

# Step Towards Success: A Cashless India

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**Abstract**— Cash is like water which is a fundamental necessity, without it survival is typically a challenge. The digital era can be something to embrace, new approaches to payments introduced. But Indians are required to recognize the risks and benefits of various payment modes and instruments, the risks connected with electronic payment instruments are much more diverse and severe. The honorable Prime Minister Narendra Modi acknowledged the actual fact in his monthly radio programme, 'Mann Ki Baat' on Sunday which makes the transition to cashless economy is challenging, and thus urged the general public to plot to 'cashless' society. A cashless economy is equipped with its own harms and threats, most especially the perfect cyber-crime and illegal admittance to private data. And undoubtedly an opportunity of cashless economy is truly a just slightly far off in the meantime. The Jan Dan Yojana is a great step towards that direction.

**Key words:** Meaning of Cashless economy, Requirement of cash, Benefits and Challenges of Cashless economy, Obstacles, Promotional Package of Cashless Economy by the Government, Economical Improvement through Cashless Transactions, Scope of cashless India, Steps taken by RBI and Government to discourage use of cash, Future of Cashless economy of India

## I. INTRODUCTION

“The financial technology industry would be unwise to ignore the rise of mobile transaction services, person-to-person networks and the whole range of digital disruption in the payments arena from the likes of Bitcoin, ApplePay and PayPal that undoubtedly is putting pressure on cash”. Navroze Dastur

## II. CASHLESS ECONOMY IN INDIAN SCENARIO

As stated by the **Dastur (2016)**, “Cash is like water which is necessity of society and without it survival is the big challenge for Indians. Nevertheless, cash use doesn't seem to be waning everything much, with around 85% worldwide payments still made using cash. One of the primary reasons is because there is nothing to essentially contend with the modifiability of notes and coins.



Sources: <https://thewire.in/86893/no-off-switch-will-allow-india-magically-migrate-cashless-economy/>

Needless to say, the digital era is something to embrace, and new approaches to payments will continue to be introduced. But Indians are required to recognize the risks and benefits of various payment instruments, the risks linked to electronic payment instruments are equally diverse and severe. Recently lakhs of debit card data were stolen by hackers; the capability of Indian financial institutions to protect and safeguard the electronic currency came into question also a significant reason that people favor cash.

In a courageous migration to conflict black money and fake currency, Narendra Modi's government scrapped currency notes of INR 500 and INR 1000 denominations, which happens to be viewed as extraordinary measure, though a giant leap towards curbing corruption and fake currency. The declaration created confusion along the continuum, as these high-value notes from around 86% of total legal tender.



Source: - <https://www.google.co.in/imgres?imgurl=https%3A%2F%2Ffs.bitcoinmagazine>.

A report by Boston Consulting Group (BCG) and Google “India revealed that in previous years around 75 per cent of transactions in India were cash-based whereas in developed nations such as France, Germany, US, Japan, etc. were actually around 20-25 % only. The reduction in cash as a consequence of demonetization has pushed digital and e-transactions towards the front position; e-banking, e-wallets, along with other transaction apps becoming prevalent”.

### III. INDIA STANDS IN CASHLESS ECONOMY

1) Anand (2015) stated in his article that “Cashless economy can considered as a situation where the moving of cash during economy is non-existent and all transactions need to be through electronic channels which can include fund money, credit and debit cards, electronic clearing, and payment systems which can include Immediate Payment Service (IMPS), National Electronic Funds Transfer and Real Time Gross Settlement in India”.
2) In accordance with Civildaily (2016), "India uses an excessive amount or cash for transactions. The ratio of cash to gross domestic product is probably one of the highest within the world—12.42% in 2014, when compared with 9.47% in China and only 4% in Brazil.
3) Lower than only 5% payments happen electronically in India.
4) The number of currency notes in circulation is likewise far higher compared in other large economies. India had 76.47 billion currency notes in circulation in 2012-2013 when compared with 34.5 billion in the United States.
5) Some studies prove that cash dominates even within malls that happen to be visited by people who find themselves more likely to have, that are why it's estimated that cash dominates in other markets as well”.

### IV. REQUIREMENT OF CASH

Dastur (2016) stated that “The magnificence of finances is the idea that is just only works; within the isolated whereabouts of India, where the government is probably not present physically regarding its belongings, its injunction runs by means of legal tender that public applications of business on an everyday basis. A significant informal economy that supports a main aspect of Indian population as well as their livelihoods also runs in cash. For this reason Cash is yet King. But the necessity of the present era is not any cash even go digital.



Source: - India the Nation

The ground reality reveals that several transactions in Kirana stores, the go-to buy for daily purchases in India are cash based transactions, simply because these are typically small ticket transactions. The shoppers, as well as also Kirana store owners feeling better in dealing with cash for small transactions, while these merchants in addition provide credit facility to customers.



