



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2017; 3(7): 310-312
www.allresearchjournal.com
Received: 05-05-2017
Accepted: 06-06-2017

Dr. P Sekar
Associate Professor, PG &
Research Department of
Commerce, Hindusthan College
of Arts and Science,
Coimbatore, Tamil Nadu,
India

Priya Srivastava
PhD Research Scholar, PG &
Research Department of
Commerce, Coimbatore, Tamil
Nadu, India

Correspondence
Priya Srivastava
PhD Research Scholar, PG &
Research Department of
Commerce, Coimbatore, Tamil
Nadu, India

Measuring a path towards cashless economy

Dr. P Sekar and Priya Srivastava

Abstract

A Cashless Economy depicts a financially viable state whereby monetary transactions are not conducted by means of money in the form of corporal banknotes or coins, but fairly through the transmit of digital information (usually an electronic demonstration of money) linking the transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bit coin. However this article discusses and focuses on the term "Cashless Economy" in the sense of a move towards, and implications of, an economy where cash is replaced by its digital equivalent - in other words, authorized tender (money) exists, being recorded, and is exchanged in electronic digital structure.

Keywords: Digitization, Cashless India, Cashless Economy, Cash to Cashless

Introduction

There are numerous reasons not to like cash, but here it remains a cash-based world. The "Cashless Journey" venture was undertaken to track evolution headed for cashless economies. The results are quite astonishing. The journey is usually a plodding trail towards electronic payments bent by local factors.

For the present scenario, approximately 85% of all retail payment transactions are done through cash, which equates for around 60% of retail transaction worth. Even though much of the world's inhabitants having access to numerous different options for making payments other than cash, cash still persists. Cash takes time to contract at, bit riskier to carry, and by large estimates, cash overheads society as much as 1.5% of GDP. Electronic payments, on the other hand, have been demonstrated to enhance economic growth, while advancing financial inclusion. It is for this reason that countries around the world are effective to formulate their payment systems less reliant on cash.

The "Cashless Voyage" revises the measures nations 'growth towards more contemporary, proficient electronic payment mechanisms by looking at the recent share of cash versus non-cash payments for patrons (Share), how this share has shifted in the precedent years, and whether conditions exist for cash payments to shift to electronic.

Meaning of Cashless Economy and Where India Stands?

A nation whereby monetary dealings is not being conducted with currency notifying with the material banknotes or coppers, but rather through the transferring of digital information (usually an electronic representation of money) between the transacting parties.

In present site, India is faraway in comparison with other economies with gaze to cashless transactions. The proportion of cash to gross domestic product in India is being the highest in the world amounting to 12.42% in 2014 as compared with 9.47% in China or 4% in Brazil. Another report by Boston Consulting Group (BCG) and Google India mentioned that last year around 75% of transactions in India was cash based while it was 20-25% in developed nations such as US, Japan, France, Germany etc. Another statistics have revealed that India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S. Besides, assortments of other studies have revealed that individuals have a preference of making the payment in cash in malls even when they clutch credit cards with them. But, the step being taken on Nov 8, 2016 of demonetization has pushed digital and e-transaction to the vanguard in India due to diminution in cash. At this instant, e-banking, e-wallets and erstwhile transaction apps are fetching more rampant.

Statement of the Problem

Monetary policy as a procedure of financial management is to bring about sustainable economic growth and progress all way through cashless policy in addition with banking is not fully efficient due to high rate of illiteracy, inadequate education concerning the reimbursement of cashless policy and insufficient logistics. Apart from physical challenges, economic data & indicators are not fully reliable which assist in great challenges in attempting to examine true impact of cashless policy on economy as only limited macroeconomic indicators can be traced in relation with subject matter. Although study focuses on Indian Economy, it's difficult to translate cashless studies from one country to another. Even payment mechanism looks similar across countries on the surface may be different due to chronological & authorized variations.

