

A CONCEPTUAL FRAMEWORK FOR CASHLESS ECONOMY: IN INDIA

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ABSTRACT

Government creativities to motivation tag dealings and cashless expenditure posted well expansion over the last few years consequent to the government's demonetisation scheme in November 2016. Although the magnification in mobile payments, card transactions continue the vastest carter of cashless payment transactions. In this article, an attempt has been made to study about cashless transactions with cashless economy and declines in cash payments suitable to the improvement of digital transactions in India post demonetisation. Major challenges that can delay the implementation of the policy are cyber fraud, High illiteracy rate, boldness of people, lack of clarity & capability in digital payment system. The study shows that the introduction of cashless economy in India can be seen as a step in exact path. It helps in enlargement and progress of economy in India.

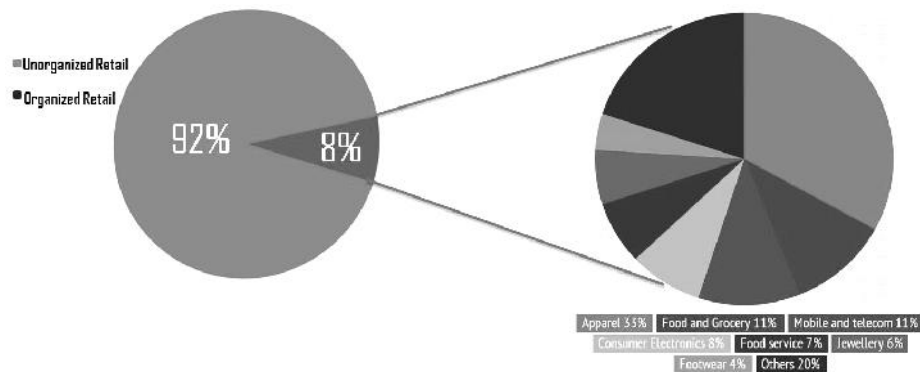
KEYWORDS: *Cashless Economy, Digital Payments, Internet & Networks, Black Money.*

Introduction

India is mainly a cash-intensive economy. A large percentage of payments are carried out in cash due to poor financial literacy in the country. In the last few years, the government has offered major spurs to bring as many people under the banking system as possible. The Digitally Empowered economy such as 'mysterious, Paperless and Cashless' economy were created by the government of India through 'Digital India Campaign'. It was found that there is increase in usage of digital transactions such as more credit and debit card dealings and mobile - wallets to make payments, after the implementation of demonetization post demonetization, people progressively initiated acceptance digital transactions and at the same time small time business merchants and shop owners started receiving payments by means of digital mode. The government is functioning at different levels to decrease the dependence on cash. PM-Narendra Modi unveiled two schemes –Lucky Grahak Yojna, Digi Dhan Vyapaar Yojna for customers and traders like to encourage mobile banking and digital-expenditures. To encourage and reinforce cashless economy it's important to indoctrinate the tendency of creation e-transaction. Government encourages cashless dealings like mobile banking, Ru-pay cards, UPI, USSD these are means and methods of digital expenditure. Cash less financial system is in the attention of everybody and it will assist in creating a clearer economy in future.

Government have also introduced Aadhar based expense structure, this is for those people who don't have cards or mobile phones. Plummeting Indian economy's trust on cash is attractive for a diversity of reasons. To be in command of fake notes that could be causative to terrorization, It also influence the financial strategy of our nation and to eradicate the ?black money, hawala transfers can't be made without paper currency, Curbs criminal dealings overall. A great piece of black money is generated in unlawful trades similar to promotion drugs consequently lacking cash or less cash unlawful do business might to be converted into difficult. RBI has also issued licenses to unlock new-age tiny business banks and expenditure banks which are predictable to give a push to financial insertion and bring pioneering banking solutions. Things are also diminishing in situate in conditions of knowledge for India.

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Objectives of the Study

- To be aware of the reimbursement of Cashless operation scheme in India.
- To recognize the scenario and challenges of Cashless business deal System in India.
- To discover the ladders taken government to dispirit the use of cash.

Methodology

The present study is based on the secondary data. The secondary data is taken from selected government websites and literature from earlier published studies.

