



CASHLESS ECONOMY IN INDIA AND ITS POSITIVE AND NEGATIVE IMPACT

Commerce

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ABSTRACT

Cashless India is a mission launched by the Government of to reduce dependency of Indian economy on cash and to bring hoards of stashed black money lying unused into the banking system. The country embarked upon this transition to a cashless economy when the government took the revolutionary step of demonetisation of old currency notes of Rs 500 and Rs 1000 on November 08, 2016. The Union government's demonetization initiative and the subsequent drive towards developing a cashless India have invited its share of both bricks and bouquets. The latest World Bank report has mentioned that the demonetisation will not have any long-term adverse effect on the Indian economy. But it will prove beneficial with growth of the Indian economy rising to 7.6% in fiscal year 2018. In India Liquidity expansion in the banking system post-demonetisation has helped the banks to lower lending rates, which in turn is bound to lift economic activity. This paper deals with the role of cashless economy in economic development and also reflects the positive and negative impact on the economy.

KEYWORDS

Economic Development, Benefits of Cashless Economy, Disadvantages of cashless economy, Positive and Negative Impact.

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. However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been asserted with demonetization that was aimed to extract liquidity from the system to unearth black money. With increasing adoption of electronic payments, particularly those driving e-commerce and 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. According to a 2014 study by Tufts University, The Cost Of Cash In India, cash operations cost the Reserve Bank of India (RBI) and commercial banks about Rs 21,000 crore annually. Also, a shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained.

According to Government of India the cashless policy 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.

OBJECTIVES OF THE STUDY

The objects of the study are under:

1. To find out the role of cashless economy in Indian economic development.
2. To analysis the Positive and negative impact of Cashless Transaction System.
3. To understand the benefits of the cashless economy in India.
4. Analyze the future trend of Cashless Transaction.
5. To give suggestion and conclusion about cashless economy.

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. This study also deals with the benefits of cashless economy in India.

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. In this increasingly digital world, it's not surprising that money will follow suit as well. Recent trends show that digital money kept in mobile wallets will soon replace physical cash and even credit cards.

Importance of Cashless Transaction:-

With lesser availability of hard cash at homes and more in banks, there is lesser scope of hiding income and evading taxation and when there are more tax payers it ultimately leads to a lesser rate of taxation for the whole country.

1. **Transparency and accountability:** It becomes a lot easier to track the flow of money with every transaction being recorded with the buyer, seller as well as regulatory bodies, making the system much more transparent and compliant. In the long term it leads to better business and investment prospects for the economy as a whole.
2. **Reduced Red Tapism:** More currency in bank will mean more circulation of money in the economy, leading to greater liquidity and would eventually mean lesser interest rates (according to the monetary policy of the country). Reduced red tapism and bureaucracy with cashless transactions through electronic means the wire transfers are tracked and people are accountable which in turn reduces corruption and improves service time.
3. **Stoppage on illegal activities:** Less availability of cash for illegal activities especially when people are encouraged to go cashless, there is lesser cash available with the people and there won't be a means to invest in other activities to use the idle cash. Channels like hawala (illegal remittance) will ultimately suffer the brunt of a cashless economy. There is No need to carry bulky notes in a case and just carrying the required cards or mobile banking will suffice. More sense of safety with a PIN protected card etc. which will work only with your own credentials.
4. **Control on Expenditure:** There is no fear of being robbed unlike carrying cash and letting everyone know that there could be something worth snatching. It also helps Tracking of expenses and it becomes easier to determine how much was spent where.
5. **Easy Deposit of Transaction Available:** The exact amount in small denominations can be paid. Unlike cash transactions, there is no need to pay fringe amount in case the exact amount is not available with either of the parties and easier accounting direct payment to bank account. You don't need to go every day to deposit cash to your current account.

Cashless Economy and Indian Economic Growth:

In India it has been noted that with the increase of cashless transactions there is decline in the withdrawal from the automated telling machines. It has not only reduced the burden on banks but also at the same time helped in the reduction of cost of maintenance of such machines. The world payments report tell the figures that are really amazing that the global non cash transactions have grown to 8.9% and reached 387.3 billion in the global market. The highest growth is recorded in Asian market that registers the growth of 31.5% in the year 2014 and it has been found that card payments remained the top priority among the people. It has increased considerably to 11.4% highest among the other ways of non cash transactions and still India is full of population that does not have a basic facility of bank account. According to the report presented by the bank of India it is said that 41% of the people in India still do not have bank accounts with them out of these 41% people 40% of the people are unbanked in urban areas and 61% of them are unbanked in the rural people. It is therefore the prerogative of the banks, particularly government to open bank accounts in the country. With the scheme of Jan Dhan account scheme launched by Prime Minister Narendra Nath Modi there is considerable increase in bank accounts with 175 million new bank accounts in India. Still we have to work on many people who are without bank accounts and in India, not only account penetration is comparatively low, at 53 per cent, but so is the use of accounts for payments — mere 15 per cent of adults reported using an account to make or receive payments. Cashless transactions are going to make the things different with increase in income of the state. It is also going to stop maximum amount of black marketing in the market. There is and should be increase in the receipts of VAT in the government treasury.

