

CASHLESS ECONOMY IN INDIA-PRESENT SCENARIO

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ABSTRACT

An early stage of cashless economy dates back to the ancient time, where Barter system was followed by the government. Over the period of time the Government changed its policies and cash based economy came into existence. To combat black money, Corruption, Tax Avoidance, on 8th November 2016-the Government took the decision of modern cashless economy or digital economy through demonetization. Here the circulation of physical currency will be minimum and the citizen will be benefited a lot. Our country should adopt cashless economy to get rapid progress in worldwide because if a country has strong economic system then it will always progress in each and every field. If we follow cashless economy the time and money will be reduced, use of technology will be done properly, corruption, black money etc can be controlled and an inclusive society will be formed in future. India is trying to improve its digital economy by simpler technology use, advance digital payment system, increase merchant banking, payment through UPI's etc. Digitalizing has a wider impact on economy. No economy can adopt cashless completely, so government has pushed the digital theme in every area. Cashless economy means purchasing; selling and trading through digital mode i-e cards, wallet, paytm, phone pe etc. in place of paper currency. Through digitalizing all records are traced and maintained correctly to avoid any fraud. The RBI has issued framework on payment system aiming at less cash economy.

Keywords: Digitization, Cashless Economy, Electronic Payment System, Present Scenario.

Introduction

Traditionally India had been cash based economy. The real path for cashless economy was started by the government in 2016 through the step called Demonitization. Earlier people were reluctant to go for cashless transaction due to various problems such as lack of awareness, security reasons, network issues etc. Due to demonetization the public started to open bank account, which led to the increase in volume of cashless transaction because the people came to know that the transaction can be done easily from anywhere without taking much time and it shows transparency. The Covid-19 pandemic has helped in massive shift towards Digital payment which helped to reach the vision of Prime Minister i-e Digital India.

What is Cashless Economy?

A cashless economy is one where all the transactions are done through digital means or through cards i-e electronic channels like Debit card, Credit Card, Electronic Clearing, Payment system, UPI etc.

Types of Digital/Cashless payment system

The following are the various cashless payment modes or types to make India a cashless society.

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- **Banking/Plastic Money**

It includes Debit Cards, Credit Cards, Travel Cards, Cash Card and Prepaid Cards

Which are issued by banks or Non-Banks. It is a physical or virtual card. It can be used at POS(Point of Sale) terminals, ATM's, Wallets, Online transaction, Fund transfer, Merchant outlets like shops, pumps etc. International card can be used across the Globe for multiple currencies.

- **Mobile wallet/Prepaid payment instrument**

It is a virtual wallet on your mobile phone to make the payment. The card should be linked and mobile App should be opened on your mobile and then it should be used for transaction without the card. With the help of these you can check your balance, accept money, pay money etc. the example are Paytm, M Ruppee, Airtel Money etc.

The RBI classified every mode of cashless transaction as "Prepaid payment instruments" that are as follows

- **Open Wallet:** These wallets are generally issued by the banks through which you can purchase goods and services, transfer money and also withdrawn money.
- **Semi-open wallet:** A customer has to load money and use the same for the purchase of goods and services but cannot withdraw the cash.
- **Closed wallet:** The Company holds a certain amount of money which cannot be withdrawn by the customer. It is quite popular with E-Commerce Companies.
- **Semi-Closed wallets:** A customer can withdraw or redemption is done only through merchant with whom they have tie-ups.

- **Mobile/Net Banking**

It is a service provided by a bank to do the transaction through smartphones, laptops, tablets and computer system though internet connection. Each bank has its own mobile App through which the transaction takes places.

- **Unified Payment Interface(UPI)**

It is a system where multiple bank accounts are headed in one single mobile application of any participating bank, merging several banking features, funds and payments in one App. It caters "Peer to Peer" collect request which can be scheduled and paid as per the convenience. For Eg. Phone pay, Google pay, Udan pay etc.

- **Unstructured Supplementary Service Data(USSD)**

This service is available on normal mobile or basic mobile phone without any internet. It is done by just dialing *99# from your mobile phone and you can transfer fund, can check your balance, mini-statement etc

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

It is a bank led model which allows online interoperable financial transaction at POS through the business correspondent or bank mitra of any bank using the Aadhaar authentication. Here your Aadhaar card should be linked to bank and you can transfer fund, deposit cash, withdraw cash and also interbank transaction can be done.

Benefits of cashless economy in India

The following are the benefits

- **Saves Money and Time**

The need for the manual accounting work is reduced, so it saves time because the transaction are not recorded in journal and then posted to different ledger. It also saves money because there will less people required.

- **Transparency**

Electronic payment will always have a digital impermeable value. The payment will be clearly traced so there is no scope for fraud, black money, theft etc.

- **Fast Circulation**

The liquid cash circulation will be reduced because of cashless transfer from one account to another. The transfer will be very fast and easy to operate, so the flow will be very fast.

- **Eco-friendly Economy**

The trees will not be cutted for printing the paper currency and also the metal for making coins which in turn harm the atmosphere and the ecosystem.

- **Prevention of Anti-social Activities**

It helps to reduce anti-social activities like corruption, black money, terrorism, fraud, theft, blacking mailing, tax avoidance etc because of the transparency of the transaction.

- **High Revenue**

The collection of tax will be increased by the government which leads to high income that can be utilized for the welfare of the public through policies and schemes. It also help to increase the standard of living of the people.

Challenges of Cashless Economy

Due to the various steps taken by the government for the transformation of cash based economy to cashless economy, India is still facing a lot of challenges which are as follows

- **Cyber Security**

It is the toughest challenge for both the customer as well as for the organization because both of them are afraid that personal as well as formal data will be hacked by the hackers or will be leaked by the frauds. The organization should provide security to its customers by enhancing data protection and security.