Source: - Civildaily

But unfortunately, the governments force effectively incentivize buyers and retailers comparable to maneuver to digital methods of transactions has never found, several takers due to the fact that most of our cash driven economy is fuelled by means on uncontrolled corruption in society and black money. The modus function for corruption are tend to be hard cash so until we rid our society of corruption at all stages this going to be an enormous mission. Think about paying money on a corrupt official throughout e-wallet it will practically never materialize.

Additionally another point like to quote ponder on is why Indian subcontinent has such considerably less tax payers in a population in this country of over 1.2 billion people at large. Is 98% of our population earning below 2.5 lakhs a year. This happens to be one of the many issues that problems should be addressed and dealt with and presumably with many more with numerous transaction agreement moving digital & records of the same being created accessible many more people should always come under the tax net be it small merchants, expert professionals etc. Will this bracket of society adapt to digital methods of payment so that the nation certainly benefit from a higher tax collection causing better positive factors to society at large?"

#### A. Benefits and Challenges Makes India a Cashless Economy

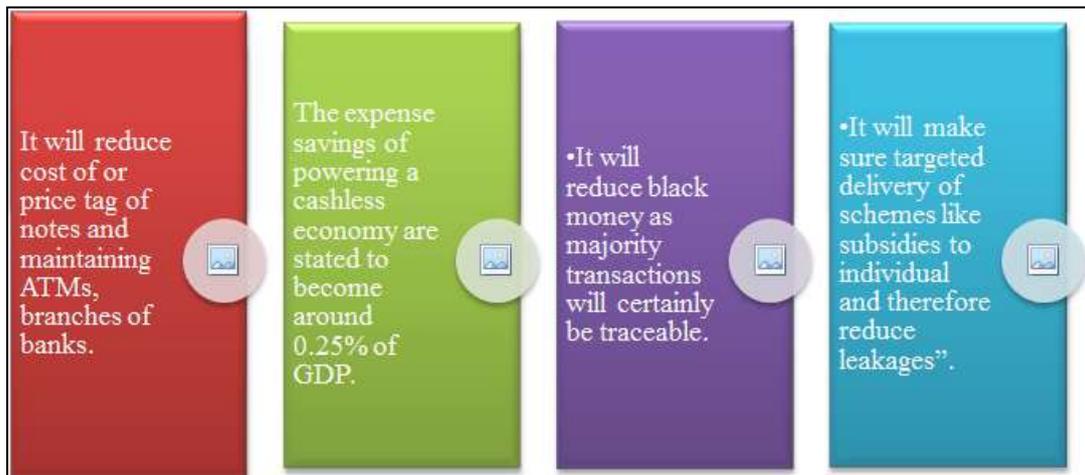
According to Civildaily (2016), "The challenges in making India a cashless economy are as follows:-

#### B. Challenges in Making India a Cashless Economy

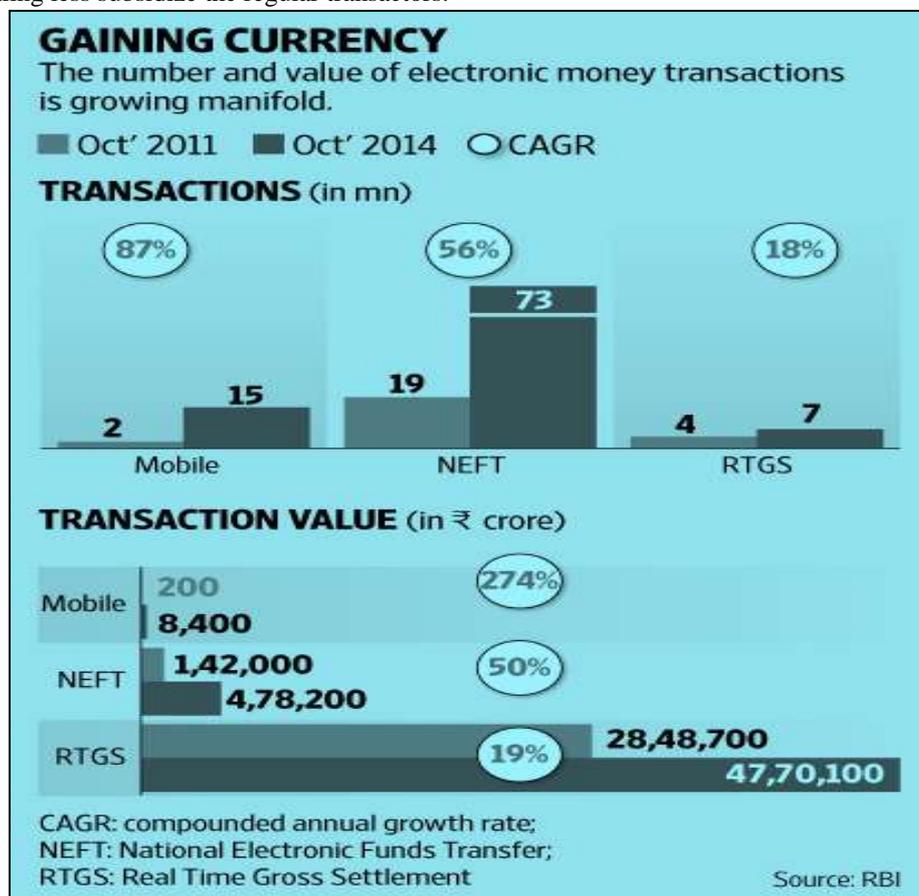
- Accessibility to internet or web connection and financial literacy.
- Though various bank accounts have already been opened through Jan Dhan Yojana, the majority of them are lying unoperational. Unless people start operating bank accounts cashless economy is not possible.
- Additionally there is vested fascination with not moving towards cashless economy.
- India is dominated by small retailers. They don't have enough amounts of resources to put money in electronic payment infrastructure.
- The perception of consumers or buyers also sometimes acts as an obstacle. The advantage of cashless transactions is certainly not evident to even individuals who have credit cards. Cash, on the other hand, is seemed to be function as the fastest method transacting for 82% of credit card users. It can be universally considered that having cash assists you negotiate better. Most card and cash users fear that they are charged more in the event that they use cards. Further, nonusers of credit cards aren't aware of the advantages and benefits of credit cards.
- Indian banks are generating it difficult for digital wallets issued by private sector companies to be utilized throughout the respective bank websites. It would be restrictions on using various bank accounts to refill digital wallets or perhaps a lack of insufficient access to payment gateways. Regulators will be required to have a tough stand against such rent seeking behaviour by from the banks"