Meaning of Cashless Economy

Cash really is skill king, but a few countries area step had of the rest in toppling its throne. Given that the cost of handling cash is high, it is in the concern of governments, banks and business to push for the change towards cashless. In some countries, valuable policies have made variation, whereas in others, it is thanks to consumers being move open to using mobile or plastic payments. Here's a look at same countries that are really making a move toward becoming cashless. A cashless society describes an monetary status where by economic connections are not conducted with funds in the form of substantial banknotes or coins, but quite through the move of information between transacting parties. Cashless societies have existed, based on goods swap and additional methods of substitute, and cashless transactions have also go round away to be doable by way of digital currencies such as small piece coin. "cashless culture" in the ordinary logic of a swing towards, and implications of, a traditions where money is replaced by its digital equivalent - in other words, money exists, is recorded, and is exchanged only in electronic digital form. Such a idea has been discussed broadly, essentially for the motive that the kindness is experiencing a speedy and growing use of electronics way of recording institute, and exchanging currency in dealing funds and each day life in a lot of parts of the humanity, and communication which would usually have been undertaken with cash are often now undertaken electronically. A number of countries at the present set restrictions on dealings and deal ethics for which non-electronic payment may be officially used. The tendency towards utilize of non-cash dealings and arrangement began in daily life.

By the 2010s electronic transaction process were extensive in lots of Countries, with examples including intermediaries' such as PayPal; electronic holder systems operated by companies like Apple, contactless and NFC expenditure by electronic card or smart cell phone, and electronic bills and banking, all in extensive use. By the 2010s cash had become enthusiastically destitute in a few kinds of deal which would previously have been exceedingly common to pay with substantial tender, and larger cash amounts were in some situations treated with misgiving, due to its flexibility and simplicity of use in currency laundering and financing of intimidation, and enthusiastically proscribed by some suppliers and retailers, to the point of coining the expression of a "war on cash". It has also been described as an extremely contentious and at times a "threatening" or "creepy" move, since such a move would be both potentially useful and potentially socially unsafe, with prevalent implications for society. It has potential to be very helpful for central governments and economies, in the framework of global harmful inflation and quantities moderation, and central control of the money supply. However a loss of money also transfers entire organise of dealings, awareness, and person use of currency, and in sequence about these, to the nation state and third party providers, since the individual cannot avoid their money being held in an external system capable of regulation and control.

While helpful to the worldwide economy and to the battle against offense and violence, many concerns have been raised over "dangerous" unintended consequences. It would mean that negative interest rates can be fully imposed; and money could be controlled in great detail. For example, some kinds of money might be set to "expire" and be valueless if not spent in specific ways or by specific times, or to diminish regularly. It besides makes human being investments, and information about person incomes and dealings, available to any party able to access the records - either legally (police and tax related) or not (hackers and persons with access to the relevant data), and in this way, it facilitates population close watch. It also means that groups, individuals and causes could be destitute of cash by the effortless method of preventing their access to cashless transaction media.

Is India ready to be a Cashless Economy?

- **In Favor**

- Long before demonetising 500 & 1000 rupee notes, Indian government is tiresome to raise cashless dealings through Direct Benefit Transfer Scheme, Jan Dhan accounts etc.
- From the moment higher denomination notes are demonetised, cashless transactions have enlarged at a quick rate.
- Though India has a vast amount of digital illiteracy, using debit card does not need much digital literacy
- Many state governments are working solid to increase the attentiveness of digital transactions.
- Indian Government rolled out incentives for going digital in financial transactions.

- **Against**

- Till the moment 500 & 1000 rupee notes are demonetized, cash transactions constituted 85% among all the financial transactions in India..
- Even after the demonetization move, cash dealings are immobile the king.
- India has a vast population of digital illiterates. It'll take a lot of time to transform everyone into digital literates..
- No country is a fully cashless economy yet.
- India is immobile a developing country, and needs a lot time to convert itself into cashless economy.
- Although no. of accounts has increased significantly after the demonetisation move, once the insufficiency of new notes is reduced, there is no guarantee that everyone will use that bank accounts.
- There is a qualm in cyber security of Indian Banking. Before going for completely cashless economy, India needs to make stronger its cyber security first.

Digital Payments-Concepts

Any "electronic funds transfer" means any transfer of funds which is initiated by a person by way of instruction, authorization or order to a bank to debit or credit an account maintained with that bank through electronic means and includes tip of sale transfers; automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and, card payment.

