

Moving Towards Cash to Cashless Economy: Pros and Cons

Dr. Pandit C Bilamge

Associate Professor, Government College (Autonomous), Kalaburagi, Karnataka (India)

ABSTRACT

The cashless transaction system is reaching its growth day by day and government is doing efforts to infuse more modes of digital payments in an economy. The survey revealed that the literate urban people with the knowledge of digital payments are also reluctant to use electronic mode for transfer of funds. It is because of illiteracy in handling technology. The young generation is ready to use the digital cash for payments. Though it provides many benefits still we are not well prepared to adopt fully in the economy. Lack of proper infrastructure, transactions cost and security or online frauds are the major challenges which needs urgent attention of the policy makers. If challenges are addressed properly one can definitely move towards cashless economy.

Key words: Cashless Economy, Digital payment, E Wallet, Internet Banking, Debit card

I. INTRODUCTION

The RBI and the government are making several efforts to reduce the use of physical cash in the economy by promoting the digital payments. RBI is making all out efforts to encourage the new variety of payment and settlement systems to facilitate to have less cash in a society. Cashless transaction economy doesn't mean shortage of cash rather it indicates a culture of people settling transactions digitally. In a modern economy, money moves electronically. Hence the spread of digital payment culture along with the expansion of infrastructure facilities needed to achieve the goal. There are several reasons why the government and the RBI bring up measures to promote cashless transaction economy. Besides convenience, digital transaction gives more scope for recording of transactions very easily and curb the black money and to fight against counterfeit notes prevailing in an economy.

The Indian economy is uses more cash as compared to other developed economies in the world. According to one estimate the ratio of cash to GDP is around 12% in India. It is too high as compared to developed countries. Handling of more cash in an economy creates more problems. The central bank has to arrange more amount of cash to run the economy smoothly. More cash leads to black money, more printing and circulation cost and so on. In order to bailout this situation, best way is to move towards cashless economy by doing all financial transactions through digital mode. Due to invention of sophisticated technology in payment and settlement system, the banking transactions can be carried out very effectively without cash. Therefore, in this paper an attempt is made to know the perception of the people about cashless/less cash economy.

II. OBJECTIVES

The objectives of paper are as follows:

1. To study the various methods of digital payments.
2. To know the advantages and disadvantages of Cashless economy
3. To know the opinion of people about the cashless economy.
4. To offer some suitable suggestions

III. RESEARCH METHODOLOGY

The present paper is uses primary as well as secondary data. The primary data is collected from various sections of the society through structured questionnaires. Apart from this published and unpublished data have been used for drawing some conclusions. Papers, magazines, govt reports, websites, etc. are the main source of secondary data. In order obtain public reaction 250 respondents are selected randomly from the Hyderabad Karnataka area.

IV. MEANING OF CASHLESS ECONOMY

Cashless economy is a situation in which the financial transactions are not conducted by use of physical notes, rather these are conducted with the help of electronic modes. Normally, financial transactions are carried out by using electronic modes such as NEFT, RTGS, IMPS, Debit Cards, Credit cards, E-Wallet etc. Though there are many benefits of cashless economy, Indians are still using more cash.

V. WAYS OF DOING E PAYMENTS

The following are the different ways to transfer the funds from one account another:

Net banking;

Internet banking is also known as online banking. It is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. A customer can transfer funds by using National electronic funds transfer (NEFT), Real time gross settlement (RTGS) or Immediate payment service (IMPS) method to transfer the funds.

E- Wallet

E-Wallet is a prepaid account that allows the customer to store multiple credit cards, debit card and bank account numbers in a secure environment. This eliminates the need to key in account information every time while making payments. Once the customer has registered and created E-Wallet profile, he/she can make payments faster. It is basically a virtual wallet available in mobile phone. One can store cash in mobile to make online or offline payments. Various service providers offer these wallets via mobile apps, which is to be downloaded on the phone. Money can be transferred into these wallets online using credit/debit card or net banking.

Plastic money;

It includes credit, debit and prepaid cards. The latter can be issued by banks or non-banks and it can be physical or virtual. These can be bought and recharged online via net banking and can be used to make online or point-of-sale (PoS) purchases, even given as gift cards. Cards are used for three primary purposes- for withdrawing money from ATM, making online payments and swiping for purchases or payments at PoS terminals at merchant outlets like shops, restaurants, fuel pumps etc.

UPI Apps

Unified Payment Interface (UPI) is a mobile payment system which allows you to do various financial transactions on your Smartphone. UPI allows you to send or receive money using virtual payment address without entering bank information. Merchants can enrol with banks to accept payments using UPI. Like in the case of PoS machine, the merchant would require a current account with a bank to accept UPI payments.

