



CASH TO CASHLESS ECONOMY

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ABSTRACT :

Digital Economy is Rapidly developing world wide. It is the one of the most important drivers of innovation competitiveness and growth. Smooth Simple and secure payment process will help to bring about behavioural changes and faster adopting of digital payment and banking among un-banking segment's. Singapore, Finland, Sweden, Norway and USA, is the most digitized countries in the world. Until India is Traditionally a cash based Economy recently announced the biggest and most ambitious move to crack down black money and move toward digitization and cashless economy. This paper focus on the journey of cash to cashless economy and impact of cashless transactions on economy. Indian government also inclined to transform Indian banking system from traditionally branch based practices to technology driven cashless banking and for this. It provides enough opportunities such as increasing mobile & internet penetration disposable income, ensuring life style etc accelerate digital transactions while in the opposite side rural India lags urban areas in not just internet penetration but also in internet access for online financial transaction due to lacks of electricity and so on.



KEYWORDS : Digitlization, Cashless Economy.

INTRODUCTION

A cashless economy is a economy in which all type of transactions are carried out though digital in the retail sector we have very high volumes of money transaction. The payment landscape in India is undergoing a transformation: traditionally a cash based economy. It has seen a increase n card based and mobile transaction. India continued to be a high cash-usage economy. But on November 9th 2016. Prime Minister Narendra Modi announced the demonetization of INR 500 and INR 1000 notes. There was a Mad dash to withdraw smaller bill, or deposit bigger ones, at ATM's around nation before. They shut down temporarily. This demonetization decision has been the biggest and most ambitious step ever to crack down on black money and fake currency and to move India toward a cashless economy.

OBJECTIVE:

The aim behind this research is:

- i) To know the cashless transaction mean.
- ii) impact and importance of cashless transaction system
- iii)Review the journey of cash to cashlas economy

“We want to have one mission and target. Take the nation farward Digitally and economically.”

(Shri Narendra Modi)

RESERCH METHODOLOGY

The prepared paper is a descriptive study in nature. The study has been carried on the collection of the relevant secondary data. Secondary data collection was based on various sources such as newspaper, published books and periodicals conference paper's websites etc.

LITERATURE REVIEW

i) According to Alvares, Clifford (2009) in their report's "The problem regarding fake currency in India" It said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

ii) Jain P.M (2006) in the article (2009) (E- payment and E-Banking) opined the E-payment will be able to check black money and growth pattern of cashless transaction system taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India.

CASH TO CASHLESS JOURNEY REVIEW

At present, India is far behind other economies with regard to cashless transactions. The ratio of cash to gross domestic product in India is one of the highest in the world 12.42% in 2014 as compared with 9.47 % in China or 4% in Brazil. Another report by Boston Consulting Group (BCG) and Google India mentioned that last year around 75% of transaction in India was cash based. Another important thing in India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the US. But after the demonetisation the currency in circulation as a proportion of GDP in India is the highest among emerging economies. The currency GDP ratio stood at 10.6% at the end of March this year the highest in 16 years. In fact, India has the highest currency- GDP Ratio among BRICS.

Currency in circulation in India stood at Rs. 17.78 trillion as on 16 Feb reaching 98.94% of the pre-demonetisation level, according to the latest data released by RBI 4 November 2016. The latest data released by central bank before high value banknote were invalidated on 8 November, the currency with the public was Rs. 17.97 trillion, subsequently, it dropped to a low of Rs. 8.98 trillion as on 6 January 2017. The demonetization, which targeted tax dodgers and counterfeiters, sucked out 86% of the currency in circulation. The govt. had then also pointed out to relatively lower levels of currency with the public as a success.

In fact, since demonetization has come into effect, it is the class of startups offering online wallets and digital payments. Mobile wallets and digital payments mobile wallets have witnessed a massive rise in App downloads. Paytm's traffic, for instance, increased by 435% and its downloads by 200%. Paytm is India's leading mobile wallet startup- It allows user to make transaction "At 850000 places across 1200 Indian cities, including mom and pop shops, branded retail outlets, and petrol pumps paytm even advertised in news papers.

