

CASHLESS ECONOMY IN INDIA-PRESENT SCENARIO AND CHALLENGES

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ABSTRACT

Cashless Economy is characterized as monetary frameworks where there are practically all exchanges are performed through computerized strategies with minimum utilization of cash. Cashless economy doesn't mean total nonappearance of cash. In India on 1st July 2015 Digital India Programme was launched by government of India to make "faceless, paperless, and cashless" India. There are different cashless exchange strategies, for example, Debit cards, Credit cards, E-Wallets, ATM, Internet banking moves, AADHAR Enabled Payment System (AEPS), Unified Payment Interface (UPI), Checks, Demand drafts, NEFT and RTGS moves and, E-money coupons. This paper studies the idea and current situation of cashless economy in India. This paper will also study the difficulties and advantages of cashless economy.

KEYWORDS: *Cashless Economy, Electronic Payments, Cash Less Transaction, Debit Card.*

Introduction

Cashless economy is a monetary framework where there is very low progression of money in the economy. In cashless economy all exchanges are made by electronic medium like platinum cards, charge cards, electronic clearing, and installment frameworks, for example, Real Time Gross Settlement (RTGS), National Electronic Funds Transfer (NEFT) and Immediate Payment Service (IMPS), versatile installments, multi-utilitarian ATMs, and web banking. It is an economy framework that runs generally on plastic or advanced cash with negligible money. It isn't the totally nonappearance of money yet it is an installment framework that is secure, helpful, and moderate. It is a financial framework wherein products and enterprises are purchased and paid for through electronic media. India has most high cash to GDP proportion. The GDP ratio of developed nations is around 4 to 5% yet this proportion is high almost 12 to 13% of GDP in India. Government empowers cashless exchanges like versatile banking, Ru-pay cards, UPI, USSD these are means and techniques for advanced installments. Government have presented Aadhar based installment framework, this is for those individuals who don't have cards or cell phones. Decreasing Indian economy's reliance on money is attractive for an assortment of reasons. The recently launched Unified Payments Interface by National Payments Corporation of India makes digital transactions simple. RBI has also recently revealed a document, "**Payments and Settlement Systems in India: Vision 2018**". According to RBI report total digital transaction in volume grew by 58.8% during 2018-2019 compared to the growth 50.4% during 2017-2018.

Objectives of the Study

- To avail understanding related to the subject of cashless economy.
- To study the challenges associated with the cashless economy in India.
- To examine the benefits of cashless economy for the public and the audiences.

Types of Cashless Modes and Payments

There are different cashless exchange strategies, for example, Debit cards, Credit cards, E-Wallets, ATM, Internet banking moves, AADHAR Enabled Payment System (AEPS), Unified Payment Interface (UPI), Checks, Demand drafts, NEFT and RTGS moves and, E-money coupons. The Digital

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India program is a leading program of the Government of India with a dream to change India into cash less economy. "Faceless, Paperless, Cashless" is one of main role of Digital India. As part of promoting cashless transactions and converting India into Digital India, There are different strategies to go cashless. As a major aspect of advancing cashless exchanges and changing over India into Digital India, different kinds of methods are available:



- **Cheques and Demand Drafts**

A check is one of the most secure and most used techniques for cashless installment. A check is given to an individual or business for a particular sum. This check is stored in the collector's bank, and the cash is gotten through an installment prepared by a clearinghouse. A demand draft is more secure than a check since it can't be defaulted or dishonored. The main disadvantage of cheques and DDs are that they are very time-consuming because a person has to visit the bank and then wait for the cheque or DD to clear.

- **Banking Cards**

It incorporates credit, debit and prepaid cards. These cards are utilized for pulling back cash from ATMs, making on the web installments and swiping for buys or installments at PoS terminals at shipper outlets like shops, eateries, fuel siphons and so on. These cards offer purchasers greater security, comfort, and control than some other installment technique.

- **UPI Applications**

UPI is represents Unified Payments Interface (UPI). It is a framework that powers numerous financial balances into a solitary portable use (of any taking an interest bank), consolidating a few financial highlights, and consistent reserve directing and trader installments into one hood. Each Bank gives its own UPI App to Android, Windows and iOS versatile platform(s). It has changed the manner in which we execute. A virtual installment address sends or gets cash without entering any bank related data. Shippers would need to have a present record to get UPI installments. UPI applications that are as of now prevalent are BHIM, PhonePe, Google Pay/Tez, ICICI Pocket, and SBI Pay.

