

# Cashless India

**Bhupendra Singh Bhayal**

Research Scholar

The Byramjee Jeejeebhoy College of Commerce, Mumbai, Maharashtra, India

**Abstract:** *Cashless India have existed since time immemorial, based on barter and other methods of exchange, and cashless transaction have also become a part reality in the form of digital currencies such as bitcoins. Now a day, most of the people are using smart phone and technology. Mobile users can use their smart phones for money transaction or payment of bills by various digital wallet application. Where countries around the world are catching up in the race of going cashless, India too has plunged in this race with the aim of digitalising the economy through Modi's ambitious Digital India Programme. Cash is still a king in India with less than 5% of the payments are made electronically. In line with other developed economies of the world, India is now trying to shift its preference of transactions from cash driven to cashless economy.*

*Mobile users can use their smart phones for money transaction or payment of bills by various cashless wallet application. The present study tries to study the various factors that can influence a millennial decision to adopt cashless wallet as a mode of online payment. The present paper explores the various payment instruments available to the people of the country, tries to identify the factors that influence cash transactions, the perils of going cashless, the steps taken by the government post demonetization to promote cashless transactions and analyses the benefits of cashless transactions.*

**Keywords:** *Cashless India.*

## I. INTRODUCTION

The world is amidst unprecedented digitalisation, reimagining and recalibrating old notions of time, speed and distance. Innovations that were fodder for science-fiction have now become possibilities. A key chapter in this new era is the Fourth Industrial Revolution (4IR)—the metamorphosis of economic processes, such as production and management, which is an outcome of leveraging technology and digital innovation. The rates of progress and the levels of development that have entailed the 4IR have surpassed most of what the world has experienced before. It is anchored in collaboration and the interplay between technologies, implying limitless possibilities. Indeed, what this revolution does is “making impossible possible”, and not only in the 1 economic domain, but in every aspect of human life.

Consider the case of virtual or digital markets. These markets have made physical space constraints redundant and eliminated the need to visit shops on the ground. Given space constraints, traditional brick-and mortar markets require identifying mainstream and popular commodities to optimise the use of available space in maximising profits. In the digital era, the seller can cater to even the narrowest and niche demands of consumers. The outcome is mutually beneficial; buyers find their niche demand satisfied and sellers make profits higher 2 than what the traditional format allowed them.

The very definition of “money” has also evolved in parallel with digitalisation. From salt, and beads, and cattle to gold, then to paper money, and now to electronic or plastic money, this medium of exchange has adapted to the dynamics of technology advancement and economic 3 activity. Today, it is the time for digital transactions.

Transactions are fundamental to economic activity and cannot be bypassed in addressing concerns of efficiency. Efficient transactions economise on the use of some tangible or intangible resource. Speed reduces consumption of time, convenience saves human energy, and cost-effectiveness prevents wastage of material resources. The adoption of a transactions system is incentivised by such efficiencies. Electronic payments are efficient in this sense. This efficiency is accompanied by increments in productivity and reduction in costs of financial institutions such as banks responsible for intermediating and managing transactions. Digital transactions not only facilitate, but also boost economic activity.

Studies have found that higher use of electronic payments contributes positively to consumption, creation of 4 employment opportunities, and, therefore, to economic growth.

## **II. BENEFITS OF GOING CASHLESS:**

### **Convenience:**

The ease of conducting financial transactions is probably the biggest motivator to go digital. You will no longer need to carry wads of cash, plastic cards, or even queue up for ATM withdrawals. It's also a safer and easier spending option when you are travelling. "The benefits are enormous if you leave out the low-income group, which will face a huge challenge," says Kartik Jhaveri, Director, Transcend Consulting. "For the rest of the country, it is constructive and simple. It will be especially useful in case of emergencies, say, in hospitals," he says. Adds Jayant Pai, Head, Marketing, PPFAS Mutual Fund: "You have the freedom to transact whenever and wherever you want. You don't have to be physically present to conduct a transaction or be forced to do so only during office hours."

### **Discounts:**

The recent waiver of service tax on card transactions up to Rs 2,000 is one of the incentives provided by the government to promote digital transactions. This has been followed by a series of cuts and freebies. It's a good time to increase your savings if you take advantage of these. For instance, 0.75% discount on digital purchase of fuel means that the petrol price in Delhi at Rs 63.47 per litre can be brought down to Rs 62.99/l with digital payment. Similarly, saving on rail tickets, highway toll, or purchase of insurance can help cut your costs. Add to these the cashback offers and discounts offered by mobile wallets like Paytm, as well as the reward points and loyalty benefits on existing credit and store cards, and it could help improve your cash flow marginally.

### **Tracking spends:**

"If all transactions are on record, it will be very easy for people to keep track of their spending. It will also help while filing income tax returns and, in case of a scrutiny, people will find it easy to explain their spends," says Manoj Nagpal, CEO, Outlook Asia Capital. "Besides the tax, it will have a good impact on budgeting," says Pai.

