



CASHLESS SOCIETY: DRIVE'S AND CHALLENGES IN INDIA

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ABSTRACT

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Cashless economy is an economic system in which there is little or very low cash flow in a society and goods and services are bought and paid through electronic media. No doubt, our modern society is gradually catching the cashless syndrome. E-payments, ATM cards and others are now the order of the day at our work places. This paper takes a keen look into the feasibility of introducing cashless means of business transactions into our society and the benefits and problems associated with it. Electronic banking will be made banking transaction to be easier by bringing services closer to its customers hence improving banking industry performance. The study used structured questionnaire as a means of data collection and the collected data were analyzed using simple percentage procedure. The results indicate that: majority of peoples are already aware of the policy and majority agree that the policy will help fight against corruption/money laundering and reduce the risk of carrying cash and can also foster economic growth. Major problems envisaged that could hinder the implementation of the policy are cyber fraud, poverty, inadequate facilities and numeracy illiteracy. Based on the findings some recommendations made are: the government should adopt a different strategy to educate the non-literate peoples about the cashless economy; and the Federal Government of India should establish a Cybercrime law.

1. INTRODUCTION

Over the course of history, there have been different forms of payment systems. Originally, barter was quite common. Eventually, various forms of money were introduced, in the mid-twentieth century, charge cards debuted. Ever since then, pundits have been predicting the demise of paper instruments and the emergence of a 'cashless society' A cashless society could be defined as one characterized by few notes and coins in circulation issued by a Central bank.

Within the last decade or so, our world has become rapidly more digitized. For example, we now have internet purchases, and social interactions made via short message service (SMS), e-mails and social networks on the Internet. Two important factors that have contributed to this development are the use of mobile phones, and the use of the Internet. We are more 'on the go' than ever and get things done while we are on the go via our digital services turning the world to a mobile village. A part of the above-mentioned

digital purchases is digital payments. In addition, when everything else is mobile, the payments have to be mobile too; we have to be able to pay for goods and services no matter where we are. With advances in information technology, a number of new payment solutions have emerged, including premium SMS payments, M PESA, Pay Pal, Google Wallet, Airtel Money, Flatter and many Mobile Apps such as Paytm, Mobikwik etc. Many of these innovations offer advantages in terms of costs, security, and convenience. They also pose a number of challenges and risks related to, at least, technical standards, data security, legal issues and consumer behavior.

Overall, these innovations are changing people's perception and experience of money and paying. Different groups of actors (such as financial institutions, star-up software companies, merchants, and mobile operators) promote the innovation process in payments. The government of India is working at various levels to reduce the dependence on cash. RBI has also issued licenses to open new-age small finance banks and payments banks that are expected to give a

push to financial inclusion and bring innovative banking solutions. 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. As most of people are illiterate, poor, engaged in small transactions and having less banking habits. For them cash is the most convenient and easy form of medium of exchange, free from hassles. India remains a largely cash based economy with cash accounting for more than 78% of all retail payments. Compared to some other countries, like China, Mexico and Brazil, India ranks very low relating to Non-cash transactions by non-banks per capita per annum as well as number of pay points (for digital payments) per million people.

1.1. Cashless Society Instruments

In this section, we describe briefly some of the electronic instruments facilitating driving the force of electronic society. Card-based alternatives to cash payments are now well established, with credit and debit cards in popular usage. Additionally, new technology has enabled the development of so-called mobile wallet, POS, UPI etc.

D). Credit and Debit Cards

Credit cards are typically a plastic card with data stored on a magnetic stripe and, increasingly, a microchip. Similar in appearance and usage to credit cards, debit cards are a further popular alternative to the use of cash when making purchases. The major difference, as the name suggests, is that in this case funds are withdrawn directly from the purchaser's bank account, rather than accumulating credit which then has to be paid off at a later date, potentially with interest. Debit cards became popular later than credit cards, but are particularly favoured by the banks over alternative more traditional payment methods, such as cheques, which are much more costly for them to process.

II). Mobile wallet

It is basically a virtual wallet available on mobile phone. A mobile wallet is a way to carry credit card or debit

card information in a digital form on mobile device. A user can pay with his/her Smartphone, tablet, or smart watch instead of using your physical plastic card to make purchases. An individual can store cash in his/her mobile to make online or offline payments.

III). Net banking

It does not involve any wallet and is simply a method of online transfer of funds from one bank account to another bank account, credit card, or a third party. It can be used through a computer or mobile phone. A person has to log in to her/his bank account on the internet and transfer money via national electronic funds transfer (NEFT), real-time gross settlement (RTGS) or immediate payment service (IMPS), all of which come at a nominal transaction cost.

IV). POS (Point of Sale)

Point of sale generally means any location where a sale or transaction may take place such as shopping malls, a market or a city where something likely is going to be brought or sold. POS transaction is one of the easiest methods of cashless transaction [3] through which you can control corruption. In this mechanism three simple steps have to be performed. First swipes, second, password entry, and finally get transaction detail.

V). UPI (Unified Payment Interface)

UPI is a kind of payment system through which we can transfer the money between two different parties. By using UPI a bank account can be initiated to transfer money from any time anywhere with the help of few clicks. The best things of such types of transaction are that you do not need to share your credit details or wallet password.

