

Cashless India is Future of India Opportunities and hurdles

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Abstract:

Most of the people in India started electronic payments for their transactions after demonetization. Every individual from a small merchant to neighboring vegetable vendor is aware and turning from cash to cashless digital payment solutions. A cashless economy is an economy in which all the transactions were done using cards or digital modes. Gradually India is moving from cash to cashless economy. The movement of physical currency is minimal in cashless transactions. Cashless transaction plays an important role in an Indian cashless economy. The use of credit cards/debit cards or the mode of digital payment will definitely minimize the amount of cash that people supposed to carry can reduce the risk and cost which is associated with it. In cashless transactions, payments are made without the use of hard cash. Cashless transaction includes credit/debit cards, cheques, DD, NEFT, RTGS or another form of online payment that removes the need for cash. In this paper, I made an effort to examine the people perception in Bagalkote City towards cashless transactions and the attempt made to identify the hurdles faced by them during their transactions.

Key words: Cashless Transactions, Digital Payments, Perception, hurdles.

Going towards cashless is not only eases one's life but also helps authenticate and formalize the transactions that are done. This helps to curb corruption and the flow of black money, which results in an increase of economic growth. The expenditure incurred in printing and transportation of currency notes is reduced. In a nation like India, cashless transactions are not widespread, and this is due to the technology gap and the lack of proper education. Though these are the matters of concern, the government or the financial institutes need to address them to create a strong cashless economy.

The earliest issuers of coins in the world are the Ancient Indians along with Chinese and Lydians from the Middle East. The first Indian coins were minted in the 6th Century BC, which is close to 3,000 years ago. Over the course of the millennia that have transpired since currency first came into use, the way Indians use money has undergone many transformations. A year of demonetization has shown how there has been a push towards a digital economy, but the love for cash refuses to fade and India's cashless economy has yet to be fully realized.

After demonetization, even traditional banks had begun to incentivize customers to make payments digitally from their own bank accounts. As the natural step forward from here, other players have begun to promote cashless transactions for individuals and businesses alike.

Pradhan Mantri Jan Dhan Yojana:

Launched in 2014, it was one of the biggest financial inclusion initiatives in the world, and hoped to provide banking services to 75 million households in the country by January 26th, 2015. The government overachieved its target by bringing over 125 million households under a range of financial services such as bank accounts, need-based credit accessibility, insurance and pension. A one of its kind national missions on financial inclusion, it played a historical role in folding the under- and unbanked population into the formal financial arena and closing the digital gap. Today we have over 425 million active Jan Dhan accounts. This has been a transformational initiative to bring in the cashless environment in the country enabling people to make payments using their mobile phones in offline (QR code) or online modes (UPI, UD ID).

Bharat Net:

This forms the backbone of an efficient cashless economy dream. Without a robust network infrastructure, payments cannot happen seamlessly. Hailed as the world's largest rural broadband connectivity project, it aims to connect 2.5 lakh gram panchayats and 6 lakh villages through high-speed broadband services at affordable prices laid through 10 lakh kms of optical fibre expansion.

India Post Payments bank:

This has been another instrumental step in spearheading financial inclusion and ensuring banking services are easily available at speed and convenience. Merely two years from the launch of its operations, IPPB in October 2020, had acquired over 3.6 crore customers, clocking over INR 38.5K crore financial transactions through its network of over 136k branches, thus taking banking to the very last mile and transforming payment infrastructure at the grassroot level. The payment bank license has also been extended to eight other big entities such as Idea, Paytm, Reliance Jio etc.

Rupay Card:

Devoid of acquisition or transaction cost as opposed to VISA or Mastercard, and having international acceptance, Rupay has further catalyzed digital payments in India. With the introduction of Rupay contactless, a one-card for all payment systems, it is set to transform the payment landscape across all use cases.

Finally, keeping in pace with the continuous innovation in the digital payment landscape, last week the prime minister launched a cashless and contactless digital payment solution e-RUPI – it could be the first stage of introducing CBDC into the market. This is slated to be a potential disrupter drastically reducing the dependency on currency circulation and digitizing cash transactions.

