

A STUDY ON CASHLESS ECONOMY IN INDIA

Dr.V.Chandrakala
Faculty, PG.Dept. Of Commerce (MCOM)

ABSTRACT

Cash may no longer be king. Cashless economy is an economic system in which there is little or very low cash flow in a society and goods and services are bought and paid through electronic media. It includes e-banking (mobile banking or banking through computers), debit and credit cards, card-swipe or point of sale machines and digital wallets. Digital transaction or cashless transaction brings in better transparency, scalability and accountability. This paper focus on concept of cashless economy, pros & cons and to know the modes of cashless transactions. The digital India is a leading programme of the government of India with a vision to convert India into a digitally authorized society and knowledge economy. “Faceless, Paperless, Cashless” is one of the declared rule of digital India. Cashless economies, as the name suggests, are those that run frequently on plastic or digital money.

KEYWORDS: Cashless economy, e-banking, card swipe, digital money, plastic money, transparency and digital transaction.

INTRODUCTION

India is an enthusiastic effort to move towards a cashless transaction economy by minimizing the use of corporal cash. Digitalization is a process which may help the economy towards a cashless society. The trend towards use of non-cash transactions and settlement began in daily life during the 1990's, when electronic banking became popular. By the 2010's digital payment method where widespread in many countries with examples including intermediaries such as PayPal, digital wallet systems operated by companies like apple, contact less and NFC payments by electronic card or smart phone and electronic bills and banking, all in wide spread use. By the 2010's cash had become actively disfavoured in some kinds of transaction which would historically have been very ordinary to pay with physical tender and larger cash amounts where in some situations treated with suspicion, due to its versatility and ease of use in money laundering and financing of terrorism and actively prohibited by some suppliers and retailers, to the point of coining the expression of a “war on cash”. By 2016 in the United Kingdom it was reported in 1 in seven people no longer carries or use cash. The 2016 United States user consumer survey study claims that 75% or respondents preferred a credit or debit card as their payment method while only 11% of respondents preferred cash. By 2017, digital payment methods such as Venmo and square contribute to cashless transaction. Venmo allows individual to make direct payment to other individual without having cash accessible. Square is an innovation that allows primarily small business to receive payments from their clients.

“WE WANT TO HAVE ONE MISSION AND TARGET: TAKE THE NATION FORWARD-DIGITALLY AND ECONOMICALLY” -SHRI NARENDRA MODI.

Prime minister, Mr Narendra Modi launched the Programme “Digital India” with a vision to transform India into a digitally empowered nation and creating a cashless, paperless economy. As per the current status of India, only 7% or 8% of all the payments are taking place electronically. Narendra Modi’s government scrapped currency notes of INR 500 and INR 1000 denominations, which is seen as an unprecedented measure, through a giant leap towards curbing corruption and forged currency. Even the RBI has also recently revealed a document “Payments and Settlement Schemes in India: Vision 2018” setting out a plan to inspire electronic payments and to permit India to move to a cashless society or economy in the medium and long term. The depletion in cash due to demonetisation has pushed digital and e-transaction to the forefront; e-banking, e-wallets, and other transaction apps becoming prevalent. A cashless economy is secure, it is clean. You have a leadership role to play in taking India towards an increasingly digital economy. Digitalization is a process which may help the economy towards a cashless society.

JETIR
REVIEW OF LITERATURE

Many empirical studies have been conducted on the project of “CASHLESS ECONOMY” in India and Abroad. The major emphasis of research has been on various issues like frauds, security, usage patterns, new method of e-payment, etc.

The previous work done on cashless economy needs perusal. It has been reviewed to indicate in a general way the type of work done in this project in India. It is expected that the critical examination of the studies would give focus to our problem and help to indicate the areas which have remained neglected at the hand of the researches. From the review of literature, it was found that hardly there was a study which examine the perception of both users and traders on the usage of cashless transaction. Also many studies concentrated on individual cards, for instance, debit or credit card and neglected the joint effect and new innovative cards like smart card, charge card and check card.

