

Prospects and Challenges of Cashless Rural Economy: An Analysis

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Abstract – Government need to guarantee fundamental requirements in rural regions and cognizance on growing infrastructure. Special drives via schools, colleges, Panchayats and so forth. Can assist create focus approximately cashless/banking transactions. Financial Literacy is a ought to for bringing increasingly more human beings to virtual platform. Digital price or price via banks, rather than paying coins need to be encouraged. Linkage of all welfare sports with financial institution bills is a completely strategic step. With cashless transactions, nearly all transactions will depart a virtual footprint. A gadget that encourages and incentivizes the 'buyer' to pay via cashless instruments (growing use of financial institution to financial institution transactions without related to the bodily forex) may have better monetary transparency. This is possibly the maximum direct manner of scuffling with troubles in corruption and black cash in India. Digital footprints produce other fundamental advantages. It could make public shipping structures plenty greater efficient. In 2009, the Planning Commission expected that simplest 27 according to cent of Public Distribution System (PDS) expenditure reached the focused low-profits groups. Digitalization of transactions is the satisfactory manner to transport in the direction of cashless financial system. Such a cashless financial system can be attainable via way of means of selling digital cash instruments, growing monetary infrastructure and spreading virtual transaction habits amongst human beings. Government's demonetization force is likewise imagined to advantage cashless financial system. Still there are numerous constraints in addition to potentialities in the adventure in the direction of cashless financial system. The cognizance is to make the branches an unmarried factor interface for all offerings. Technology is a extremely good enabler for monetary inclusion, which incorporates Branch and Wheels, a cellular-van-primarily based totally department that targets at presenting banking offerings to a cluster of faraway unbanked villages.

Key Words: Most Important, Digitalization, Modern-Day, Penetration, Disruption, Transparency.

INTRODUCTION

Worldwide there may be first rate hobby amongst coverage makers to discover the opportunity of transferring in the direction of a cashless financial system. However, coins nevertheless keeps to stay the most important shape of transaction. Recording monetary transactions has many advantages. First, it aids the Government to gather suitable tax revenues; second, it could successfully detect, and assist curtail, unlawful transactions; third, it'll give us a higher estimate and know-how of the large unorganized zone in India; and closing, however now no longer the least, it'll assist plug the 'leakages' in diverse authorities programmes. In the modern-day scenario, our kingdom is about to grow to be one of the world's maximum thriving and promising economies. India is essentially an agrarian primarily based totally rural financial system with a most important unorganized zone and 68.eighty four according to cent of India's populace residing in rural regions. The casual zone bills for 20 according to cent of the GDP and eighty according to cent of

employment. Rural regions are domestic to 2 thirds of the U. S.'s populace of a few 870 million human beings wherein plenty of the mission lies in accomplishing cashless transactions for the relaxation of the decade. It is expected that rural customers will represent approximately 1/2 of all net customers in 2020. Number of linked rural clients is predicted to growth from one hundred twenty million in 2015 to nearly 315 million in 2020. Currently, the age organization of 18 to 50 years constitutes round one hundred sixty million human beings with 30 according to cent net penetration. It is thrilling to be aware that rural increase is predicted to noticeably outpace increase in city facilities. Over ninety three according to cent of human beings in rural India have now no longer completed any virtual transactions. So the actual capacity lies there. The authorities has taken steps, which include saying 0 stability bills for bad human beings, however increase of financial institution branches has been low as margins are narrow for maximum lenders. In 2001, India had 5.three financial institution

branches according to one hundred human beings in rural regions. Today, that stands at simplest 7-8 branches, in keeping with RBI data.

INDIRECT BENEFITS

There are three awesome but essential oblique advantages from selling cashless transactions in India. These are:

1. It will sell monetary inclusion;
2. It will maintain facts of monetary transactions; and
3. It will decrease transaction charges related to any events engaged in a monetary transaction.

While the closing remark is in widespread real for any financial system, the primary are especially applicable for India. Gangopadhyay (2009), indicates that greater than 1/2 of the Indian populace isn't always financially included. There are approximately 7.eight financial institution branches for each one hundred, 000 human beings in India, much less than three branches according to one hundred rectangular kilometers. For rural India, the numbers are much less than 1 department according to one hundred rectangular kilometers. In particular, forty five according to cent of the rural, 28 according to cent of the city and 38 according to cent of all families in India, admit that get right of entry to and availability are the primary factors figuring out their desire of a selected financial institution. While it's miles important for monetary inclusion that each family need to have get right of entry to to a financial institution, mere bodily get right of entry to a financial institution is, of course, now no longer sufficient. This is especially essential for the reason that greater than ninety according to cent of the personnel in India is with inside the unorganised zone, and bodily having access to banks could mean large possibility charges for them (measured in phrases of day by day earnings). Informal zone is the most important organization in India and runs on coins primarily. An allowing gadget that promotes cashless transactions could, therefore, be the herbal extension of the present rules directed in the direction of monetary inclusion. Government has introduced incentives like reducing down on carrier rate and different levies on debit/credit score card transactions. The authorities' tasks over the last yr. or so were targeted on selling e-bills, plastic transactions, and cashless bills. It is, indeed, the destiny for the Indian financial system.