VI). USSD (Unrestricted supplementary Service Data)

To get benefit from this transaction you do not need any computer or smart phone. A simple featured phone is enough. Hence, it is also known as Quick codes.

Table 1: Electronic Payment System in India

Month	RTGS	NEFT	UPI	(Value in Millions)	
				PPI	Mobile Banking
July	9.4	148.1	11.4	88.7	69.5
August	9.5	151.6	16.6	89.7	70.8
September	9.6	157.7	30.8	87.5	86.3
October	10	158.8	76.8	96.2	130.9
November	10.8	162	104.8	91.2	50.9

Source: NPCI (December 2017)

2. REVIEW OF LITERATURE

Singh (2013), the author discussed the growing trend of internet usage in urban, semi urban and rural areas. It is obvious that the Indian population is moving fast towards adoption of internet-linked services. Penetration of mobile phone has improved significantly but internet usage is not that much impressive due to non-familiarity with the facilities. However, it has the potential to grow. Provided adequate arrangement is made for the same. Need wise there should be proper differentiation strategy to provide services. The authors identified that factors like gender, age, qualification, income and tenure of the account are playing an influential role to determine the choice of e-banking facilities. These are the

factors should be taken into consideration to device strategy for e-banking.

Pavani (2016), the author discussed the effectiveness of financial inclusion programme for the betterment of the rural poor. The basic objective of financial inclusion programme is to provide banking services at an affordable cost. The slow penetration of banking services is also creating barriers for the effective implementation of desired services. The banking system should be strong enough to serve every section of the society. There is a need to make changes in the existing system so that the needy section should get the benefits as and when they require it. It will also help to create rural business expansion that is necessary for the growth of the rural economy.

Midha (2016), the author discussed the issue of digitalization process and effectiveness of digital India campaign. The programme is a good initiative but it has certain barriers, which need to be overcome. Digital India campaign aims to create a cashless society that has its own advantages. Implementation phase is surely problematic as the concept is new but over the time period this has to be seen from the perspective of customers. It is high time to discuss the relevant issues with the customers so that the existing barriers may be removed.

The objectives of this study therefore are:

1. To study the drives taken for cashless society
2. To examine the benefits of cashless economy to the general public

3. To highlight the challenges before cashless economy in India

3. RESEARCH METHODOLOGY

The research is used convenient sampling. The people, which are easily accessible, have been chosen for the study. 150 questionnaires were distributed to the respondents living in Nainital in the month of November 2017. Total 70 (46.6%) questionnaires were rejected/missed and 80 (53.4%) were accepted for analysis. In this way, the sample size of the study is 80 respondents (Table 2). Secondary data was collected from websites, journals, articles, magazines, thesis, reports and other relevant documents. So far, analysis is concerned; simple percentage method is used.

Questionnaires	Frequency	Percent (%)
Distributed	150	100
Rejected/Missed	70	46.6
Accepted	80	53.4

Source: Primary Survey (November 2017)



3.1. Demographic Profile of Respondents

Table 3 highlights the demographic profile of the selected respondents. Table 3 shows that out of 80 respondents, 56.25% were males and 43.75% were females. Moreover, 38.75% were under the age of 25 years 30% were belong to the age group of 25-40 years, 22.50% were in the age group of 40-60 years and 8.75% have the age of more than

60 years. So far, education of respondents is concerned, 20% were graduates, 53.75% were postgraduates, and 26.25% having other degrees like PhD or diploma. Moreover, the sample includes 35% students, 16.25% teachers, 37.50% businesspersons and 11.25% other govt. employees living in Nainital city.

Gender (N=80)	Frequency	Percent (%)
Male	47	56.25
Female	43	43.75
Age (N=80)		
Up to 25 Years	31	38.75
25-40 Years	24	30
40-60 Years	18	22.50
Above 60 Years	07	08.75
Designation (N=80)		
Students	28	35
Teachers	13	16.25
Businessmen	30	37.50
Govt. Employ	09	11.25
Education (N=80)		
Graduation	16	20
Post Graduation	43	53.75
Others	21	26.25

Source: Primary Survey (November 2017)

4. DATA ANALYSIS & INTERPRETATION

Table 4: Knowledge of Cashless Policy to users

		Frequency	Percent (%)
I support Cashless Economy.	Strongly Agree	31	38.75
	Agree	38	47.5
	Disagree	8	10
	Strongly Disagree	3	3.75
	Total	80	100
I have heard about India's Cashless Economy.	Strongly Agree	17	21.25
	Agree	53	66.25
	Disagree	7	8.75
	Strongly Disagree	3	3.75
	Total	80	100
India is completely ready for a cashless Economy.	Strongly Agree	3	3.75
	Agree	14	17.5
	Disagree	50	62.5
	Strongly Disagree	13	16.25
	Total	80	100
I think digital methods are risk free.	Strongly Agree	9	11.25
	Agree	35	43.75
	Disagree	21	26.25
	Strongly Disagree	15	18.75
	Total	80	100

Source: Primary Survey (November 2017)

From the table, it shows that 86.25% respondents support the cashless economy in India and 87.50% heard about the India's cashless economy. This shows that there is high degree of awareness among the peoples about cashless economy. 13.75% of respondents disliked the cashless system in Economy. The reason behind this may be lack of facilities available to them. Only 21.25% respondents think that Indian economy is ready for a cashless and 78.75% respondents are

disagree. The following reasons might have accounted for the low enthusiasm about its immediate introduction, the lack of preparedness for the system; inadequate technology etc. 55% respondents are of view that digital methods are risk free, while 45% of respondents believe that the digital methods are not risk free. The study considered academic community, which means, by all standards they are expected to be aware of the happenings in the society.