BENEFITS OF CASHLESS ECONOMY

i) Reduce Maintenance Cost :

The logistics and supply chain of cash is casting the exchequer a fortune. The amount of money required in printing cash, its storage, transportation. Distribution and detecting counterfeit currency is huge.

ii) Transparency in Transactions:-

Needless to say electronic transactions or plastic money always leaves a digital proof beneficial for both the taxpayer (consumer) and the tax collector.

iii) Higher Revenue-

A derivative advantage of transparent transaction is collection of tax will increase. Thus generating higher revenue for the Govt. Which in turn will be converted into public welfare policies and schemes.

iv) Financial Inclusion -

The will to have a cashless Economy will promote financial inclusion of the people. It will compel the govt. To connect all the household with a bank and plastic economy.

v) Lower Transaction Cost -

Digital transaction is a born in term of process costs and waiting time. It implemented property, it will increase the consumption and production rates thereby improving the Economy.

CHALLENGES OF CASHLESS**1) Digital Literacy**

Around 94% of 168 million rural households in India are estimated to be digitally illiterate. And only 6 % of rural households had a computer as per the 71st NSSO (National sample Survey Office) survey on education 2014. So we can say that a significant number of these households could be assumed to be digitally illiterate. Lower literacy level in poor and rural parts of the country, make it problematic to push the use of plastic money on a wider scale.

2) Unorganised Economy:

The information sector is commonly through of as a site of low skilled or unskilled work. The National Commission on enterprises in the unorganized sector (NCEUS) took the position that the vast majority of the informal work force is unskilled.

90% of India's workers do not have the privileges- like social security and work place benefits- enjoyed by their counterpart who are formally employed.

3) Cyber security issues in India

It was just 21 years ago that public internet came to India and right now India has large number of subscribers for internet usage. With recent govt. push towards a digital "Cashless" economy, India is heading towards being a Digital Society rapidly. This increasing dependency on digital highlights the need for a secure cyber space in the country, especially when a number of users are beginner as far as secure practices go.

As India is investing heavily in building e-services for its citizens by providing higher bandwidths and integrating national economy with digital market place, there is an increased need for emphasis on Cyber Security in India.

4) ATM Use :

ATM use is mainly for cash withdrawals and not for setting online transactions. There are large number of ATM cards including around 21 crore Rupee cards. But nearly 92% of ATM cards are used for cash withdrawals. Only low level of digital payment using ATM Cards. Multiple holding of urban and semi-urban areas show low rural penetration.

Rural areas lag behind urban areas in not just internet penetration but also in internet access for online financial transactions due to lack of electricity and so on reasons.

According to IMRB said only : 17% rural user access internet for financial transactions while in urban areas 44% users access a internet for this purpose.

According to a report "A lot of their payments are peer to peer and therefore there is a multiplier effect so this has picked up in urban areas but the required critical mass has not been built in rural areas." Said BISWAPRIYA BHATTACHARJEE EXECUTIVE VICE PRESIDENT OF KANTAR IMRB.

SUGGESTIONS :

The self help groups (SHG) can be of great help to the people in the promotion of digital banking system in the rural areas. More and more SHG must be given the charge of Bank mitras, who earn external their help to the bank, post offices and bank corresponding for proliferation of digital economy. Rural Social Infrastructure such as youth clubs and Mahila Mandals and panchayat Raj Institutions should be energized for the propagation of digital rural economy.

CONCLUSION :

This paper conclude that, if cashless transactions are used properly, its benefit will not only benefit you, but it will be good for the country too demonetization has given the much required push to digital transactions. But there is still a long way to go for the digital payment system to become mainstream. With the govt pushing for it and increased adoption by consumers, companies and experts are hopeful that it will continue to rise the future. The RBI also has made several efforts to promote digital statements most important of them are launch of a regulatory set up for prepaid instruments (PPIs). Similarly, encouragement to mobile banking and internet baing will help to reduce the use of physical cash.

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