

India's Move towards Cashless Economy

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ABSTRACT

India is a cash centric country. It is one of the countries in the world where cash is the king in the market. It seems like a dream to built India a cashless economy. Many steps have been taken to encourage e-payment methods in our country. One of which major steps include demonetization in Nov. 2016. Digital economy unearths black money, control circulation of fake currency and transparency in dealings. The objective of this paper is to check the growth of India from cash to cashless economy. Data used in this paper is secondary in nature. This Paper will through a light on basic concept, modes of digital payment, challenges and benefits of cashless India. This paper also examines the growth of digital buyers from 2014 to 2019 with the help of graphs and charts.

1. Introduction

Demonetization on Nov.8,2016 wherein, instantaneously, 2 biggest currency denominations - The INR 500 and INR thousand were declared by govt. as not legitimate delicate arguably established the best significant trigger of the race making India a cashless economy. A cashless economic climate is an economy where most kinds of transactions are taken through electronic means. It involves e banking (mobile banking or banking through computers) credit and debit cards, card swipe or maybe point of sale (pos) devices as well as electronic wallets. The circulation of bodily currency is least. The Indian economic climate is still pushed by the usage of cashless than five % of all payments happen electronically. The heart of the policy is shifting the economy out of a money based economy to some cashless one.

Modern and efficient payment system is a vital enabler for driving development and growth. The policy additionally aims at enhancing the usefulness of financial policy, handling inflation in the economic system, maintaining healthy pricing program. The government is operating for various levels to lower the dependence on money. PM- Narendra Modi unveiled 2 schemes Lucky GrahakYojna, Digi DhanVyapaarYojna for traders and clients love to encourage mobile e payments and banking. To encourage as well as strengthen cashless economy its crucial that you inculcate the practice of making e-payments.

(1.1) various modes of E-payments are:-

- **CREDIT CARDS:** The simple and popular most to make use of technique in which the consumer simply needs to enter a charge card number plus date of expiry in proper facet of seller's web page. For security issues CVN device has been launched on internet credit card payments.
- **DEBIT CARDS:** These're the second largest e commerce payment place in India. Buyers that wish to invest online within their monetary limits choose paying with the debit cards of theirs.

- **SMART CARDS:** It's a plastic card lodged with a microprocessor containing the customer's personal info stored in it and may be packed with money making to make instant payment and internet transactions of costs.
- **E WALLET** - E wallet is a prepaid account which enables the buyer to keep several credit cards, debit cards and account numbers inside a protected environment.
- **NET BANKING:** This's simple means of spending for internet purchases from the customer's bank account. It's technique that is related to the debit card of having to pay cash that's currently in customer's bank but absolutely no use of cards.
- **MOBILE BANKING:** It is the most recent method of making internet payments by using mobile phones. Almost all a person has to perform is sending a payment request to his/her service provider via text message. Customer's mobile account is charged for the order.
- **AMAZON PAY:** Amazon Pay, use the info of yours that is currently stored in amazon account credentials to sign in and pay at top merchant sites along with apps.
- **UPI APPS** - Unified payment interface is a trending payments system in India now-a-days. UPI is an electronic payment process making its operations live 24*7*365 days. UPI allows a person to immediately transfer money from their account to the end user's account through UPI virtual address. Presently you'll find thirty nine apps continue to exist on google play store and fifty issuing bank supporting UPI.
- **AADHAR PAY:** Aadhaar Pay was set in motion by Prime Minister Narendra Modi in April 2017 as a major component of the government's economic inclusion plus electronic payments drive for all those with no debit and credit cards. Part of its mission was marketing electronic payments outside urbanized centers. The structure has 2 elements - BHIM Aadhaar Pay and Aadhaar Enabled Payment System (AEPS). (BHIM stands for Bharat Interface for Money, an NPCI

app.) BHIM Aadhaar Pay is a merchant app which may be harnessed to get payments from consumers digitally. & check account balances making use of biometric authentication through microATMs.

