

Benefits, Challenges and Modes in Cashless Economy in India

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ABSTRACT

It's possible that cash isn't as important as it once was. A cashless economy is one in which a society's cash flow is minimal or non-existent, and products and services are purchased and paid for via electronic media. E-banking (mobile banking or computer banking), debit and credit cards, card-swipe or point-of-sale terminals, and digital wallets are all examples. Transparency, scalability, and accountability are all improved by digital or cashless transactions. This article focuses on the concept of a cashless economy, as well as its benefits and drawbacks, as well as the different types of cashless transactions. The government of India's digital India initiative is a key initiative with the goal of transforming India into a digitally empowered society and knowledge economy. One of digital India's announced rules is "Faceless, Paperless, Cashless."

Key words: Cashless economy, e-banking, card swipe, digital money, plastic money, transparency and digital transaction

I. INTRODUCTION

India is making a concerted effort to transition to a cashless transaction economy by reducing the use of physical cash. Digitalization is a process that has the potential to assist the economy in moving toward a cashless society. When electronic banking became ubiquitous in the 1990s, the trend toward using non-cash transactions and settlements began in everyday life. By the 2010s, many countries have adopted digital payment methods, with intermediaries such as PayPal, digital wallet systems controlled by corporations such as Apple, contract less and NFC payments by electronic card or smart phone, and electronic bills and banking all being widely used. By the 2010s, cash had become actively disfavored in some transactions that would have been very common to pay with physical tender in the past, and larger cash amounts had been treated with suspicion in some situations due to its versatility

and ease of use in money laundering and terrorism financing, and actively prohibited by some retailers and suppliers, to the point of coining the phrase "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.

Mr. Narendra Modi, the Prime Minister of India, introduced the "Digital India" programme, which aims to convert India into a digitally empowered nation with a cashless and paperless economy. According to India's current situation, barely 7 percent or 8% of all payments are made electronically. In a bold move to combat corruption and counterfeit cash, Narendra Modi's government destroyed currency notes with denominations of INR 500 and INR 1000, a first in India. The Reserve Bank of India (RBI) recently released a document titled "Payments and Settlement Schemes in India: An Overview." "Vision 2018" lays forth a strategy for encouraging electronic payments and allowing India to transition to a paperless society or economy in the medium and long run. Due to the depletion of currency as a result of demonetisation, digital and e-transactions have risen to prominence, with e-banking, e-wallets, and other transaction apps becoming commonplace. A cashless economy is safe and secure. You have a key role to play in guiding India's transition to a more digital economy. Digitalization is a process that has the potential to assist the economy in moving toward a cashless society.

CASHLESS ECONOMY

A cashless economy is one in which all forms of transactions are completed via digital technology. E-banking (mobile banking or computers), debit and credit cards, card-swipe or point-of-sale (POS) machines, and digital wallets are all examples of this. The RBI and the government are encouraging digital or payment devices such as prepaid instruments and cards in order to eliminate the use of cash in the economy. The RBI's efforts to promote these new payment and settlement options are aimed at achieving the goal of a "less cash" society. The guarantee that people's money is safe in banks is a critical component in the operation of such an economy. The cashless economy aids in the restriction of black money, reduces tax evasion, and ultimately lends to minimise funding for illegal enterprises and activities such as terrorism. As a result of the growing impact of the benefits, many emerging economies are accepting the cashless method and moving to the digital age. A cashless society is becoming a trendy solution to the problem of excessive cash usage. The term "cashless transaction economy" does not refer to a lack of cash; rather, it refers to a culture in which people settle transactions digitally. Money transfers electronically in today's economy. As a result, achieving the aim will necessitate the growth of digital payment culture as well as the construction of infrastructural facilities. In addition to existing e-wallets and debit or credit cards, the reforms have provided ideal market circumstances for other digital payment systems. These aren't your standard banking apps or websites. The Reserve Bank of India and the National Payments Corporation of India have announced UPI ("UNITED PAYMENT INTERFACE"), which powers numerous accounts from partner banks and provides a variety of financial services through a single smartphone application. Certainly a step in the right direction, but not without flaws. Despite the fact that India has over 492 million smartphone users in February 2021, there is still a long way to go until the entire population gets access to mobile internet.