WORTHINGTON (1995), “THE CASHLESS SOCIETY” paper describes the cashless society, where clumsy-to handle points and notes are replaced by efficient electronic payments initiated by various types of plastic cards is a boom for the 21st century. Some of the interested parties stand to gain more than others if the cashless society become a reality. Paper outlines the rationale of those who are keen to promote the cashless society and the implications for marketers charged with winning consumer acceptance for payment by plastic card. The plastic card payment product is analysed under the three headings of pay later, pay now and pay before and a view is offered as to the future prospects for each type of plastic card in contributing to the development of the cashless society.

MANDEEP KAUR AND KAMALDEEP KAUR (2008), DEVELOPMENT OF PLASTIC CARDS MARKET; past, present and future scenario in Indian banks found that plastic money in the form of cards has been actively introduced by banks in India in 1990's. But it was not very popular among Indian consumer at the time of its introduction. The change in demographic features of consumers in terms of their income, marital status, education level, etc. and up gradation of technology and its awareness brought the relevant changes in consumer preference.

BANSI PATEL AND URVI AMIN (2012) in their research paper “plastic money: Road way towards cashless society” discussed that now a days in any transaction plastic money becomes inevitable part of the transaction and with it life becomes more easy and development to take better place and along with the plastic money it becomes possible that control the money laundry and effective utilization of financial system would become possible with would also helpful for tax legislation.

STATEMENT OF THE PROBLEM

As continuation of demonetization process, the cashless transaction activities are implemented and has impacted significant changes in country. In India most they are heavily dependent only on the cash economy now everyone have to switch from cash to cashless transaction. Even government has restricted for cash transactions and pushed the people to adopt and implement cashless transactions. The government just wants to magically transform the country into a place where everyone carries a smartphone and credit card and buys milk everyday using an e-wallet. Thus an attempt is made to study the cashless economy in India and to find out the benefits and challenges faced by people in India.

OBJECTIVES OF THE PAPER

1. To study the concept of cashless economy.
2. To know the benefit and challenges of cashless economy.
3. To know the modes of cashless transactions.

RESEARCH METHODOLOGY

The study is based on secondary sources of data/information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

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 computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. The RBI and the government are making several efforts to reduce the use of cash in the economy by promoting the digital or payment devices including prepaid instruments and cards. RBI'S effort to encourage this new varieties of payment and settlement facilities aims to achieve the goal of a 'less cash' society. A very important factor in the running of such an economy is the assurance that the people's money is safe in banks. Also, going cashless is much more appropriate but, it is not just the earliest way to manage, but also brings about lot more photograph in financial system. Cashless economy helps in restriction black money, depresses tax fudging and eventually lends to reduce funding for illegal trades and activities counting terrorism. Thus because of this growing effect of the benefits, many developing economies are accepting the cashless method and are going digital. A cashless society becomes a popular alternative to tackle the cash usage liability. Cashless transaction economy does not mean the shortage of cash rather it indicates a culture of people settling transactions digitally. In a modern economy, money moves electronically. Hence the spread of digital payment culture along with the expansion of infrastructure facilities is needed to achieve the goal. The changes have created perfect market conditions for alternative digital payment system, in addition to existing e-wallets and debit or credit cards. These are not just the basic banking apps or website either. The national payments corporation of India, together with the RBI, has launched UPI ("UNITED PAYMENT INTERFACE"), which powers multiple accounts from participating banks, and offers several banking services all in a single mobile applications. A step in the right direction certainly, but not one without its problems. Although India has around 220million smartphone users as of February 2016, there is still a long way to go until 100% of population has mobile internet access.

On November 8th, government withdrawn INR 500 and INR 1000 notes-two highest denominations in circulation. Main objectives were to fight counterfeit money and black money. The action has given tremendous boost to cashless transactions has cards based digital payments were not hindered when all high denominations cash transactions suffered because of absence of high denomination currencies. A cashless society describes an economic states whereby financial transactions are not conducted with money in the form of physical bank notes or coins, but rather through the transfer of digital information (usefully an electronic representation of money) between the transacting parties.

