness, and the majority of people are unaware of the Service tax, transaction fees, and account security, so implementing cashless transactions is a major challenge, and it should be emphasized in this situation so that consumers are aware of them and become active participants in the process.

Cyber Security Concerns

Another major issue with India's digital payments is cyber security. Given the volume of digital transactions that have occurred since demonetization, the risk of online fraud, data leakage, cybercrime, malware, hackers, and virus attacks has increased. This is the most pressing issue to address to increase the adoption of digital payments. It aids in the suppression of the generation of black money in a cashless economy.

Cashless Economy Opportunities

The overall scenario of establishing the cashless economy, its benefits and uses in the present system it can be said that cashless economy is the need of the hour. It has become not only important but necessary for the country to go cashless for the systematic development in the economy, some opportunities shown are:

- **Money printing costs should be Reduced**

The cost of printing money is a direct cost to the bank (Reserve Bank of India). In a cash economy, where the majority of people labour in cash transactions, the government must generate an increasing number of cash notes. When the cashless transaction was implemented, it lowered the amount of paper used and the amount of money spent.

- **Decreased Crimes**

Carrying cash is incredibly cumbersome, and going cashless and employing a cashless system makes it much easier to spot scams and necessitates capital income measures.

- **Secure and Safe**

Cashless economy is safe and secure, as it provides SMS notifications of withdrawals and deposits, as well as the location and time of both transactions.

- **Control of Illegal Cash**

Even while transactions can be done through e-banking, they can be tracked, but cash transactions are extremely difficult to track. When it comes to depositing and withdrawing money from bank accounts, there are a few things to keep in mind.

- **Increased Revenue**

A cashless system facilitates transparent transactions while also increasing tax collection. As a result, the government will be able to generate more cash, which will be used to fund public welfare initiatives and programmes. The cashless economy will benefit the government in the areas of sufficient budgeting and taxation, improved regulatory services, improved administrative procedures (automation), and lower currency administration and management costs.

- **Eradication of Corruption**

Cashless transactions can be some part of eliminating corruption. Direct money transfers are difficult to carry out but cashless transactions will make be simple, straightforward, and transparent, as evidenced by the senders' and receivers' accounts. The government offices will be struck hard by corruption as a result of the cashless economy. This will once again save enough money for the country's economy.

Suggestions

From this study, we would like to suggest that:

- Some marketing strategies should be used to make these schemes more impactful and fruitful.
- Online transactions should be as inexpensive as possible, with any unnecessary fees removed, so that more people transfer from cash-based to cashless economies.

- More focus should be placed on educating individuals in rural areas, as rural areas account for the majority of the country's population.
- To keep control over dark money, all transactions involving major investments must be cashless.
- Appropriate security mechanisms should be put in place to protect consumers' interests from dubious and fraudulent practices.

Conclusion

A cashless economy in India is both a challenge and an opportunity for economic development. The purpose of this paper was to identify the challenges that Indian citizens face as they move toward a cashless economy. The Indian government has placed a strong emphasis on becoming cashless in order to combat black money and corruption in the country, and as a result, various schemes and campaigns have been launched to educate and motivate citizens. Despite the government's efforts, only 17% of the population uses cashless transactions frequently. A sizable portion of the public is concerned about issues of security and privacy. Two-thirds of the population has challenges due to a lack of infrastructure. The lack of education and information about the cashless economy is one of the issues that Indians encounter. When we consider the overall scenario for building a cashless economy, as well as its benefits and applications in the current system, we may conclude that a cashless economy is a must. For the country's economic progress to be systematic, it has become not only important but also necessary to go cashless.

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