Gift card:

The next cashless payment method is a gift card. Gift card is a readymade card and can be purchased from a merchant or from the bank. The gift card is loaded with a fix cash amount you can purchase any item from the specific vendor by using a gift card.

Aadhaar Enabled payment system:

Aadhaar enabled payment system (AEPS) is one of the best cashless payment methods. AEPS is like micro ATM it uses Smartphone and a finger-print scanner for the transaction. In order to use this facility, it is mandatory to link your Aadhaar card to your bank account. You can use AEPS in order to perform transaction like Aadhaar to Aadhaar fund transfer, cash withdrawal, cash deposit etc.

Unstructured Supplementary Service Data (USSD)

The innovative payment service *99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of under banked society in the mainstream banking services. *99# service has been launched to take the banking services to every common man across the country. Banking customers can avail this service by dialling *99#, a "Common number across all Telecom Service Providers (TSPs)" on their mobile phone and transact through an interactive menu displayed on the mobile screen. Key services offered under *99# service include, interbank account to account fund transfer, balance enquiry, mini statement besides host of other services.

VI. BENEFITS OF CASHLESS ECONOMY

The following are the some of the important benefits of cashless economy:

Control over black money

Black money has become the way of life in Many Indians. Cashless transaction are very important to control the black money. Whenever we buy any product, the distributor do not disclose their income to the government and hence escape from giving tax that money do not come under government surveillance hence consider black money. Any properties which are not under government surveillance and the tax have not been paid for that is the black money. Cashless economy can curb the menace of black money.

Control over fake note

It is impossible to make fake notes if the cashless transaction is used by every individual in the society because notes becomes useless. In this situation all the transaction will be done online.

No funding to terrorism

Majority of the scrupulous elements use Black money for funding to the terrorists. But cashless transaction will eradicate black money.

Tax payment

4

Illegal political funding

Political donation is the major concern in the country. Majority of the funding in the political party is unaccountable which is not revealed by the party as well as the donor. All such kind of illegal transaction would be stopped if a government follows cashless transaction

Cost of printing and circulation of currency

The cost of printing and distribution of currency can be drastically be reduced if use virtual cash instead of physical cash. Along with cost of printing proper security should be maintained in respect of paper, ink, colour, size etc. These costs can be reduced to a greater extent.

VII. CHALLENGES FOR CASHLESS ECONOMY

1. In India majority of the people lives in rural area and many are illiterate. They are not having any knowledge of digital transactions. Hence its reach is limited to urban and semi-urban centres only and therefore it is very difficult to implement cashless economy in our country.
2. Lack of proper infrastructure and education among citizens is the major hindrance in achieving the success. High speed internet is the basic necessity for digital transactions. Even in urban areas, there are instances of server down for a half a day or some times a day in banking transactions.
3. Cyber security is most essential part of digital transactions. Each and every transactions should be protected by the system. The online transactions are very risky as compared to cash transactions. People having half knowledge of digital payments are exposed to cyber fraud and losing their hard earned money to online scam and hacking of bank accounts
4. Transactions cost is also one demerit of digital transaction. Use of internet banking, debit/credit cards, e-wallets etc are not free. They involve some transactions fee which is not the case with cash transactions and hence any individual thinking of doing online transactions will take into account these transaction costs and will not favour online transactions. Hence the presence of transaction cost is a hindrance to cashless economy.
5. About 90% of the workforce, which produces nearly half of the output in the country, works in the unorganized sector. It will not be easy for the informal sector to become cashless, and this part of the economy is likely to be affected the most because of the currency swap.

VIII. RESULTS AND DISCUSSION

In order to have meaningful conclusion discussions are held with many experts and common people on various parameters. All the parameters are tabulated below:

Table 1: Categories of the Respondents

| Category | No of respondents | Percentages |
|-------------------|-------------------|-------------|
| Businessmen | 50 | 20 |
| Professionals | 50 | 20 |
| Illiterate people | 60 | 24 |
| Financiers | 30 | 12 |
| Students | 40 | 16 |
| Others | 20 | 8 |
| | 250 | 100 |

Source: Field survey

In order to have clear understanding of the situation, respondents have been chosen from different sections of the society comprising of businessmen, professionals like doctors, engineers and lecturers, illiterates, financiers and others. All the different respondents are having different problems in doing digital transactions. Hence, an attempt is made to collect their opinion.

