



CASHLESS ECONOMY: CHALLENGES BEFORE INDIAN ECONOMY

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ABSTRACT:

At midnight of 8th November, 2016 everyone thought about the passing various important bills through rigorous discussion in the winter session of parliament. But our Prime Minister Mr. Narendra Modi had announced that, 'the old Rs.500 and Rs.1000 notes are cancelled and it will be no more acceptable as legal tender'. After this, it has created many problems and on the first day of winter session of parliament argument and chaos had started. The demonetization decision was one step to remove black money from Indian society. In the implementation of demonetization our country has started new journey towards the cashless economy. The developing country like India, low level of internet penetration, uneducated farmers, unbanked population, lower level of awareness among rural inhabitants and cyber security are the major challenges before cashless economy in India. One can say we need to improve above mentioned obstacles to increase cashless economy in India.

KEYWORDS: Cashless Economy, Demonetization, Indian Economy, Black Money.

INTRODUCTION:

At evening of 8th November, 2016 everyone thought about the passing various important bills through rigorous discussion in the winter session of parliament. But our Prime Minister Mr. Narendra Modi had announced that, 'the old Rs.500 and Rs.1000 notes are cancelled and it will be no more acceptable as legal tender'. After this, it has created many problems and on the first day of winter session of parliament argument and chaos had started. The whole session went into disruption and session end with no output. During last three years many schemes/policies has been announced and implemented also. After the three years, now there is a question in everyone's mind that is cashless economy really possible Indian society? In this connection this paper has tried to explore the reality and challenges before cashless economy in India.

'Good' Decision but 'Not-good' Implementation:

There are various advantages of this decision like, firstly, that so far many people did not understand the true value of money, but now people has realised not only the value of money but also slowly they will start understanding actual meaning and effects of this decision. Secondly, due to this decision people come to know how to use banking services for their own benefits, how to use E-banking services which will help to increase digitization of Indian society in coming years. Thirdly, the important issues of parallel economy or the black money in our country will come out at some percent, some extent it will vanished from Indian society and some people will try to find the way out. Finally, the corruption which is biggest enemy of our country, some extent this corruption kind of activity will be not easy in coming years in our economy.

After announcement of this decision Government of India (GOI) had keep on changing many rules because of which banks were not able to manage the implementation at excellent level. Due to which the opposition parties will got one more topic for debate in parliament. When this decision was announced by Prime Minister, there were unexpectedly increase in the prices of gold. Moreover, not only the share market was affected by this decision but also payment of tax in metropolis had increased with unexpected rate. Many more things had happened during first two week.

On other side, the common people have faced many problems. But they had 100 per cent trusts on this decision so that they warmly welcome and co-operated for implementation. However, if this decision had not taken secretly then the black money would have been managed. That is why everyone thought there should be harder decision require like demonetization.

Challenges before cashless economy in India:

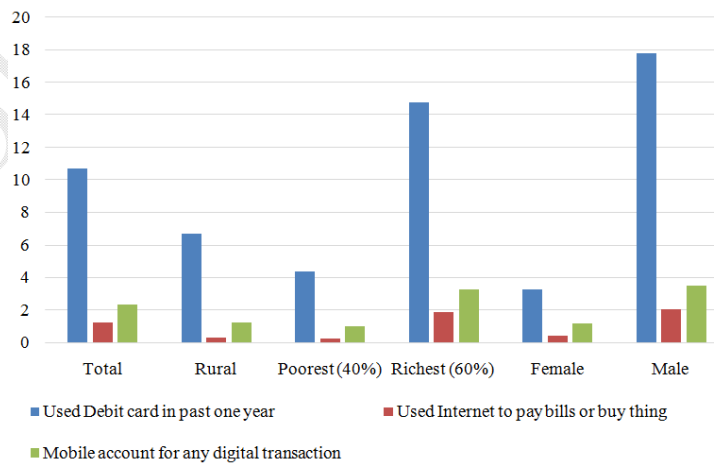
After demonetization decision, now GOI has taken many initiatives to increase digital mode of payment in the country to minimize the black money, counterfeit currency and terrorism problems in Indian economy. The World Bank Global Findex Data Base, 2014 shows the Percentage Share of Adults (Age 15 years and above) Using Electronic Payments in India Table 1. This table 1 shows that, there are only 10.67 per cent adults who used debit card in past one year and only 6.67 per cent in rural area. Addition to this, there is huge inequality across the level of income groups and gender (Graph 1). This data clearly shows that there are many challenges before Indian society.

Table 1: Percentage Share of Adults (Age 15 years and above) Using Electronic Payments in India

Particulars	Used Debit card in past one year	Used Internet to pay bills or buy thing	Mobile account for any digital transaction
Total	10.67	1.23	2.35
Rural	6.67	0.31	1.24
Poorest (40%)	4.37	0.23	0.98
Richest (60%)	14.76	1.88	3.25
Female	3.25	0.38	1.17
Male	17.79	2.04	3.49

Source: Atul Sood, Ashapura Baruah-2017.

Graph1: Percentage Share of Adults (Age 15 years and above) Using Electronic Payments in India



Source: Atul Sood, Ashapura Baruah-2017.