BENEFITS OF CASHLESS ECONOMY

- **Transparency in transaction:** Needless to say, electronic dealings or plastic money always leaves a digital impermeable valuable for both the tax payer (consumer) and the tax collector (government). It will curb generation of black money.
- **Financial inclusion:** The will to have a cashless economy will promote financial attachment of the people. It will require the government to connect all the households with a bank and plastic economy.
- **Reduced maintenance costs:** The logistics and supply chain of cash is estimated the exchequer affluence. The amount of money mandatory in printing cash, its storage, conveyance, distribution and perceiving imitation currency is huge. Concentrated instances of tax escaping because it is financial institutions based economy imprints are left.
- **Higher revenue:** Unoriginal advantage of transparent transactions is collection of tax will increase. Thus producing higher income for government this in turn will be changes into public welfare policies and schemes.
- **Lower transaction costs:** Digital business is a boon in turns of handling cost and waiting time. If fulfilled appropriately it will increase the fasting and production rates and there by cultivating the economy.
- **Taxation:** With lesser availability of hard cash at homes and more in banks, there is lesser scope of hiding income and evading taxation and when there are more tax payers are ultimately lends to a lesser rate of taxation for the whole country.
- **Less availability for illegal activities:** When people are encourage to go cashless, there is lesser cash available with the people and there won't be a means to invest in other activities to use the ideal cash. Channels like HAVALA (illegal remittance) will ultimately suffer the brunt of a cashless economy.
- **Convenience:** The easy of conducting financial transactions is probably the biggest motivator to go digital. You will no longer to carry wads of cash, plastic cards and even queue up for ATM withdrawals. It's also a safer and easier spending option when you are travelling.
- **Tracking spends:** If all transactions are on recorded, it will be very easy for people to keep track of theirsending. It will also help while failing income tax returns and in case of a security, people will find it easy to explain their spending.
- **Reduced red tapism and bureaucracy:** With cashless transactions through electronic means the wire transfers are tracked and people are accountable which in turn reduces corruption and improves service time.
- **Hygiene:** Soiled, tobacco stained notes full of germs are an average in India. There are many such happenings in our lives where we significantly or innocently give and take germs in the form of rupee notes. This could be circumvented if we move towards cashless economy.

- **Delinquent of soiled /fake currency:** In cashless economy there will be no delinquent of soiled notes or fake currency reduced costs of functioning ATM'S. Speed and consummation of operations for customers, no delays and columns, no connections with bank staff's mandatory.

CHALLENGES OF CASHLESS ECONOMY:

- **Costly swipe machines:** Swipe machines are not subsidy free. It can only be afforded by rich shop keepers. It cannot be expected from an auto driver or normal grocery seller to afford swipe card machines besides many street vendors, shop keepers don't know how to use swipe machines.
- **Language Barrier:** Internet is an English based platform. The details on the plastic card are also in English. The message received on mobile regarding transaction is also in English. Therefore, it is required to use multiple languages regarding these processes or make everyone learn English.
- **Low Literacy Rule:** Low literacy rate hinders the accessibility of banking services. Citizens should not only know how to read and write but also possess basic ICT literacy to fully enjoy the benefits of e-payments.
- **Few Banks in villages:** The capital city New Delhi alone has about 20 HDFC bank branches. There are several villages and Tehsils that don't even have one. More the banks, more the cash deposits in accounts. Banks in villages should be helpful in teaching the residents the process, usage and benefits of plastic cards.
- **Digital Literacy:** More than half of the nation still does not know how to use a computer. People in rural areas still don't know about smart phone. Besides, there is lack of internet facilities and without it a country cannot become cashless. There are still many rural and urban areas where there the access of having 2G network is very difficult. Moreover, the cost of Internet access is very high as compared to developed countries.
- **Transactions are mainly in cash:** Nearly 95% of transactions takes place in cash. Large size of informal/unorganized sector entities and workers prefer cash based transactions. They don't have required digital and fintech literacy.
- **Not enough debit or credit cards:** India has over 24 million credit cards and over 660 million debit cards, now interesting bit about this number is that most of the people who have a debit or credit card have multiple cards. This means the actual number of people who have the debit or credit card is less. This also means that nearly half of the people in India don't have a bank cards.
- **Not enough smart phones:** India has nearly 250 smart phone users right now, a number that is supposed to grow to around 350 million in 2017. It is just not enough to support an economy that aims to do major transaction through e-wallet. India has over 1200 million people. And that shows the number of people without a smart phone is just too big in India at the moment.
- **No law on data security:** A lot of people don't trust the cashless transactions because there is no law security promises them security. What if all your transactions are done electronically and there is a breach, revealing all the purchases and transfers you have made out in public.