Opportunities and Hurdles

A paperless economy has its own merits and demerits. However, in the wake of this unprecedented digitalization, the merits certainly trump the challenges. First and foremost, the cost of money printing, storage, and circulation will come down dramatically. Government spends approximately INR 4.15 to print every INR 2000 bank note and INR 2.90 – 3.10 for every 500-rupee note. The savings with paperless currency will be enormous. The security and convenience of transactions would be one of the greatest motivators of a cashless economy. With digital transactions, e-KYC will be mandatory, thus ensuring seamless transactions traceability and arresting tax evasions. Given the money is in the system, fraudulent transactions can be effectively tracked and corrected. NPCI international operations is working along with many countries to implement UPI equivalents. The ease of transactions beyond India would radically improve. Furthermore, a block chain infrastructure on top of this ecosystem will enhance international remittances, cross-border transactions and more securely and transparently.

An increasing worry for many consumers is the data and cybersecurity issues of cashless payments aren't well monitored (by a central bank). In today's environment, cyberthreats from both organized technology-fueled thieves and rogue actors in nation-states are increasing. The risk of overspending too cannot be overlooked. Though digital transactions can track and show your spending history, young people and teenagers may misuse it. Also, according to behavioural financial theorists, the pain of parting with money is felt more intensely in the usage of solid cash. So, one should definitely have a disciplined mentality, if opting to go for cashless transactions.

A cashless society was a utopian dream once, but it is not that anymore. As any developmental process, it has its own advantages and disadvantages. Also, care should be taken to ensure that the cashless economy includes people from every stratum of the society and is not confined to educated users only. As prospective customers in a cashless economy, we should understand the digital process and its features, and adapt to them in a suitable manner.

There are interesting dynamics at play for the future of a cashless economy in India. With an advanced market infrastructure, banking technology infrastructure, and networking infrastructure, India is significantly ahead of most developing countries. It is clear that the Digital India Program has been the lynchpin to a truly cashless society, benefitting the government, businesses, and the end consumers by bringing in convenience, speed, and transparency at a negligible cost. With a continued innovation, a truly cashless economy is imminent and inevitable.

According to Razor pay, digital payment transactions have grown up to 76% for the past 12 months with several first-time digital payment users. As per reports, the Indian digital payments industry is estimated to grow up to US\$700 billion by 2022. In the future, the fintech industry will innovate more dynamic providing safe transaction facilities to develop and promote the digital payment landscape in the country. The country is already advancing in terms of block chain technology, cloud-based payments, crypto currencies, and other payment facilities.

Though India's digital payments market witnessed exceptional growth over the past years after the demonetization in 2016, the COVID-19 pandemic has also fueled the growth and adoption of online transactions. Users have shifted to net banking and other digital payment facilities to avail products including essential goods, groceries, retail, medical supplies, education, and others. On the other hand, the emergence of improved technologies is one of the key factors leading to the growth of the digital payments industry in the country.

Fans of a future "cashless society" are thinking bigger than coexistence – they are imagining a world with a completely new type of digital currency that will replace physical cash altogether. This would allow people to keep digital wallets and financial accounts housed entirely online, and easily accessed on their mobile devices or computers. With the introduction of alternative digital currencies, such as private cryptocurrencies like Bitcoin or Ether, we're starting to see how a digital-only financial system might work in the real world. So, what's the push for a digital currency? A true cashless society would present a massive change in how we conduct business, how we interact with our financial institutions, and how we trade and exchange money overseas.

Conclusion:

Now a day people are getting comfortable with cashless payments, some kinds of negative perceptions are holding back many from adopting the new system. The negative perceptions are like security problems, poor network coverage, and lack of merchant willingness, high transactional costs, lack of users' knowledge on technology, defunct POS machines, delayed reimbursement in case of failed transactions, procedures and financial limits. Convenience in use of cashless transactions and incentive system are the positive signs for the progress of cashless payments in India. Finally, the study concludes that India may not become a cashless economy unless the perception of the people will be rightly addressed by the government and the banking institutions. They should pave the way for the safe and secure mean to cashless transactions.

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