- **People can't have control on their spending**

Since the cash will not be physically with them, it becomes very difficult for the customers to have a control on their spending, which leads to the non planning of budget and at the end of the month they may face the issues of cash either in bank or in hand. Cash gives senses of comfort and security to the people that can't be matched by other alternatives.

- **All people don't like to depend on cashless economy**

Since the people are afraid of doing online transaction, fear of hacking, fear of fraud, theft, lack of education, knowledge of using the smart phone etc, the people will not easily get ready to adapt to the new technology. India is a vast country with very few ATM's and POS compared to others countries.

- **Digital and financial literacy**

India has a very poor internet connectivity, lack of awareness and knowledge related to digital or online transaction, less usage of debit or credit cards, inefficient banking system, ATM's, financial inclusion related banking rules and regulations.

- **Unwilling consumers to adopt new technology**

Regardless how much you educated people, some will still not adapt to the new technology or methods due risk factor. Usually senior citizens, poor people, uneducated person etc. are not easily ready to change themselves.

Government Initiatives towards Cashless Economy

The Government of India has taken various initiatives towards the cashless economy which are as follows

- **Demonetization**

On 8th November 2016, the government of India announced the demonetization of currency notes to claim the action against black money, terrorism, illegal activities etc. The move saw a rapid growth in the digital payment. The best metric to measure is the ratio of currency in circulation (CIC) at the end of the fiscal year and the nominal GDP in that fiscal year. The CIC was 12.1% of India's nominal GDP in 2015-16. It plummeted to 8.7% in 2016-17 and the ratio slowly started to increase and reached 12% in 2019-20 and was highest to 14.5% in 2020-21. There was an annual contraction of 3% in India's nominal GDP and raised the cash GDP ratio.

- **Pradhan Mantri Jan Dhan Yojana**

It is a financial inclusion program of Government of India to all the citizens. It was launched on 28th August 2014 to provide easy access to financial services such as Remittance, credit insurance, pension, savings and deposit account to all the sections of the society. It has also given the facility to maintenance of zero balance in the account. It provided the overdraft facility, accidental insurance cover

and interest rate is given as per the rules of the bank for the savings account. It has been recorded in Guinness books of world record because under this scheme various people have opened bank account .As on 27th January 2021, total number of 41.75 Cr accounts have been opened under this scheme out of which 35.96 Cr accounts are operative.

- **Direct Benefit Transfer(DBT)**

It was started on 1st January 2013. It is a scheme launched by Government of India to transfer the benefits and subsidies of various social welfare schemes like MGNREGA, LPG subsidy, scholarship, old age pension etc directly to bank account of the beneficiaries. It helps for the digital banking system in rural India. For the Financial year 2021-22 the total Direct Benefit Transfer is 3,37,340 Corer with a coverage of 309 schemes from 54 ministers.

- **Unified Payment System(UPI)**

It was launched by National Payments Corporation of India (NPCI). A set of standards application programming interfaces (APIs) provides an interoperable system for seamless transfer and has been built on top of the immediate payment services (IMPs) platform. In other words it is a system with multiple bank accounts in one single mobile app. It is the simplest, easiest and fastest way of transfer of money from one bank to another bank if and if only your KYC and mobile number is linked with the bank. It also provides a QR code for each user account for the purpose of contactless payment. NPCI has its own App called BHIM. It also works on third party App like Google pay, Paytm, Phone pe, Whats app pay, etc.

- **Goods and Service tax(GST)**

It came into effect from 1st July 2017 through the implementation of 115th Amendment bill. It came with the aim of one country one tax. It is governed by GST council which consist of finance minister of central government and chief minister all the states. It has helped and encouraged the business to opt for cashless transaction.

- **Financial Literacy Centers**

The RBI and finance ministry have established the financial literacy centers which is a keystone of PMJDY. It helps to provide financial actions and decisions regarding finance. It provides credit counseling to the people relating to personal loans, housing loans, credit cards, how to avoid debts. The ABHAY, Disha trust and Grameen paramarsh Kendra etc were started by the banks to provide financial literacy among the customers. Its main aim is to create awareness, provide education and training to the rural prudent customers to get access to modern banking technologies.

- **NITI Aayog Committee**

The centre has set up the committee to formulate the strategy to expedite the process of transferring India into cash less economy. The vision is to link India chain with India stack. It is a job portal to connect employees with workers who have returned to their home state due to lockdown. It also provides students entrepreneurship programme, sustainable development goals, Atal innovation mission, aspirational district programme, women entrepreneurship programme, Poshan abhiyaan, NITI lecturers etc. In NITI lecturer's policy makers, Experts, administrators will share their knowledge, experiences and views among people.

Present Scenario of India

- India has become a fastest growing cashless economy because the Government of India has taken various initiatives such as demonetization, BHIM, UPI payment, Direct benefit transfer (DBT), Pradhan Mantri Jan Dhan Yojana, NITI aayog committee etc.
- India has globally 55.4% of digital cash adoption
- The Currency in circulation (CIC) was 10.2% over last 5 years
- The cash withdraw in India to GDP is 17%
- The CAGR of 9% and 10% in term of volume and value for cash withdrawals
- The CAGR of 61% and 19 % in term of volume and value for digital payment transactions
- P.M Modiji has launched E-RUPI which is an QR Code or SMS stringbased E-Voucher delivered to the mobile phone of the beneficiaries.

Conclusion

It is a way to adopt cashless dealing among the people. Very few people are using the digital platform for the payment, but still there is a need for the progress of the country and for strong economy system. The mindset of the people have to change then only its possible to be fully cashless. The Government should educate the people about the digital payment, and bring the awareness among them regarding the digitalization.

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