Moreover, among various ways of electronic payment in India, people are more friendly with debit card than internet and mobile. But the growth rate of all these declined in 2018 (Table 2)

Table: 2 Transactions through Internet/Electronic Banking Delivery Channels

Type of internet/electronic channels	Year						
	2010	2014	Growth Rate in %	2017	Growth Rate in %	2018	Growth Rate in %
No of ATM deployed (In Actual Figure)	60,153	176,410	193.27	207,036	17.36	203,266	-1.82
No of POS deployed (In Actual Figure)	595,958	1,058,642	77.64	3,027,382	185.97	3,595,912	18.78
No of CREDIT CARDS issued (In Millions)	18.33	20.36	11.07	35.49	74.31	44.21	24.57
No of DEBIT CARDS issued (In Millions)	181.97	500.08	174.81	842.47	68.47	958.15	13.73

Source: Compiled from Bank wise ATM/POS/Card Statistics, Reserve Bank of India and RBI website.

In this connection, the challenges before the cashless economy in India are as follows:

- 1. Uninformed Farmers:** One of the most affected sections of the society is farmers in our country. Due to demonetization, agricultural sector affected adversely because farmers had spent more time in waiting in queue to get old note changed from banks than on farm land to start rabi season activities. Moreover, illiteracy and unbanked farming population are the major obstacles in cashless economy in India.
- 2. Rural Population:** Nearly 70 per cent of population resides in rural area in India. This population has adversely affected from demonetization decision because the large share of population is away from formal banking system services. Now, when we are talking about cashless economy; education and security issues of digital transaction are to be considering as a prime obstacles. The number of internet users in India increased from 0.50 per cent in 2000 to 34.80 per cent in 2016, but still 65.17 per cent population are under the category of internetless (Non-Users) (Table 3). And this population are mostly in rural part of India.

Table: 3 Internet Users in India

Year	Internet Users**	Penetration(% of Pop)	Total Population	Non-Users (Internetless)	% of Non-Users	1Y User Change %	1Y User Change
2016*	462,124,989	34.80%	1,326,801,576	864,676,587	65.17	30.50	108,010,242
2015*	354,114,747	27%	1,311,050,527	956,935,780	72.99	51.90	120,962,270
2014	233,152,478	18%	1,295,291,543	1,062,139,065	82.00	20.70	39,948,148
2013	193,204,330	15.10%	1,279,498,874	1,086,294,544	84.90	21.50	34,243,984
2012	158,960,346	12.60%	1,263,589,639	1,104,629,293	87.42	26.50	33,342,533
2011	125,617,813	10.10%	1,247,446,011	1,121,828,198	89.93	36.10	33,293,976

2010	92,323,838	7.50%	1,230,984,504	1,138,660,666	92.50	48.50	30,157,710
2009	62,166,128	5.10%	1,214,182,182	1,152,016,054	94.88	18.60	9,734,457
2008	52,431,671	4.40%	1,197,070,109	1,144,638,438	95.62	12.50	5,834,088
2007	46,597,582	4%	1,179,685,631	1,133,088,049	96.05	42.90	13,995,197
2006	32,602,386	2.80%	1,162,088,305	1,129,485,919	97.19	19.30	5,275,016
2005	27,327,370	2.40%	1,144,326,293	1,116,998,923	97.61	22.80	5,067,787
2004	22,259,583	2%	1,126,419,321	1,104,159,738	98.02	19.10	3,567,041
2003	18,692,542	1.70%	1,108,369,577	1,089,677,035	98.31	11.50	1,926,786
2002	16,765,756	1.50%	1,090,189,358	1,073,423,602	98.46	136.90	9,689,725
2001	7,076,031	0.70%	1,071,888,190	1,064,812,159	99.34	27.30	1,518,576
2000	5,557,455	0.50%	1,053,481,072	1,047,923,617	99.47	96.50	2,729,647

* estimate for July 1, 2016

** Internet User = individual who can access the Internet at home, via any device type and connection.

Source: Internet Live Stats (www.InternetLiveStats.com)

3. Unbanked Residents: According to Report of the Committee on Financial Inclusion (2008) only 27% of total farm households are indebted to formal sources. Similarly, many committees' reports revealed that, major population of minority communities; Adivaisi's and those who don't have formal identification proof to open bank account are excluded from formal banking system in the country.

In the process of cashless of Indian economy, inclusion of these inhabitants in mainstream banking system is an important challenge.

4. Inadequate Infrastructure: The availability of good quality of infrastructure is important in promoting cashless transaction in the economy. Considering the fact in India, there are many areas where infrastructure is not in good quality and adequate. This inadequacy of good infrastructure becomes challenges before cashless economy in India.

5. Cyber Security: Many studies show that there is strong positive correlation between level of cyber security and use of digital payment instruments. In India economy, there is a threats of cybercrime due to weak rules and regulation regarding cyber securities. As, the technology is changing with fast pace and on other hand Indian economy has more illiteracy rate, educating people about cyber security and laws is need of the time.

CONCLUSION:

In conclusion we can say that, demonetization decision was one step to remove black money from Indian society. In the implementation of demonetization our country has started new journey to cashless economy. The developing country like India, low level of internet users, illiteracy of farmers, unbanked population, rural inhabitants and cyber security are the major obstacles in creating cashless economy. Finally we can say, we need to improve all these obstacles to create cashless economy in India.

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