

CASHLESS ECONOMY IN INDIA: BENEFITS & CHALLENGES

Dr. ANUPAMA

Department Of Economics, University of Allahabad

ABSTRACT

This paper studied the impact of the policy of cashless economy in India. Cashless economy brings benefits as well as problems. One major advantage of digital cash is its increased efficiency opening new opportunities especially for small businesses. On the other hand, it will encourage potentially the worsening of problems over taxation and money laundering. In turn, these problems may alter foreign exchange rates, disturb money supplies and encourage an overall financial crisis. The study is conducted in Allahabad region & data was collected with the help of structured questionnaire and analyzed using simple percentage method. Major challenges that can hinder the implementation of the policy are- cyber fraud, high illiteracy rate etc. The study shows that the introduction of cashless economy in India can be seen as a step in right direction. It helps in growth and development of economy in India.

I. Introduction

In a cashless economy most of the transaction will be done by digital means like e banking, debit and credit cards, PoS (point of sales) machines, digital wallets etc. In simpler words no liquid money or paper currency will be used by the people in a given country. In a cashless economy the third party will be in possession of your money. He will allow you to transact that money whenever it is needed. If it is not needed then the third party can use that money. Third party can be a government or any other public or private sector bank.

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. To encourage and strengthen cashless economy it's important to inculcate the habit of making e-payments. Government encourages cashless transactions like mobile banking, Ru-pay cards, UPI, USSD these are means and methods of digital payments. The government is working at various levels to reduce the dependence on cash. PM-Narendra Modi unveiled two schemes – Lucky Grahak Yojna, Digi Dhan Vyapaar Yojna for customers and traders like to promote mobile banking and e-payments. Less cash economy is in the interest of everyone and it will help in creating a clearer economy in future. Government have also introduced Aadhar based payment system, this is for those people who don't have cards or mobile phones. Reducing Indian

economy's dependence on cash is desirable for a variety of reasons. To control counterfeit notes that could be contributing to terrorism, It also affect the monetary policy of our country and to eliminate the —black money, hawala transfers can't be made without paper currency, Curbs illegal activities altogether. A large part of black money is generated in illegal trades like selling drugs therefore without cash or less cash illegal trade might become difficult.. RBI has also issued licenses to open new-age small finance banks and payments banks which are expected to give a push to financial inclusion and bring innovative banking solutions. Things are also falling in place in terms of technology for India. The recently launched Unified Payments Interface by National Payments Corporation of India makes digital transactions simple. Even the RBI has also recently unveiled a document, **"Payments and Settlement Systems in India: Vision 2018"**, setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term. But Indians need to recognize the risks and benefits of different payment instruments, the risks associated with electronic payment instruments are far more diverse and severe.

In India, the ratio of cash to gross domestic product is 12.42 %in GDP; this is one of the highest in the world. It was 9.47% in China or 4 % in Brazil. Further, the number of currency notes in circulation is also far higher than in other large economies, India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in US.

Benefits of Cash less Economy

Cash less economy helps in curbing generation of black money. As a result it reduces real estate prices because most of black money is invested in Real estate which inflates the prices of Real estate markets.1 in 7 notes is supposed to be fake, which has a huge negative impact on economy, by going cashless, that can be avoided. An increased use of digital payment instead of cash would enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers which reduce tax avoidance and money laundering .Cashless Economy also reduces the cost of banking services. It also improves monetary policy in managing inflation and increases economic growth in our country. Another benefit of cashless economy is that it discourages cash related robberies and other cash-related crimes.

Challenges in making India a cashless economy

Large part of the population is still outside the scope of Net banking like use of credit or debit cards, making transactions using mobile phones, and using the internet to pay bills they are not in a position to reduce its dependence on cash. Second, about 90% of the workforce, which

produces nearly half of the output in the country, works in rural sector It will not be easy for this sector to become cashless. There is a general preference for cash transactions in India. Merchants prefer not to keep records in order to avoid paying taxes and buyers find cash payments more convenient. Although cashless transactions have gone up in recent times, a meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. For instance, mobile wallets have seen notable traction, and it is possible that a large number of Indians will move straight from cash to mobile wallets. The availability and quality of telecom network will play an important role. People face difficulties in making electronic payments even in metro cities because of poor network. Service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it's easier, certain and safe to make cashless transactions. The government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments. Difficulties in changing attitudes and perception of people towards moving digital payments. India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure.

II. Review of Literature

Review of literature paves way for a clear understanding of the areas of research already undertaken and throws a light on the potential areas which are yet to be covered. Keeping this view in mind, an attempt has been made to make a brief survey of the work undertaken on the field of Cashless economy. Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003), Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010) observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards.

Objectives:

Objectives of present study are as follows:

1. To study the benefits of cashless economy

2. To assess the preparedness for the implementation of the cashless economy by Indian Government.

III. Research Methodology

The study is conducted to obtain data on Introduction of Cashless economy in India. The study is conducted in Delhi region. A sample size of 100 was selected using the convenience sampling procedure out of which 87 copies were retrieved in usable form. This represents a response rate of 87%.The sample includes both literate and illiterate population since they are the ones who give their views on introduction of cashless economy and use of digital payment methods, there response determine the reliability of survey. The survey is done with the help of questionnaire. The responses from the respondents were collected and analyzed using the simple percentage method.