Table 2: Awareness about the Digital Transactions

| Category | Aware | | Unaware | |
|-------------------|-------------------|-------------|-------------------|-------------|
| | No of respondents | Percentages | No of respondents | Percentages |
| Businessmen | 20 | 18.18 | 30 | 21.42 |
| Professionals | 30 | 27.27 | 20 | 14.28 |
| Illiterate people | 10 | 09.09 | 50 | 35.71 |
| Financiers | 20 | 18.18 | 10 | 07.14 |
| Students | 25 | 22.72 | 15 | 10.71 |
| Others | 5 | 04.54 | 15 | 10.71 |
| Total | 110 | 44.00 | 140 | 56.00 |

Source: Field survey

The responses concerning to the awareness of digital transactions have been obtained from various respondents. It is clear that only 44% of the respondents are aware about the digital transactions whereas rest of the respondents are unaware. If we look in to the composition of respondents who are aware of the transactions, it is noticed that students and professional occupy top position. Illiterate persons occupy last position in awareness.

Table 3: Use of Digital cash for transactions

| Category | Using | | Unable to Use | |
|-------------------|-------------------|-------------|-------------------|-------------|
| | No of respondents | Percentages | No of respondents | Percentages |
| Businessmen | 9 | 18 | 11 | 18.33 |
| Professionals | 20 | 40 | 10 | 16.66 |
| Illiterate people | 00 | 00 | 10 | 16.66 |
| Financiers | 5 | 10 | 15 | 25.00 |
| Students | 15 | 30 | 10 | 16.66 |
| Others | 1 | 2 | 4 | 6.66 |
| Total | 50 | 45.45 | 60 | 54.55 |

Source: Field survey

It is very clear from the above table is that, though 110 respondents are aware about the digital transactions but only 50 are actually using the different modes to transfer the funds. Further investigation revealed that again professional and students are using the digital methods to transfer funds. Though 20 financiers are aware about the digital transactions but only 5 are using it.

Table 4: Reasons for not using digital cash for transactions

| Category | No of respondents | Percentages |
|--------------------------------------|-------------------|-------------|
| Fear of wrong transfer | 12 | 20.00 |
| No evidence to complain | 6 | 10.00 |
| No proof of receipt | 11 | 18.33 |
| Unaware of technology | 09 | 15.00 |
| Unable to read the instructions | 10 | 16.66 |
| Failure of internet while in process | 12 | 20.00. |
| Total | 60 | 100.00 |

Source: Field survey

From the analysis of the above table, it is concluded that people are hesitate to use digital payment methods to for payment of various transactions even after knowing the process of cashless payments. Around 40% of the aware respondents are not using the cashless methods for payment because of fear of wrong transfer and failure of internet while in process. Further some have argued that such instances were happened in the past. Around 18% opined that payment is authenticated by receipt but not by the recipient.

Table 5: What is your opinion about Cashless/ less cash Economy (N=Multiple responses)

| Category | No of respondents |
|--|-------------------|
| It is not possible in India | 55 |
| It requires another 20 years | 120 |
| Urban people can adopt | 150 |
| Physical cash is must in rural area | 130 |
| Possible only after 90-95% literacy rate | 180 |
| Political will is necessary | 40 |

Source: Field survey

The opinion of the respondents relating to the cashless economy were collected and tabulated in the above table. For this question multiple responses were collected. It reveals that majority of the respondents argue against the possibility of cashless economy. Around 72% of the respondents opine that it is possible in India only it achieves the more than 90% literacy rate. At the same time they also argue that it be adopted only in urban areas where naturally literacy rate is high and also the people are having access to many facilities.

CONCLUSION

The cashless transaction system is reaching its growth day by day and government is doing efforts to infuse more modes of digital payments in an economy. The survey revealed that the literate urban people with the knowledge of digital payments are also reluctant to use electronic mode for transfer of funds. It is because of illiteracy in handling technology. The young generation is ready to use the digital cash for payments. Though it provides many benefits still we are not well prepared to adopt fully in the economy. Lack of proper infrastructure, transactions cost and security or online frauds are the major challenges which needs urgent attention of the policy makers. The only solution to this problem is to educate the people living in rural areas and provide better infrastructures. The cashless system is not only requirement but also a need of today society. All the online markets basically depends on cashless transaction system. The cashless transactions are not only safer than the cash transaction but also less time consuming. It also reduces the cost of printing and circulation of money in the economy. If challenges are addressed properly one can definitely move towards cashless economy.

REFERENCES

- [1] <https://economictimes.indiatimes.com/topic/cashless-economy> accessed on 18.3.2018
- [2] Demonetisation impact: India's cash to GDP ratio now compares with nations like Germany and France, says RBI. Financial Express, online, new delhi updatred on 31.08.2017
- [3] http://cashlessindia.gov.in/digital_payment_methods.html accessed on 15.3.2018
- [4] Live Mint- E-paper 'Making India a cashless economy'
- [5] Bappaditya Mukhopadhyay, Understanding cashless payments in India, Financial Innovation (2016)