



CASHLESS ECONOMY/TRANSACTION.

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ABSTRACT

The Research paper focuses on impact and importance of cashless economy in India. According to Government of India the cashless economy will increase employment, reduce cash related robbery thereby reducing risk of carrying cash. Cashless policy will also reduce cash related corruption and attract more foreign investors to the country. In many countries introduction of cashless economy can be seen as steps in the right direction. It is expected that its impact will be felt in modernization of payment system, Reduction in the cost of banking service, Reduction in high security and safety risk and also curb banking related corruption. Electronic banking will be made banking transaction to be easier by bringing services closer to its customers hence improving banking industry performance. The financial safety over the digital payment channel is important for pushing the cashless economy idea. A major obstacle for the quick adoption of alternate mode of payment is mobile internet penetration, which is crucial because point of sale terminal works over mobile internet connection, while banks have been charging money on card-based transaction which is seen in hurdle. India has been using electronic payment system for many year now, However the retail sector still has predominance of cash transaction and payment through cash is yet to pick up card is the one of the most secure, convenient mode of cashless payment in retail market.

KEYWORDS : Cashless Transactions, Unified Payments Interface, Information Technology, Cashless Economy, Economic Growth, Electronic-payment

1. Introduction:

The Indian payment system is rapidly transiting to more and more IT based systems. In the retail sector we have very high volumes of money transactions. Other than cash, one of the growing payment methods adopted by merchants in the sector is payment cards. With increasing adoption of electronic payments, particularly those driving e-commerce there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions. 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.

2. Literature of review:

Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media.

- (1) According to Alvares, Clifford (2009) in their reports —The problem regarding fake currency in India. It is 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.
- (2) Antwi, Hamza and Bavoh (2015) defined the E-payment (cashless economy) as payers transfer of a monetary claim on party acceptable to the beneficiary
- (3) Teoh, Chong, Lin, and Chua (2013) defined e-payment as any transfer of an electronic value of payment from a payer to payee through an e-payment channel that allows that customers to remotely access and manage their bank account and transactions over an electronic network.

3. Research methodology:

The study is based on secondary sources of data/ information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one. The study attempts to examine the Impact and Importance of Cashless Transaction in India.

What is Cashless Transaction:-

"A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal." 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.

4. Objective of study:

1. To understand the Important of Cashless economy .
2. Achieving cashless in rural area economy.
3. To study the current position of cashless economy in India .
4. To suggest the future prospects of cashless in India.
5. To understand advantages and disadvantages of cashless economy in India.

4.1 Important of cashless economy:

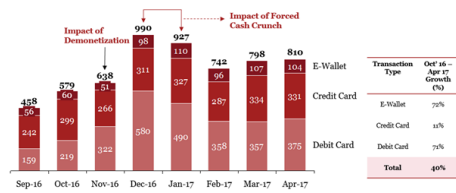
- Cashless economy means more and more use of digital mode and less use of cash in transactions.
- The World Bank's World Development Report-2016 envisages that in many instances, digital technologies have boosted growth, expanded opportunities and improved service delivery.
- Larger size of digital economies is in the developed economies is one of the factors of less corruption in these countries as compared to developing countries.
- Therefore, in order to escape from adversaries of corruption and black money and to have more transparent and cleaner economic growth with social Justice, less use of cash is one of the suggested measures.

Sweden, where 89% is no cash payment, ranks 3rd in Corruption Perception Index. In India, an estimated 22% is non cash payment and India ranks 76th in the Corruption Perception Index. This veritably proves that there is a strong negative correlation between the cashless transaction and corruption.

4.2 Achieving cashless in rural economy:

- Worldwide there is a tremendous interest among policymakers to explore the possibility of moving towards a cashless economy. Digitisation of transactions is the best way to move towards cashless economy.
- Rural areas are home to two thirds of the country's population of some 870 million people where much of the challenge lies in achieving cashless transactions for the rest of the decade.
- It is estimated that rural users will constitute almost half of all Internet users in 2020. Number of connected rural consumers is expected to increase from 120 million in 2015 to almost 315 in 2020.
- Over 93% of people in rural India have not done any digital transactions. So the real problem lies there. The government has taken steps including announcing zero balance accounts for people, but growth of Bank branches has been low.

E-Wallet, Credit Card and Debit Card Transaction Value in India (INR billion)



4.2.1 Challenges in cashless economy:

- **Currency denominated economy:** High level of cash circulation in India. Cash in circulation amounts to around 13% of India's GDP.
- **Transactions are mainly in cash:** Nearly 95% of transactions take place in cash. Large size of informal / unorganised sector entities and workers prefer cash based transactions.
- **ATM use is mainly for cash withdrawals and not for settling online transactions:** Nearly 92% of ATM cards are used for cash withdrawals. Multiple holding of cards in urban and semi urban areas show low rural penetration.
- **Limited availability of point of sale terminals:** Most of the POS terminals remain in urban / semi urban areas.
- **Mobile Internet penetration remains weak in rural India:** In India there is poor connectivity in rural areas. Lower literacy level in poor and rural parts of the country makes it problematic to push the use of plastic money on a wider scale.

4.3 Advantage of cashless economy:

- The first and foremost advantage of cashless economy is that an individual does not need to carry cash with him or her everywhere which in turn reduces the chances of theft from wallet.
- Another benefit of cashless economy is that it is easier to track the black money and illegal.
- Another advantage of cashless economy is that since all transactions will be done through organized channel that is through banks and financial institutions it results in increase in tax revenue for the government as all cash transactions .