Table 5: Benefits of Cashless Economy

		Frequency	Percent (%)
It would reduce risk of carrying cash	Strongly Agree	55	68.75
	Agree	21	26.25
	Disagree	4	5
	Strongly Disagree	-	-
	Total	80	100
It would reduce funding to terrorism.	Strongly Agree	67	83.75
	Agree	11	13.75
	Disagree	1	1.25
	Strongly Disagree	1	1.25
	Total	80	100
It can reduce corruption.	Strongly Agree	11	13.75
	Agree	23	28.75
	Disagree	46	57.5
	Strongly Disagree	10	12.5
	Total	80	100
It can stimulate economic growth.	Strongly Agree	39	48.75
	Agree	27	33.75
	Disagree	12	15
	Strongly Disagree	2	2.5
	Total	80	100
It would prevent money laundering.	Strongly Agree	71	88.75
	Agree	2	2.5
	Disagree	-	-
	Strongly Disagree	7	8.75
	Total	80	100

It increased sales	Strongly Agree	45	56.25
	Agree	23	28.75
	Disagree	12	15
	Strongly Disagree	-	-
	Total	80	100
It reduced maintenance costs	Strongly Agree	67	83.75
	Agree	4	5
	Disagree	6	7.5
	Strongly Disagree	3	3.75
	Total	80	100

Source: Primary Survey (November 2017)

Table 2, shows that the most anticipated benefit of the cashless economy to India's is its ability to reduce the risk of carrying cash around, 95% of the respondents believe that the most significant benefit of the cashless economy is reducing the risk of carrying cash as that is easily amenable to armed robbery, theft and misplacement. In the same spirit, 42.5%, 91.25% and 97.50% of the respondents believe that

the cashless economy will help fight against corruption, money laundering and funding to terrorism respectively, as the money flowing through the system can easily be traced and followed. 82.50% of the respondents believe that the cashless economy has something to contribute towards economic growth and believe that efficient and modern payment system is positively correlated with the economic development and economic growth of country.

Table 6: Problems of Cashless Economy

	Yes	%	No	%	Total	%
Illiteracy & Poverty is hurdles in the Path of Cashless Economy	51	63.75	29	36.25	80	100
Inadequate Number of ATMs in comparison to Population	44	55	36	45	80	100
Low Percentage of people having Smartphone's	63	78.75	17	21.25	80	100
It increases internet Fraud	59	73.75	21	26.25	80	100

Source: Primary Survey (November 2017)

Above Table, shows that there are some problems which respondents are facing to come with the cashless economy. 63.75% of respondents said that Illiteracy & Poverty is hurdles in the Path of Cashless Economy and 78.75% believe that Low Percentage of people having

Smartphone is also a problem for cashless system. Some 55% of the respondents believe that Inadequate Number of ATMs in comparison to Population a major problem to cashless system. Internet fraud is the major problem to be tackled in the cashless economy as 73.75% of the respondents see exposure to fraudulent activities as a big problem.

Table 7: Usage of Different modes for Payments

	Yes	%	No	%	Total	%
I use Mobile apps for Purchase such as Paytm, Amazon, Flipkart etc.	78	97.50	02	02.50	80	100
I use net/Online Banking	16	20.00	64	80.00	80	100
I access Public Wifi for online Transactions	07	21.25	63	78.75	80	100
I think Mobile Payments are growing in India	77	96.25	03	03.75	80	100
Credit/Debit card are most preferred Payment for me	61	76.25	19	23.75	80	100
I have phone with internet access	80	100	-	-	80	100

Source: Primary Survey (November 2017)

Above table shows that that 97.50% of respondents use different mobile apps for there purchase and 96.25% of respondents believe that mobile payments are growing in India. All the respondents uses smart phones and the preferred payment system for them is debit/credit cards not net banking or online banking.

5. FINDINGS AND POLICY IMPLICATIONS

From the above analysis, Electronic cash is a system which allows individuals to purchase goods or services in

today's society without the exchange of anything tangible. There are many benefits of cashless economy like faster transactions, increased sales; it helps to fight against terrorism, corruption, money laundering and reduced maintenance costs. Despite many benefits, there are several challenges before cashless policy in India such as inadequate number of ATMs, digital illiteracy, lack of internet facilities, poverty, cybercrime, less number of peoples having smart phones etc. Nonetheless, the present study also conducted a survey of 80 respondents in Nainital District through questionnaires designed on

different scale to evaluate the benefits and challenges of cashless economy.

Note:

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