IV. Data Analysis & Interpretation:

Table 1: Knowledge of Cashless Policy to users.

I have heard about India's Cashless economy?	frequency	percentage
Strongly Agree	36	41.40%
Agree	41	47.40%
Undecided	3	3.40%
Disagree	6	6.90%
Strongly Disagree	1	1.10%
Total	87	100
Cashless Economy should be introduced in India.		
Strongly Agree	25	28.70%
Agree	23	26.40%
Undecided	16	18.40%
Disagree	11	12.60%
Strongly Disagree	9	10.30%
Missing	3	3.40%
Total	87	100

Source: Primary survey 2018

Above Table shows that there is a high degree of awareness among the population about 88% of the respondents are aware of cashless economy in India. The study considered academic

community which means, by all standards they are expected to be fairly aware of the happenings in the society. Few respondents however show a strong dislike for the cashless economy. While 55.1% of the respondents prefer that cashless economy should be introduced in India. The following reasons might have accounted for the low enthusiasm about its immediate introduction, the lack of preparedness for the system, the nation having other problems to solve now, freedom to use cash to any amount, inadequate technology, and that the flow of money will be hampered.

Table 2: Below presents the Perceived Benefits of the cashless economy.

It would reduce risk of fake currency	frequency	percentage
Strongly Agree	35	40.20%
Agree	35	40.20%
Undecided	9	10.30%
Disagree	5	5.70%
Strongly Disagree	3	3.40%
Total	87	100
It would prevent money laundering		
Strongly Agree	20	23.00%
Agree	28	32.20%
Undecided	17	19.50%
Disagree	10	11.50%
Strongly Disagree	11	12.60%
Missing	1	1.10%
Total	87	100
It can reduce corruption		
Strongly Agree	13	14.90%
Agree	23	26.40%
Undecided	19	21.80%
Disagree	19	21.80%
Strongly Disagree	12	13.80%
Missing	1	1.10%
Total	87	100.00%
It can stimulate economic growth		

Strongly Agree	18	20.70%
Agree	31	35.60%
Undecided	25	28.70%
Disagree	8	9.20%
Strongly Disagree	3	3.40%
Missing	2	2.30%
Total	87	100.00%

Source: Primary survey 2018.

Above Table shows that 80.4% of the respondents believe that the most significant benefit of the cashless economy is reducing the risk of fake currency. In the same spirit, 55.2% of the respondents believe that the cashless economy will help to fight against money laundering as the money flowing through the system can easily be traced. 41.3% of the respondents believe that it contribute towards reducing corruption. Another benefit is that it will stimulate economic growth as money hidden in other illegitimate areas will now be freed up. 66.3% believe that efficient and modern payment system is positively correlated with the economic development and economic growth of country.

Table 3 Below present’s perceived challenge’s with the cashless economy.

Cyber Crime	frequency	percentage
Strongly Agree	17	19.5
Agree	38	43.7
Undecided	18	20.7
Disagree	11	12.6
Strongly Disagree	2	2.3
missing	1	1.1
Total	87	100
The literacy required		
Strongly Agree	17	19.5
Agree	33	37.9
Undecided	23	26.4
Disagree	9	10.3
Strongly Disagree	3	3.4
Missing	2	2.3

Total	87	100
Transparency & Efficiency in E- payments		
Strongly Agree	27	
Agree	26	
Undecided	15	
Disagree	14	
Strongly Disagree	5	
Total	87	
Increase in Internet fraud		
Strongly Agree	22	
Agree	30	
Undecided	21	
Disagree	10	
Strongly Disagree	4	
Total	87	

Source: Primary survey 2018.

Above Table shows that there are some problems which respondents are facing to come with the cashless economy. Increase number of cybercrime, 63.2% believe that cybercrime will hinder the free implementation of cashless economy. 57.4% population are literate they easily operate digital payment system; operate mobile phones, which will ultimately increase the users of the digital payment methods. 60.9% of the respondents believe that lack of transparency & efficiency in payment system. Internet fraud is the major problem to be tackled in the cashless economy as 59.8% of the respondents see exposure to fraudulent activities as a big problem.

V. Findings and Policy Implication:

From the above analysis it also appears that many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India is cybercrime and illegal access to primary data. Therefore, it's important to strengthen Internet Security from protection against online fraud. Large number of population is still below literacy rate living in rural areas .For smooth implementation of cash less system in India, the following measures are

recommended Government have to bring transparency and efficiency in e payment system, strategies used by government and RBI to encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments. Society has also to play its part. They have to understand the importance of cashless economy and appreciate measures taken by the government.

As a conclusion, it can be said that going cashless provides a lot more benefits than just convenience to people, businesses and the government in particular.

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