

“FUTURE AND SCOPE OF CASHLESS ECONOMY IN INDIA”

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ABSTRACT:-

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. One of the main reasons is that there is nothing to truly compete with the flexibility of notes and coins. The digital era is something to embrace, and new methods of payments will continue to be introduced. 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. Recently lakhs of debit card data were stolen by hackers; the ability of Indian financial institutions to protect the electronic currency came into question also an important reason why people favour cash.

Keywords: *Cash, global payments, Indians, payment instruments, debit card, hackers, financial institutions, electronic currency, etc.*

INTRODUCTION:

Cashless economy is a situation in which the flow of cash within an economy is non-existent and all transactions are done through electronic media channels such as direct debit, credit and debit cards, electronic clearing and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). Today, credit cards and online payment services are becoming increasingly popular in urban India, paper currency notes are still an essential part of daily life. One saying is revenue is vanity, cash flow is sanity but cash is king. Cash may be defined as any legal medium of exchange that is immediately negotiable and free of restrictions.

We are the fourth-largest user of cash in the world. The rate of cash to GDP is the highest, i.e. 12.42% in India. Cash in circulation to private consumption ratio in India is 20% and Card transactions account for 4% of the personal consumption expenditure. As most of people are illiterate, poor, engaged in small transactions and having less banking habits. For them cash is the most convenient and easy form of medium of exchange, free from hassles. A cash transaction is immediate and doesn't involve any intermediary. Cash provides individuals and families with liquidity. One needs not to worry about a computer system crashing, power going off, and losing transaction midway. Use of cash doesn't involve any extra cost as in the use of debit/credit cards. Even in the most cashless countries like France and the Netherlands, cash still accounts for 40% or more of all consumer transactions. Usually cashless economies have low corruptions and less black money. Almost every country is bracing towards cashless economy and many countries have made significant progress. It is just a world trend which India is trying to catch up.

SIGNIFICANCE OF THE STUDY:

This paper discusses about the current scenario of Cashless India after demonization. It also strives to describe the focuses on the impact of devaluation on our economy, counterfeit currency and challenges towards cashless economy.

RESEARCH METHODOLOGY:

The prepared paper is a descriptive study in nature. The study has been carried out based on the collection of the relevant secondary data. Secondary data collection was based on various sources such as published books, articles published in different journals & newspapers, periodicals, conference paper, working paper and websites, etc.

OBJECTIVES:

The objectives of study were based on:

1. To study the current position of Cashless India.
2. To understand the advantages of Cashless India.
3. To understand the disadvantages of Cashless India.
4. To suggest the future prospects of Cashless India.

MEANING & DEFINITION OF CASHLESS ECONOMY:

Cashless Economy can be defined as a situation in which the flow of cash within an economy is non-existent and all transactions must be through electronic channels such as direct debit, credit cards, debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) in India.

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.

CURRENT POSITION OF CASHLESS INDIA:

- The cash centric informal sectors like agriculture, real estate, etc., have been affected by demonetization. However the experts say that it's a short term scenario and this move will give positive long term consequences.
- To bring the economy on track again, government is promoting cashless economy because scrapping of cash needs an alternative to cash.
- India's black money has been estimated by the World Bank in 2010 to be worth about one fifth of the GDP. In a country where 90% transactions are carried out on cash basis it was a revolutionary move to transform from cash to cashless transactions.
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- Under this scheme, 250 million bank accounts have been opened in two years. As per RBI reports bank branches increased by 5% per year but ATMs, debit cards and card swiping machines have doubled in four years and online transactions have grown 20 times in six years to 2016.
- All these data shows a gradual shift towards cashless economy. Demonetization has sped up this transition.

ADVANTAGES OF CASHLESS PAYMENTS:

The whole country is witnessing the effects of demonetization and with our Prime Minister hinting at a cashless economy, many people are left in confusion. How would a cashless economy be beneficial is the question of many.

The cashless transfer is soon becoming the most preferred option and there are a number of benefits of going cashless. The digital or electronic transaction of the capital by using net banking, credit cards etc. is called cashless transfer. People can easily pay their bills online, shop and schedule transactions and manage all the finances using their laptops or smartphones.

