

India's Journey towards a Cashless Economy: An Insight into the Benefits and Challenges

Tutun Mukherjee¹, Sayan Basu², Amardeep Pramanik³,
Som Sankar Sen⁴

¹ Assistant Professor, Department of Commerce & Management, St. Xavier's University (corresponding author)

² Assistant Professor, Department of Commerce, Shree Agrasain College

³ Assistant Professor, Department of Commerce, Shree Agrasain College

⁴ Assistant Professor, Department of Commerce, University of Burdwan

Submitted: 05-06-2021

Revised: 18-06-2021

Accepted: 20-06-2021

ABSTRACT

The lesser use of cash and the emergence of a cashless economy pose many potential benefits for the economy. A cashless economy represents one which curtails the use of physical banknotes and coins and uses digital money to settle the transactions. The very recent increased number of electronic transactions provides a hint, India is moving towards a cashless economy, gradually. In the present context, this study endeavours to bring forward the probable benefits, and the challenges that an emerging economy like India may confront, on the journey towards a cashless economy. The findings of this study bring to light that even though the transition from a cash-based to the cashless economy may bring a wide array of potential benefits like transparency, convenience, speedier transactions and others to the Indian economy, but its implementation, especially the lack of infrastructure and the cyber-security, presents a daunting challenge.

Keywords: Cashless economy, Benefits, Challenges, India

I. INTRODUCTION

The lesser use of cash and the emergence of a cashless economy pose many potential benefits for the economy. A cashless economy can be described as one which minimizes the use of cash by providing alternative channels for executing the transactions (Ezuwore-Obodoekwe et al., 2014). In other words, a cashless economy is one which curtails the use of physical banknotes and coins and uses digital money to settle the transactions. To be more specific, a cashless economy represents a state of economy where the transactions are settled over the internet, payment at unmanned vending machine, manned point of sale (POS) using mobile device, personal digital assistance (PDA), smart

cards and other electronic payment systems, including debit and credit cards (Bayero, 2015). However, it is worth noting that cashless economy does not refer to an outright absence of cash transactions in the economic setting but the one in which amount of cash-based transactions are kept to the barest minimum (Woodford, 2003).

Nevertheless, principally, the Indian economy had been a cash-driven economy, where less than 5% of the payments are settled electronically, and the ratio of cash to GDP had remained one of the highest in the world as well (Kumawat & Goyal, 2018). A study by Google India and BCG reports that during the financial year 2015-16, approximately 75% of the transactions in India are cash-based, while in developed countries like USA, Japan, France, Germany and so forth, it was just around 20-25%.

However, the very recent increased numbers of electronic transactions provide a hint that India as well, gradually moving towards a cashless economy. Despite this, the concern remains, would it be hackle-free for India to implement the same properly?

II. LITERATURE REVIEW

Before moving forward into the depth, let us have a quick glance on the studies related with the underlying issue:

The study of Gaba and Nagpal (2017) bring to light that a cashless economy would facilitate transparent, effective and speedy transactions, but security threat may pose a major challenge in its implementation. While Garg and Panchal (2017) claimed cashless economy would help in curbing black money, counterfeit's fake currency, fighting against terrorism and reduce cash related robbery, but cyber frauds, high illiteracy rate, attitude of people, lack of

transparency & efficiency in digital payment system may hinder the implementation of the underlying policy. Supporting the view, Ejiofor and Rasaki (2012) claimed such a transformation would greatly reduce the cost, corruption and money laundering. However, Ahmad Al-Dalaien (2017), Khurana (2017), and Kumawat and Goyal (2018) believe despite of many benefits associated with the introduction of a cashless economy, the problems like inadequate ATM's, digital illiteracy, lack of internet facilities, lack of banking facilities in rural areas, costly swipe machines, cyber security and high cash dependency may hinder the implementation of the underlying policy. On the other hand, Rashmi (2018), and Singhraul and Garwal (2018) argued introduction of cashless economy would bring in economic growth and development.

To this extent, it's worth noting, that there lays some divergence in opinion amongst the researchers across the nation relating to the issue, whether a cashless economy is beneficial for the economy or not. Thus, it is a high-time to highlight the probable benefits and challenges that an emerging economy like India may confront, on the journey towards a cashless economy.

III. OBJECTIVES OF THE STUDY

The present study has the following objectives:

- ❑ To bring forward the probable benefits that an emerging economy like India may enjoy, on her journey transition from a cash-based to the cashless economy.
- ❑ To highlight the probable challenges that an emerging economy like India may confront, on her journey towards a cashless economy.

IV. SCOPE AND SIGNIFICANCE OF THE STUDY

4.1 Scope of the study

The present study is exploratory in nature, and this study would shed light on the Concept of Cashless economy, Present Indian Scenario (in brief), Probable Benefits to India and Challenges that India may confront, on her journey towards a cashless economy.

4.2 Significance of the study

The present study would contribute to the extant literature by revealing the probable benefits, and the challenges that an emerging economy like India may confront, on her journey towards a cashless economy. In addition, this study would help the Indian Government in devising proper policy towards the introduction of a cashless economy.

V. RESEARCH METHODOLOGY

The present study is exploratory in nature. The necessary data have been extracted from the secondary sources such as research articles, working papers, newspapers, magazines, academic books and websites and, the ultimate inference has been drawn based on the same.