It has been observed that cashless economy leads to the start of proper formal and functional economy in the country. When all the transactions are made proper clear clean and taxed, it may lead to the establishment of formal setup of the total financial system that leads the country towards the development. Cashless economy is the best and one of the few ways in the system to stop leakages of the money by the officials of the government while distribution money to the beneficiary

POSITIVE AND NEGATIVE IMPACTS OF CASHLESS ECONOMY

The drastic digitalization over the past few years has indeed affected almost every sphere of our lives. One of the most recent effects has been the move towards a cashless economy in India. Starting with the note ban in November 2016 due to the sudden withdrawal of the notes of Rs.500 and Rs.1000 denominations from the economy overnight, the Indian economy is going cashless. In other words, least paper transactions will be involved, substituted by more digital transactions with the help of internet banking, digital wallets, Point-of-Sale machines, credit and debit cards, etc. These are having multiple implications on the economy with the following advantages and disadvantages.

ADVANTAGES:

- A cashless economy will allow less tension of tackling a wallet full of notes along with us, which is not at all safe in a world full of anti-socials. We can rather use our mobile as a one-stop solution for all kinds of transactions such as bill payments, fees payments, funds transfer, recharge, etc.
- It will ensure a 'black-money free India' or rather the so-called 'parallel economy' where people bypass the banks to gather money in their closets at home without coming under the purview of tax will suffer a setback.
- Crime rates have already started diminishing due to cash ban as most of the terrorist activities are funded with black money that has bore the brunt of this. In addition to this, other crimes such as burglary, extortion, bank robbery, etc. are also declining.
- One of the biggest advantages is the increase in the span of the income tax. Due to least involvement of cash, transactions have to be done through banks where proper KYC verifications will be done prior to banking transactions and hence, it will be easier for the Government to monitor and mend the income tax evasion by the unscrupulous persons. This will, in turn, enhance the revenue received by the Government.
- Above all, the cashless economy will lead to the most convenient and secure economy for all.

Benefits of Cashless India

- Cashless transaction does away with any hassle to carry cash.
- It is in keeping with the worldwide trend. People need not carry any cash in various countries around the world as most of the transactions there are done electronically.
- In digital transactions, you can view history of your expenses at one go which helps you to manage your budget easily.
- Since cashless transactions are traceable, they invite payment of taxes, wherever applicable, thus ruling out use of black money.
- As tax collections become easy through the cashless mode, it accelerates the pace of economic development, making it easier for the government to spend on education, health care, employment generation, infrastructure and the overall welfare of the people.
- Increased tax collections lead to reduction and simplification of the tax structure.
- Transfer of monetary benefits to the poor and the needy through bank transfer rules out their exploitation by the unscrupulous middle men.
- Cashless transactions deal a body blow to counterfeit currency or distribution of black money through Hawala channels. It also cuts the supply of unaccounted money used in funding of criminal and terrorist activities.
- It saves the government substantial costs in printing and circulation of currency notes.
- Increased liquidity of money with the banks makes them lower their interest rates puts the huge amounts of cash deposited with them to some productive use.

DISADVANTAGES:

It is possible that a section of people which has used electronic mode of payment for the first time due to the cash crunch will continue to transact through this medium, but there are still a number of hurdles in making India a cashless economy.

First, a large part of the population is still outside the banking net and not in a position to reduce its dependence on cash. Even for people with access to banking, the ability to use their debit or credit card is limited because there are only about 1.46 million points of sale which accept payments through cards.

Second, about 90% of the workforce, which produces nearly half of the output in the country, works in the unorganized sector? It will not be easy for the informal sector to become cashless, and this part of the economy is likely to be affected the most because of the ongoing currency swap.

Third, there is a general preference for cash transactions in India. Merchants prefer not to keep records in order to avoid paying taxes and buyers find cash payments more convenient. Although cashless transactions have gone up in recent times, a meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. For instance, mobile wallets have seen notable traction, and it is possible that a large number of Indians will move straight from cash to mobile wallets.

The cashless economy will see a hike in the hacking of the personal information over the internet such as credit and debit card numbers, PINs, passwords and other sensitive information due to an increase of digital transactions. In short, cyber crimes will escalate like anything if proper internet security measures are not taken.

- The poor section of India who is in majority and is scarcely covered under conventional banking system will suffer a lot, as they are solely dependent on cash for their daily wages.
- Sectors such as real estate, retail, restaurants, cement and other MSMEs, where huge cash transactions are involved are going to be affected terribly.
- Inadequate internet infiltration, low internet speeds, limited Smartphone and broadband penetration, very less PoS machines are the roadblocks towards achieving full digitalization that is here the main substitute for cash transactions.
- Funds will always be in control of the third party such as Government, banks, payment interfaces, etc. which lead to extreme uncertainty.

In short, a cashless economy can only be possible with sufficient infrastructure and planning that are required for supporting an economy like India.

Conclusion:

A part of Digital India programme, the concept of cashless economy in India is centred around the vision of transforming the country into a society, which is digitally enabled and empowered by several modes of cashless transactions. Consequently, digital modes like credit/debit cards, mobile wallets, banks pre-paid cards, UPI, AEPS, USSD, Internet banking etc have gained in currency, leading to cashless India in near future. ; 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 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 modernisation 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.

However, still there are various challenges to be addressed if we want to make India cashless in true sense. India is a vast country and the convenience of making transactions through the online mode is not available across the country. In small cities and villages, the people are mostly suffering due to acute cash crunch situation. To make India cashless in true sense, investment is required to be made in enhancing the facility required on a mass scale for cashless transactions across the country.

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