4.3.1 Disadvantages of cashless economy:

1. The biggest disadvantage of the cashless economy is that not everybody has the knowledge of doing digital transactions and hence its reach is limited to urban and semi-urban centers only and therefore it is very difficult to implement cashless economy in the big country.
2. where many sections of the society in rural areas is illiterate and poor, Hence the lack of proper infrastructure and education among citizens is disadvantageous as far as the cashless economy is concerned.
3. Another disadvantage of the cashless economy is that although it easy to do digital transactions but at the same time it is very risky as compared to cash related transactions. Hence people having half knowledge of digital payments are exposed to cyber fraud and losing their hard earned money to online scam and hacking of bank accounts and hence it is better to do cash transactions rather than doing digital transactions if one is not fully aware of the online medium of transactions.
4. Another demerit of the cashless economy is that digital mode of payments like the credit card, wallet payments, internet banking involves some transactions fee which is not the case with cash transactions and hence any individual thinking of doing online transactions will take into account these transaction costs and will not favor online medium of transactions. Hence the presence of transaction cost is a hindrance to cashless economy finding acceptance among the people of the country.

4.4 Highlights of the incentives announced In cashless transaction:

1) Discount on fuel Purchase

0.75% discount on buying petrol and diesel through debit cards, credit cards and e-wallets.

2) PoS Machines in Village:

Currently, there are 6.5 lakh Point of Sale (PoS) machines across the country. Villages with a population of up to 10,000 will get 2 Point of Sale machines free of cost and that one lakh villages will be selected for this scheme of availing free Point of Sales machine.

3) Ceiling on Monthly Charge on PoS Machines

Monthly rental for PoS terminals/Micro ATMs/mobile POS given by banks will be capped at Rs 100. This is aimed at bringing small merchants on board the digital payment eco-system.

4) Discount on Suburban Railway tickets:

Discount of 0.50% for purchase of Sub-urban railway monthly and seasonal tickets from 1 January 2017.

5) Insurance Cover for Rail Travellers:

Railways will provide free accident insurance coverage of Rs. 10 Lakhs for passengers who are booking the tickets online. Currently, 58 percent passengers buy tickets online

6) Discount on Rail Utilities:

Railways will also offer 5 per cent discount on digital payments for accommodation, catering and retiring room bookings at railway stations

7) Service Tax Exemption:

No service tax will be charged on credit and debit card payments on transactions of up to Rs. 2,000 in a single transaction.

8) Discount on Highway Toll:

For online payment of toll on national highways using RFID card/fast tags a discount of 10 per cent will be offered.

9) Discount on Insurance Premiums:

Customers paying payments through online gateways of public sector general insurance companies will be given a 10 percent discount. The discount will be 8 percent for premium of new life policies made through the portal of LIC

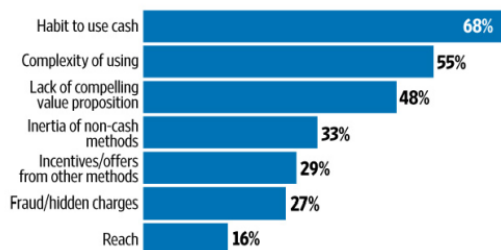
10) Rupay Cards to Farmers:

Rural Regional Banks and Co-operative Banks to issue 'Rupay Kisan Cards' to 4.32 Crore Kisan Credit Card Holders. This will benefit farmers of 1 Lakh village covering a total population of nearly 75 Cores who will have facility to transact cashless in their villages for their agriculture needs.

4.5 Perspectives:

- More and more money will come to the banking system in the form of either current or savings account. The savings will push up investment and lead to capital formation in the economy.
- The excess income deposited in the banks can generate taxable income for the government which can be spent on various welfare programmes for the poor in different sectors of the economy.
- People who have earned black money through corruption and unfair means will be exposed and be punished so that it will pave the way towards a corruption free society. It will help to create a corruption free administrative and political environment in the country.
- It will enhance the flow of FDI to the economy, as the foreign investment requires a corruption free environment and it will also be helpful to control the outflow of illicit money to other developed countries for foreign bank accounts.
- It will promote social and cultural development in the society. Corruption and black money erodes social and cultural systems. It will put a break on unethical social development.
- It will help the nation to achieve a real and cleaner economic growth rate, not an artificial and dirty economic growth rate achieved with the help of Black Money.
- India is a great democracy where the people at large despite inconvenience supported the demonetization drive by the government for unearthing black money and counterfeit currency.

KEY BARRIERS TO DIGITAL PAYMENTS



4.5 .1 Prospect and road ahead:

- The Jan Dhan Aadhaar Mobile (JAM) can encourage digital transaction culture. It is spreading to reach each remote corner of the country. A large number of government transfers (DBT) are made through JAM mode. This will help people to get digital transaction awareness.
- The role of the government in these cases will be to make cashless transactions mandatory for certain payments and make it mandatory for certain services exceeding a certain amount which has already been initiated.
- A tax rebate (of say 1% to 2%) on payments made by households as salary to unorganised sector (domestic servants, sweepers etc) can boost cashless payments.
- The 5 A's of promoting financial inclusion through cashless payment instruments which are availability, accessibility, affordability and awareness.
- Government should assure basic necessities in rural areas and focus on developing infrastructure. Special drives through schools, colleges, panchayats etc can help create awareness about cashless/ banking transactions.



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6. Conclusion:

However, the benefits of this move have now started trickling in with more and more people switching to digital modes of receiving and making payment. India is gradually transitioning from a cash-centric economy to cashless economy. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of modernization in money transactions, with e-payment services gaining unprecedented momentum. A large number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than ever before.

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