

CASHLESS ECONOMY IN INDIA: NEED OF THE DAY

Dr. Vinod Kumar Rajwanshi

(Teacher)

Gyan Chand Shree Chand +2 Janta High School, Tirhuta, Babubarhi,
Madhubani, Bihar

Abstract

Cashless economy is a system by which digital transactions have taken completely over physical cash. Cashless economy is such an economy where maximum transactions are done through digital means like credit cards, debit cards, e-wallets and electronic fund transfer. India uses more cash for transactions. India faces many challenges in setting up a cashless economy like: lack of digital infrastructure, cyber security and financial literacy, high cash dependency etc. In 2016 budget speech, the minister talked about the idea of making India a cashless society. The leading advantage of building a cashless economy is to negate black money. Digitalization of transactions is the best way to move towards a cashless economy.

Key words: *Digitisation, Electronic payment, cashless economy, financial infrastructure, Fund, RBI.*

Introduction

Cashless economy is such an economy in which digital transactions replace cash transactions. The objective of this process is to streamline the financial system, curb black money circulation for boosting financial inclusion. This system is driven by debit card, credit card, mobile wallets and online transfers. It is a situation in which reliance is made on digital payment. Cashless Economy may be such a situation in which the flow of cash within an economy is non-existent and all transactions must be through electronic channels such as direct debit, credit cards, debit cards, electronic clearing, digital wallets etc and payment systems such as Immediate Payment Service, National Electronic Funds Transfer and Real Time Gross Settlement in India. The provision of cashless economy enhances convenience as it can be made anywhere at any place.

Cashless economy in India

A cashless economy is one in which all the transactions are done by using digital means. Cashless economy holds importance by promoting easy cross-border transaction, minimising overhead costs, and stimulating national economy growth. The circulation of physical currency will be minimum. India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world. Less than 200% of all payments happen electronically in the country. The number of currency notes in circulation is far higher than in other large economies.

Challenges in Cashless Economy

Cashless economy encourages financial innovation and improve financial inclusion. There are various challenges of cashless economy in India. Which are below:

Cash Dependency: India has a high cash penetration in almost all of its transactions that happen as B2C transactions. Total cash flow in the market accounts for 15% of the GDP, which is among the highest in India.

Digital infrastructure: Lack of proper infrastructure is a big problem setting up a cashless economy. Poor digital infrastructure, poor internet connectivity. The remote areas are still not having the banks at their door step. There are no ATM facilities in the remote areas. The banks need to be fully equipped to handle the surge in e-transactions. The first and foremost requirement of a digital economy is the penetration of internet and smart phone.

- **Financial inclusion:** only 80% of his country's population has bank accounts. Still large number of people is not having the bank accounts.
- **Cyber security:** Cyber attacks have become increasingly difficult to curb and the focus needs to also be on drafting a strong legislation to guarantee digital privacy and data security. Digital infrastructure is highly vulnerable to cyber-attacks, cyber frauds.

Need of Cashless Economy

A cashless economy relies on digital payment mode like credit/debit cards, UPI, mobile wallets and online banking.

Cost of money: Printing money is the direct cost that effects ther bank. In the cash sytem of economy where maximum people will work on the cahs transaction and government has to produce more and more cash notes.

Crimes: The risk of theft will continue until people carry cash and by going cashless the same can be reduced. The government, however, has to take measures to curb the online scam and identity theft incidents.

Cost effective to Banks: Normally, if a bank transaction is doen manually, it costs nearly Rs. 45 to 50 and the same is done through internet it costs 7 to 8.

Secure: Both it safer for bank and customer as well, it keeps high degree of secrecy. If stolen, it it easy to block a credit card or mobile wallet any time & place.

Economic Growth: Shopping online gets easy as one can use a number of payment options; from credit and debit cards to net banking. In addition to this, going cashless also has health benefits. With physical currency, the chance of spreading of germs is more.

Black Money and Anti money laundry: Even transactions can be done through e banking but same can be traced while it is very difficult to trace the transactions in cash. There are certain check also in depositing and withdrawing money laundering in the days to come.

Revenue: A derivative advantage of transparent transactions is collection of tax will increase. Thus generating higher revenue for the government, which in turn will be converted into public welfare policies and schemes.

Money and Time: Presently banking are required good number of staff to attend and redress the complaints at different stages. They can reduce costs as they no longer need the manual accounting work to be done.

Maintenance: Maintenance in the form of storage of notes, transportation of the notes to

the distant places, security of the notes, and devices for the detection of counterfeit notes. The other major aspect of the maintenance is that the distribution of money through ATM machines at the different locations.

Objectives

The prime objective of cashless economy are:

- To enhance financial inclusion
- To promote transparency
- To minimise circulation of black money
- To negate curreption
- To stop unfair trade

Steps Taken By the Government to Encourage Digital Payment

Government of India has taken several step to promote transformation, reduce curreption and encourage financial inclusion for the betterment of economy and people of the country.

- Licensing of Payment banks.
- Government is also promoting mobile wallets. Mobile wallet allows users to instantly send money, pay bills, re-charge mobiles, book movie tickets, send physical and e-gifts both online and offline.
- Promotion of e-commerce by liberalizing the FDI norms for this sector.
- Government has also launched UPI which will make Electronic transaction much simpler and faster.
- Government has also withdrawn surcharge, service charge on cards and digital payments.

Conclusion

Digital payment ecosystem in India has grown fast and properly in yester years. Government has taken various steps to promote cashless transctions in the country. The cashless economy secure money movement from cyber attack and unfair trade practices in the country. India is gradually transitioning from a cash-centric to cashless economy. The advantage cashless economy have now started trickling in with more people switching to digital modes of receiving and making payment. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of modernization in money transactions, with e-payment services gaining unprecedented momentum. A large number of businesses, even street vendors, are now accepting electronic payments, promoting the people to learn to transact the cashless way at a faster pace than ever before. The government needs to take the necessary steps and make some policy for a cashless economy. The payment systems have to be protected from the cyber-attacks. Going cashless provides a lot more benefits than just convenience to people, businesses and the government in particular. Increasing use of electronic payments boosts consumptions and GDP. This move by the Government along with the implementation of the GST will eventually make the system more accountable and efficient and profitable.

References

1. Rahman and Singh. (2016): Demonetisation, Unified Payment Interface & Cahsless Economy” International Journal of Informative & Futuristic research (ISSN:2347-Vol. 4 No. (3), November 2018
2. Ramchandran, C (2016). Cashless Economy in Indias, Asian Journal of commerce and Economics, 8(6). 144-151.
3. Siwani, B. (2017), Impact of electronic Payment, Global Journal of Economics and Management 4(6). 79-86.
4. NITI Aayog (2017). Interim Report of the Committee of Chief Minister on Digital Payments.

5. Patil, Vaibhav, Mishra Jyoti, (2018) A study to find out advantages and disadvantages of making India a cashless economy International Journal and Economics and Business Management 8(4), 17-24 RBI Bulletin.
6. RBI Report (2017). Data Release, Bankwise ATM/POS/Card Statistics.
7. Reserve Bank of India Report 2015-16, 2016-17.
8. <http://rbidocs.rbi.org.in>
9. www.business-standard.com