

Cash to Cashless: Achieving New Horizon in Indian Economy

Renu Beniwal^{1*} Sushil Kumar²

¹ Research Scholar, IMSAR, MDU Rohtak

² Research Scholar, IMSAR, MDU Rohtak, Haryana

Abstract – In India, the scenario has completely changed right after the Demonetization. It was the major step taken by the government to make India cashless. The present paper studied the trend and pattern of Electronic Transactions through different methods after demonetization. The study also throws light on the main benefits and challenges for the government associated with the adoption of cashless system in India. The study concluded that there is lot more to be done on the part of government like, developing strong banking base, public awareness programmes, etc for the achievement of goal of India to be a Cashless society.

Keywords: Demonetization, Electronic Transactions, Cashless System.

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INTRODUCTION

Cashless Economy can be defined as a situation wherein the float of coins within an economy is Non-existent and all transactions have to be through digital channels which include direct debit, credit score playing cards, debit playing cards, electronic clearing, PoS (point of sales) machines, digital wallets and so forth. And payment structures which include Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) in India. Only 15% of Indian households have get entry to the Internet and 5.5 % subscription for mobile broadband. Indian economic system is basically to be driven by using the use of coins and much less than 5% of all bills show up electronically. A report with the aid of Google India and Boston Consulting Group showed that during 2015 round 75% of transactions in India had been coins-based while in evolved nations like USA, Japan, France, Germany and many others. It became just around 20-25%. Indian economy is typically driven by means of the casual region and it is based closely on coins primarily based transactions. The government has been operating tough to sell digital payment structures. So a long way, it appears to be running: the authorities have suggested a 400-1,000% boom in virtual transactions since the demonetization. The National Payments Corporation of India, together with the RBI, has launched UPI ("united payment interface") .The "Digital India Initiative" has been set up to offer net get entry to and complete mobile phone insurance across India, helping over a thousand million people

to get online and utilize digital payment strategies. The RBI has been selling a biometric authentication device for banking. The Aadhar Enabled Payment System (AEPS) may be used to open a Bank Account the use of simply an identity range and fingerprint.

REVIEW OF LITERATURE

Akinola, O.S. (2012) discussed about the feasibility of cashless system and the security issues associated with the cashless system. The study also suggested some data mining techniques to overcome the security threats.

Kumar, P. (2015) focused on perception of people of National Capital towards cashless society using sample survey method. It is found through the study that the people hate to "go cashless" and feel hesitate to make use of electronic payment methods because of the security reasons linked to it.

Meenakshi. (2015) discussed about the usage and affordability of cashless transaction system in India. The findings stated the future transaction system as cashless one because of benefits associated with it.

Kumari, D. (2016) stated that with the statement of Demonetization by PM Narendra Modi, a boom is felt in cashless transaction in India. The study discussed about cashless transactions methods &

how they work, advantages & disadvantages and the security issues consociated with the same.

Garg, P. and Panchal, M. (2017) studied the opinion of people through survey method towards the introduction of cashless economy in India. It is found through the study, the respondents feel that it would help in curbing black money and corruption, improving growth. It was also noticed that there are several challenges like cyber fraud, illiteracy, etc. that are to be considered for the proper implementation of the policies.

Kaur, M. (2017) studied the impact of demonetization on the cashless system in India. The study examined the positive aspect of Demonetization as it supported the increase in cashless transactions and pointed towards India as Cashless economy in near future.

OBJECTIVES OF THE STUDY

The objective of the study is to discuss the challenges and opportunities in the path of adopting cashless system in India and to study the pattern of electronic payments in India for a period of nine months (Nov. 2016 to July 2017).

RESEARCH METHODOLOGY

The present study is descriptive as well as analytical in nature, which is purely based on secondary data which were collected from various sources such as National Payments Corporation of India, GOI and other related websites. The data is analyzed with the help of various statistical tools and techniques like, average, etc. to achieve the objective of the study.