VI. MAJOR FINDINGS AND DISCUSSIONS

The major findings of this study are highlighted as under:

6.1 Probable Benefits to India

- ❖ Speedy and prompt settlement of transactions (Ahmad Al-Dalaien, 2017; Gaba and Nagpal, 2017; Garg and Panchal, 2017).
- ❖ Convenience and Safety (Kumawat and Goyal, 2018; Khurana, 2017; Ahmad Al-Dalaien, 2017; Gaba and Nagpal, 2017).
- ❖ Transparency in business operations (Singhraul and Garwal, 2018; Kumawat and Goyal, 2018; Ahmad Al-Dalaien, 2017; Khurana, 2017; Gaba and Nagpal, 2017; Garg and Panchal, 2017)
- ❖ Lessen banking service costs (Singhraul and Garwal, 2018; Ahmad Al-Dalaien, 2017; Khurana, 2017; Garg and Panchal, 2017).
- ❖ Curtail tax evasion, black- money, corruptions, bribery and terrorism (Singhraul and Garwal, 2018; Kumawat and Goyal, 2018; Ahmad Al-Dalaien, 2017; Khurana, 2017; Gaba and Nagpal, 2017; Garg and Panchal, 2017).
- ❖ Strengthen Financial System (Garg and Panchal, 2017; Macra and Bandiera, 2004).
- ❖ Foster economic growth and development (Singhraul and Garwal, 2018; Kumawat and Goyal, 2018; Garg and Panchal, 2017, CBN, 2011).

6.2 Probable Challenges to India

- ❖ Lack of proper infrastructure (Singhraul and Garwal, 2018; Kumawat and Goyal, 2018; Khurana, 2017; Gaba and Nagpal, 2017; Garg and Panchal, 2017).
- ❖ Lack of proper cyber security (Kumawat and Goyal, 2018; Khurana, 2017; Gaba and Nagpal, 2017).
- ❖ Digital illiteracy (Singhraul and Garwal, 2018; Ahmad Al-Dalaien, 2017; Kumawat and Goyal, 2018; Khurana, 2017; Gaba and Nagpal, 2017).
- ❖ Lack of banking facilities in rural areas (Ahmad Al-Dalaien, 2017; Khurana, 2017; Garg and Panchal, 2017).
- ❖ Lack of awareness.
- ❖ Orthodox perception and belief.

VII. CONCLUSION

Recapitulating the objectives, the probable benefits, if India implements such cashless economy, it will be helpful to reduce cost associated with issue management of currency and it will also reduce the cost of operating ATM's. Another positive side of being digital is, it will reduce the fear of fake currencies leading towards removal of money laundering and terrorism financing. Apart from this, use of digital means of payment, there will be higher transparency in financial transactions leading to avoidance of tax evasion. Going cashless, opens a vast area of new possibilities, which is never previously experienced by our modern society. As a result, money supply will increase and inflation will be controlled, market will emerge and GDP will increase resulting in increased job opportunities which ultimately tends towards economic development in our country.

Another aim of this study is to show the challenges adjoined with it, the main obstacle here is lack of awareness and confidence among the users. Less number of internet users in India, wrong perception regarding cashless economy, lack of security, lack of information regarding debit cards and credit cards, lack of infrastructure of electronic payment, poor internet network in some rural area and also lack of knowledge regarding technology etc. However, India has already made a positive step towards digitalization. By arranging some awareness campaign such obstacles can be removed easily. Our Central & State Government can also take some good steps to help the cashless society, such as arranging awareness programmes, giving various incentives and benefits to the end-users to encourage cashless economy.

REFERENCES

- [1]. Ahmad Al-Dalaien, B. O. (2017). Cashless Economy in India: Challenges Ahead. *Asian Journal of Applied Science & Technology*, 1(7), 168-174.
- [2]. Bayero, M. A. (2015). Effects of Cashless Economy Policy on Financial Inclusion in Nigeria: An Exploratory Study. *Procedia – Social and Behavioral Science*, 172, 49-56.
- [3]. Ejiofor, V. E., and Rasaki, J. O. (2012). Realizing the Benefits and Challenges of Cashless Economy in Nigeria: IT Perspective. *International Journal of Advances in Computer Science and Technology*, 1(1), 7-13.
- [4]. Gaba, M., and Nagpal, M. (2017). Cashless Economy: Problems and Prospects. *International Journal of Engineering Research and Technology*, 5(11), 1-2.
- [5]. Garg, P., and Panchal, M. (2017). Study on Introduction of Cashless Economy in India 2016: Benefits and Challenge's. *IOSR Journal of Business and Management*, 19(2), 116-120.
- [6]. Khurana, B. (2017). Dream of Cashless India: Benefits & Challenges. *International Journal of Research-Granthaalayah*, 5(5), 377-381.
- [7]. Kumawat, H. S., and Goyal, S. K. (2018). Moving from Cash to Cashless Economy: Challenges and Opportunities for India. *Journal of Commerce, Economics & Computer Science*, 4(1), 250-254.
- [8]. Marco, A., and Bandiera, L. (2004). Monetary Policy, Monetary Areas and Financial Development with Electronic Money. *IMF Working Paper*.
- [9]. Rashmi, S. B. (2018). Cashless Transaction – A Literature Review. *International Journal of Management, Technology and Engineering*, 8(11), 2156-2159.
- [10]. Singhraul, B. P., and Garwal, Y. S. (2018). Cashless Economy – Challenges and Opportunities in India . *Pacific Business Review International*, 10(9), 54-63.
- [11]. Woodford, M. (2003). *Interest and Price: Foundation of a Theory of Monetary Policy*. Princeton University Press.