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## CASHLESS ECONOMY: INDIA TOWARDS IT

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### ABSTRACT

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*In this era, we can see a very significant level of change in the means of making and receiving payments. Due to constant level of technological infrastructure and policy changes, there has been an increase in the number of modes of payments. This paper studied the meaning of Cashless System, its advantage, Indian Economy towards this system, schemes by govt. to spread Cashless system in India and highlights the challenges of the Cashless Economy. As we know Cashless economy refers to that economic state where financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information between the transacting parties. Going cashless not only eases one's life but also helps authenticate and formalize the transactions that are done. Major challenges that can hinder the implements- of this system are cyber fraud, high literacy rate, attitude of people lack of transparency & efficiency in digital payment systems.*

**KEYWORDS:** *Cashless economy, Electronic payment system, Poverty, Challenges, India*

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### INTRODUCTION

In recent history, the abrupt "DEMONETISATION" of Rs 500 and Rs 1000 notes in November 2016 was probably the greatest monetary experiment in the world. Demonetization step has had both positive and negative impact on the economy. Elimination of "black money & corruption" as the main goal of the Demonetization process. But the most obvious result is financial inclusion and shift India towards CASHLESS ECONOMY. There are so many advantages of Cashless economy. For example, it saves money and time as companies and government will get efficient and they can reduce costs as they no longer need the manual accounting work, it reduced criminal activity by eliminating high denomination notes, it also reduced production cost of coins and paper currency, the govt. can use the data coming from the cashless transactions to improve and analyze their policies, it is easier to track the black money and illegal transactions and also it is easy to track transactions as all

records are there with the banks which results in more transparent transactions which in turn leads to fall in corruption in the economy of the country.

Indian economy is cash based. The rate of cash to GDP is the highest i.e. 12.42 percent in India. Whereas, other large economics have average cash to GDP ratio of 5 percent. In fact, in the year 2015, 78 percent of all consumer payments were in cash in India, whereas in US it was 20 percent and in UK, it was 25 percent. India is the 4<sup>th</sup> largest user of cash in the world. And in this era of technology, this isn't only backward, but also "unscientific" and "un-economic". From my point of view, the goal of Cashless India requires a comprehensive long-term strategy. The shift to Cashlessness was presented as the virtue that would drive the Indian Economy to higher levels of growth and deliver benefits to the poor and middle classes. In fact, Digitalization of exchange transactions could deliver solutions to all problems even to ensuring sustainable development.

## OBJECTIVES OF THE PRESENT STUDY

Following are the main objectives of our study-

- ❖ To study the different methods of digital payment system in India.
- ❖ To identify the various challenges faced by Indians while moving from cash-based to cashless economy.
- ❖ To illustrate the steps taken by Govt. of India to fulfill the dream of Cashless Economy
- ❖ To study the socio-economic impact of cashless economy on the society.

## REVIEW OF RELATED LITERATURE

The authors have reviewed the following related literature to give final shape of the present study.

Carrow and Stanten., (1999), investigated preferences of consumers among debit cards, credit cards and cash.

Wondwossen and Tsegai and G. Kidan., (2005), completed their work on e-payment challenges and opportunities in Ethiopia and found some challenges in e-payment as poor telecommunication infrastructure, frequent power disruption, people are resistant to new payment mechanisms, Lack of skill manpower, Unavailability of payment laws and regulations particularly for e-payment.

Akhalumeh and Ohioka., (2011), observed some challenges with the introduction of Cashless policy. Their findings show that 34 percent of the respondents cited problem of internet fraud, 15.5 percent cited problem of limited POS/ATM, 19.6 percent cited problem of illiteracy and 30.9 percent stayed neutral.

Ajayi, L. B., (2014), found lack of unique national identity system, inadequate infrastructure, high rate of illiteracy, poor timing and sequencing for both the policy as challenges for Cashless policy.

Mr. Bharat Khurana (2015), Dream of cashless India: Benefits and challenges. The paper studies the benefits and challenges India might face if it becomes a cashless nation. It also helps in assessing the meaning of digital India and steps taken by government towards achieving the dream of cashless India. After the study no matter how much the government had done for fulfilling the dream of digital India but there is still a lot more that can be done to achieve that dream.

Metri and Jindappa., (2017), stated in their study of “Impact of Cashless Economy on Common man in India” that India can never turn into a fully Cashless Economy as cash has been the dominating factor and always will be.

Tawade. H. Pradeep., (2017), explained their study on “Future and scope of Cashless Economy in India”. This paper helps in assessing future trend and impact of going Cashless in the Indian economic scenario. It was seen that Govt. in India should consider many steps in digitalizing India and payment method should be made more secure and risk free.