- **Sorry state of cyber security:** Just a few months ago data related to over 32 lakhs debit cards was leaked from the network that connects all Indian banks. The state of cyber security in India is poor, very poor. Majority of Indian ATM's still run on windows XP, an operating that is 14 years old and is no longer supported by Microsoft.

MODES OF CASHLESS TRANSACTIONS:

1. **CREDIT CARD OR DEBIT CARD:** Credit card or debit card is another cashless payment method. The usage of credit card and debit card was limited in India. However, usage of credit card and debit card is increasing now because of demonetization. The limitations of this payment method is an availability of swipe card facility at merchant end.
2. **CHEQUE:** The cheque is one of the oldest methods of cashless payment. It is a known method to everyone. In this method, you issue a cheque for the specific amount to someone else. The cheque get deposited in the respective bank. The bank processes a payment through a clearing house.

The entire transaction done through cheque gets recorded and there is a proof of payment. However, there are instances where cheque payments get dishonoured due to signature mismatch or insufficient fund. In order to avoid such issues, we can use other cashless payment options.
3. **DEMAND DRAFT:** Demand draft is another rudimentary way of cashless transaction. It is safest option to receive payment from anyone. Demand draft (DD) never gets defaulted as it is signed by the banker. The disadvantage of DD and cheque is you need to visit a bank in order to deposit cheque and demand draft. The clearance of cheque or DD takes additional time.
4. **ONLINE TRANSFERS- NEFT or RTGS:** The simplest method for cashless transactions is online transfer using NEFT or RTGS. In order to do online money transfer, you need internet banking facility. Online transfer using NEFT or RTGS is comparatively faster than cheque or DD. Online transfer can be done from anywhere using internet facility.
5. **MOBILE WALLETS:** The next cashless method is a mobile wallet. You do not need a debit card, credit card or internet banking password for making payment using a mobile wallet. Just load money in your wallet via IMPS and use it on the move. You can download mobile wallet app from play store. Few examples of mobile wallets are Paytm, PayUmoney, Mobikwik, Phonepay, etc.

6. **E-WALLETS:** E-Wallet is next cashless payment option. E-Wallet can be used to purchase products starting from grocery to airline tickets. In order to use E-Wallet customer and merchant, both require a smart phone with active internet connections. The most popular example of E-Wallet is PayPal.
7. **UPI APPS:** UPI is a mobile system which allows you to do various financial transactions on your smartphone. UPI allows you to send or receive money using virtual payment address without entering bank information. Merchants can enrol with banks to accept payments using UPI. Like in the case of a POS machine, the merchant would require a current account with a bank to accept UPI payments. The examples of few UPI apps are SBI Pay, Union Bank UPI App, Phoneepee, etc.
8. **UNSTRUCTURED SUPPLEMENTARY SERVICE DATA:** You can use USSD cashless option if you don't have a smart phone or internet connection. Unstructured Supplementary Service Data is mobile banking service. From any mobile phone, you can dial *99# and use this service. You can do all these things which are available to a person with smartphones and internet connection. Almost including SBI, ICICI, BOB, AXIS BANK supports USSD payments options..
9. **AADHAAR ENABLED PAYMENT SYSTEM:** Aadhaar Enabled Payment System (AEPS) is one of the best cashless payment methods. AEPS is like Micro ATM it uses smartphone and a finger-print scanner for the transaction. In order to use this facility, it is mandatory to link your Aadhaar card to your bank account. You can use AEPS in order to perform transactions like Aadhar to AADHAAR fund transfer, Cash withdrawn, cash deposit, etc.
10. **GIFT CARD:** The next cashless payment method is a gift card. Gift card is a readymade card and can be purchased from a merchant or from the bank. The gift card is loaded with a fix cash amount you can purchase any item from specific vendor by using a gift card.