Digital payment is a method of transactions in which the payment is made through digital modes. In digital expenditure, customer and recipient both use digital modes to pay and allow money. Digital payment is also called electronic payment, which is immediate and suitable method to make payments and no inflexible cash is involved in digital expenditure All the communication in digital expenditure are completed online. A digital expense occurs when goods or services are purchased through the use of a variety of electronic mediums. There is no use of cash or cheques in this type of payment method.

In a cashless economy, all transactions are accepted out using different types of expense methods and this does not involve the substantial use of money for the purchase of various goods and services.

Digital Payment Methods



“Paperless and Cashless” is one of perceived role of Digital India. As part of promoting cashless dealings and converting India into cashless society, different modes of digital payments are existing.

These modes are:

- **Banking Cards (Debit / Credit / Cash / Travel / Others)**

Banking cards (debit / credit / cash / travel / others): Banking cards offer consumers more safety, convenience, and organise than any other payment method. These cards provide 2 factor authentications for secure payments e.g. secure PIN and OTP. They save both customers and merchants' time and money, and thus enable them for ease of transaction

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

Aadhaar enabled payment system (AEPS): AEPS is a bank led model which allows online interoperable financial transaction at (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar verification.

- **Unified Payments Interface (UPI)**

Unified Payments Interface (UPI) is a system that powers manifold bank accounts into a single mobile application (of any participating bank), amalgamation a lot of banking features, seamless fund direction-finding & merchant payments into one top

- **Mobile Wallets**

A mobile wallet is a way to take cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, Airtel Money, Jio Money, SBI Buddy, its Cash,

- **Internet Banking**

Internet banking, also known as online banking, e-banking or essential banking, is an electronic payment system that enables customers of a bank or other financial institution to ways a range of financial transactions through the financial institutions

- **Bharat Interface for Money (BHIM) App**

Bharat Interface for Money (BHIM) app all digital cards and payments are applicable on Commercial institutions, Bank, Shopping Centre and many places.

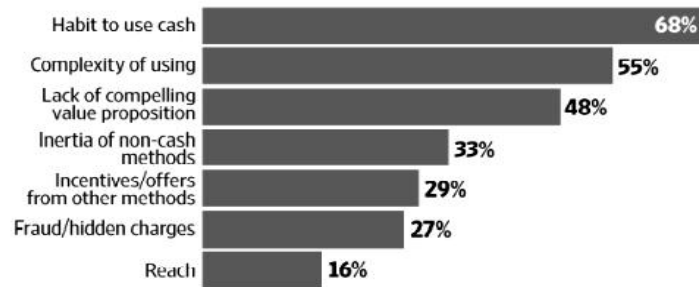
The benefits and challenges for india in going cashless

The benefits and challenges for India in going cashless The recent move of demonetization has upset the dusty cages of cash based economy and strained the people to second thoughts the instant of transactions and trade. The demonetization steer was initially termed as a instrument to deal with the problem of black money and fake currency, but since then, the account has clearly shifted base. Now it is a way to encourage cashless transactions among citizens, which is actually a high-quality initiative for the country. But the question is whether India is ready for it or how realistic it would be for the government to revolve India into a cashless economy by 2020. India has a huge amount of black money. According to currently estimates around 1/4th of Indian GDP is the outline economy of India, which is like a equivalent measurement slowly sucking out energy and matter from our measurement (economic ecosystem). However, one thing needs to be made clear that of all the black money in India only 10% of it is in hoarded

cash and the rest is in floating in the market or is in form of gold, stocks or real estate. The success or failure of demonetisation as a means to control black money and fake currency can only be determined after a couple of months but the fact that digital economy is good for the country, is overpoweringly accepted as true. What you want to recognize is, how it can be helpful for our country and what are the challenges in front of India in going cashless.

Moving Towards A Cashless Economy Is Not A Cakewalk!

KEY BARRIERS TO DIGITAL PAYMENTS



Benefits of Cashless Economy

- **Reduced Maintenance Costs:** The logistics and supply chain of cash is costing the exchequer a destiny. The amount of money required in printing cash, its storage, carrying, distribution and detecting imitation currency is vast.
- **Intelligibility in Transactions:** Unnecessary to say, electronic transactions or plastic money always leaves a digital proof advantageous for both the taxpayer (consumer) and the tax collector (government).
- **Higher Revenue:** A unoriginal benefit of translucent dealings is gathering of tax will enlarge.
- Thus generating advanced takings for the government, which in turn will be changed into public welfare policies and schemes?
- **Financial Inclusion:** The will to have a cashless economy will encourage monetary enclosure of the people. It will oblige the government to bond all the households with a bank and synthetic economy.
- **Lower Transaction Costs:** Digital transaction is a boon in terms of processing costs and waiting time. If implemented properly, it will increase the consumption and production rates, thereby improving the economy.

