

INDIA'S DRIVE FOR A CASHLESS ECONOMY- VIRTUES AND CHALLENGE

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ABSTRACT

When the Indian government recently banned two high-value currency notes, it led to all sorts of chaos. It led to huge queues to exchange money at banks and ATMs, and this in a country where more than half of its citizens do not have a bank account. According to a 2014 study by Tufts University, The Cost of Cash in India, cash operations cost the Reserve Bank of India (RBI) and commercial banks about Rs21,000 crore annually. Also, a shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained. Due to limited banking and credit card penetration India continues to be a cash-based society. At least two places in India have already gone completely cashless. Long before Modi began his monetary purge, Auroville a European-influenced, intentionally developed "hippie" town in Tamil Nadu and the 1,200 person village of Akodara in Gujarat have already eradicated cash in exchange for electronic payment systems. But as the dust continues to settle, a tangible long-term benefit of the process appears to be emerging: moving India towards a digital economy in which electronic transactions play a major role in the financial system. The rush to do this, however, is likely to cause a spike in cybercrime.

Purpose: The principal purpose of the work is to understand and define the concept of cashless economy. It also examines the areas where the concept of Cashless Economy finds its application.

Methodology: The paper is written based on Digital transaction concept. The paper begins with discussion of concept of cash based society. It then discusses the rationale of Cashless Economy subsequently discussing the Cashless transactions merits and challenges.

Practical Implication: This work would help the Economy to understand the importance of Digital Business environment.

Paper Type: Conceptual Paper

Keywords- *Currency notes, Digital economy, Cash-based society, Commercial banks.*

1. Introduction

India economy was an incredibly cash-centric. 95% of all transactions moving through accounted for cash, 90% of vendors didn't have card readers or the means of accepting electronic payments, 85% of workers were paid in cash, and almost 50% of the population didn't even have bank accounts. The Cost of Cash In India, cash operations cost the Reserve Bank of India (RBI) and commercial banks about Rs21,000 crore annually. Also, a shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained. This article explores the cashless economy concept, highlights different issues, challenges including regulatory and security concerns. It attempts to identify the various aspects involved in the move towards cashless economy for India along with a special focus on significance of such a move in small developing economies. Digital India is the flagship

programme of the Government of India. It was launched on 1st July 2015 by Prime Minister Narendra Modi, with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless, Paperless, Cashless” is one of the professed roles of Digital India. Major progress towards this goal was made in late 2016, when the government took steps to demonetize the country.

1.1 Objectives Of The Study

The main objective of the study is to understand and define the concept of cashless economy. It also examines the areas where the concept of Cashless Economy finds its merit, demerits and challenges.

1.2 Methodology

The paper attempts to bring forth the conceptual perspective of the Cashless Economy to enable researchers and practitioners understand the concept in its totality. This paper is based on Secondary Data's. It discusses the rationale of Cashless Economy subsequently discussing the Cashless transactions and its merits, demerits and challenges.

Cashless Economy- As Prasad said that a cashless economy is an economy which is tracked in real time. “Each transaction is mapped. Every taxman likes numbers. It will certainly help expand the tax net.”

1.3 Merits

Some of the merits of a cashless economy are listed below, going through these you will realise how significant this initiative is and how it will shape the Indian economy in a positive way.

1. It boost the economy because the cost of making and handling paper money is quite high.
2. It reduces the terrorist activities, as most of the terrorist activities are fueled by the black money in hard cash.
3. This aids the environment, as no trees are cut for printing of paper money.
4. Reduction in crime rates. Crimes with financial motives are rare in cashless economy. An instance of this has been seen in Delhi recently when the government pulled out high value notes.
5. It is the medicine for fake money problem. No cash simply means no fake cash.
6. Adherence to labour laws can be achieved, as now labours will be paid in their bank accounts.

1.4 Demerits

Every initiative has a lop side also, some of the demerits of cashless economy with respective to India are given below. In the later part of this article we will talk in detail about the challenges related to cyber security, individual's financial data, and online banking fraud which a cashless economy can face.

1. No cash in hand. Always a dependency on your card or bank system connectivity.
2. Major part of Indian population is not educated about banking systems, specifically about the digital aspect of it. Hence they may resist to make online transactions.
3. Automation and online transactions will cut down large number of jobs.
4. India is dominated by small retailers and they don't have enough resources to invest in electronic payments.
5. Increase in cyber crimes and online banking frauds.

At least two places (**Auroville Tamilnadu and Akodara, Gujrat**) in India have **already gone completely cashless** before started this journey toward digital business transformation.

1.5 Government Efforts

Furthermore, the Government of India's additional initiatives like Mobile Seva and reward schemes like Lucky Grahak Yojana and Digi Dhan Vyapar Yojana are supplementing the use of mobile in a cashless economy. Mobile Seva provides a fully operational mobile payment gateway, incorporating various channels for making electronic payments through mobile devices. Government departments and agencies can integrate the gateway with their applications, so that citizens and businesses can make payments for various government services through their mobile devices.

Launched in late 2016, Lucky Grahak Yojana distributes daily and weekly rewards to thousands of retail consumers. Similarly, Digi Dhan Vyapar Yojana distributes weekly rewards to thousands of small businesses. To qualify for these rewards, applicants must make digital payments through a Unified Payment Interface (UPI), RuPay, the Aadhaar Enabled Payment System (AEPS), or an Unstructured Supplementary Service Data (USSD). These initiatives have boosted confidence in digital mediums for payment services and will likely lead to increased private sector mobile payment services, as well.

1.6 Challenges

The government's move of demonetization has led to a push towards digital transactions. But the government faces a slew of challenges to mark a shift towards a cashless digital economy. Challenges Government and Institution face in making India shift toward cashless transactions:

- a) Behavioural change:** Adapting cashless transaction from age old conventional methods will take time to become a habit.
- b) Psychological change:** Cashless transaction involves people's scepticism and fear of loosing money and whom to approach in case of failed transaction .
- c) Class divide :** This have widen the gap between banked and unbanked population .This divide will encourage one class while other will take this as a business of other class.
- d) Divide in internet and mobile reach:** Lack of infrastructure and mobile telephony to rural area are barriers.
- e) Illiteracy :** it's a biggest barrier toward illiterate people to first understand this change.

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