ANALYSIS AND INTERPRETATION

There are number of mode available for electronic payment like, "RTGS (Real time gross settlement), NEFT (National electronic funds transfer), CTS (Cheque truncation system), IMPS (Immediate payment service), NACH (National automated clearing house), UPI (Unified Payments Interface), USSD (Unstructured Supplementary Service Data), PPI (Prepaid payment instrument), etc". The analytical table 1 and 2 represents the data pertaining to the different modes of electronic payment systems for the period of 9 months i.e. Nov. 2016 to July 2017 (from the time of demonetization).

Table: 1

Data for the period	RTGS	NEFT	CTS*	IMPS*	NACH*	UPI*	USSD** (in thousand Rs.)	Debit and Credit Cards at POS &	PPI#	Mobile Banking
Nov-16	78479.2	8807.8	5419.2	324.8	606.6	0.9	7302.6	352.4	13.2	1244.9
Dec-16	84096.5	11537.6	6811.9	431.9	626.8	7.0	103718.4	522.2	21.3	1365.9
Jan-17	77486.1	11355.1	6618.4	491.2	541.4	16.6	381760.2	481.2	21.0	1206.7
Feb-17	74218.8	10877.9	5993.9	482.2	592.0	19.0	357055.2	391.5	18.7	1080.0
Mar-17	123375.8	16294.5	8062.8	564.7	829.4	23.9	337962.4	416.2	21.5	1499.9
Apr-17	88512.2	12156.2	6990.6	562.1	905.2	22.0	301650.5	431.4	22.3	1443.8
May-17	90170.5	12410.8	6745.9	585.6	692.4	27.7	316723.7	450.8	25.3	1940.7
Jun-17	92812.6	12694.2	6409.9	596.5	708.6	30.7	313277.0	468.2	24.1	1584.7
Jul-17	87149.3	12115.1	6342.5	604.8	771.7	33.8	302097.8	439.3	25.1	1019.2
Total	796301.0	108249.2	59395.3	4643.8	6274.1	181.6	2421547.9	3953.3	192.4	12385.5
Average	88477.9	12027.7	6599.5	516.0	697.1	20.2	269060.9	439.3	21.4	1376.2

It is clear from the analytical table 1 that maximum number of electronic transactions took place through RTGS method (of worth 796301 Billion Rs.) followed by NEFT (108249.2 Billion Rs.), CTS (59395.3 Billion Rs.) and Mobile banking (12385.5 Billion Rs.), during the period under the study. The table also depicts that an average of worth 88477.9 Billion Rs. transactions took place through RTGS in each month, followed by NEFT and CTS, in the period of 9 months. While, monthly average of worth 20.2 and 21.4 Billion Rs. was found in the case of UPI and PPI, respectively.

Table: 2

Data for the period	RTGS	NEFT	CTS*	IMPS*	NACH*	UPI*	USSD** (in thousand)	Debit and Credit Cards at POS #	PPI #	Mobile Banking
Nov-16	7.9	123.0	87.1	36.2	152.5	0.3	7.0	205.5	59.0	72.3
Dec-16	8.8	166.3	130.0	52.8	198.7	2.0	102.2	311.0	87.8	70.2
Jan-17	9.3	164.2	118.5	62.4	158.7	4.2	314.3	265.5	87.3	64.9
Feb-17	9.1	148.2	100.4	59.7	150.5	4.2	224.8	212.3	78.4	56.2
Mar-17	12.5	186.7	119.2	67.4	182.1	6.2	211.2	229.7	90.0	60.8
Apr-17	9.5	143.2	95.3	65.1	212.6	6.9	188.9	231.1	89.2	61.0
May-17	10.4	155.8	97.1	66.7	194.4	9.2	192.6	233.4	91.3	64.9
Jun-17	9.8	152.3	91.9	65.8	197.3	10.2	198.9	232.4	84.7	77.1
Jul-17	9.4	149.5	92.2	69.1	204.3	11.4	190.7	237.6	88.7	69.5
Total	86.9	1389.2	931.6	545.2	1651.1	54.4	1630.5	2158.6	756.3	596.9
Average	9.7	154.4	103.5	60.6	183.5	6.0	181.2	239.8	84.0	66.3

Source: NPCI.