The government withdrew the INR 500 and INR 1000 notes, the two highest denominations in circulation, on November 8th. The main goals were to combat counterfeit and black money. The action has boosted cashless transactions significantly, as card-based digital payments were not hampered, even though all high-denomination cash purchases were hampered by the lack of high-denomination coins. A cashless

society is one in which financial transactions are carried out without the use of physical money in the form of bank notes or coins, but rather through the exchange of digital information (which can be thought of as an electronic representation of money) between the parties to the transaction.

CASHLESS ECONOMY BENEFITS:

Transactional accessibility: It goes without saying that electronic transactions or plastic money always leave a digitally impermeable value for both the consumer and the tax collector (government). It will put a stop to the creation of black money.

Inclusion in the financial system: The desire for a cashless economy will encourage people to be financially connected. It will be necessary for the government to link all families to a bank and a plastic economy.

Maintenance costs are lower: The exchequer affluence is measured by the logistics and supply chain of cash. The amount of money required for printing cash, storing it, transporting it, disseminating it, and perceiving counterfeit currency is enormous. Because the economy is based on financial institutions, there are concentrated instances of tax evasion.

Increased income: An unanticipated benefit of transparent transactions is that tax collection will increase. As a result of the increased revenue for the government, public welfare policies and initiatives will be altered.

Transaction costs are reduced: In terms of handling expenses and wait times, digital business is a blessing. If properly satisfied, it will raise fasting and output rates, hence boosting the economy.

Taxation: When there is less hard currency available at home and more in banks, there is less opportunity to hide income and evade taxation, and when there are more tax payers, the overall rate of taxation is lower.

The amount of money available for illegal activities is decreasing: When people are encouraged to go cashless, there will be less cash available, and there will be no way to invest in other activities in order to use the ideal cash. HAVALA (illegal remittance) channels, for example, will bear the brunt of a cashless economy.

Convenience: The ease with which financial transactions may be completed is undoubtedly the most compelling reason to go digital. You won't need to carry large amounts of cash, plastic cards, or even wait in lines for ATM withdrawals. When travelling, it's also a safer and more convenient way to spend.

Keeping track of expenses: It will be very easy

for people to keep track of their spending if all transactions are recorded. It will also aid in the preparation of income tax returns, and users will find it easier to explain their expenditure in the event of a security breach.

Less bureaucracy and red tape: With cashless transactions via electronic methods, wire transfers are traced and persons are held accountable, reducing corruption and improving service times.

Hygiene: In India, soiled, tobacco-stained notes teeming with germs are common. There are countless instances in our life where we offer and take germs in the shape of rupee notes, whether intentionally or unintentionally. If we go to a cashless system, we may be able to avoid this.

Delinquents with soiled/fake cash: In a cashless economy, there will be no delinquents of soiled notes or phoney currency, lowering the costs of operating ATMs. Customers must be served quickly and efficiently with no delays or queues, and no interactions with bank employees are required.

CASHLESS ECONOMY'S CHALLENGES:

Swipe machines are pricey: Swipe machines do not come with a subsidy. Only wealthy shopkeepers can afford it. It is unrealistic to expect an auto driver or a regular food seller to be able to afford swipe card devices, and many street vendors and shopkeepers are unaware of how to use swipe machines.

Language Disparity: The Internet is a platform that is based on the English language. The information on the plastic card is likewise written in English. The transaction notice received on my phone is likewise in English. As a result, several languages must be used in these operations, or everyone must learn English.

The Rule of Low Literacy: A low literacy rate makes banking services inaccessible. To fully benefit from the benefits of e-payments, citizens must not only be able to read and write, but also have a basic understanding of ICT.

Villages have few banks: There are roughly 20 HDFC bank branches in New Delhi alone. There are a few villages and Tehsils that don't have one at all. The more banks there are, the more cash is deposited in accounts. Village banks should assist citizens in learning about the procedure, use, and advantages of plastic cards.

Literacy in the Digital Age: More than half of the population is still unable to operate a computer.

People in rural areas are still unaware of smart phones. Furthermore, there is a scarcity of internet access, and a country cannot go cashless without it. There are still a lot of rural and urban places where getting a 2G network is quite tough. Furthermore, as compared to developed countries, the cost of Internet access is extremely high.

The majority of transactions are conducted with cash: cash accounts for over 95% of all transactions. A high majority of informal/unorganized sector businesses and workers prefer cash transactions. They lack the digital and financial literacy that is required.

