



## IMPACT OF CASHLESS ECONOMY

**Dr. Puja S. Barabde**

Asst. Prof. , Dept. of Commerce , Jagdamba Mahavidyalaya,  
Achalpur City, Dist. Amt.



### ABSTRACT

*A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bitcoin. However this article discusses and focuses on the term “cashless society” in the sense of a move towards, and implications of, a society where cash is replaced by its digital equivalent – in other words, legal tender (money) exists, in recorded, and is exchanged only in electronic digital form.*

**KEYWORDS:** *Climate Change, Environmental Education, Relevancies, School System and Curriculum.*

### INTRODUCTION

Such a concept has been discussed widely, particularly because the world is experiencing a rapid and increasing use of digital methods of recording, managing, and exchanging money in commerce, investment and daily life in many parts of the world, and transactions which would historically have been undertaken with cash are often now undertaken electronically. Some countries now set limits on transactions and transactions values for which non-electronic payment may be legally used.

The trend towards use of non-cash transactions and settlement began in daily life during the 1990s, when electronic banking became popular. By the 2010s digital payment methods were widespread in many countries, with examples including intermediaries such as Paypal, digital wallet systems operated by companies like Apple, contactless and NFS payments by electronic card or Smartphone, and electronic bills and banking, all in widespread use. By the 2010s cash had become actively disfavored in some kinds of transaction which would historically have been very ordinary to pay with physical tender, and larger cash amounts were in some situations treated with suspicion, due to its versatility and ease of use in money laundering and financing of terrorism, and actively prohibited by some suppliers and retailers, to the point of coining the expression of a “war on cash”. By 2016 in the UK it is now reported that 1 in 7 people no longer carries or use cash.

### WHAT IS A CASHLESS ECONOMY

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 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 no needed

then the third party can use that money. Third party can be a government or any other public or private sector bank.

### Where does India stand?

India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world- 12.42% in 2014, compared with 9.47% in China or 4% in Brazil.

Less than 5% of all payments happen electronically.

The number of currency notes in circulation is also far higher than in other large economies. India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US.

Some studies show that cash dominates even in malls, which are visited by people who are likely to have credit cards, so it is no surprise that cash dominates in other markets as well.

### Impact of Cashless Economy of different Sectors:

#### Insurance Sector:

The insurance sector will see little impact and for a short duration. In the last few years, especially the private sector insurers have discouraged cash transactions. People who prefer paying cash will have to pay through their bank account. But unbanked customers, like people in rural areas, may find it difficult to pay up in the immediate future. However, last minute pains can be avoided if customers are proactive. For renewals, insurers notify the customers in advance, for insurance policies even after the due date there is a grace period of 30 days for annual premium policies during which time the policy expires but continuity benefits are given if the premium is paid within the grace period.

Agency-driven policies will be hit the most as agents tend to collect premiums in cash. Bank assurance channels collect premium online through cheques.

There are rules to prevent anti-money laundering, even as there is no cap on cash transactions. For instance, customers who pay premiums in cash in excess of Rs. 50,000 have to furnish their permanent account number (PAN).

The other checks and balances against cash transactions are through tax deduction certificates. For instance, in health insurance, if you pay premiums in cash you don't get tax deduction benefit of sections 80D.

The hiccups faced by agency channels will be short lived. In the agency channel, a significant number of transactions are cash based. They would be as high as 30-35% of the overall contributing premium. Ultimately this would expedite the process of people switching from cash to plastic and using online wallets and banking and in turn be a great boost for consumer internet businesses.

#### Mutual Fund Industry

Officials from the mutual fund industry say that there is no doubt that money will come in mutual funds. Increased inflows into mutual funds are not an expectation; it's bound to happen. If money comes in from the organized sector to the organized sector and the bank deposit levels go up, then some of the money comes into mutual funds.

At present, equity funds amount to about 30% of the overall industry's assets under management. The question is whether the incremental inflows can come into equity funds or debt funds.

Till now, much of this cash used to be channeled towards real estate and gold. So, investors have been used to seeing gains at a portfolio level. Now if this money comes into banks, investors will not be satisfied with earning just 4% interest.

While the share of incremental inflows into capital markets and equity funds would go up, investors will also invest in liquid and debt funds.

As deposits will increase in the banking system, the fixed deposits (FDs) rates would start to fall. The influx of money will lead to deposit rates going down. This also helps allocating additional money in equity funds.

**Agricultural Sector:**

Reports of stress in agriculture have begun to appear because of demonetization. Cash is the primary mode of transaction in agriculture sector which contributes 15% to India's total output. Formal financing in many parts, especially Punjab, Uttar Pradesh, Odisha,, Maharashtra, Gujarat and Kerala is significantly from cooperative banks, which are barred from exchange-deposit of demonetized currency. Notably, this is a time is a time of kharif harvest and start of rabi sowing, party explaining why this period is dubbed the 'busy season' from a standpoint of credit demand, the other being bunching of festivals and weddings.

Agriculture is impacted through the input-output channels as well as price and output feedback effects. Sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, is dominantly cash-dependent. Disruptions, breaks in the supply chains feedback to farmers as sales fall, increased wastage of perishables, lower revenues that show up as trade dues instead of cash in hand and when credited into bank accounts with limited access affect the sector.