Challenges Ahead

However, in a country of 1.3 billion people, not all is perfect and not all is rosy. Going cashless must be an exponential curve, slow initial build up then fast paced in later stages, not a digital step signal. That could be counterintuitive to the whole process. India is a large country that needs a change that is systemic and systematic. Here is a list of challenges-

- **High Cash Dependency:** India has a elevated cash diffusion in approximately all of its transactions that happen as B2C dealings. Total cash flow in the bazaar accounts for 12.04% of the GDP, which is among the highest in developing countries. This goes to show our dependence on cash is acute and it requires time to tackle it.
- **Lack of Digital Infrastructure:** The first and leading condition of a digital economy is the access of internet and Smartphone. Although a billion mobile subscriptions (not users), only 30% of subscribers use smart phones. With 370 million mobile internet users, over 70% of them are in cities while 70% of Indian population lives in villages.
- **Skepticism in Merchants:** Small time merchants as well as users have high amount of doubt over plastic money and they require being knowledgeable over the probable benefits of using it. One cannot be expecting an during the night modify in the insight of a preponderance of Indians over the use of plastic money. Government needs to become manifest with knowledge and encouragement schemes to encourage digital economy.

- **High Merchant Discount Rate:** These are the percentage deducted from each purchase a merchant makes by the card issuing authority or bank. These are volume dependent and are more economical if the merchant is able to sell a large amount of products, thereby beneficial for big merchants.

For smaller merchants, it does not afford adequate incentive to make the shift from cash.

Department of Payment and Settlement Systems (DPSS)

The Department of Payment and Settlement Systems (DPSS) constant to work on the planned initiatives set in the 'Payment and Settlement Systems in India: Vision 2018' document. This resulted in accomplishment of the predictable outcomes laid out in the vision through: (i) reduce in the share of paper-based clearing instruments; (ii) dependable enlargement in individual segments of retail electronic payment systems, viz., National Electronic Funds Transfer (NEFT), Immediate Payment Service (IMPS), card transactions and mobile banking; (iii) increase in registered customer base for mobile banking; and (iv) up climbing of the acceptance infrastructure for digital payments.

Further, with the speedy acceptance of digital expenditure crossways the country, aided by the beginning of modern products in the payment space, the Bank focused on strengthening infrastructure and ensuring safety and security of digital transactions. The payment and settlement systems recorded robust growth in 2017-18, with volume and value growing at 44.6 per cent and 11.9 per cent, respectively, on top of an increase of 56.0 per cent and 24.8 per cent, respectively, in 2016-17. The share of electronic transactions in the total volume of retail payments increased to 92.6 per cent in 2017-18, up from 88.9 per cent in the previous year with a corresponding reduction in the share of paper based clearing instruments from 11.1 per cent in 2016-17 to 7.4 per cent in 2017-18. Amongst the electronic modes of payments, the Real Time Gross Settlement (RTGS) system handled 124 million transactions valued at ₹1,167 trillion in 2017-18, up from 108 million transactions valued at ₹982 trillion in the previous year. At the end of March 2018, the RTGS facility was available through 1,37,924 branches of 194 banks. The NEFT system handled 1.9 billion transactions valued at around 172 trillion in 2017-18, up from 1.6 billion transactions valued at ₹120 trillion in the previous year, registering a growth of 20 per cent in terms of volume and 43.5 per cent in terms of value. At the end of March 2018, the NEFT facility was available through 1,40,339 branches of 192 banks, in addition to a large number of business correspondent (BC) outlets. During 2017-18, the number of transactions carried out through credit cards and debit cards was 1.4 billion and 3.3 billion, respectively. Prepaid payment instruments (PPIs) recorded a volume of about 3.5 billion transactions, valued at ₹1,416 billion. Mobile banking services witnessed a growth of 92 per cent and 13 per cent in volume and value terms, respectively, while the number of registered customers rose by 54 per cent to 251 million at end-March 2018 from 163 million at end-March 2017.