### **Budget discipline:**

The written record will help you keep tabs on your spending and this will result in better budgeting. "Various apps and tools will help people analyse their spending patterns and throw up good insights over a couple of years," says Jhaveri. Controlled spending could also result in higher investing. If the same amount of cash does not flow back into circulation and people continue to use mobile wallets and cards, it is also likely to bring down the latte factor. This means that the Rs 10 you spent on candy or chips, or that regular cup of coffee office is likely to take a hit since you will be short of loose change and smaller currency notes. There's a lesser chance of budgetary leaks and unaccounted for spends sneaking into your budget at the end of the month.

### **Lower risk:**

If stolen, it is easy to block a credit card or mobile wallet remotely, but it's impossible to get your cash back. "In that sense, the digital option offers limited security," says Pai. This is especially true while travelling, especially abroad, where loss of cash can cause great inconvenience. Besides, if the futuristic cards evolve to use biometric ID (finger prints, eye scan, etc), it can be extremely difficult to copy, making it a very safe option.

### **Small gains:**

It may not seem like much of an advantage, but being cashless makes it easy to ward off borrowers. Another plus is that you can pay the exact amount without worrying about not having change or getting it back from shopkeepers.

**GO DIGITAL, GET DISCOUNTS**

**Service tax:** Waiver of service tax of 15% on digital transactions up to `2,000.

**Fuel:** 0.75% discount on digital purchase of fuel through credit/debit cards, e-wallets or mobile wallets.

**Rail tickets:** 0.5% discount on monthly and seasonal suburban railway tickets from 1 January 2017. Online rail ticket buyers get up to `10 lakh free accident insurance too.

**Rail catering:** 5% discount on digital payments for railway catering, accommodation, retiring rooms, etc.

**Highway toll:** 10% discount on NH toll payment via RFID or fast-tags in 2016-17.

**Insurance:** 10% discount by government general insurers on premium paid online via their portals. 8% discount on new LIC policies bought online via its site. POS: Rs 100 a month is the maximum rent that PSU banks can charge for PoS terminals.

**Rupay :** Kisan credit card holders to get RuPay Kisan cards.

### **III. DRAWBACKS OF DIGITAL TRANSACTIONS**

#### **Higher risk of identity theft:**

“The biggest fear is the risk of identity theft. Since we are culturally not attuned to digital transactions, even well-educated people run the risk of falling into phishing traps,” says Nagpal. With the rising incidence of online fraud, the risk of hacking will only grow as more people hop on to the digital platform. Besides, the latest move by the government to remove the two-factor authentication process for online transactions up to `2,000, will not help. Irrespective of the size of transaction, the absence of this additional layer of security will expose thousands to the risk of identity theft. Another weak link is the inadequate redressal mechanism. “With the poor redressal system in India, imagine what a poor rickshaw puller will do if he has his Aadhaar ID stolen?” asks Mumbai-based financial trainer P.V. Subramanyam.

#### **Losing phone:**

Since you will be dependent on your phone for all your transactions on the move, losing it can prove to be a double whammy. It can not only make you susceptible to identity theft, but you could also be rendered helpless in the absence of physical cash or any other payment option. This can be especially problematic if you are travelling abroad or in smaller towns or villages with lack of banking infrastructure or other payment options. Another drawback is that you need to keep your phone constantly charged. If the phone dies on you, you will be stranded, particularly if you are in the middle of an important purchase or dealing with an emergency.

#### **Difficult for tech-unsavvy:**

India has a low Internet penetration of 34.8%(2016), according to the Internet Live Stats, and only 26.3% of all mobile phone users have a smartphone (2015), as per Statista figures. Besides the practical difficulty of going digital, “a bigger block is the psychological shift. You are suddenly jumping three generations to the digital medium,” says Pai. Adds Subramanyam: “It’s a problem for the older people, who may suddenly find themselves locked out of their accounts if they can’t download an app or don’t have cash.” The digital medium may prove a challenge for the tech-unfriendly people, who will need more time to adapt or the availability of other options to conduct transactions.

#### **Overspending :**

While there is no denying the convenience of card or mobile wallet transactions, it could open a spending trap for an unsuspecting population. According to behavioural finance theorists, the pain of parting with money is felt more acutely if you use physical cash instead of a card. Hence, using cash instead of cards or mobile wallet acts as a natural bulwark for people who find it difficult to control their spending. “This is the reason that people could end up overspending, throwing their budgets into a disarray,” says Pai.

### **IV. CONCLUSIONS**

Cash is the life blood of any economy, which can be defined as the legal common way for all kinds of material transactions in an economy, supporting the large informal, unorganized economy; the livelihoods of the majority of the poor population also runs in cash. Cashless transaction is a system which allows individuals to purchase goods or services without the exchange of anything tangible. Greater application of digital payments will save a lot as it will help in bringing down the cost of cash in India. The development of a cashless economy would lead to transparency, curb

corruption and lead to convenience for economic growth. The transformation of rural areas is the biggest challenge in front of the Indian economy. The government must take necessary steps to pave the way for its transformation in the long run from traditional branch based model to technologically driven cashless economy in order to bring transparency, flexibility, efficiency, convenient, customer friendly banking facilities in India.

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