



Cashless India

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Abstract

Cash is like water a basic necessity without which survival is a challenge. Nevertheless, cash use doesn't seem to be waning all that much, with around 85% of global payments still made using cash. One of the main reasons is that there is nothing to truly compete with the flexibility of notes and coins. cashless economy will help in curbing black money, counterfeit's fake currency, fighting against terrorism, reduce cash related robbery, helps in improving economic growth of our country. Major challenges that can hinder the implementation of the policy are cyber fraud, High illiteracy rate, attitude of people, lack of transparency & efficiency in digital payment system.

Keywords: cash, currency, economy

Introduction

The financial safety over the digital payment is important for the cashless economy idea. A major obstacle for the smooth 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 as a hurdle. India has been using electronic payment system for many year now, However the retail sector has predominance of cash transaction and cash transaction is yet to pick up card is the one of the most secure, convenient mode of cashless payment in retail market. The Indian payment system is rapidly changing to more and more IT based systems. In the retail sector we have very high volumes of money transactions. Other than cash, one of the growing payment methods adopted by merchants in the sector is payment cards. However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been assorted with demonetization that was aimed to extract liquidity from the system to unearth black money. With increasing adoption of electronic payments, particularly those driving e-commerce and mcommerce, there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions. Reducing Indian economy's dependence on cash is desirable for a number of reasons. India has one of the highest cash to gross domestic product ratios in the world, and lubricating economic activity with paper has costs. In a cash dominant country like ours, going cashless is a challenging task. Due to lack of cyber security, poverty and illiteracy in India, it is extremely difficult to make dream of digital India come true. Still efforts are being made in this direction. In spite of all the doubts in mind, people have started giving cashless transactions a trial because of the flexibility it provides in making transactions. Sitting in America one can send money to his/her old parents in India, one can buy a beautiful gift his sister on Raksha Bandhan and send directly to her hostel, going out of town and afraid of carrying large amount of cash is no longer a problem, one can carry a debit or credit card or even mobile phone is also now enough to solve the purpose

and many other things have become easier because of going digital or cashless. Even many transactions involving digital mode of payment creates eligibility for cashback also. All this is being done because importance and benefits of going digital are being realized.

Review of literature

Encouraging cashless transactions has the potential to curb tax evasion, corruption and the use of hard cash in crime. And to that extent it is a worthy goal to follow for any government. But adequate measures have not been taken to ensure that the hard-earned money of ordinary Indians is secure from the cybercrime that will inevitably follow was the verdict given by Kasrtikey Tripathi in India's drive for a cashless economy puts millions at risk of cybercrime published in "The Conversation on March 23 2017. Nicholus Gilmour, Teaching Fellow, Messy University and Andrew Colarik, Senoir Lecturer, Messey University suggested that cybercrimes will riseup in future and as the number of cashless economies will rise in an article published on March 24 2015. In a research paper by Dr. Chitra Rathore "E- Cheque: A virtual instrument, close to reality" (pg.76-81) the pros and cons of going cashless have been depicted published in Shodhshree-2016. In an article published in book" Trends and Innovations in Modern Management" (2018) Page nos.179-182 by Chitra Rathore by the name "Review of demonetization in India", the problems faced by the Indian economy has been highlighted which if not treated well in time may prove disastrous have been marked as the consequences of dream of cashless economy.

Problems with current indian economy

- The modern Indian Economy is quiet fragile and unstable.
- A lot of Black Money exist in our Economy. The amount is greater than what are pending loans on India.
- So many types of taxes exist that it is tough to even name them all. The country of 100 crores is run by the taxes of just 3 crores. This means that the taxation is improper.

A Digital Economy: • A Digital Economy is one where purchases and transactions are done mainly by electronic means and cash is seldom used. • As Cash is seldom used, it can also be called as a “Cashless Economy”. This idea is new coming and only exists in a few countries

Importance of cashless transaction

- 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 it ultimately leads to a lesser rate of taxation for the whole country.
- Transparency and accountability: it becomes a lot easier to track the flow of money with every transaction being recorded with the buyer, seller as well as regulatory bodies, making the system much more transparent and compliant. In the long term it leads to better business and investment prospects for the economy as a whole.
- More currency in bank will mean more circulation of money in the economy, leading to greater liquidity and would eventually mean lesser interest rates (according to the monetary policy of the country).
- 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.
- Less availability of cash for illegal activities: when people are encouraged 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 idle cash. Channels like hawala (illegal remittance) will ultimately suffer the brunt of a cashless economy.
- Pack of cards: No need to carry bulky notes in a case. Just carrying the required cards or mobile banking will suffice. More sense of safety with a PIN protected card etc. which will work only with your own credentials.
- No fear of being robbed unlike carrying cash and letting everyone know that there could be something worth snatching.
- Tracking of expenses: it becomes easier to determine how much was spent where.
- The exact amount in small denominations can be paid. Unlike cash transactions, there is no need to pay fringe amount in case the exact amount is not available with either of the parties. An important, though seemingly insignificant issue is that of hygiene of the notes.
- Easier accounting: Direct payment to bank account. You don't need to go every day to deposit cash to your current account.
- Easier transactions:-We can easily do any transaction with security.