(1.2)Challenges in India for a cashless economy

Between November 8 and November 27, 2016, the government changed its stated goal from that of removing 'black money' and 'counterfeit currency' to making India a cashless economy. But several challenges beset this dream, from a large unbanked population and rising cyber security issues to a drop in usage of digital transactions. The latest obstacle being the 21% drop in digital transactions since December 2016, according to RBI's provisional reports. Recent data reveal that since demonetization, the usage of digital transactions increased for a month, but dropped in January by 10% even though the economy has not been fully remonetized. Only 30% of the population connected to internet and the system often faces outages. According to a senior National Payments Corporation of India official, only 25 million of the total 100 million who became users of digital transactions stayed users. A survey conducted by Bill and Melinda Gates Foundation in 2014 found that only 6% of Indians were aware of mobile money existing and only 0.3% of people responded by saying that they have used it. Gender too acts as an important category in the case of mobile phone penetration. The same survey found that though mobile penetration in India is high, women are less than half as likely to own a phone. Sixty-eight percent of men and 32% of women nationally owned phones. Smartphones are still expensive for a large portion of the population like auto rickshaw drivers, mechanics and others working in the informal sector. Till December 2016, 350 million smartphones have been bought in India. Internet data till 2016 found expensive, despite the costs coming down due to market competition. According to surveys other important aspects were recognized that though bank accounts have been opened through Jan Dhan Yojana, most of them are lying unoperational. The low literacy rates in rural India & lack of infrastructure. In India, there are approx. 350 million internet users. The internet penetration rate is just 27% which is very low. It has to be at least 67% which is global median. Since, India is dominated by small retailers; therefore they don't have enough resources to invest in electronic payment infrastructure

India is a large country that needs a change that is systemic and systematic. Here is a list of challenges-

- **High Cash Dependency:** India has a high cash penetration in almost all of its transactions that happen as B2C transactions. Total cash flow in the market accounts for 12.04% of the GDP, which is among the highest in developing countries. This goes to show our dependence on cash is acute and it requires time to tackle it.
- **Lack of Digital Infrastructure:** The foremost and first requirement associated with a digital economic climate will be the penetration of smartphone and online. Though a billion mobile subscriptions (not users), just thirty % of members use smartphones. With 370 million mobile internet users, more than

seventy % of them belong to cities while seventy % of Indian population lives in villages.

- **Skepticism in Merchants:** Small time merchants and consumers have excessive quantity of suspicion over plastic-made cash and they also have to be knowledgeable over the possible advantages of using it. One can't expect an overnight change within the perception of a vast majority of Indians over using plastic money. Government must emerge with consciousness and incentive systems to promote digital economy.
- **High Merchant Discount Rate:** These're the percentage deducted from each purchase a merchant creates by the card issuing bank account and authority. These're volume dependent and are certainly more efficient in case the merchant can promote a huge amount of items, thereby advantageous for big merchants. For lesser merchants, it doesn't provide plenty of motivation to help make the change from cash.

(1.3) Benefits of cashless economy

- **Reduced Maintenance Costs:** The logistics and supply chain of money is costing the exchequer a fortune. The quantity of cash needed in printing cash, transportation, its storage, distribution and also detecting counterfeit currency is huge.
- **Transparency in Transactions:** Needless to point out, plastic money or electronic transactions usually leaves an electronic proof good for both taxpayer (the tax and consumer) collectors (government).
- **Higher Revenue:** A derivative advantage of transparent transactions is collection of tax will increase. Thus generating larger revenue for the authorities, which will likely be converted into public welfare policies and schemes?
- **Financial Inclusion:** The will to enjoy a cashless economic system is going to promote economic addition of the individuals. It is going to compel the authorities to connect all of the households with plastic economy and a bank.
- **Lower Transaction Costs:** Digital transaction is a boon in terms of processing costs and waiting time. If implemented properly, it will increase the consumption and production rates, thereby improving the economy.

1.4 Growth of cashless payments in past years

UPI's Growth Story		
	VOLUME	VALUE (₹ cr)
Aug-16	92,000	3.1
Nov-16	285,000	100.45
Dec-16	1.96 million	706.16
Jun-17	10.1 million	3,067.05
Sep-17	30.7 million	5,293.4
Nov-17	105 million	9,679.2