Objectives of the study

The major intention of the study is to inspect the impact of cashless policy on Indian Economy and how it affects financial intensification. Specific objectives embrace of:

- To scrutinize the collision of cashless policy on Indian Economy,
- To observe various challenges coupled with the execution of cashless policy,
- To confer with the suggestions on how cashless & other monetary policies can be manages for better contributions towards economic growth & development of Nation, and
- To access the growth of India on path of being Cashless in terms of Digital transaction like internet banking, credit & debit cards, etc.

Predictions in Moving Forward towards Cashless India

Revolutions won't happen overnight. Situations change, pain areas increase and then people demand more. The payments landscape in India has been through this cycle in last few years. We are now beginning to see the signs of non cash transactions taking over cash dominance. However today reality is different. According to 12th edition of World Payment report by Capgemini & BNP Paribas, non cash transactions in India are way below market potential. Does that make India a cash loving nation and unwilling to change? Or like hockey stick curve, slow and stable growth at first, followed by sudden and fast growth ahead? And if so, what would be requirements for such push?

Challenges – The Road Ahead

Multiple barriers have been spotted out, which stops the Indian Consumers from using digital payments for their regular transactions, among which the biggest barrier is HABIT. Indians love the security of physical cash and the satisfaction of handling it over to someone in exchange for goods and services. The entire idea of not having to deal with physical cash seems very complex at the outset. A general belief of Indians is that to digitise India, individuals need to digitise the points of sale, which will generally give a major push to non cash transactions, like credit/debit cards, mobile wallets, bit coins and UPI

Cash back and convenience in transaction attracts individuals to transact with digital currency. India having 1.2 million POS terminals, but most of them is unaware about to accept these kinds of payments. Another game changer has been done with the effect from Apr 2017 with

the introduction of GST, which requires digitisation from every business. In this scenario, mobile, multilingual solutions that answer the peculiar needs of small business person will have the added advantage. The digital payment story will be dominated with micro transactions and merchants accepting digital payments that are even under Rs 100. The day this happens, INDIA will truly be a digital and Cashless Economy.

Benefits of going Cashless towards Indian Economy

Since the country is in gesture heading for a cashless milieu subsequent to demonetisation, the initial trepidation and mystification have specified way to outbreak of concerns. Will it twang on online transactions for providing expediency and corporeal reimbursement or just add to anxiety and additional charges?

Going Cashless not only eases one's life but also helps in substantiate and sanctify the transactions with the aim of being done. This helps to restrain corruption and flow of black money which results in amplifying the economic escalation. The overheads incurred in printing and transportation of currency notes is condensed in a nation resembling India, cashless transactions are not pervasive and this is due to the technology gap and lack of proper education. Though these are the matters of apprehension, the government of financial institutes require addressing them to generate a strong cashless economy.

To get on the move towards Cashless Economy, the government has come up with a hives of discounts & freebies on digital transactions. But will this be ample enough to move along in the midst of with other benefits and contradict with the higher risk of recognition, once currency notes gets sponsor with circulation? To make a view on this, the impacts of benefits have been chalked out for digitisation:

▪ Convenience

The straightforwardness of conducting financial transaction is doubtless the leading motivator to go digital, as it's no longer required to keep a big wads of cash, plastics cards, or even queue up for ATM withdrawals, & being a safer and easy spending option when in travelling. "The benefits are immense if citizens live out the low income group, for which vast challenges required to be faced," says Kartik Jhaveri, Director, Transcend Consulting – Economic Times. "For rest of the country, it's constructive and simple."

It will be chiefly useful in case of an emergency, for hospitals, says Jayant Pai, Head, Marketing, PPFAS Mutual Funds: "You have the choice to transact whenever & 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" – Economic Times.

▪ Concession

An inducement provided by the government to encourage digital transactions is to put a waiver for Service Tax on cards transacting up to Rs 2,000, which have been followed by sequence of cuts and freebies, and by looking at these types of discounts, this being considered as an excellent occasion for escalating personnel savings. For instance, 0.75% discount on digital procure of fuel means the petrol price in Delhi at Rs 63.47 per litre can be brought down to Rs 62.99 per litre with digital fee.

On the contrary, saving on rail tickets, highway toll, or purchase of insurance can in one way helps to shrink costs,

counting on with this cash back offers and discounts presented by mobile wallets like Paytm, as well as the remuneration points and reliability profit on existing credit & store cards, may well help in recuperating the cash flow marginally.

