

A STUDY ON THE IMPACT OF CASHLESS ECONOMY IN INDIA GIVING SPECIAL REFERENCE TO ALAPPUZHA DISTRICT.

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ABSTRACT

This paper intends to study what is the crux of cashless economy and what are its impact among peoples living in Kerala. The study was conducted in Kerala region and data was collected with the help of a questionnaire and the responses was analysed using simple percentage method. The mission of central government to drive India towards a cashless economy was boosted with the announcement of demonetization on November 8, 2016. Responses from respondents shows that it will help in cost reduction associated with printing of cash, risk reduction of stolen, counterfeit's fake currency, fighting against terrorism, and helps in improving economic growth of our country. Major challenges that can hinder the implementation of the policy are cyber fraud, High illiteracy rate, attitude of people, lack of transparency & efficiency in digital payment system. This paper also intends to analyse the cashless economy and to check whether it helps in the growth and development of economy in India.

Keywords: *cashless economy, corruption, black money, epayments.*

INTRODUCTION

The ambitious mission of central government of India to drive India towards a cashless economy was boosted with the announcement of demonetization on November 8 2016. The government has implemented a major change in the Indian economy by demonetizing high value currency notes of RS 500 and RS 1000 is the pushing factor towards making India as a cashless one. The term cashless economy means a system where no physical cash is in circulation. All receipts and payments are made via plastic cards such as debit and credit cards, bank fund transfer systems, virtual wallets etc. The government of India is initiating a number of works at various levels to reduce the dependence on cash. Prime minister-Narendra Modi offered two schemes –**Lucky Grahak Yojna, Digi DhanVyapaarYojna** for customers and traders like to promote mobile banking and e-payments. To encourage and strengthen cashless economy it is 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. 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, and to eliminate the —black money and transfers can't be made without paper currency. 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.

REVIEW OF LITERATURE

KARAMJEET KAUR AND DR ASHUTOSH PATHAK (2016) have explained in their research paper titled “E-Payment System on E-Commerce in India” the different types of cashless transactions methods including their functionality and processing. They have revealed that it is quite difficult, but not impossible, to suggest that which payment system is best. Some systems are quite similar, and differ only in some minor details. Thus there are number of factors that affect the usage of ecommerce payment systems.

Dr. HITESH KAPOOR (2016), in his research paper titled "Consumer satisfaction and E-Banking" has attempted to identify the factors that contribute to the consumer satisfaction with internet banking. Banking sector is one of the first sectors to make global presence. With the change in technologies adopted by banks, strategies used by the banks are also changing. Dimension of service quality like tangibility, reliability, responsiveness, assurance and empathy have shown more or less a great impact on customer satisfaction with internet banking services.

SYED NITAS IFTEKHAR et al (2015) in their research paper titled "ICT Based Education for Literacy in India: Vision Beyond" have explored that adaptation of skills and Information Communication Technologies (ICTs) with functional literacy skills as base for lifelong learning has to be a core element. In India there is need to expand formal and non-formal adult education with the concept of life-long learning using ICT. It is suggested in the paper, how India can develop a strong and effective ICT based education system to impart literacy.

Dr. SUBRAMANIAN.S (2014) has analysed in his research paper titled "paper free payment systems in India-an analytical study" that electronic payment systems have been proving to be effective in India during the period of study. Furthermore, this study also revealed that all electronic modes of payments have attained a vast growth compared to the physical paper- based payments like cheques or drafts etc.

DR. VIPIN KUMAR & KADAMBINI KUMARI (2014) in their research paper titled "A shift Paradigm of Consumer towards online shopping", have identified Shopping and its paradigm shift due to the influence of technology with most people preferring online shopping to the traditional physical store shopping. This research aimed to understand the comparison between online shopping & physical shopping. 18 Refer to study the Shifting of consumer behaviour towards these modes of shopping compare towards other shopping mode like physical shopping mode which was trend in the past.

RESEARCH METHODOLOGY

The study is conducted to obtain data on Introduction of Cashless economy in India. The study is conducted in Alappuzha district. A sample size of 80 was selected using the convenience sampling. This represents a response rate of 80%.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. Survey methodis used for collecting data with the help of questionnaire .The responses from the respondents were collected and analysed using the simple percentage method.

OBJECTIVES OF THE STUDY

1. To know what a cash less economy means.
2. To analyse the importance and limitations of cashless economy.
3. To know the awareness of peoples about cashless economy.
4. To analyse the various steps taken by RBI and government to discourage cash.

WHY CASHLESS ECONOMY IS IMPORTANT?

The digital India programme is a flagship initiative by the prime minister of India. The main vision is to transform India into a digitally empowered society. "faceless, paperless, cashless" is one of the professed role of digital India. Some of the needs of cashless economy are listed below. The significance of cashless economy and how it will shape the Indian economy in a positive way can be understand from the following points.

1. The cost of making and storing physical cash by R.B.I can be reduced.
2. It reduces he evil practices such as black money.
3. Reduction in crime rates. Crimes with financial motives are rare in cashless economy.
4. 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
5. Adherence to labour laws can be achieved, as now labours will be paid in their bank accounts
6. Cashless Economy also reduces the cost of banking services. It also improves monetary policy in managing inflation and increases economic growth in our country.