Initiatives by the government

Indian government is also taking steps to promote digital transactions. Even one of the objectives of the very bold step of demonetization was the dream of digital India and to make this dream come true and to promote digital transactions, on 8 December, 2016 our Finance Minister Shri Arun Jaitley announced some benefits that will be given on using digital mode of transactions.

- 1) On purchase of petrol through credit /debit card, e-wallets or mobile wallet, one will get discount of 0.75%.
- 2) In villages having population less than

10,000, Central government will extend financial support through NABARD by providing 2 POS devices each to such villages. 3) Regional Rural Banks (RRBs) and Cooperative Banks will issue Rupay Kisan Card to kisan credit card holders. 4) If general or life insurance policy is bought or premium is paid online via PSUs website, 10% and 8% discount is allowed. 5) On transactions of upto Rs. 2000 through credit or debit card service tax is exempt 6) On online purchase of railway tickets accidental insurance cover of upto Rs. 10,00,000 shall be given. 7) Paying toll tax at toll plazas on National Highways through RFID card / Fast Tags attracts discount of 10%. 8) Monthly rent by Public sector banks for POS terminal /micro ATMs/mobile POS shall not exceed Rs. 100 per month. 9) Transactions charges associated with digital payment shall not pass on to the customer and shall be borne by Central government departments and PSUs. 10) With effect from January 1, 0.5% discount on monthly and seasonal suburban railway tickets purchased through digital mode. 11) If services like catering, accommodation, retiring rooms etc. are purchased through digital mode, the passenger will get discount of 5%.

Benefits

1) Tax evasion due to unaccounted cash transactions can be avoided 2) Sky high prices of real estate are because maximum transactions in this sector involve cash transactions and if all these transactions are routed through digital mode, prices of real estate will fall tremendously. 3) Corruption will fall because of transparency of digital transactions. 4) Digitalization of transactions will affect terrorism adversely as terrorist will not be left with cash to buy arms and ammunition. 5) Amount spent by RBI on printing currency is quite high. By going digital this amount can be reduced and can be used in some other productive project for welfare of nation. 6) Problem created by fake notes can be avoided if dealing in hard cash is reduced. 7) While taking currency notes we also take germs which get stick on it while it passes from various hands. 8) Risk of theft while carrying large cash can also be avoided.

Challenges

Though this list of benefits of digitalization is not exhaustive yet there are number of problems being faced while implementing the policy of turning India into a digital economy. The problems being faced are as follows: - 1) Most of the people in India are unaware of benefits of transaction through digital mode. 2) Lack of proper infrastructure in form of internet connections, ATM machines, POS machines etc 3) People don't know how to use their debit or credit cards, mobile wallets etc. well in ecommerce transactions. 4) Big business men who have their interest in promoting cash transactions hinder the promotion of digitalization of Indian economy. 5) Large part of Indian population does not even have accounts in bank. 6) People are still afraid of fraud due to lack of cyber security. 7) New schemes for promoting cashless transactions are not advertised properly.

Future prospects: Smooth, simple and secure payment processes will help to bring about behavioural changes and faster adoption of digital payments and banking among un-banked segments. When new players enter the market, each

with a slightly different take on the market and with differing business models, the increased competition will help the environment and offer more options for consumers to choose from. A larger pie with more players is definitely good for the changing dynamics of the payments industry, which is still nascent in India. Indian consumption is still dominated by cash, with cards contributing only 5 per cent of the personal consumption expenditure. In developed countries, 30-50 per cent of spends happen through cards. So there is huge growth opportunity. The rapid growth of smartphones, Internet penetration and e-commerce is complementing these; card payment volumes have been growing in excess of 25 per cent y-o-y. We expect this trend to continue, aided by the continued increase in debit card activation and usage; debit card transactions have been growing at 31 per cent each year. Intense competition and strategic collaboration among existing and new market participants like the payments and small banks and wallets will help scale up acceptance and foster more creativity, innovation and consumer choice. According to him, the future holds exciting times for the payments industry in India, as all stakeholders and regulatory authorities come together to achieve a “less-cash dependent” and eventually “cashless” society. The credit card industry in India sees greater acceptance among consumers this year. According to World line India Card Payment Report 2014-15, the credit card base grew at 9.8 per cent in the past year. World line India is a leader in the payment and transactions services in the country. Alternative methods like mobile wallets and prepaid cash cards accounted for 3 per cent of digital transactions. This industry has been growing steadily over the past few years. Card transactions, both by debit and credit cards, are on an upward trajectory. There are interesting dynamics at play in the Indian payments industry.

Conclusion

The government needs to take the necessary steps and make some policy considerations when they are preparing for a cashless economy. The payment systems have to be protected from the cyber-attacks which are the major threat for cashless transactions. Also, the government should be able to serve the under banked as well. Everyone from the society should have access to an electronic system that they can use for such transactions. However, the benefits of this move have now started trickling in with more and more people switching to digital modes of receiving and making payment. India is gradually transitioning from a cash-centric to cashless economy. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of transition in money transactions, with e-payment services gaining unprecedented momentum. A large number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than ever before.

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