



## REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.2331(UIF)

VOLUME - 7 | ISSUE - 6 | MARCH - 2018



---

### CASHLESS ECONOMY OF INDIA: PROBLEMS & CHALLENGES

**Dr. Kamal C. Agrawal**

Department of Commerce,

Shri R.A. Arts, M.K. Commerce and S.R. Rathi Science College, Washim.

#### ABSTRACT

*Cashless economy is impossible but less cash economy is possible. Every country is trying to move towards cashless economy but less cash economy is what achievable. When Indian government says cashless economy it means only less cash economy. A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. Belgium is the most cashless economy in the world followed by France, Canada, UK, Sweden, Australia, Netherlands, USA, Germany and South Korea. Pay points for digital transactions per million people is significantly low for India. By year 2020, nearly \$500 billion worth of transactions in India will happen digitally, using online wallets and other digital-payment systems, 10 times the present level. In India cash based consumer payments to fall to 40% to 45% by 2025. Biometric security system is available with the cashless or digital transaction option. All cashless transactions are visible / traceable for government. It is easy for government to monitor income tax and it will strengthen the nation's economy. Digital economy will help in increased access to credit for people. Rural people are not aware or educated enough to use these digital facilities. Meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. In India there is less cash economy is possible but no cash or cashless economy is looking hard. This paper is try to attempt is really cashless economy possible in the rural areas of the India or not?*



**KEY WORDS:** Cashless, E-Banking, Mobile Banking, Pos.

#### INTRODUCTION :

Even as ordinary citizens queue up for cash and economists are busy estimating the extent to which economic growth will be hit because of the ongoing drive to replace high-value banknotes, there has been a lot of discussion on whether the government can use the current situation to push India towards a cashless future. Reducing Indian economy's dependence on cash is desirable for a variety of reasons. India has one of the highest cash to gross domestic product ratios in the world, and lubricating economic activity with paper has costs. According to a 2014 study by Tufts University, The Cost Of Cash In India, cash operations cost the Reserve Bank of India (RBI) and commercial banks about Rs21,000 crore annually. Also, a shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained. India continues to be driven by the use of cash; less than 5% of all payments happen

electronically however the finance minister, in 2016 budget speech, talked about the idea of making India a cashless society, with the aim of curbing the flow of black money.

### OBJECTIVES OF STUDY

- 1 To know the concept of cashless economy.
- 2 To find out benefits in going cashless.
- 3 To chalk out the major challenges in making India cashless

### RESEARCH METHODOLOGY

The paper is based on both Primary and secondary data. The secondary data has been collected from internet sources, articles, research papers and newspapers, etc. However primary data has been collected through observation and interview of the personal from the ManthaDistJalna of Maharashtra state for knowing their opinion about the cashless economy

### MEANING OF CASHLESS TRANSACTION

Cashless Transaction can be defined as a situation in which the flow of cash within an economy is nonexistent 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

### LESS-CASH ECONOMY

Less-Cash economy means more and more use of digital mode and less use of cash in transactions. In other words, it does not mean the shortage or less supply of cash but less use of cash and more use of digital transactions i.e. debit card, credit card, internet banking and through mobile phone app. It is an economic system in which transactions are not done predominantly in exchange for actual cash. Transaction in cash is one of the vital and major modes of payment during purchases of all goods and services in the developing countries. However, in most of the developed countries of Europe and also in the USA, digital transaction is the main mode of payment during the purchase of goods and services. According to Humphrey (2004) developed countries of the world to a large extent, are moving away from a paper payment instruments toward electronic ones, especially payment cards

### INDIA IN CASHLESS ECONOMY

- A cashless economy is one in which every one of the exchanges are finished utilizing cards or computerized implies. The flow of physical cash is insignificant.
- India utilizes an excessive amount of money for exchanges. The proportion of money to total national output is one of the most astounding on the planet—12.42% in 2014, contrasted and 9.47% in China or 4% in Brazil.
- Less than 5% of all installments happen electronically
- The number of cash notes available for use is likewise far higher than in other enormous economies. India had 76.47 billion cash notes available for use in 2012-13 contrasted and 34.5 billion in the US.
- Some studies demonstrate that money commands even in shopping centers, which are visited by individuals who are probably going to have Visas, so it is nothing unexpected that money rules in different markets too.

### Challenges in making India a cashless economy

- Availability of web association and monetary education.
- Though financial balances have been opened through Jan Dhan Yojana, the greater part of them are laying unoperational. Except if individuals start working financial balances cashless economy is beyond the realm of imagination.

- There is additionally personal stake in not moving towards cashless economy.
- India is overwhelmed by little retailers. They need more assets to put resources into electronic installment framework.
- The impression of customers additionally at times acts an obstruction. The advantage of cashless exchanges isn't clear to even the individuals who have Mastercards. Money, then again, is seen to be the quickest method for executing for 82% of charge card clients. It is all around accepted that having money causes you arrange better.
- Most card and money clients dread that they will be charged more in the event that they use cards. Further, non-clients of charge cards don't know about the advantages of Visas.
- Indian banks are making it hard for advanced wallets issued by private part organizations to be utilized on the individual bank sites. It could be confinements on utilizing ledgers to refill computerized wallets or an absence of access to installment doors. Controllers should take an extreme remain against such lease looking for conduct by the banks.