Going cashless not only eases one's life but also helps authenticate and formalize the transactions that are done. This helps to curb corruption and the flow of black money which results in an increase of economic growth. The expenditure incurred in printing and transportation of currency notes is reduced. In a nation like India, cashless transactions are not widespread and this is due to the technology gap and the lack of proper education. Though

these are the matters of concern, the government or the financial institutes need to address them to create a strong cashless economy.

ADVANTAGES OF GOING CASHLESS:

- **Saves Money and Time:** Companies and governments will get efficient and they can reduce costs as they no longer need the manual accounting work to be done. The costs associated with accounting and handling cash is very high.
- **Less Cash Decreased Crimes:** Business and individuals can also avoid other costs as well. Theft often leaves a big hole in one's pocket. The risk of theft will continue until people carry cash and by going cashless the same can be reduced. This also leaves an impact on the government as they can then reduce the costs that the government spends on nabbing the culprits. In countries like the US, burglary and assault have dropped by about 10 % once the government shifted the payment made for social welfare to electronic transfer. The government, however, has to take measures to curb the online scam and identity theft incidents.
- **Production Costs of Coins and Paper Currency are reduced:** Production of coins and paper currency is indeed an expensive endeavor and the life span of most of the paper currencies is about 6 years. So, by going electronic the cost of production gets reduced.
- **Less Cash Means More Data:** The government can use the data coming from the cashless transactions to improve and analyze their policies. By using such data, officials can predict or identify the patterns of activity and use such information for urban planning for sectors like energy management, housing, and transportation.
- **More Spending Helps Improved Economic Growth:** When a nation is taking a step towards a cashless economy, a boost in the economic growth can be expected. In countries like US higher card usage has contributed a consumption of about US\$296 billion globally from the year 2011 to 2015 which is a 0.1 % increase in the GDP. Shopping online gets easy as one can use a number of payment options; from credit and debit cards to net banking. One can observe more spontaneous buying while making cashless payments. Countries like Singapore have also witnessed a growth of 0.1 % in GDP which accounts to about S\$400 million per annum. As people spend more, companies need extra staff to handle the demand for goods and services and this, in turn, creates more jobs for unemployed.

In addition to this, going cashless also has health benefits. With physical currency, the chance of spreading of germs is more. Reducing the amount of use of paper currency will reduce the germ transmission.

DISADVANTAGES OF CASHLESS PAYMENTS:

Here are some of the problems which stand in the way of India becoming a cashless society:

- **Cyber security:** In October 2016, the details of over 30 lakh debit cards were feared to have been exposed at ATMs. It was believed that the card and PIN details might have been leaked due to which customers were advised to change the PINs of their ATM-cum-debit cards. Stringent steps issuing new cards were also taken. Just a month later, the PM is motivating people to move to a cashless society. Is the cyber security in place? While a card is cloned, it takes several months to recover someone's hard-earned money from the banks. How can people be assured that swiping cards at small shops and vendors will not be a risk to revealing our card details?
- **Network connectivity:** Since the day demonetisation was announced, people are trying to use more of card transactions to save that dreaded trip to the bank and to save the last penny of the hard cash in hand. However, a sudden surge in card transactions has led to connectivity issues. Several people have faced trouble while standing in line to pay for a transaction at a shop when the card machines have stopped working due to an overload on the network. Connectivity issues must be resolved before dreaming about a cashless society.
- **Internet cost:** The internet cost in India is still substantially high. There is no Wifi at public places and if people do not get their monthly data packs recharged, there is no way they can be connected to make online payments. Internet connectivity is needed even for the e-wallets. In order to convince people to do cashless transactions, the cost of the internet should be lowered and free WiFi should also be provided at public places.
- **Charges on cards, online transactions:** Heard of convenience charges? Of course, you would have if you do online transactions. These are additional charges that are levied by the vendors when they offer an online payment facility. But when the government is forcing us to go cashless, shouldn't this compulsory fee on online transactions be taken off?