▪ **Tracking Spends**

An easiness of spending on track can be obtained, if there is a proper record of all the transactions to be done, & will also help in filing Income Tax returns, for chance of scrutiny, people will find it easy to explain their spending, - says Manoj Nagpal, CEO, Outlook Asia Capital. “Besides the tax, it will encompass a excellent collision on budgeting,” says Pai. – *Economic Times*.

▪ **Budget Discipline**

A better budgeting can be obtained with the help of clear maintenance of records on spending. “Specific applications along with tools can help people to analyse their spending & throw up a good insights for couple of years,” – says Jhaveri. A limited amount of controlled spending will definitely result in higher investing. If circulation of same amount of Cash does not flow back & people continue to use mobile wallets & cards, its likely to bring down the latter factor, which implies that Rs 10 spend on coffee is likely to hit since there’s a shortages of loose changes & small currency notes. In all its a clear indication that there is a lesser chance of budgetary leaks & unaccounted for spending sneaking into budget at the end of the month.

▪ **Lower Risk**

If being stolen, it’s easy to block a credit card or mobile wallet remotely, but it’s actually impossible to get the cash back. In that sense, the digital option offers security.” – says Pai. A perfect statement while travelling Abroad, where a loss of cash can cause great inconvenience. Besides if futuristic cards evolve the use of BIOMETRIC ID Cards, it can be tremendously complex to copy, & making it a safe option.

▪ **Small Gains**

It doesn’t match to be a much of advantage, but being cashless makes it easy to ward off borrowers. Another advantage to be put on is that an individual can pay the exact amount without worrying about not having changed or getting it back from shopkeepers.

Suggestions

As it is time to promote digital transactions since the future is now cashless, it is important to make this change from cash to cashless for our own good, adding that the shift to a cashless economy will help people in the long run and root out black money and corruption. Following Suggestions have been made in consideration with Cashless Transactions, which includes:

- Government announced demonetisation of high value currency notes, which has encouraged digital payments, including the shift from cash economy to cashless economy representing a similar shift in terms of lowering the transaction cost on cashless transactions.
- The decision is based on assumption that people can be educated about these technologies, which is far from reality. An interesting point to note here is no economy in this world can be considered as a Cashless. A country

can be “less cash” intensive in its outlook, but that standard can be regarded as a standard India is already a less cash economy.

- With the introduction of UPI Payment solutions, India is on the list of top financially & technologically advanced economies in the world. Genuinely a good percentage can’t move to cashless very easily, which generally embraces certain steps that may be least resistance to path politically, and may create least trouble for deprived people.
- Students have come up with a major idea of initialising the concept of Cashless Economy by ensuring that all the campuses are made completely cashless by adopting digital payment systems in all its receipts, payments and transactions.
- The concept of digitization changes have created market conditions for alternative digital payment systems, which in addition reflect to debit / credit cards and existing e – wallets, for which, the National Payment Corporation of India along with RBI together has launched United Payment Interface (UPI), which empowers multiple accounts from participating banks and offers almost all banking facilities in single mobile application.
- For making Cashless plan work, the interdepartmental approach by government, working on finance, internet penetration and public relations strategies are necessarily required to be essential.
- Making India Cashless is like treating multiple chronic societal disease using just one cure. Demonetisation is just the first step, and now much more needs to be done – and yes the country can get there.

Conclusions

The prospect of India being Cashless looks quite impressive as the reaction of the individuals in the direction of the progress of the government and their support headed for, it is a clear sign that the government’s move is likely to thrive. The precision in the economy will definitely amplify through the e-commerce transactions and the digital payment gateways which will boost the GDP of the economy, and this will lead to increase in creditability of the country and formulate an ascend in investments. This pace of cashless is in fact going to create ripples of big sensation and it will definitely assist in conquering the vision of administration for government, i.e., for “Digital India”.

References

1. www.economicstimes.in
2. www.indianexpress.com
3. www.businessworld.com
4. www.businesstoday.com
5. www.moneyconnexion.com
6. www.rbi.org