#### C. The Benefits of Cashless Economy

According to Insights (2016), "The benefits in making India a Cashless Economy are as follows:-



As per the annual report of the Reserve Bank of India (RBI) for 2013-14, the amount of currency in distribution pass at Rs.12.83 trillion with a truly emerged annual increasing rate of 10% over the previous two years. About 5% of the amount is with financial institutions. This refers that almost the whole amount is in daily distribution, which is mirrored in the Rs.32.1 billion cost of just printing the notes. Adding and operating ATMs costs banks Rs.1,520 crore a year. Even the RBI regulator had recently stated that it costs banks about Rs.75% agreement when a customer uses another-bank ATM and that clients transacting and dealing less subsidize the regular transactors.



Source: - <http://www.livemint.com/Money/PusysSd0y7weJjXCI1eHdP/Ready-for-a-cashless-economy.html>

## V. ECONOMIC IMPROVEMENT THROUGH CASHLESS TRANSACTIONS

Gupta (2016) stated that “the cashless transactions can help Indian economy which is as follows:-

1) Curb Black Money: It's easier to start a journal trail of transactions when cash is exchanged online. Also, HAWALA TRANSFERS typically can't make without paper currency. This does two things:

The government will make the tax money that might have been evaded if black money would be to exist Curbs illegal activities altogether.

A considerable portion of black money is generated in illegal trades (like selling drugs; Breaking Bad fans would know). When lacking payment system, illegal trade might become difficult.

- 2) The government spends a lot of money in printing and reprinting to exchange (soiled ones) notes. It would appear to be meager expenditure, but considering there are actually billions vast amounts of notes in circulation; this amount accumulate and might be significant.
- 3) To avoid the specter of counterfeit currency: Fake currency can harm the monetary policy considering the country adversely, besides being illegal and almost comparable to theft in my view. A cashless economy could be proof against this harm.

Needless to say this is to imagine we have an opportunity where cashless economy will be the primary in case not the one and only exchange system that really is thriving. This could also require government initiative in regards to imposing analysis on transactions in cash associated with a certain size. Say, all transactions above Rs 5,000 will only be allowed throughout the cashless mode.

A cashless economy is equipped with its own harms and threats, especially the in case of cyber-crime and illegal admittance to private data. And undoubtedly in this era the opportunity of cashless economy is unquestionable just slightly remote in the meantime. The Jan Dan Yojana is a great step towards that direction. A cashless economy positively presents benefits that will in reality boost our economy a lot”.



Source: - <https://www.google.co.in/imgres?imgurl>

## VI. SCOPE OF CASHLESS ECONOMY

In accordance with IAS General Knowledge Today (2017), “The expansion of telecom and smart phones would offer a digital shift towards the economy in near future. The private sector driving force to associated with this change. Government is also mulling to provide incentives for electronic payments in this case waiver of tax when electronic settlements are utilized. The private sector must step forward to bring in the modification. Apart from this government might also want to give incentives for electronic transactions”.