The question, however, stays whether or not India is prepared for such an overhaul of its coins-pushed financial system particularly in rural regions. RBI figures for July 2016 display that banks had issued 697.2 million debit playing cards and 25.9million

credit score playing cards to clients after deducting withdrawn or cancelled playing cards. It is essential to be aware that wide variety of playing cards does now no longer same wide variety of people conserving the ones playing cards. Usually city citizens have a couple of playing cards and the fashion is visible now in rural regions as well. Further, playing cards are used for three number one purposes-taking flight cash from ATMs, making on line bills and bills at factor of sale (POS) terminals at shops, restaurants, gas pumps and so forth. Merely 26 according to cent of India has net get right of entry to, and there are simplest 2 hundred million customers of virtual price offerings. India's cutting-edge banking gadget maps smartly onto social and spatial inequalities. Only 18 according to cent of all ATMs are deployed in rural India. The RBI's very own studies reveals that states with a better lady populace and a greater rural population display decrease degrees of monetary inclusion. A file via way of means of Google India and Boston Consulting Group confirmed that closing yr round seventy five according to cent of transactions in India have been coins-primarily based totally even as in advanced countries just like the US, Japan, France, Germany and so forth it become round 20-25 according to cent. Due to demonetization, commercial enterprise for cellular or e-pockets organizations has boosted via way of means of as much as 4 times. Much of the coins transactions with inside the U. S. are small exchanges for items or offerings and the penetration of PoS terminals isn't always enough. Millions of human beings nevertheless do not have a financial institution account, get right of entry to to PoS sale factors, net or infrastructure to recognize and use on line price methodsetc. So we want a massive scale penetration of virtual offerings and PoS terminals to facilitate virtual transactions in small cities and rural India. In July this yr., 881 million transactions have been made the usage of debit playing cards at ATMs and PoS terminals. Out of those, ninety two according to cent have been coins withdrawals from ATMs. The essential reason for playing cards in Indian setup is for this reason a way to withdraw coins. Another massive hurdle is the unachieved goals for virtual India. Mobile net penetration is essential into deeper wallet because PoS works over cellular net connections. Earlier, banks used to rate cash on card-primarily based totally transactions which has now been mentioned as a hurdle. Also, the low literacy fees in rural regions at the side of loss of net get right of entry to or maybe fundamental utilities makes it very tough for human beings to undertake to virtual transactions.

CHALLENGES OF A CASHLESS RURAL ECONOMY

1. Currency ruled financial system: High stage of coins move in India. Cash in

move quantities to round thirteen according to cent of India's GDP.

2. Transactions are specifically in coins: Nearly ninety five according to cent of transactions take location in coins. Large length of casual/unorganized zone entities and people pick coins primarily based totally transactions. They do not have required virtual literacy.
3. ATM use is specifically for coins withdrawals and now no longer for settling on line transactions: There are massive wide varieties of ATM playing cards which include round 21 crore Rupaya playing cards. But almost ninety two according to cent of ATM playing cards are used for coins withdrawals. Multiple conserving of playing cards in city and semi-city regions display low rural penetration.
4. Limited availability of Point of Sale terminals: According to RBI, there are 1.44 million PoS terminals mounted via way of means of diverse banks throughout places on the quilt of July 2016. But maximum of them stay in city/ semi-city regions.
5. Mobile net penetration stays vulnerable in rural India: For settling transactions digitally, net connection is needed. But in India, there may be bad connectivity in rural regions. In addition to this, a decrease literacy stage in bad and rural components of the U. S., make it difficult to push using plastic cash on a much wider scale. This is being conquer via way of means of utility BHIM (Bharat Interface for Money) released via way of means of the Prime Minister so one can paintings on USSD i.e. without cellular net.

PROSPECTS AND THE ROAD AHEAD

When 86 according to cent of forex notes in a rustic of 1.3 billion human beings are rendered unlawful gentle in a be counted of hours, it's miles sure to create a brief time period disruption in day by day lives. Particularly so, because plenty of India's financial interest nevertheless takes location with inside the casual zone without a cheque bills, ensuing now no longer simply in giant direct and oblique tax evasion however additionally an incapacity to evaluate the real kingdom of the financial system. For instance, even as farmer's profits isn't always taxed, maximum of them now have a Kisan Credit Card, first released in 1998, and no-frills Bank bills whose introduction has been scaled up via way of means of the prevailing Government. But the rural financial system continues to be managed via way of means of middlemen and investors who simplest make coins bills to farmers even as reaping a make the most of the distinction in

prices. A massive wide variety of presidency transfers (DBT) are made via JAM mode. This will assist human beings to get virtual transaction focus. There are a massive wide variety of nodal factors of interplay among a citizen and the Government. The function of the Government in those instances might be to make cashless transactions obligatory for sure bills and make it obligatory for sure offerings exceeding a sure quantity which has already been initiated.

For example, price for passports may be made obligatory via cashless methods (on line bills or financial institution drafts). Also, bills of diverse taxes (profits, income or excise duties) may be made obligatory via cashless modes. In addition, a tax rebate (of say one according to cent to two according to cent) on bills made via way of means of families as earnings to unorganized zone (home servants, sweepers and so forth) can raise cashless bills. This will do things, one the families may have an incentive to move cashless and, massive part of the unorganized zone might be financially included. Apart from the incentives and obligatory prescriptions of cashless modes stated above, there are a few direct authorities programmes and tasks wherein it could create a massive platform for cashless transactions.

CONCLUSION

Government need to guarantee fundamental requirements in rural regions and cognizance on growing infrastructure. Special drives via schools, colleges, Panchayats and so forth. Can assist create focus approximately cashless/banking transactions? Financial Literacy is a ought to for bringing increasingly more human beings to the virtual platform. Digital price or price via banks, rather than paying coins need to be encouraged. Linkage of all welfare sports with financial institution bills is a completely strategic step. A sturdy banking base is the fundamental prerequisite for the cashless financial system. The direction ahead is clear: a national monetary literacy marketing campaign observed via way of means of a medium-time period method to enhance get right of entry to to, and focus of, digital bills. Targeted monetary schooling programmes can enhance monetary talents and credit score management, and growth account possession in rural India.

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