Gujrati. Rashmi., (2017), analyzed cashless economy in her paper on “India’s march towards faceless, paperless, cashless economy”. From this study, we can find awareness about Cashless economy, its benefits, challenges and the steps taken by govt. towards Cashless economy. Also we can find an important thing that Cashless economy comes with various benefits, but brings a lot of challenges with it.

Bindra and Bindiya (2017), Going Cashless: stepping towards Digital India. The study is focussed to find out benefits, challenges and the growth prospects in India on the path of moving towards digital India. The study shows that digital India will bring a huge growth in the GDP of India and

will also have other benefits are the society and the economy as well.

Thilagavathy and Santhi (2017), Impact and importance of Cashless Transaction in India. The paper focuses on impact and importance of cashless transactions in India. The study shows that if India becomes a cashless economy there will be both positive and negative impact, but negative impacts can be overlooked if the gain from positive impact is considered.

Richa Goel et al., (2019), “Moving From Cash to Cashless Economy: - A Study of Consumer Perception Towards Digital Transactions” The study helps in determining the factors which influence the people to switch from cash towards cashless payments and what are the benefits people avail by using other means of payments. They collected data from 280 respondents, who have been using any digital mode of payment. Data is collected from students, working professionals and business class people. The questionnaire asks questions about the benefits people avail while using digital payment methods and what are the various factors which influence the people to use digital payment methods and what are the risks they face associated with digital payments. After the research they say that the working professionals and business class people use digital payment methods more. There are various factors which influence the people to shift such as offers, cash back etc. There is still a long run for India to be cashless to full extent as the government needs to develop a smooth and secure infrastructure

## METHODOLOGY

This study is based on secondary data sources. Secondary data are collected from various relevant books, journals, news paper and internet.

## DISCUSSION

### METHODS OF DIGITAL PAYMENTS IN INDIA

- **Banking cards:** In this, all types of plastic cards i.e. credit card, debit card, cash card, travel card are included. Each card secured by a four digit pin and in transaction we are required to enter the pin and OTP that is sent to the registered mobile number.
- **USSD :** Unstructured Supplementary Service Data can be made by a feature phone by dialing \*99# even it doesn't require internet connection and smart phone to operate. This service is currently offered by 51 leading banks across the country on all GSM network in 12 languages (NPCI).
- **UPI:** Unified Payment Interface is launched by NPCI to instant fund transfer between all or some bank services via mobile phones. Each bank provides its own UPI app for Android, Windows and IOS mobile platform.
- **AEPS:** AADHAAR Enabled Payment System is bank led model by which a person can make payments at POS or Micro ATM by AADHAAR authentication.
- **POS:** Point of sale is the place where sales are made. It is also known as a point of purchase. On a micro level, POS may be a mall, a market, or a city, where a customer completes transactions.
- **Micro ATM:** It is a small device used by Business correspondents to deliver basic banking services to common man via bank cards. It enables a person to instantly deposit or withdraw funds regardless of the bank.

- **Mobile banking:** It is a means of carrying cash in digital format. It is a service provided by banks providing its customers a platform to conduct various banking services by use of their mobile phones or tablets through banking apps.
- **Internet banking:** It is an electronic payment system which enables customers of a bank to conduct a range of financial transactions through the website. It's also known as online banking , e-banking

## B. FOR INDIA MOVING TOWARDS A CASHLESS ECONOMY IS NOT A CAKEWALK:

In this massive and bold step taken by Govt. of India, there are many challenges that need to be overcome. The major challenges are as follows-

- **Inadequate infrastructure:** For a vast country like India, having only 2.3 lakh ATMs and 14 lakh point of sale (POS) terminals is too low. Country like Brazil, UK, France have POS terminals three or four times that of India. Another challenge is to improve activation of cards on all the channels. Ideally on a user base of 750 million cards in the country, the usage on POS should be at least 375 million transactions in a month, assuming that the customers on an average use the card at least once in two months on a POS terminal. But data published by RBI indicates the volume of POS and e-commerce transactions together for all banks is about 130 millions (as against 765 millions on ATM channels) as on August 2016.
- **Education & knowledge:** It is one of the major challenges among major population; it is a serious impediment for adoption of cashless economy as it hinders the accessibility of banking services. For citizens to fully enjoy the benefits of cashless economy, they should not know how to read and write but also possess basic ICT literacy.
- **Unawareness:** Despite of various awareness and capacity building programs by the govt. most of the areas are still unaware regarding cashless mechanism especially rural regions, where we know the 1/3 of the country resides.
- **Mobile internet penetration is weak in rural areas:** For setting transactions digitally, internet connection is needed. But in rural areas, proper connectivity to the internet is not good and also low literacy levels make it problematic to push the use of plastic money on a wider scale.
- **Behavioral constraints :** Which could also be said as resistant to change , many people we met fulfill all necessary obligations to be cashless as they are educated , carry latest gadgets , know how to use online banking but also they doesn't want to change way of living they are happy as they are.
- **Securities and privacy issues:** It seems to be as one of the major challenges in the development of cashless policy in India. People are much concerned about leakage of personal information, fraudsters and hackers.