DRAWBACKS OF CASHLESS ECONOMY

Theoretically there are very few disadvantages. But the roll out has to be gradual. The proper infrastructure has to be in place, with a sufficient degree of reliability. It security must be tested and proved by customers having money in e-wallets and payment banks must covered with deposit insurance, on par with money in banks.

The major challenges of cashless economy is listed below.

1. People who live in lower level of pyramid are not technologically friendly and they don't know to operate even a smartphone.
2. Day to day the security of debit cards are breached. In India, this is the major draw back.
3. There is a general preference of cash transactions in India. Merchants prefer not to keep records as they can avoid paying taxes and buyers find cash payments more convenient.
4. The quality of telecom services are also a major hindrance to digital India. People face difficulties in making electronic payments even in metro cities because of poor networks.
5. India is dominated by small retailers. They don't have enough resources to invest in electronic payments.
6. Although in rural India cashless transactions are grown up in recent times, a meaningful transactions are depending on number of things such as convenient, awareness technical knowledge etc.

STEPS TAKEN BY RBI AND GOVERNMENT TO DISCOURAGE CASH.

Government is also promoting mobile wallets. Recently RBI had issued certain guidelines that allow the users to increase their limit to RS 100,000 based on certain KYC verification.

Various incentives offered by the government to promote digital India on cashless India:

- On digital transactions up to RS 2000, service tax of 15% waived off.
- Digital purchase of fuel through credit cards, mobile wallets or e-wallets are discounted.
- Free accidental insurance worth RS 10 lakh on account of online buyers.
- On purchase of new LIC policies online via its site 8% discount is offered.

Governments have introduced various technologies like BHIM to attract peoples towards digital era.

In addition to government or RBI, companies are also participating in combating of cybercrimes. Microsoft opened full scale cyber security Centre called Cyber Security Engagement Centre in India. This Centre monitors how viruses are spreading, from where cyber-attacks are originating and helping customers to tap pool of security specialists.

TABLES AND INTEPRETATION

Table 1.1 knowledge of peoples about cashless economy

		frequency	percentage
Are you heard about cashless economy?	Strongly agree	31	38.75
	Agree	38	47.5
	Strongly disagree	1	12.5
	disagree	10	1.25
	Total	80	100

		frequency	percentage
Cashless economy should be introduced in India	Strongly agree	24	30
	Agree	22	27.5
	Strongly disagree	16	20
	Disagree	18	22.5
	Total	80	100

Table 1.1 shows that there is a high degree of awareness among the peoples in the Alappuzha district. About 86% 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 57.5% 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 1.2 benefits of cashless economy

		frequency	percentage
It would reduce risk of fake currency	strongly agree	30	37.5
	agree	30	37.5
	strongly disagree	9	11.25
	disagree	11	13.75
	total	80	100
it would prevent money laundering	strongly agree	18	22.5
	agree	25	31.25
	strongly disagree	20	25
	disagree	17	21.25
	total	80	100
it can reduce corruption	strongly agree	11	13.75
	agree	21	26.25
	strongly disagree	17	21.25
	disagree	31	38.75
	total	80	100
it stimulates economic growth	strongly agree	47	58.75
	agree	19	23.75
	strongly disagree	4	5
	disagree	10	12.5
	total	80	100

Above Table shows that 75% of the respondents believe that the most significant benefit of the cashless economy is reducing the risk of fake currency. In the same spirit, 53.75% 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. 40% 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. 82.5% believe that efficient and modern payment system is positively correlated with the economic development and economic growth of country.

Table 1.3 challenges of cashless economy

		frequency	percentage
Cyber Crime	strongly agree	15	18.75
	agree	35	43.75
	strongly disagree	10	12.5
	disagree	20	25
	total	80	100
literacy required	strongly agree	15	18.75
	agree	30	37.5

	strongly disagree	25	31.25
	disagree	10	12.5
	total	80	100
reliability and transparency	strongly agree	30	37.5
	agree	29	36.25
	strongly disagree	10	12.5
	disagree	11	13.75
	total	80	100
internet fraud	strongly agree	20	25
	agree	30	37.5
	strongly disagree	12	15
	disagree	18	22.5
	total	80	100

Above Table shows that there are some problems which respondents are facing to come with the cashless economy. Increase number of cybercrime, 62.5% believe that cybercrime will hinder the free implementation of cashless economy. 56.25% population are literate they easily operate digital payment system; operate mobile phones, which will ultimately increase the users of the digital payment methods. 73.75% 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 38.75% of the respondents see exposure to fraudulent activities as a big problem.

FINDINGS AND SUGGESTIONS

The term cashless economy means a system where no physical cash is in circulation. All receipts and payments are made via plastic cards such as debit and credit cards, bank fund transfer systems, virtual wallets etc. 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. Study reveals that 86% of people are aware of cashless economy and they all are the users too. Government and RBI are also taking various measures such as reduction in taxes, discount, insurance and other incentives to the peoples who are using cashless payments and receipts for encouraging the digital India plans.

CONCLUSION

However, the benefits of this move have now started trickling in with more and more people switching to digital modes of receiving and making payment. India is gradually transitioning from a Cash-centric to cashless economy. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of Modernization in money transactions, with e-payment services gaining unprecedented momentum. A large number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than ever before.

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