## VII. STEPS TAKEN BY RBI AND GOVERNMENT TO DISCOURAGE USE OF CASH

According to Civildaily (2016), “The steps taken by RBI and Government to discourage use of cash are as follows:-

- 1) Licensing of Payment banks
- 2) Government is promoting mobile wallets which makes it possible for users to instantly send money, pay bills, and recharge mobiles, book movie tickets, and send physical and e-gifts both online and offline. Recently, the RBI had issued certain guidelines that permit the users to increase their limit to Rs 1, 00,000 in accordance to certain KYC verification.
- 3) Promotion of e-commerce by liberalizing the FDI norms to get this sector.
- 4) Government has also launched UPI which should make Electronic transaction less complicated and faster.
- 5) Government has also withdrawn surcharge, service charge on cards and digital payments”.

## VIII. FUTURE OF CASHLESS ECONOMY

Frank (2012) stated that in his article that “Mobile commerce —by means of retail transactions conducted straight from one’s Smartphone, and in consequence bypassing the necessity of cash or credit cards — is predicted to boom in the united states and Western Europe during the next 5 years. As stated by Gartner, mobile payment transaction volumes will proliferates by 42% annually through 2016, to \$617 billion worth of transactions by 448 million users 28.

The smart device has recently become the hub for one’s communications experience, and now it may also become the hub of one’s financial experience. For example, multiple small transactions throughout the typical morning commute from purchasing a cup of coffee, grabbing a newspaper, buying breakfast and spending money on the train), will all definitely be conducted straight from one’s mobile phone or tablet. Japan has actually been at the vanguard of this associated with this movement (having introduced it in 2004), and nowadays greater than 67 million Japanese consumers utilize their “osaifu keitai” (mobile wallet) within their day to day activities.

So far the U.S. and Western Europe, the race for cashless economical leadership is on. The main question continues to be, who will be the real winners and losers when the value chain of some cash for retail transactions turns into so dematerialized and disinter mediated?

Technological innovation vendors or distributors (e.g., Apple with Passbook), online business platforms (e.g., PayPal), technology providers (e.g., Square) and conventional credit card organizations are all competing for management in this burgeoning space. However, the natural leaders ultimately should be established commercial banks. Right after all, that's in which the some money is and where the deepest customer relationships currently exist. Will each of these banks get thump by this movement, or will they progress fast enough? It's a possible Kodak occasion for these respected financial associations.

If top retail banks do have success in driving this effort, their portals for mobile e-commerce will end up being trustworthy and extensively used, and they actually will gain the capability to totally transform the relationship with consumers. Banks could deliver you individualized customer relationship management functionality, making use of the "big data" customer exhaust of such deals to acknowledge their customers' usage preferences, identify similar patterns with other customers and then tailor particular type of choices based upon those empirical patterns. Financial institutions could work hand-in-hand with their potential customers, helping them accomplish their goals in monetary fitness, much as is undoubtedly being done in the world of actual physical fitness.

The prospective of money is upon us all. With this SMAC place answer to the problem, financial institutions could accomplish Steve Jobs' 25-to-1 productiveness obtain via high-touch, personalization, customer intimacy and trust, as well as a individually involvement with the client. Will financial institutions get generally there or cede the business opportunity to upstarts? The race is on".

## IX. CONCLUSION

India has consistently driven by cash; while digital payments are seen inhibited to a small size of the populace, compared to the cash deals. Considering the demographics of India, two-thirds of the populations live in rural sections, where the farming industry and poor people are still striving to get their hands on their personal money. As per Data in July this year 2016, 881 million deals were made making use of debit cards at ATMs locations. Out of these, 92 per cent were cash withdrawals extracted from ATMs. The sole objective for cards in Indian is to withdraw cash.

Varying this mind set will be an ascending task. The last few days have clearly revealed that the country is highly underpenetrated as far as ATMs per million people in general and it's the ATM which will help the government realize its ambition of economical inclusion as the ATM will make use of the key role in the last mile in the direction of customer achievement which is self-service 24\*7 which even a Business Journalist or Micro ATM cannot do.

Presently, there is a mix of hard cash and cashless deals occurring across the country, while several enablers are working in the direction of turning the cashless economy dream into a reality. We have taken big strides towards turning out to be a cashless economy; nonetheless it will take more than an era to change the behavior from cash to no cash transaction.

Racing around the economic system into a cashless state without proper planning and infrastructure will be disastrous and its knock-on effects will be perpetual indestructible. A gradual move towards less-cash citizens as said by the Prime Minister is the right way forward.

Also, important to note that if people in general start flocking to exchange currencies, governments could wind up decreasing much of their power to have an effect on economic situations such as inflation and redundancy. The government can't set an interest level for association's credit in a unit of currency it wouldn't control.

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