



REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.7631 (UIF)

VOLUME - 9 | ISSUE - 6 | MARCH - 2020



PROSPECTUS AND CHALLENGES OF CASHLESS ECONOMY OF INDIA

Dr. Sanjay Jagdeorao Tale

**Assistant Professor, Department of Commerce,
Arts and Commerce College Warvat Bakal,
Taluka Sangrampur District Buldhana.**

ABSTRACT :

India is committed to using cash; Less than 12% of all payments are electronic; On the other hand, the finance minister in his budget speech proposed to make India a cashless society to curb the flow of black money. A non-financial partnership is defined as a financial situation in which banks do not represent financial transactions with money in the form of notes or physical currencies, but transfer digital information between the transaction parties. Although cashless societies are commonly talked about, most countries are increasing their money supply. India is dominated by small retailers. According to a report by Visa Inc., a payment company that promotes cashless transactions, increased use of digital payments will save billions of rupees for the Indian economy, as it will help reduce cash costs. There are different ways to pay in a company with less money. The study aims to challenge and leverage the cashless economy and focus on the various modes of digital payments. There is no black money or cash in India.

KEYWORDS : Cashless Economy, cashless transactions.

INTRODUCTION :

The transition to a cashless economy is an international issue and many countries have already become cashless economies. A cashless economy is one where financial transaction are not done in the form of currency notes, coins or physical cash. This exchange of cashless transactions takes place in the age of bartering food crops or other goods and other methods. However, in a cashless economy new concepts of cashless transactions are created with the help of digital currencies where legal tender (money) is exchanged and recorded only in electronic form. Many challenges and opportunities are related to the impact of digital transactions. With 98 percent of the total financial transactions among the Indian population being done in cash, the majority of cash transactions in the country are small exchanges of goods or services. Accessing Poses terminals is not enough. Millions of people still have no bank account, no internet network and poor connection, lack of knowledge to use online payment methods. These are some of the challenges that need to be addressed in the country's untapped markets, especially small towns, rural areas and urban India, and people have promised to embrace digitalization in their payment systems. The major task before the Government of India and its policy makers is to transform our society into a cashless or low cash economy with India's rapidly growing population.

The Government of India is moving towards a cashless economy with the introduction of cashless transactions. India was the fastest growing economy in the world in the last quarter of 2014 (G1A International Forum). For the first time in 2015-16, India has also topped the World Bank's Growth Rate Index. The growth of Indian



economy remains positive in future. India has already introduced some payment methods such as Ole Paise and Paytm account to pay rent through internet banking. This action is aimed at curbing the transfer of black money in the country and its related problems. India is moving towards a cashless economy but it may be a long process of years to complete cashless economy or low cash economy.

Cashless Economy:

It is safe to say that cashless transactions have revolutionized India's economic outlook. After demonetisation, the use of mobile phones to make payments has increased significantly instead of opting for traditional payment methods. During the demonetisation period when most of the SMEs' business came to a standstill, the businesses that switched to cashless transactions managed to contain the losses. Convenience and security associated with these payment methods is a key growth factor. With the recent introduction of several digital payment methods in India, business owners are slowly adapting to this change. In cashless transactions, payment is made or accepted without the use of hard cash. This includes payments made through credit/debit card, cheque, DD, NEFT, RTGS or any other online payment that eliminates the need for cash.

This type of financial system is based on transactions made through credit cards, debit cards, digital wallets and modes. A cashless economy involves limited cash transactions. In this type of economy, electronic representation of money is encouraged for transactions through coins or physical notes.

Cashless Economy in India:

While the Indian economy is mostly driven by physical cash transactions, the Indian government has taken several initiatives in recent years to bring a cashless economy to India. Most people in India prefer to do cash transactions rather than using digital payment methods. To promote India's cashless economy, customers are offered many offers and discounts if they transact digitally.