- **Non-tech-savvy:** While the new generation is glued to their phones and gadgets, computer literacy among the people in the over-50-age group is still low. Not many people are comfortable using computers or mobile phones and depend on their children when it comes to using the gizmos. Before promoting a cashless society, efforts need to be taken to educate people on how to use phones for transactions.
- **Smart phone affordability:** Several companies have come up with new and inexpensive phones, but they still not affordable for most of the population in the country. More affordable options should be launched by the government for people to buy smartphones for cashless transactions.
- **Infrastructure/phone battery:** India still lacks when it comes to supporting a mobile society. It is extremely difficult to find a public charging point if the phone battery discharges. Even metro stations or railway stations in the tier one cities do not provide that infrastructure. So what happens if you have cash in your wallet, but you are out of battery after travelling on the road for a day? Is there any alternative that we have then?
- **Not enough bank accounts:** Most people still do not have bank accounts. Most often there is just one account per family which also limits the number of cards people can have individually. A family of even four people cannot be dependent on just one card for all household expenditure.
- **Internet blockage:** States like Jammu and Kashmir often face crackdown where the internet is the first thing that is blocked. In such circumstances, neither is it possible to use cards for transactions nor is it possible to use e-wallets. Any alternatives there?
- **Are banks ready?:** A cashless society needs a proper infrastructure. The banks need to be fully equipped to handle the surge in e-transactions. Infrastructure is also needed in terms of opening more accounts in the banks.
- **Encourage people to spend:** Spending by cards often encourages people to spend more giving cash by hand helps people keep a check on their expenses but paying by cards gives people a free hand. Not just through credit but even the debit cards give that impression that you can make that payment immediately.

A cashless society is a welcome idea but not without preparation. There is a precursor to taking such steps without which a move such as this would be more harmful than being beneficial. A cashless society, for now, seems like a distant dream but a less cash society can be appreciated.

FUTURE PROSPECTS OF CASHLESS PAYMENTS IN INDIA:

Smooth, simple and secure payment processes will help to bring about behavioural changes and faster adoption of digital payments and banking among un-banked segments. When new players enter the market, each with a slightly different take on the market and with differing business models, the increased competition will help the environment and offer more options for consumers to choose from. A larger pie with more players is definitely good for the changing dynamics of the payments industry, which is still nascent in India.

Indian consumption is still dominated by cash, with cards contributing only 5 per cent of the personal consumption expenditure. In developed countries, 30-50 per cent of spends happen through cards. So there is huge growth opportunity.

The rapid growth of smartphones, Internet penetration and e-commerce is complementing these; card payment volumes have been growing in excess of 25 per cent y-o-y. We expect this trend to continue, aided by the continued increase in debit card activation and usage; debit card transactions have been growing at 31 per cent each year.

Intense competition and strategic collaboration among existing and new market participants like the payments and small banks and wallets will help scale up acceptance and foster more creativity, innovation and consumer choice. According to him, the future holds exciting times for the payments industry in India, as all stakeholders and regulatory authorities come together to achieve a “less-cash dependent” and eventually “cashless” society.

The credit card industry in India sees greater acceptance among consumers this year. According to Worldline India Card Payment Report 2014-15, the credit card base grew at 9.8 per cent in the past year. Worldline India is a leader in the payment and transactions services in the country. Alternative methods like mobile wallets and prepaid cash cards accounted for 3 per cent of digital transactions. This industry has been growing steadily over the past few years. Card transactions, both by debit and credit cards, are on an upward trajectory. There are interesting dynamics at play in the Indian payments industry.

CONCLUSION:

The government needs to take the necessary steps and make some policy considerations when they are preparing for a cashless economy. The payment systems have to be protected from the cyber-attacks which are the major threat for cashless transactions.

Also, the government should be able to serve the under banked as well. Everyone from the society should have access to an electronic system that they can use for such transactions.

Government should take measures to increase liquidity into the system so that people face less inconvenience. Government should also try to improve overall infrastructure so that more and more people can come into banking net and internet.

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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