## C. STEPS TAKEN BY GOVT. OF INDIA

Cash plays an important role in our modern economy, particularly among the poor and those urging a cashless future should do so with great caution. Following are some steps taken by govt. of India

**C.1. Digital Finance for Rural India:** Ministry of electronic and IT launched “Digital Finance for Rural India: creating awareness through common services centers (CSCs)”. It aims to enable the CSCs to become Digital Financial hubs, by hosting awareness sessions on Govt. policies and digital finance options available for rural citizens as well as enabling various mechanisms of digital services such as IMPS, UPI, and POS etc

**C.2. VITTIYA SAKSHARTYA ABHIYAN: (VISAKA)** It is a campaign that actively engage youth of higher education institutions, motivating and encouraging them for cashless economy.

**C.3. DIGISHALA:** Law and information technology (IT) Minister Ravi Shankar Prasad launched DIGISHALA, a free DOORDARSHAN an DTH channel to educate and inform the people about the various modes of digital payments. It will help people to understand the use of UPI, USSD, AADHAAR-enabled payment system, electronic wallets, debit and credit cards. It is a part of the “DIGI DHAN ABHIYAN”.

**C.4.** Launched of BHIM app for smart phones users based on UPI.

**C.5.** Launched of AADHAAR merchant pay .

**C.6.** Direct benefit transfers.

## D. POVERTY AND CASHLESS ECONOMY

Apart from, curbing black money, the main agenda of DEMONETIZATION drive was also to boost digitalization in India. Since then more than two years have passed , and one would definitely agree that India has seen massive jump in digital transactions .It needs to be noted that , India has not entirely adopted the method of digitalization . Indians still prefer holding cash in hand. Not many regions, especially, the rural areas they are still in a state of evaluation when it comes to adopting new ways of making payments. Despite, the middle class resorting slowly to online payments and electronic money, with smart phones and computers, most transactions are still carried out in cash in India—including large ones such as rent payments or even real estate investments. Poverty is widespread in all parts of the country and many small shopkeepers are completely unable to invest in electronic payments devices—due to lack of technical knowhow and of necessary funds. Some small businesses have lost up to 90 percent of their income in the DEMONETIZATION reform, which they call “the worst crisis they have ever hit with “. Because jobs are unprotected in India, the confusion immediately brought massive unemployment, daily services are severely disrupted and over a hundred people, within the poorest categories, have died in incidents linked to the crisis.

There are various arguments to be made against cashless economy—the inconvenience falling to people too scattered to leave the house with a wallet being merely one of them. The strongest objections relates to the ways in which rejecting physical currencies plays out as a bias towards the poor. *“It is bad enough that the poor are already so stigmatized and now we are stigmatizing them even further for the way they consume goods and services”*.

Besides all of these, some have argued that a cashless economy would help the poor, by for ex reducing crime and making labor practices more transparent. The UN is leading an effort by more than 50 financial companies' foundations and Govt. including India, to accelerate the transition from cash to digital payments specifically to "reduce poverty and drive inclusive growth". But if such a future exists, it is still a long way off, at least in India. According to a 2014 study, just 10 percent of Indians over 15 had ever made a digital payment. And in countries where a large share of transactions is already done digitally, there's evidence that this doesn't serve the poor well.

## CONCLUSION

From above study, we can conclude that there is a long way for India to become a Cashless Economy. People still lack trust and confidence while using digital payment methods. People don't feel safe sharing their financial and personal information over internet also they face various problems while using digital payment methods. So the Govt. should take the necessary steps and make some policy considerations when they are preparing for Cashless Economy like———

- Try to educate the people about the benefits of going cashless before taking any crucial steps.
- They should also tell about the opportunities which the public will get if they become digital.
- They should also be able to implement their plans properly and without troubling the public.
- Govt. should develop infrastructure to cope up with any policy change or a plan implementation beforehand.
- Lastly, people and Govt. should work together to develop infrastructure and technology to digitalize India.

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