Cashless Economy Benefits:

1. **No Counterfeit Currency:** Counterfeit currency between denominations of 500 and 1000 will be rendered useless. People who engage in corruption and related practices usually store their wealth in cash. Due to demonetisation, this accumulated cash will not be of any use. If they deposit it in the bank, they will be questioned about the source of that income.
2. **Less Cash Theft:** There will be minimal theft of cash. No one wants to steal cash of Rs 500 and Rs 1000 notes after demonetisation. This will quickly stop theft, as that money will not be accepted anywhere except in banks.
3. **Easy Payment:** Cashless transaction ensures easy payment across the country. People who want to transfer money to places across India can do so more easily through NEFT. With the onset of digitization, every person will have to become digitally literate at some point, thereby easing their efforts to transfer money and making transactions more transparent.
4. **Easy International Payments:** Many find it a tedious task to exchange currency while traveling internationally. Cashless payment is a very easy option for them. No worries about exchange rates, just need to have a mobile device with their bank account linked and that's it.
5. **Other Benefits:** One of the benefits of a cashless economy is that it will help widen the tax payers' bracket. People have to make their payments through checks and online transactions.

Disadvantages of Cashless Economy:

- **Low Literacy Rate:** Low literacy rate is a major cause of many problems. Bringing a cashless economy to India or making India digitally literate is not an easy task. There are many places where electricity and water are not even available, let alone computers and internet. A large proportion of the population without these basic needs is located in remote areas. People here depend only on cash. If they have to depend on someone for online transactions, they can be deterred.

- **Low availability of devices:** Another issue for implementing digital transactions in India is the affordability, availability and functionality of devices that support online transactions such as computers, smartphones, point of sale devices. Only 15% of people in India use the internet. With such a small population exposed to the Internet, digitization cannot be made universal, at least not in the short term.
- **Corruption:** Although there is a point of establishing digitization of financial transactions, there is no guarantee that corruption will decrease. It is only speculation but a person currently accepting a bribe in cash may demand it in the future, say a mobile phone or a computer.
- **Financial disparity:** If the traditional payment style is converted to a completely cashless system, buying a smartphone or device is likely to become mandatory. In a country like India, where a large section of citizens struggles to manage their daily meals, buying a smartphone is definitely a luxury that not everyone can afford. If cashless shopping becomes the standard norm, society will see inequality as not everyone can afford it.
- **Cyber Security:** India has to tighten its cyber security due to global hacking of banks and personal accounts. A country like India, being at a nascent stage in terms of cyber security, may be more vulnerable to such threats.
- **Daily Cash Need:** Indians need cash every day to meet their basic expenses. Many cab drivers refuse to accept cash payment as their drivers face many challenges in their daily route. Currently, restaurants that accept debit and credit cards charge more. Items such as cigarettes and tobacco are not available in stores that accept cards, and those that sell these items do not have the resources or infrastructure to acquire point-of-sale devices. Such small businesses will fall prey to digitization. This is just one example, there are countless more.
- **Overspending:** There is no denying the fact that cashless transactions are easy with just a simple click, people can make payments. This convenience of payment increases the propensity to spend more, especially among the younger generation.
- **Identity Theft:** The threat of identity theft is one of the major disadvantages of India's cashless economy. The amount of online fraud is increasing day by day, which increases the risk of hacking. Not everyone is very tech savvy or aware of all the technological uses. Many people can lose their private identity in the online world while trying to conduct digital transactions.
- **Dependence on smartphones:** Complete dependence on smartphones is another drawback of cashless economy. To make every transaction, people have to rely on their mobile phones, losing it will result in complete cash lessness. Apart from keeping the mobile safe, one more thing to remember is to always keep the phone charged because if the phone is switched off, the need for it cannot be met.

Challenges in Cashless Economy of India:

1. Internet connection availability and financial education
2. However, bank accounts have been opened through Jan Dhan Yojana, but most of them are not working. Unless people operate bank accounts, a cashless economy is not possible.
3. There is also great interest in not moving to a cashless economy.
4. India is dominated by small retailers. They lack the resources to invest in electronic payment infrastructure.
5. Consumer discretion also sometimes acts as a barrier. The benefits of cashless transactions are not clear even to those who have a credit card. On the other hand, cash is a disconnected way of transacting with around 5% of credit card users. Cash flow is believed to help you negotiate more.
6. Visa Inc. 's payments company has reported that the improved use of digital payments will save the Indian economy billions of rupees as it will help reduce cash costs. : Five Year Perspective This report discusses the challenge of India's transition to reduce cash participation and reduce cash expenditure over the next five years: describes a roadmap to reduce 5% to 10%.