- **Mobbile Wallets**

It empowers clients to convey advanced money. For this, clients need to interface their credit or platinum card data in a cell phone to portable wallet application. You can move cash or store online to your portable wallet. When you load cash into your portable wallet, you can utilize it any place it is acknowledged. The most famous versatile wallet that is inclining is Paytm. The vast majority of the main banks offer e-wallets. There are additionally a couple of driving organizations that offer mobbile wallets office to end clients, for example, Mobikwik, Frecharge, mRupee, SBI Buddy, Paytm, and some more.

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

It represents Aadhaar Enabled Payment System. It is an installment model that empowers online interoperable reserve exchange at Micro ATM, PoS by means of BC (business journalist) of any bank particularly utilizing the Aadhaar card confirmation.

- **NEFT & RTGS**

NEFT& RTGS are electronic payment systems of easy fund transfer between bank accounts. NEFT is stands for National Electronic Funds Transfer. It is a system of electronic transfer of money from one bank or bank branch to another. The funds under NEFT can be transferred by individuals, firms or corporates maintaining accounts with a bank branch. RTGS is stands for Real Time Gross Settlement. It was introduced in India Since March 2004. It is an electronic form of fund transfer where the transmission takes place on a real time basis.

- **IMPS**

IMPS represents Immediate Payment Service, is an assistance that was started by the National Payment Corporation of India. The pre-condition to avail IMPS administrations is that a client needs to likewise enroll for versatile banking. When enlisted, the client may use of the IMPS administration even through web banking. Cash can be sent or got 24*7, and there is no cut-off time for exchanges. The main advantage of IMPS over NEFT and RTGS is that it is received immediately.

- **USSD**

USSD is represents Unstructured Supplementary Service Data. It is a cashless choice for the individuals who don't have a cell phone. It works without a web association instead of the majority of the other computerized installment administrations. To benefit this administration you should dial *99# from their basic cell phone. The principle objective behind it is with assistance ordinary citizens profiting extraordinary advantages of cashless exchanges. With the assistance of this administration, you can move transfer fund from one account to another account, check balance, grab mini statement, and various other financial services. All the main banks in India with the assistance of GSM specialist co-ops are offering USSD based versatile banking to individuals in India.

- **Point of Sale (PoS)**

These machines are used for making sales in market. PoS machines can be found in market, city and malls. Retailers usually use these machines to encourage cashless transaction. There are different types of PoS options available to choose from. So, have a detailed look at them.

- **Net Banking**

Net banking is the most well-known method of cashless transaction in India. It is an alternative to using your debit or credit card. You needs to login to your net banking account to approve a payment whether you want to transfer or receive the fund, you can easily do it using an online banking site. Net banking gives you the flexibility of transacting even if you have misplaced your debit card. You can use internet banking to make utility payments, purchase goods and services online, or send and receive money.

Benefits of Cashless Economy

- **Fast Exchange**

It has been demonstrated that lining at PoS terminals and vending machines is extraordinarily diminished; commonly multiple times more individuals can be served utilizing a cashless framework. This leaves employees more time to enjoy their break. Improving the speed of service may also offer the benefit of reducing staff levels.

- **Prompt Settlement of Exchange**

E-banking speeds up the settlement of exchanges both locally and universally, where the bank remains as paying bank to the clients for settlement of exchange or as gathering bank for assortment of installment on exchanges.

- **Convenience and Lower Hazard**

The simplicity of directing budgetary exchanges is most likely the greatest inspiration to go computerized. There will be no reason to convey money, plastic cards, or even line up for ATM withdrawals.

It is anything but difficult to hinder a Mastercard or versatile wallet remotely on the off chance that it has been taken. Be that as it may, it's difficult to recover the taken money.

- **Reduced Cost of Tax Assessment**

There is lesser extent of concealing salary and sidestepping tax collection in view of lesser accessibility of hard money at homes and more in banks. When there are more citizens, it at last prompts a lesser pace of tax assessment for the entire nation.

