

CASHLESS ECONOMY & INCLUSIVE GROWTH OF INDIA

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ABSTRACT

Inclusive Growth is a target of India if it wants to become a super power. It can be seen in the recent steps taken by government. Focus is shifted from sectorial growth to inclusive growth. The economy can only be developed if every sector is growing in the economy. Growth cannot be achieved in isolation of sectors. Financial Inclusion has appeared as a tool to pave the path for the inclusive growth of India. Government has taken many steps to make the excluded sectors and people join the Indian financial system.

Cashless economy is one of many measures taken by government for financial inclusion. The paper aims at reviewing those measures and state of financial inclusion after the economy went cashless. Researcher wanted to find out the pace of the financial inclusion in the country and the demonetization and subsequent rise of cashless transactions in India.

Keywords: Cashless Economy, Financial Inclusion, Cashless Transactions and Demonetization

Introduction

Financial Inclusion is an essential & integral part of inclusive growth of any country. Financial inclusion is very significant issue for the developing countries like India. With a rapid growth of Indian population, large portion of which is excluded from the financial system. For the development of the country's economy, it is essential to increase the productivity of the population. For this purpose money needs to be mobilized from the surplus to the deficits. This can only be done when all the unbanked sectors are included in the financial system. Knowing the urgency of the reason, Government has taken different initiatives like non-frill accounts, SHGs linkage program and Business Correspondence Model, technology application and mobile banking. Among these mobile banking is a tool through which big mass can be reached in small time and less cost.

Financial Inclusion:

“The objective of financial inclusion is to extend financial services to large hitherto unserved population of the country to unlock its growth potential” **(Economic Survey 2011-2012)**

The facilities under financial inclusion are not restricted merely to opening of bank accounts, but also other financial services such as credit facility, remittance facility and financial services. **(RBI, 2009)**

“Financial Inclusion can be defined as the process to ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost **(Rangarajan committee report, 2008)**

Financial inclusion is the process of include the otherwise excluded population in the financial system through increasing their awareness about the financial services and their benefits and to give access to the unbanked population to the financial and banking services. Credit facility, remittance facility and subsidies facility by the government are the facilities offered under financial inclusion.

Facilities under financial inclusion isn't limited to opening of saving accounts, it includes:

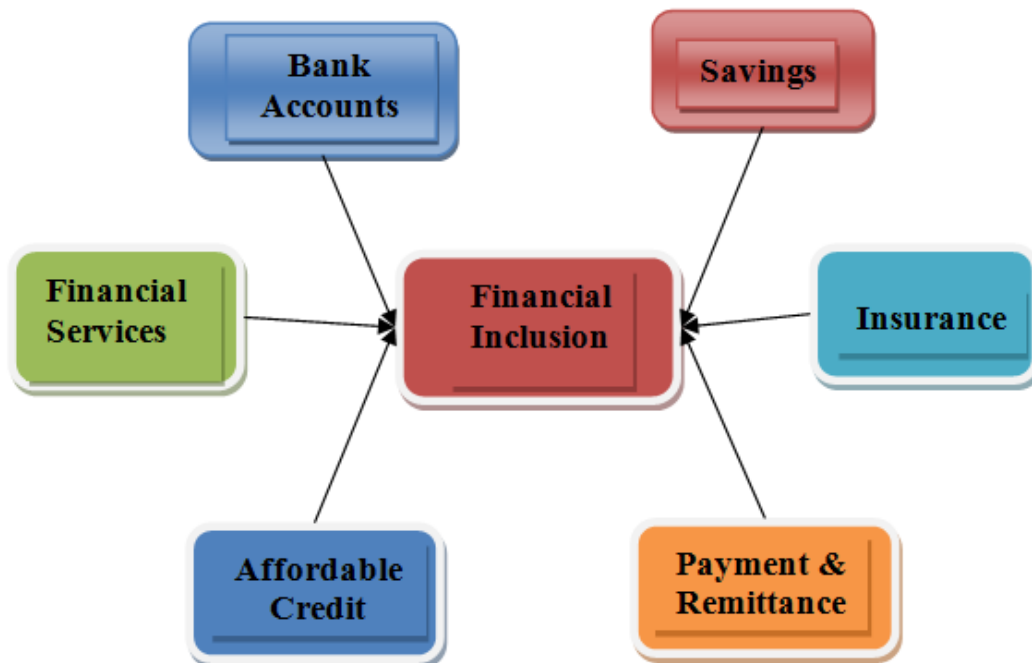


Figure 1.1: Facilities under financial inclusion

*Source: Rangarajan Committee Report on Financial Inclusion 2008

Cashless Economy

RBI allowed banks to use mobile banking services in the year 2006, since then different measures have been taken; yet the success of mobile banking as a tool for financial inclusion, was limited until demonetization was announced. After demonetization use of mobile wallets has taken mobile banking a step further.

The use of m wallet has increased during past year, and financial inclusion has also increased which may indicate that cashless economic policy has made it easier for the Government to reach those who are distant to the organized financial system of the country.

Development after Demonetization

According to a report titled 'India: Quick sight Report Fifth Annual FII Tracker Survey' retrieved from http://finclusion.org/uploads/file/india-wave-5-quicksites_final.pdf

There is an increase of 15% of the adult population, which includes 78% of adults 15+ years old amounts to approximately 759 million people.

- Account holders under Pradhan Mantri Jan Dhan Yojana registered a growth of 9% during 2017, it grew from 13% in 2016 to 22% in 2017.
- Though only 2% of adult population in 2017, which amount to more than 4 times increase to registered mobile money users from that of 2016. Registered NBFI account however remained unchanged. 24% of the population after registration remain inactive users shows that development is still required.
- Reported phone and SIM card ownership – increased with the government's announcement of the requirement to link Aadhaar cards with phone numbers.
- Reported SIM card ownership grew by 35 percentage points from 2016 to 2017 after most of the population complied with new registration requirements using Aadhaar. Individual phone ownership has become the norm, and 60% of adults reported owning their own phone in 2017. Phone borrowers were 20% of adults, and an additional 20% still do not have access to a mobile phone.
- Mobile money awareness grew significantly to 18% in 2017, compared to only 8% in 2016. Mobile wallet providers such as Paytm and UPI gained a boost from demonetization, but only 5% of adults reported they adopted digital financial services (DFS) as a means of coping with the cash shortage. India: Quick sight Report Fifth Annual FII Tracker Survey (2017-18) <http://finclusion.org/reports/#india>

Other recent measures of the Government

Central Government launched different schemes for including the excluded sector in the organized financial system. One of which is Pradhan Mantri Jan-Dhan Yojna, which has performed quite well. According to the following table, the progress report of PMJDY. Registered bank account users have increased because of the Pradhan Mantri Jan Dhan Yojna (PMJDY). Above statistics shows the progress of PMJDY.

Pradhan Mantri Jan - Dhan Yojana

(All figures in Crore)

Beneficiaries as on 14/11/2018

Bank Name / Type	Number of Beneficiaries at rural/semiurban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	No Of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	14.47	12.31	14.1	26.77	66981	21.46
Regional Rural Banks	4.58	0.84	2.98	5.43	14949.79	3.74
Private Sector Banks	0.62	0.42	0.55	1.04	2306.71	0.96
Grand Total	19.67	13.57	17.63	33.23	84237.5	26.17

Source: <https://www.pmjdy.gov.in>

According to Ministry of Electronics & Information Technology; digital transaction have increased to 20,540 million in 2017-18 in comparison of of about 10,000 million in 2016-17. Use of M-wallet has increased on a fast pace after demonetization.

Probable reasons for these reforms

1. Demonetization encouraged cashless transactions

2. Around demonetization, cash was scarce resource hence use of M wallets like Paytm increased
3. People use M-wallets to deal with cash shortage
4. M-wallets offer many discounts and benefits like cash backs etc. on purchases
5. People find it convenient with keeping only mobile phone with them
6. With the use of M wallets they can avoid the risk of carrying cash

Conclusion

Demonetization encouraged cashless transactions, which in turn encouraged use of M wallets, which gave rise to financial inclusion in India. The growth is steady and yet to gain pace. However these statics are recent and it has been only 2 years after Demonetization. The growth is yet to be achieved; only time will tell what role cashless economy plays in financial inclusion. So far the growth has showed positive trends and promises positive rise in future.

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