Digital Payment Method:

The Digital India program is a flagship program of the Government of India that aims to transform Indian society and the knowledge economy through digital empowerment. 'Faceless, Paperless, No Cash is the Professor of Digital India', many forms of digital payments are available to promote cashless transactions and transform India into a low-cash society. Here are the modes...

1. ADHAAR Enabled Payment System (AEPS)
2. Mobile Banking
3. Internet Banking
4. Bank Pre-Paid Card
5. UPI
6. USSD
7. Banking Cards
8. Micro ATM

AEPS:

Aadhaar Enabled Payment System (AEPS) is a payment service that allows a bank customer to use Aadhaar to access an Aadhaar enabled bank account and perform basic banking transactions such as balance enquiry, cash withdrawals, remittances through business correspondents.

Mobile Banking:

Mobile banking is the act of conducting financial transactions on a mobile device (cell phone, tablet, etc.). This activity can be as simple as a bank sending fraud or usage activity to a customer's cell phone, or as complex as paying a client bill or sending money overseas. The benefits of mobile banking include the ability to bank anywhere and anytime. Includes security concerns and a limited range of capabilities compared to in-person or computer banking.

Internet Banking:

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers to operate a bank or other financial institution through various financial transactions through the financial institution's website. The types are National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Electronic Clearing System (ECS) and Immediate Payment System (IMPS).

Banking Cards:

A bank-issued plastic card with a magnetic stripe containing an identification code readable by a credit card machine. Bank cards are used for electronic commerce (with magnetic stripe or Internet readers) and bank transactions through ATMs. There are many types of cards available, including credit, debit and prepaid, as well as great flexibility. These cards provide two-factor authentication for secure payments e.g. Examples of card payment systems are Secure PIN and OTP, Rs, Visa, MasterCard. Payment cards give people the power to purchase goods in stores, through mail-order catalogues, and over the telephone. They save time and money for both the consumer and the merchant, thereby reducing the chance of a transaction.

Unified Payment Interface (UPI):

Unified Payments Interface (UPI) is a system that powers multiple mobile accounts in one mobile application (of any participating bank), merging multiple banking features, seamless fund routing and merchant payments under one hood. It also fulfils "peer to peer" archive requests, which can be scheduled and served as per requirement and convenience. Every bank provides its own UPI app for Android, Windows and iOS mobile platforms.

Unstructured Supplementary Service Data (USSD):

The innovative payment service operates on the Unstructured Supplementary Service Data (USSD) channel. Basic Feature This service allows mobile banking transactions using mobile phones, mobile internet data facility is not required to use USSD based mobile banking. It is conceptualized for financial inclusion in mainstream banking services and inclusion within the bank.

CONCLUSION:

A cashless society establishes a cashless economy, so financial transactions are not made in the form of money in the form of notes or physical coins, but digital information is transferred between the parties to the transaction, with a view to enrich India's cashless economy. and mission and vision to become a digitally enabled company in the country and through various cashless transaction methods. As a part of Indian digital program, digital modes like credit card/debit, mobile portfolio, prepaid bank card, UPI, AEPS, USSD, internet banking etc. won the cashless currency in near future. It will be profitable and the Indian economy will grow at a rate of 7.6% in the fiscal year.

REFERENCES:

1. Jayalakshmi M. and Venkateswarlu G., 'Cashless Economy in India: Challenges and Benefits', International Journal of Engineering Technology Research and Management, ISSN 2456-9348, Vol-2, Issue-7, pp. 5-8
2. Agarwal K.C. (2018), 'Cashless Economy of India: Problems and Challenges', Review of Research Journal, ISSN 2249-894X, Vol-7, Issue-6, pp. 1-4.
3. <http://www.moneycrashers.com/biometrics-cashless-society/>
4. Singhrul B.P. and Garwal Y.S. (2018), 'Cashless Economy-Challenges and Opportunities in India', Pacific Business Review International, Vol-10, Issue-9, pp. 54-63
5. Jun, M. & Cai, S. (2001), 'The key determinants of Internet banking service quality: a content analysis', International Journal of Bank Marketing, Vol-19, Issue-7, pp. 276-291.
6. Sharma, G. (2016), 'Study of internet banking scenario in India', International of Emerging Research in Management and Technology, Vol-5, Issue-5, pp. 43-48.
7. Currency, D. (2017), 'Danish Central Bank To Digitalize National Currency' Coin Telegraph, Retrieved 14.