

Going Cashless –Moving Towards Digital India Opportunities and Challenges

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Abstract

The Study focuses on impact and importance of cashless policy in India. The cashless policy will reduce cash related robbery thereby reducing risk of carrying cash. Cashless policy will also reduce cash related corruption and attract more foreign investors to the country. In many countries introduction of cashless economy can be seen as steps in the right direction. It is expected that its impact will be felt in modernization of payment system, Reduction in the cost of banking service, Reduction in high security and safety risk and also curb banking related corruption. Electronic banking will be made banking transaction to be easier by bringing services closer to its customers hence improving banking industry performance. The financial safety over the digital payment channel is important for pushing the cashless economy idea. A major obstacle for the quick adoption of alternate mode of payment is mobile internet penetration, which is crucial because point of sale terminal works over mobile internet connection, while banks have been charging money on card-based transaction which is seen in hurdle. India has been using electronic payment system for many years now.

Keywords: Cashless Transactions, Cashless Economy, Mobile banking, E-payment.

Introduction:

Cashless economy is an economy where maximum transactions are done without using the physical cash or the means of hard cash. It is the economy where economic transactions are done with the facilities like credit card, debit cards and on line transactions by means of fund transfer and using e-wallets. The introduction of cashless economy with the help of information technology these days is fully supported by the national government in India. This initiative has not only helped the fast transactions but at the same time it has saved lot of time and money in the country. If we see the global trend in the market it is clear that all over the world people have started taking interest in cashless transactions. Academicians, politicians, administrators and above all the economists all over the world has strongly advocated about going cashless.

Cashless Economy

A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets.

At present, India is far behind to other economies with regard to cashless transactions. The ratio of cash to gross domestic product in India is one of the highest in the world-12.42% in 2014 as compared with 9.47% in China or 4% in Brazil.

Another report by Boston Consulting Group (BCG) and Google India mentioned that last year around 75% of transactions in India was cash based while it was 20-25% in developed nations such as US, Japan, France, Germany etc. Another statistics have revealed that India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S. Moreover, various other studies have shown that people prefer to make payments in cash in malls even when they carry credit cards with them.

But, the step taken on Nov 8, 2016 of demonetization has pushed digital and e- transaction to the forefront in India due to depletion in cash. Now, e-banking, e-wallets and other transaction apps are becoming more prevalent.

Objectives of study

- 1 To find out benefits of going cashless.
- 2 To analyze the challenges in making India cashless.

Research Methodology:

The data presented in this paper is (secondary source), collected from Journals, textbooks, internet, magazines, news papers, conference books, and reports.

Benefits of Going Cashless

Going cashless has helped in creating a positive impact on society as the paper based methodology in financial transactions has been reduced thereby economy in operations, time and cost

Various benefits of going cashless can be listed out as under:

- 1 It will help in curbing the generation of black money. The cashless economy has attacked the parallel economy. People who hoard money under their bed, people who launder money bypassing banking channels, terrorist who need money to finance their terror will find difficulty in cashless economy.
- 2 It will help in reducing instances of tax avoidance. All the transactions can be monitored and hence traced back to an individual. Income tax officials can easily trace out the transactions and it will become difficult for individuals to evade taxes. Ultimately, it will help in increasing revenue of the government from taxes and more productive activities can be carried out in the economy.
- 3 It will lead to reduction in real estate prices because of curbs on black money as most of it is invested in real estate which ultimately inflates the prices of real estate markets.
- 4 RBI spent Rs.27 billion in financial year 2015 on currency issuance and management. This could be avoided if India becomes a cashless economy.

5 Cashless economy will boost consumption as people would not be attracted towards keeping money in banks. More consumption will lead to more production, more employment opportunities & hence, income of people will increase..

Various Modes of going cashless

For making India cashless, these are the various modes available in form of digital transactions which are being considerably implemented and which clearly indicate that cashless transactions are being actively used by people in India. These can be highlighted as under:

1 Payment Banks: Payment bank is a new model of banks introduced by RBI. Payment can issue services like ATM Cards, mobile banking, net banking, and debit cards etc. These payment banks offer amazing competition to traditional banks in terms of services. **Two such prominent licensees are Airtel (founded in 1995, in 2016 reaching at revenue of \$14.5 billion) and Pay TM (founded in 2010 and valued at \$1 billion presently)**

2 Electronic Fund Transfer Systems: Two popular methods **RTGS** and **NEFT** are increasingly used by people at a large scale for making funds transfer from one bank to another leading to less time and economy in operations.