- **Collection of Higher Revenue**

It will increase the collection of taxes. This increased collection may beconverted into public welfare policy and schemes.

- **Transparency and Responsibility**

Electronic exchanges or plastic cash consistently leaves a computerized confirmation advantageous for both the citizen (purchaser) and the assessment gatherer (government) and subsequently makes the framework substantially more straightforward and agreeable.

- **Reduced Costs**

Computerized exchange is an aid as far as handling expenses and holding up time. Whenever actualized appropriately, it will build the utilization and generation rates, in this way improving the economy. In addition, the coordination's and inventory network of money is costing the exchequer a fortune. The measure of cash required in printing money, its stockpiling, transportation, appropriation and distinguishing fake cash is tremendous.

- **To Wipe Away the Black Money from the Indian Market**

The evading sales on paper by big industrialist as well as small shopkeepers to save the taxes create big losses to the government as well as common people goal. The cashless economies will surely lead to the development of India by means of collecting surplus taxes and also to spend these taxes for the benefit of the scheme for poor people in India.

Challenges of Cashless Policy in India

- **Lack of Digital Education**

The greater part of the country still doesn't have knowledge how to operate a computer. Also, there is absence of web facilities and without it a nation can't get cashless. There are as yet numerous rustic and urban regions where there the entrance of having 2G organize is troublesome. In addition, the expense of Internet get to be high when contrasted with developed nations.

- **Language Barriers**

The basic language of e-banking and e-commerce is English. The subtleties on the cards are also in English. The message got on cell phones in regards to exchange is likewise in English. In this way, it is required to utilize different dialects with respect to these procedures or cause everybody to learn English.

- **Financial Inclusion**

It means a large no of Indian people do not have bank accounts. For financial inclusion Government has launched a Scheme Pradhan Mantri Jan Dhan Yojna to open the massive bank accounts for every citizen of India. More than 228 million accounts have been opened under this scheme but mostly accounts were opened with zero balance and now they are dormant in the banks. A lot of Indian does not only know how to operate the account but also inefficient to operate the account due to lack of money, lack of income, lack of information and illiteracy etc.

- **Unwillingness to Make Cashless Transactions**

Mostly Indian does not prefer to deal with cashless transaction because seller does not accept the cards and cheques at the point of sales and they demand for transaction fees that makes the things costly. This problem may be solved to lower the transaction fees by the banks or service provider if large no of Indian use the debit and credit cards for making the cashless transactions.

- **Lack of Digital Infrastructure in India**

There are various areas in the rural where banks are still a distant dream. There is lack of ATMs in the areas which have ATMs are not fully backup with the electricity and other IT facilities. So it is necessary to have basic infrastructure for banking services.

- **Lack of Education**

Person of villages and remote area are neither educated enough nor able to operate the banking facilities effectively. Due to illiteracy, Indian rural and remote people are having the bank accounts feel unable to fill the deposit and withdrawal form of their bank account without the help of other people. It may be the big challenge for Indian government to start a campaign to literate them to discharge their duty by themselves. Due to lack of education they are not aware for the security measures.

- **Lack of Customer Awareness**

There is lack of awareness about different aspects of cashless transactions. It is the need of the hour to stress upon the matter relation to the service tax, transaction fees, security of accounts etc. to make the consumer aware and effective party and the mission.

Conclusion

India is gradually transitioning from an economy based on cash to cashless economy. Now, there is an immense need for India to move towards a cashless economy to save huge money which is being spent on the printing and maintenance of currency. It may assist the Indian government not only to achieve the objective of inclusive growth but also to make public utilities more effective. Cashless

economy is based on digital transactions which are easily traceable and taxable and does not leave any room for circulation of black money. Although it is difficult to implement the idea of cashless in Indian economy due to misery and poverty of a large no of Indians yet there is a sea change in the mindset of Indian people with regards to digital means of cash. Dealing due to being easy, convenient, transparent and safe. Now we may say that India must go for less cash economy instead of cashless economy because continuous march towards less cash economy will certainly lead to India towards cashless economy. According to RBI report total digital transaction in volume grew by 58.8% during 2018-2019 compared to the growth 50.4% during 2017-2018.

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