Debit or credit cards that isn't up to snuff: India has over 24 million credit cards and over 660 million debit cards; yet, the majority of people who have a debit or credit card have numerous cards. This implies that the number of people who own a debit or credit card is smaller. This also means that over half of India's population does not have access to a bank card.

Smart phones: India currently has around 1.18 billion smart phone users, 700 million Internet users, and 600 million smartphones, which are increasing 25 million per quarter. Supporting an economy that aspires to conduct big transactions via e-wallet is simply insufficient. India has a population of around 1380 million people. And this demonstrates that the number of individuals in India without a smartphone is now far too high.

There is no data security law: Many individuals are sceptical of cashless transactions since there is no regulation that guarantees their safety. What if all of your transactions are done electronically and a breach occurs, exposing all of your purchases and transfers to the public?

The dreadful state of cyber security: Data relating to over 32 lakh debit cards was exposed from the network which connects all Indian banks just a few months ago. India's cyber security situation is dire, to say the least. The majority of Indian ATMs are still using Windows XP, a 14-year-old operating system that Microsoft no longer supports.

CASHLESS TRANSACTION MODES:

1. CREDIT CARD OR DEBIT CARD: Another cashless payment option is to use a credit card or debit card. In India, the use of credit and debit cards was limited. However, due to demonetization, credit card and debit card usage is on the rise. The lack of a swipe card facility at the merchant's end is one of this payment method's

drawbacks.

2. CHEQUE: One of the earliest forms of cashless payment is the cheque. It is a well-known technique. This method entails writing a check to someone else for a certain amount. The check is deposited at the appropriate bank. A clearing house is used by the bank to handle a payment. The entire cheque transaction is documented, and a proof of payment is provided. However, there are times when checks are returned owing to a signature mismatch or a lack of funds. Other cashless payment solutions can be used to avoid such problems.

3. DEMAND DRAFT: Another rudimentary cashless transaction is a demand draught. Receiving payment from anyone is the safest option. Because it is signed by the banker, a demand draught (DD) never defaults. The downside of DD and check is that you must visit a bank to deposit a check or a demand draught. It takes longer for a check or a DD to clear.

4. ONLINE TRANSFERS- NEFT or RTGS: Online transfers using NEFT or RTGS are the simplest technique for cashless transactions. You'll need an internet banking account to make an online money transfer. Compared to a check or a DD, an online transfer via NEFT or RTGS is much faster. Online transfers can be made from any location with access to the internet.

5. MOBILE WALLETS: A mobile wallet is the next cashless option. Making a payment with a mobile wallet does not require a debit card, credit card, or online banking password. Simply use IMPS to load money into your wallet and spend it on the go. You can get a mobile wallet app from the Google Play Store. Paytm, PayUmoney, Mobikwik, Phonepay, and others are examples of mobile wallets.

6. E-WALLETS: The next cashless payment option is an e-Wallet. E-Wallets can be used to buy everything from groceries to plane tickets. Both the client and the merchant must have a smart phone with an active internet connection in order to use E-Wallet. PayPal is the most well-known example of an electronic wallet.

7. UPI APPS: UPI is a mobile platform that allows you to conduct a variety of financial transactions using your smartphone. Without providing bank information, UPI allows you to transfer or receive

money via a virtual payment address. Merchants can sign up with banks to accept UPI payments. To take UPI payments, the merchant would need a current account with a bank, just like a POS machine. SBI Pay, Union Bank UPI App, PhonePe, and other UPI apps are examples.

8. AADHAAR ENABLED PAYMENT SYSTEM: One of the greatest cashless payment techniques is the Aadhaar Enabled Payment System (AEPS). AEPS is similar to a micro ATM in that it conducts transactions using a smartphone and a fingerprint scanner. It is necessary to link your Aadhaar card to your bank account in order to access this service. AEPS can be used to accomplish transactions such as Aadhaar to Aadhaar financial transfers, cash withdrawals, cash deposits, and so on.

II. CONCLUSION

The future of a cashless India appears to be bright, since the public's reaction to the government's decision, as well as their support for it, indicate that the government's initiative is likely to succeed. Through e-commerce transactions and digital wallet gateways, the economy's transparency will improve, resulting in an increase in GDP. This will boost the country's legitimacy and attract more investment. This cashless initiative will have far-reaching consequences, assisting Prime Minister Modi in realising his goal of a Digital India.

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