### BENEFITS OF THE ELECTRONIC PAYMENTS

- *Time savings: Money move between virtual records more often than not takes a couple of minutes, while a wire move or a postal one may take a few days. Additionally, you won't burn through your time holding up in lines at a bank or mail station.*
- *Expenses control: Even in the event that somebody is anxious to bring his payment leveled out, it is important to be tolerant enough to record all the frivolous costs, which regularly takes a huge piece of the aggregate sum of distributions. The virtual record contains the historical backdrop of all exchanges demonstrating the store and the sum you spent. What's more, you can check it whenever you need. This bit of leeway of electronic installment framework is quite significant for this situation.*
- *Reduced danger of misfortune and robbery: You can't overlook your virtual wallet some place and it can't be removed by looters. Despite the fact that in the internet there are numerous tricksters, in one of the past articles we depicted in detail how to make your e-cash record secure.*
- *Low commissions: If you pay for web access supplier or a portable record renewal through the UPT (unattended installment terminal), you will experience high expenses. With respect to the electronic installment framework: a charge of this sort of activities comprises of 1% of the aggregate sum, and this is an extensive favorable position.*
- *User-accommodating: Usually every administration is intended to contact the vastest conceivable group of spectators, so it has the instinctively reasonable UI. What's more, there is consistently the chance to present an inquiry to a help group, which regularly works all day, every day. Any way you can generally find a solution utilizing the discussions regarding the matter.*
- *Convenience: All the exchanges can be performed whenever, anyplace. It's sufficient to have an entrance to the Internet.*

### PROBLEMS OF DIGITAL PAYMENTS IN RURAL INDIA

These are the problems that may occur in rural areas if digital payments system is applied in India.

- Electricity is not provided to all the villages.
- Quality electricity to be provided to villages
- Digital cable is not covered to the whole of India.
- Villagers may not be able to purchase smart phones or laptops
- Operations of accounts, conducting transactions through mobiles and to make online payments need training.
- ATM centres to be provided at least at a distance of 3 kms for easy access.
- At present there are 480 accounts for every 1000 adults. This need rectification and covers the entire adult population.

- There are only 40000 banks for six lakh villages. At least one bank for every 5000 adults are to be provided.
- There are 712 million debit cards in circulation. At present these cards are used on an average only 12 times a year in ATM counters and two times a year at the point of sale. It is very low and need improvement.
- The above mentioned factors of provision of quality electricity, providing digital connection, banking facility, education to operate smart phones etc., need address before implementation of cashless transactions or digital payments system.

### FINDINGS OF THE STUDY

- Most of respondent are not aware about the cashless economy and they facing problem while transacting through digital mode
- The female participation in the digital payment is very less than the male.
- Most of rural people not feel safe while making transaction through digital mode.
- The merchant from the rural areas are not interested to accept money through digital mode as they are hiding their incomes from the government and no paying tax.

### CONCLUSION

India is lagging far behind many developed countries like Belgium, France, Canada, USA, UK, SaudiArab etc in implementing cashless transactions. In Belgium, France, and Canada over 90% of consumer payments are made via cashless modes. In India only 2% of all transactions are cashless by volume and 20% by value.

Achieving a 100 per cent cashless society will never be possible, but one can always start from a less cash society and then move towards becoming mostly cashless. The move towards a mostly cashless society is extremely incremental. Though cash will still play an important role for discrete transactions, especially in the most remote areas and informal sector, even these transactions can be automated. With upcoming technology, it is possible to design applications where the most informal purchases can be automatically debited from the buyer's bank accounts. Also, if cash in circulation decreases, and most transactions are digital, people will tend to hold less cash and hence interest forgone earlier for holding cash would decrease. Digitising financial transactions can prove to be an effective means of curbing the large parallel economy in India. It would make bookkeeping easier and increase the tax base, and substantially reduce the need to carry cash and the risk of physical theft. Fake currencies and their use will fade away, and money laundering will go down. While going digital facilitates the tracking of financial transactions, it also increases the cost. IT infrastructure would be required on a grand scale, which India severely lacks even after 70 years of independence. However, move towards less cash economy depends on how effectively we deal with issues like cyber security, online frauds, and financial inclusion into the formal banking sector, awareness campaigning and proper redressal system.

### REFERENCE

- <http://www.civildaily.com/story/cashless-society/>
- <https://medium.com/@DDhopn/bitcoin-and-the-push-towards-a-cashless-society-b97065de5050>
- <http://www.livemint.com/Opinion/XGbavEnoeP7dZITeh21MRM/Making-India-a-cashless-economy.html>
- <http://www.worldatlas.com/articles/which-are-the-world-s-most-cashless-countries.html>
- <http://cio.economictimes.indiatimes.com/news/government-policy/digi-pay-to-weed-out-corruption-new-schemes-on-anvil-fm-arun-jaitley/56912806>
- <https://geopolitics.co/2016/01/30/who-would-benefit-from-a-cashless-society/>
- wikipedia: [https://en.wikipedia.org/wiki/Cashless\\_society](https://en.wikipedia.org/wiki/Cashless_society)
- <http://www.moneycrashers.com/biometrics-cashless-society/>