Currently, many of these networks are operating sub-optimally or altogether at a standstill, depending upon location, market links and other item-specific factors. The input side is equally affected as many payments/purchases, such as seeds, fertilizers, implements and tools, are outright in cash. Borrowing-financing operations of larger farmers and organized producers are also cut of or severely clipped.

Vegetables and fruits that along with crops added 661% of agriculture's gross value added in 2015-16, depends critically upon a cash-strapped transport sector for daily supply network. Sales have dropped sharply (25-50%) across markets with occurrences of dumping. At present, demand is repressed for want of currency, so prices are subdued, but eventually, supply shortages could cause prices to rise.

How long can the demonetization drag upon agriculture persist? And how soon could the segment rebound? The answer is up in the air at this point. Production patterns and cycles vary and there is little guidance as to when the demonetization dust finally settles. However, gestation periods extend from 2-3 months for vegetables and 4-6 months for oilseeds, pulses and cereals. Production losses in vegetables cannot be recouped and is a permanent loss. Lower cereals, oilseeds outputs would persists until the next harvest, or about nine monts and it is certain that incomes and profit margins will be hurt.

**Automobiles:**

Demand is likely to dip for a couple of months for two-wheelers, but passenger vehicles and tractors will be less impacted. In the two-wheeler industry, around 35-45% purchases are made via financing, while the rest are though banked cash, or are simply "unaccounted". But in the passenger vehicles segment, close to 75% - 80% of sales are either through financing, or even down payments are made mostly by cheques-so this segment could face less heat. As for tracto..

**Cement:**

Companies and dealers are indicating that volumes may get impacted in the near-term as real estate demand (which is 55-60% of overall demand), especially in tier 2 and 3 cities, may get affected in the interim. Demand in tier-1 cities has been week for the past 2-3 years. But infrastructure demand, backed by government spending which has been driving growth, is unlikely to be impacted.

**Banks**

The move towards a cashless economy will boost savings in financial assets. With any sharp infusion of deposits and relatively limited avenues to lend, the credit deposit ratio for banks would become unfavorable, and thus impact margins. In case of a spike in capital adequacy, it would be positive of margins. While in the event of a higher rise in deposits, the immediate avenue to deploy would be G-Secs, and this could create a temporary down war.

The whole debate about cashless economy revolves around rich versus poor. Here we are not talking about Sweden or Denmark but India. Still people in this country struggle to meet their basic needs like food, cloth and shelter. Over half of the population does not fall in any banking network. They still have to depend upon hard cash for meeting their basic needs. Recently over 80 people have died because of demonetization. You can imagine the impact of country decides to go complete cashless. Poor people have to suffer a lot because they will not be covered. On the other hand people living in urban areas will benefit because the cashless economy is for them. Government has to be inclusive and include all sections of society before they go for a cashless economy. Otherwise poor which is more than 50% of the country will reject cashless economy.

### **Cashless Economy? : A Ground Reality:**

#### **1. Half of the Population does not fall an any Banking System:**

As I said earlier 50% of Indians are not covered by any banking system so how you can think of cashless economy.

#### **2. Limit Internet Penetration**

In India there are over 350 million internet users. The internet penetration rate is just 27% which is very low compared to countries like Nigeria, Kenya and Indonesia etc. it has to be at least 67% which is global median.

#### **3. Limited Smartphone Penetration:**

Only 17% of Indians use smart phones which is very low if you want to become a cashless economy.

#### **4. Limited Smartphone with Broadband Subscription:**

Only 15% of Indians have internet on their Smartphone. So it will be only 154 million people with broadband on their smart phones.

#### **5. Internet Speed:**

The internet loading speed is very slow. The average page load time in India is 5.5 seconds whereas in China is just 2.6 seconds.

#### **6. Limited PoS Machines:**

PoS machines (Point of Sales) are must for any cashless transactions. However in India there are only 1.46 million PoS machines. It means only 856 machines per million people which are very low compared to China where it is 4000 machines per million people.

### **CONCLUSIONS:**

- In a cashless economy most of the transaction will be done my digital means like banking, debit and credit cards.
- 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. The third party can be government and private sector undertakings.
- Eventually, the move has turned out to be a push towards cashless India that is bound to pave the way for a Cashless Economy, marked by greater transparency, ease and convenience in monitory transaction.
- E-Commerce is not a new industry, technically speaking, but it is a crating new economic model. Most people agree that e-commerce positively impact economic society in future, but in its earlier stages its impacts are difficult to gauge.

- Hence India still needs to work on its fundamentals of providing universal quality education and health services and empowerment of marginalized groups.

**REFERENCE:**

- [www.civildaily.com](http://www.civildaily.com)
- [www.forbes.com](http://www.forbes.com)
- [www.thehindu.com](http://www.thehindu.com)
- [www.quora.com](http://www.quora.com)
- [www.economictimes.indiatimes](http://www.economictimes.indiatimes)
- [www.investorindia.com](http://www.investorindia.com)