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 which will increase the GDP of the economy. This will increase the credibility of the country and make a rise in investments. This step of cashless is truly going to create ripples of big success and it will help to attain vision of Prime Minister Modi's vision of Digital India.

REFERENCES:

- <http://www.ijmetmr.com/olctober2017/DrSRamakoteswaraRao-SripadaNaresh-42.pdf>
- <http://ajast.net/data/uploads/00027.pdf>
- <http://www.iosrjournals.org/iosr-jbm/papers/Vol19-issue4/Version-2/O190402116120.pdf>
- <https://www.wwjmr.com/upload/cashless-economy-opportunities-and-challenges-in-india.pdf>
- http://granthaalayah.com/Articles/Vol5Iss5/38_IJRG17_A06_326.pdf
- <http://www.ijmetmr.com/olctober2017/DrSRamakoteswaraRao-SripadaNaresh-42.pdf>
- <http://data.conferenceworld.in/ICRTESM8/P340-348.pdf>
- https://www.researchgate.net/publication/262144523_Moving_from_Cash_to_Cashless_Challenges_and_Opportunities_for_India
- <http://www.civildaily.com/story/cashless-society/>
- https://en.wikipedia.org/wiki/Cashless_society/
- http://ijariie.com/AdminUploadPdf/%E2%80%9CFUTURE_AND_SCOPE_OF_CASHLESS_ECONOMY_IN_INDIA%E2%80%9D_1462.pdf
- http://shodh.inflibnet.ac.in/jspui/bitstream/123456789/4111/3/03_liteature%20review.pdf
- http://shodhganga.inflibnet.ac.in/bitstream/10603/10144/10/10_chapter%202.pdf
- <http://euroasiapub.org/wp-content/uploads/2017/05/13ESSApril-4791-1.pdf>
- https://www.researchgate.net/publication/317648743_Literature_Review_of_a_Cashless_Society_in_Indonesia_Evaluating_the_Progress
- <https://www.coursehero.com/file/p5pgt7c/2-LITERATURE-REVIEW-Plastic-money-is-a-term-that-has-been-predominantly-used-to/>
- <http://bulliedterms.cf/literature-review-on-cashless-economy709812.php>
- <https://usa.kaspersky.com/internet-security-center/threats/mobile-device-security-threats#.WF49WrZ97Vo>
- <https://en.wikipedia.org/wiki/Paytm>
- http://www.business-standard.com/article/economy-policy/need-more-incentives-for-cashless-economy-digitisation-ex-rbi-deputy-gov-117121300497_1.html
- <http://www.ijcter.com/papers/volume-3/issue-4/impact-and-importance-of-cashless-transaction-in-india.pdf>
- <https://pdfs.semanticscholar.org/c84d/fcefca8d903ed042f6b86dc2cf985474a2c6.pdf>
- <https://www.onlinejournal.in/IJIRV3I3/146.pdf>
- https://www.researchgate.net/publication/262144523_Moving_from_Cash_to_Cashless_Challenges_and_Opportunities_for_India
- <https://economictimes.indiatimes.com/news/economy/policy/is-25-billion-digital-transaction-target-for-2017-18-too-steep-to-achieve/articleshow/60915736.cms>