3 Mobile Wallets: Option to open a zero KYC or a full KYC wallet along with your mobile number and the application to be downloaded to your smart phone.

4 Internet Banking: For this type of digital service to take benefit of, the individual must hold a bank account and opt for the online service same.

5 Banking Cards: Banking cards are available by the bank by providing the KYC (know you customer) information to the bank. Applying for a card and getting a pin for the same. Credit and Debit cards are plastic cards that are used as method of payment.

6 Banks Pre-Paid Cards: For this service, a bank account is there with wallet or a pre-paid card and a smart phone to generate the MPIIN.

7 Point of Sale: A handheld device with the biometric reader along with a merchant bank account and internet connectivity. POS machines facilitate acceptance of payment from customers by swiping of their debit/credit/prepaid cards on POS terminals.

8 Immediate Payment Service (IMPS)

This facility allows the customer to transfer funds on a 24x7 basis and 365 days of the year. However, the maximum amount that be transferred is Rs 2 lakh. This facility is available only via Internet banking.

9 Unstructured Supplementary Service Data (USSD)

*99# this is another facility offered by NPCI. It is a mobile based banking service that can be accessed by any mobile phone user (feature or Smartphone). You can use this service works best in areas with zero internet connectivity as well. One can avail this facility by dialing *99# on their phone. A customer has to dial *99# and chose the service based on his requirement. The services offered include interbank accounts fun

10 Aadhar Pay

This is a biometric based payment solution which requires the user to remember his Aadhaar number at no additional costs. Aadhaar Pay allows customers to make payments to merchants either via fingerprints or via Iris scan. To use the service you have to select your Aadhaar linked bank account, enter your Aadhaar number, and provide your biometric thumb impression.

11 Mobile Banking: A bank account is required along with a mobile phone application of the bank and internet connectivity to take benefit of this digital service. Mobile banking concept is gaining its momentum over the years.

Challenges in making cashless

There are a number of obstacles in making India a cashless economy. Some of them are as under:-

1 A large part of the population, approx. 50% of Indians is not covered under any banking system. According to 2015, report by PriceWaterhouse Coopers, India's unbanked population was at 233 million. Though bank accounts have been opened through Jan Dhan Yojana, most of them are laying unoperational. Unless, people start operating bank accounts, cashless economy is not possible.

2 The digital mode is a big hurdle for the tech-unfriendly people. Since, India has a low penetration of 34.8% as per Internet live stats and only 26.3% of all mobile phone users have a smart phone, therefore, it is difficult to go digital.

3 The low literacy rates in rural India & lack of infrastructure like internet access and power make things extremely difficult for people to adopt cashless economy.

4 In India, there are approx. 350 million internet users. The internet penetration rate is just 27% which is very low in comparison to countries like Nigeria, Kenya & Indonesia etc. It has to be at least 67% which is global median.

5 Only 17% of Indians use smart phones which is very less and only 15% of Indians have internet on their smart phones.

6 The internet loading speed is very low. The average page load time is 5.5 seconds in India in comparison to 2.6 seconds in China.

7 POS machines (Point of sales) are must for any cashless transactions. A study was conducted by Macquarie Research and it was posted on website of National Payments Corporation of India, in which it has been highlighted that India still far behind in terms of Number of POS machines which is 2 per 1000 debit cards .

8 Since, India is dominated by small retailers; therefore they don't have enough resources to invest in electronic payment infrastructure.

9 Most card and cash users have the perception that they will be charged more if they use cards. Moreover, non- users of credit cards are not aware of the benefits of credit cards.

CONCLUSION

The future of the Cashless India looks pretty promising as the response of the country people towards this move of the government and the support towards it is a clear indication that the government's move is likely to succeed. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways

According to the World Bank, "nearly a billion Indians are still able to tap the benefits of a digital economy." To move towards a digital India and achieve a better growing economy, every single citizen must use digital payments even for their petty expenditures.

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