Data is provisional.

**Figures Negligible, Source is NPCI

&: Card transactions of four banks.

#: PPI issued by 8 non-bank issuers for goods and services transactions only.

Mobile Banking figures are taken from 5 banks.

NACH figures are for approved transactions only

The analytical table 2 depicts the information related to the number of electronic transactions took place through various electronic payment methods for the period of nine months right after the demonetization i.e. Nov. 2016 to July 2017. As it is clear from the table 2 that maximum number of transactions took place via Debit and Credit cards at POS (2158.6 Million) with a monthly average of 239.8 Million transactions. Second highest number of transactions took place through NACH (1651.1 Million). In case of RTGS, despite of having transactions of maximum value, the number of transactions (86.9 Million) was low as compared to others. Whereas least transactions took place via UPI(54.4 Million) and IMPS(545.2 Million) during the period under the study.

BENEFITS ASSOCIATED WITH CASHLESS ECONOMY

- **High maintenance costs of the currency:** According to the Reserve Bank of India, approximately currency of INR 8,64,333 Crores (June 2010) was in circulation out of which only 5 per cent was with banks and the amount of printing the currency was INR 2,800 Crores. A step towards cashless economy would help the government to cut this unnecessary expenditure and the same can be used for developmental activities.
- **Financial inclusion:** Cashless transactions system would be the obvious extension of the existing policies directed towards financial inclusion which in turn help in promoting welfare activities and increase the faith of people in banking system of the country.
- **Financial Records:** Cashless system enables the recording of financial transactions which has numerous benefits like, it helps the government in knowing the exact income and collecting tax, it would help in curbing corruption and finding unethical & fraud transactions, it helps in linking the government policies to those who are in need because government would easily identify the area in which it need to focus its attention. Records also help in finding the unreported money (black money) hence; this is the most effective way of tackling issues in corruption and black money in India.
- **Lower transaction costs:** With the use of cashless transaction system there would be less waiting and processing time along with the lower transaction costs.

CHALLENGES AND ISSUES IN THE PATH OF INDIA TO BE A CASHLESS ECONOMY

- In India, majority of the population is still outside the scope of using banking and net because of which they dependent upon cash. According to a 2015 report given by Price water house Coopers.
- Less number points of sale limited the use of debit or credit card in India as there are only about 1.46 million points of sale where payment can be made through cards.
- It is easy for the formal sector to be cashless but for the informal sector it is difficult to be cashless.

- People whether general public, businessmen or merchants do not prefer to keep records in order to avoid paying taxes, because tax avoidance is possible up to some extent if there is absence of proper records of transactions.
- In India, there is absence of proper infrastructure too which is required for the successful implementation of cashless system. Because of poor network, people are facing numerous difficulties while making electronic payments, even in metro cities.
- The World Bank's Global Findex suggests that Indians are drastically much less familiar with digital banking, making transactions the usage of cell phones, and using the internet to pay payments – than their friends in middle-earnings nations
- High illiteracy level and lack of internet access in rural areas are also some of the difficulties in the path of execution of cashless system in India.

CONCLUSION

Demonetization acts as a tool to achieve the goal of being cashless. It is clear from the results that the number of transactions through electronic method has increased. Maximum transactions in terms of value and volume are made through RTGS and Debit & Credit cards, respectively. With the adoption of cashless system, India will be benefitted through a number of ways like, reduction in costs, more transparency and many more. Few troubles with the complete and successful implementation of cashless system are lack of faith in banking system, illiteracy, lack of infrastructure like internet access and security issues, etc. There is a need to introduce the public awareness and education programs about the cashless system so that everyone will be familiar with the system because in any e-machine there may be almost no vicinity for the illiterate. It is also suggested through the study that a strong banking base should be there in order to adopt cashless system.

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Corresponding Author

Renu Beniwal*

Research Scholar, IMSAR, MDU Rohtak

renubeniwal16@gmail.com