Table 1: Payment System Indicators – Annual Turnover

Item	Volume (million)			Value (₹ billion)		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
1	2	3	4	5	6	7
Systemically Important Financial Market Infrastructures (SIFMIs)						
• RTGS	98.3	107.8	124.4	8,24,578	9,81,904	11,67,125
Total Financial Markets Clearing (2+3+4)	3.1	3.7	3.5	8,07,370	10,56,173	10,74,802
• CBLO	0.2	0.2	0.2	1,78,335	2,29,528	2,83,308
• Government Securities Clearing	1.0	1.5	1.1	2,69,778	4,04,389	3,70,364
• Forex Clearing	1.9	1.9	2.2	3,59,257	4,22,256	4,21,131
Total SIFMIs (1 to 4)	101.4	111.5	127.9	16,31,948	20,38,077	22,41,927
Retail Payments						
Total Paper Clearing (5+6)	1,096.4	1,206.7	1,170.6	81,861	80,958	81,893
• CTS	958.4	1,111.9	1,138.0	69,889	74,035	79,451
• Non-MICR Clearing	138.0	94.8	32.6	11,972	6,923	2,442
Total Retail Electronic Clearing (7+8+9+10+11+12)	3,141.5	4,222.9	6,382.4	91,408	1,32,324	1,93,112
• ECS DR	224.8	8.8	1.5	1,652	39	10
• ECS CR	39.0	10.1	6.1	1,059	144	115
• NEFT	1,252.9	1,622.1	1,946.4	83,273	1,20,040	1,72,229
• IMPS	220.8	506.7	1,009.8	1,622	4,116	8,925
• Unified Payment Interface	-	17.9	915.2	-	69	1,098
• National Automated Clearing House (NACH)	1,404.1	2,057.3	2,503.3	3,802	7,916	10,736

Total Card Payments (13+14+15)	2,707.3	5,450.1	8,207.6	4,483	7,421	10,607
• Credit Cards	785.7	1,087.1	1,405.2	2,407	3,284	4,590
• Debit Cards	1,173.6	2,399.3	3,343.4	1,589	3,299	4,601
• Prepaid Payment Instruments (PPIs)	748.0	1,963.7	3,459.0	488	838	1,416
Total Retail Payments (5 to 15)	6,945.2	10,879.7	15,760.6	1,77,752	2,20,703	2,85,612
Grand Total (1 to 15)	7,046.6	10,991.2	15,888.5	18,09,701	22,58,780	25,27,539

Note:

- Real Time Gross Settlement (RTGS) system includes customer and inter-bank transactions only.
- Settlement of Collateralised Borrowing and Lending Obligation (CBLO), government securities clearing and forex transactions are through the Clearing Corporation of India Ltd. (CCIL). Government Securities include outright trades and both legs of repo transactions.
- The figures for cards are for transactions at point of sale (POS) terminals only, which include online transactions.
- Figures in the columns might not add up to the total due to rounding off of numbers.
- ECS DR: Electronic Clearing System Debit, ECS CR: Electronic Clearing System Credit.

Conclusion

Though cashless dealings have enlarged these days, right now India cannot wholly become a cashless economy considering its high percentage of digital illiteracy and cash transactions. But Indian Government is working towards growing the share of cashless transactions, which is a good thing for any economy. It was predicted that in approaching years there will be a spiky and unpredicted rise in the number of digital payment transactions in India.

The digital payments sector i.e., cashless payments transactions will touch 1 trillion in subsequent 5 years. UPI and Aadhaar will help increase digital dispersion, according to sources. UPI fund transfer money can be sent using an effective address without providing IFSC code or account number. India is regularly transitioning from a cash-centric to cashless economy. The reimbursement of the cashless economy have now started trickling in with more and more people switching to digital modes of receiving and making payment. Digital transactions are perceptible, therefore easily taxable, leaving no room for the circulation of black money. The entire country is undergoing the procedure of transformation in money transactions, with e-payment services in advance unexpected force. A great number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at an earlier pace than ever before. The cashless transaction system is attaining its growth day by day, as soon as the market becomes globalised and the enlargement of banking sector more and more the people moves from cash to cashless system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a problem of carrying and problem of wear and tear like paper money. It also helps in record of all the transactions done. There are difficulties in implementing the idea of cashless economy in a vast country like India where a large number of people are livelihood under unhappiness and deficiency, yet a beginning had to be made someday. Today, there is a sea change in the state of mind of people with regard to digital means of monetary dealings which are secure, trouble-free, expedient and transparent. There is no place for black money or fake currency in cashless India.

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