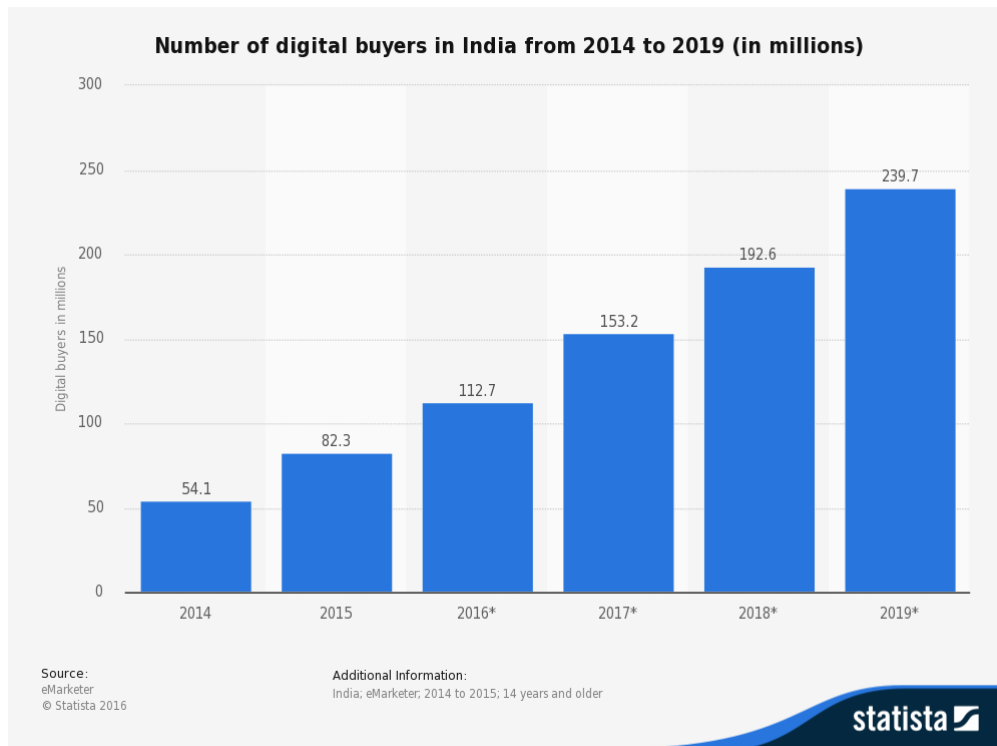


FIG.2

2. Review of literature

Lots of studies have been done on India's growth towards digital payments. Different articles and research papers have been published on the same.:-

Anjali and Agarwal Harshita have studied the topic India's roads towards cashless economy. Objective of the paper was to study the ongoing cashless movement in the country, and bring forth the available non-cash payment methods. The paper also attempts to examine people's progress towards modern, efficient electronic payment mechanisms by analyzing their frequency of digital transactions and the growth prospects of the cashless transactions arena. Data collected was primary in nature. Various graphs, pie charts etc were used to analyze the data. In their study they showed that the process of financial inclusion and demonetization has paved way for an accelerated and effective usage of digital payment system. The initiative of a widespread digitization of the transactional space by the Government is a commendable step. Awareness of the various methods and modes of payments, increased financial inclusion, and digital literacy among the citizens is also a key driver of the cash-less movement. The economy is a long way to go in terms of achieving high rural literacy rates and supportive infrastructure for digital transactions, including internet penetration as well as smart phone usage.

Rupa. R studied topic demonetization- A way to cashless economy. This paper aims at giving an overview of our currencies and move towards cashless economy. Study conclude that the demonetization a step towards cashless economy leads to improvement in credit access, financial inclusion, reduces tax avoidance and money laundering. It has increased the use to credit cards which leads to reduction in

amount of cash payments. Cash payments are done only because of security fear issues, illiteracy, lack of resources etc.

Sivakami.R studied topic cash, less cash and cashless economies- THE INDIAN SCENERIO. Objective of study was to understand the acceptance of a transition towards less cash economy in India. It concluded that less cash economy would boost the nation's economy as cost of making and handling paper will be reduced. A less cash economy reduces terrorist activities as most of the terrorist activities are fueled by unaccounted money in hard cash and helps control the problem of fake money. India is one of the largest markets for smartphones and mobile applications, providing a easy transition towards a less cash economy. The local markets have already accepted the transition into paperless transactions. Banks and Payment Gateways are soon shifting towards payments through smart phones. Therefore, it can be observed from the research that both at the individual and national level, there is a conscious effort to move from a cash-based society towards a cashless economy.

Kaur Rajwinder(2017) studied topic India's progressive transition towards cashless economy. Objective of the study was to examine the perspective of people regarding cashless economy and to evaluate the steps taken by Indian government to bring economy on the track of digitalization. Data has been collected using both primary and secondary sources and analyzed using simple research techniques. Research shows that large informal group is major constituent of India's population which still runs on cash. Govt. incentives have yet not proven fruitful and cash is still king in the market. According to study, most of the respondents have shown positive response towards adoption of cashless economy but due to lack of proper infrastructure and access to internet, only few people are using electronic channels regularly. According

to research it will take complete one generation to adopt cashless India.

Salman Mahomaad and Saleem Imran (2017) studied the topic Role of digital competence in cashless economy. Objective of this paper was to visualize the role of digital competence in cashless economy and to establish a theoretical relationship between them. Study shows they that govt. must work on the digital literacy public at large. People lack resources and simpler ways to use them. They find it difficult to use e-payment method and cash is king of market. Digital competence will ensure more and more cashless transactions which will ultimately lead to cashless economy. The attitude of people towards cashless transactions plays a very pivotal role. Researchers only tried to establish theoretical relationship between two sets of variables, further this relationship can be tested by the researchers empirically in different parts of the globe.

Athifa Mymoon presented a research study on topic cashless economy- Digital India. Data collected is primary nature. In research she concluded that cashless economy is secure and youth of India has leadership roles to play in taking India towards an increasingly "digital economy". It is in hands of citizen of India to promote the magnificent India encouraged by PM Mr. Narendra Modi.

3. Objectives

➤ To check the growth of India from cash to cashless economy.

4. Research Methodology

This present research is based on secondary data collected from various articles, journals, research papers, newspapers, books and various websites. Graphs and charts are collected from the surveys done by various recognized organizations. The study makes attention to identify the growth of cashless economy and makes efforts to understand the challenges faced to adopt cashless economy. Suggestions are also given to overcome these challenges.

5. Conclusion

Research shows that no. of digital buyers from 2014 to 2019 has grown at fast rate and credit of which goes to demonetization in 2016 and other initiatives taken by government of India. Other initiative includes more secure digital payment system like aadhar pay, awareness campaign about e-payments in rural and semi urban areas through advertisements, various other advantages provided to encourage digital mode of payment, easy payment methods like more no. of applications in smart phones providing various cashbacks, offers etc. Cheap and best internet plans provided

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by telecommunication due to cut throat market competition in economy. Though many challenges have come in the way like illiteracy rate, accessibility of resources by informal sector of the country. 70% of the Indian population lives in rural areas where they lack penetration of internet and smart phones. Even most of them, if they have, are just subscribers not users. But despite of all these challenges in way of digital India dream India is constantly moving towards vision of cashless economy due to its several benefits. Govt.'s incentive and encouragement play a major part and youth of India plays a major leadership role to build a nation - Digital nation.

6. Suggestions

- **Learn from others:** -India can take into considerations the model of those economies which have already moved towards being cashless economies. Uruguay has put in place incentives for merchants to prefer digital payments. India may need to think about doing so too. Sweden is another example. Even after a full scale-up, a fully financially digitized economy like Sweden still conducts about 20% of its money transaction in cash.
- **Financial Security:** -Financial security over the digital payment channels is imperative for pushing the cashless economy idea. When recently, the data of lakhs of debit cards was rather easily stolen by attackers, the ability of Indian financial institutions to safeguard electronic currency and exchanges came into question. Also, a big reason why people prefer cash as financial fraud has become too common and complicated for the common person.
- **Simple and Secure system:** -Banks and mobile wallet providers that wish to integrate into the mobile wallet ecosystem for the long-term must offer a simple yet secure mobile payment experience. Banks and mobile wallets must have better visibility during the pre-transaction phase to build trust in the mobile wallet payment experience. If the Indian government truly wishes to transform into a digital economy, it will have to do their utmost not only to create a good experience for the user, but to build a good reputation for mobile wallets.
- **Financial Inclusion:** -India still has a huge disadvantaged and low-income segment of society which is bereft of any financial services. Without the financial inclusion of this section of the society, the goal of a cashless economy cannot be achieved. Thus, financial inclusion is a fundamental step towards a cashless economy.
- Transaction charges should be minimized to encourage online transactions.

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