

Capacity Building Measures Towards Cashless Economy in India

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Abstract:

The winds of demonetization have unveiled many claims and interpretations across the country. The proponents have claimed that it is a war declared on Black Money and the opponents have interpreted that, it shambled economy with liquidity crunch. No matter, whatever demonetization implied, it is certainly succeeded to generate a strong notion called 'Cashless Economy' and digital India. Digital payment system is undoubtedly a scrupulous thought that can fix many problems pertaining to the transparency and accountability of cash payments. Government has also admitted the same in the post demonetization period and initiated fair measures to build and augment the capabilities towards digital payment system. But there is a need to study whether these capacity building measures could flip cash transactions into digital transactions, as most of the payment channels in rural India are still conventional and most of the rural stakeholders are still looking askance at the digital mode of payment system. Therefore, a paper titled "Capacity Building Measures Towards Cashless Economy in India" is proposed to study the schemes and programmes undertook by the Government of India to promote cashless transactions.

Key Words: digital payments, cashless economy, demonetization.

Introduction:

Economic transactions were carried virtually in every society very much before the birth of currency or so called cash. The barter system which enabled the pre historic times to exchange goods and services is the actual genesis for cashless economy which had a sterling existence for many centuries to reprimand that cash is only a legal tender and nothing to do with economic prosperity. It was perhaps the Chinese who invented coins in 770 BC and gradually spread the culture of coinage to Middle East and Europe to fuel the argument of Bullionism in Economic thought. Thus, imagining cashless economy is not an impracticable dream.

The invention of Magnetic chip for storing and retrieving data and its usage in debt and credit cards led to the dawn of new age cashless transactions in the early nineties and sparked a radical change with the advent of Internet Banking. Many economies like India which prefers to travel with the time have bade a grand welcome to innovative banking models like Internet Banking and created a conducive atmosphere for digital transactions in the modern age. The concept of digital transactions took a manifold leap with the aid of smart phones accommodating digital payment channels within the reach of a palm and motivated the policymakers to take bold decisions like demonetization and digital economy. If the glory of these digital revolutions were flawless, the

demonetization milieu should not have reflected the hue and cry of a common man in the vicinities of banks across the country. The lengthy queues formed outside the banks to collect meager amount of cash during the period of demonetization mirrors the preparedness and capacities of the country to adopt digital economy. Thus, it is evident that millions of common men are still lingering with conventional payment system and remaining away from the circles of Internet Banking. For that matter, many rural habitations are not financially included as they do not have a basic bank account, which obviously does not motivate them to foster digital transactions. There is a sheer size of unorganized sector in every sphere requiring those digital platforms which empower the unbanked stakeholders of economy to put the reliance on the capacity and integrity of digital payment channels. It is the reason why, this paper makes a strenuous efforts to develop the nexus between capacity building measures of the government and cashless economy with the following two objectives.

Objectives of the Study:

- To study the need for fostering cashless economy in India.
- To study the capacity building measures initiated by the Government of India towards the cashless economy.

Research Methodology:

Both the objectives are accomplished with the help of secondary data sources. The first objective, which aims at identifying the need of cashless transactions, is perceived by examining the flaws of cash based transactions cited in various reviews. On the other hand, the second objective scrutinizes various digital platforms, mobile applications and awareness programmes launched by the Government of India to promote cashless economy. The data pertaining to these capacity building measures is obtained from the formal websites of the government.

Sample Size & Period of Study: This paper is totally based on secondary data sources; hence no sample of respondents is proposed to examine either of the objectives stated. However, the short term data from 8th November 2016 to 8th August 2017 representing the tenure of nine months from the date of announcing the decision of demonetization is considered to assess the performance of selected capacity building measures.

Need for Fostering Cashless Economy in India: There are many benefits and equal amount of costs involved in adopting cashless economy. Difficulties faced by the illiterates in using the digital interface, problem of privacy, counterfeit mobile applications and payment websites, and system security are the few formidable problems caused by cashless economy. Whereas, the ease of transactions, avoiding lengthy queues, tracking the expenditure, saving the time and avoiding the problems of non availability of liquid cash are the few benefits every individual can derive by

virtues of cashless economy. Irrespective of these costs and benefits, there is a dire need to promote cashless payment system in the country due to the following impediments of economic growth, which can be avoided to a considerable extent by means of cashless economy.

Problem of Fake Currency: It is believed by the proponents of cashless payment system that, it will arrest the menace of fake currency and help ensuring equilibrium between the value of financial and real sectors. This notion is of course, holds good when payments were made in cash. But government has made it mandatory to make payments beyond certain amount through cash convertibles very much before the decision of demonetization had been announced. Therefore, opponents are of the firm belief that, linking the issue of fake currency to cashless economy is a mere myth.

Problem of Black Money: The proponents of cashless payment system hold that the digital environment avoids the circulation of black money and make such earnings defunct. But the grim fact is that cash economy in India represents only twenty three percent of the transactions. The remaining volume of transactions are hoarded in the form of assets or parked in tax heavens. Therefore, cashless economy can curtail the problem of Black money only to a limited extend.

Problem of Taxation: Cashless economy is one of the strong remedies that can be sought by the society with respect to the problem of taxation. The digital payment interface enables the tax authorities to monitor the transactions of payers and levy rational taxes on them. Because, there is a belief among the tax payers that only a section of assesses are taxed heavily and others have devised their own means of avoiding taxes.

Problem of Exclusion: Cashless economy helps developing a holistic approach on the payment system which brings everyone into the organized and regulated system. These virtues are very much recognized by the government and many initiatives are being taken up to enhance the capacity of cashless system and attribute a robust brand to the country called 'digital India.'

Capacity Building Measures towards Cashless Economy: Government of India has been making tireless efforts to develop mobile applications, digital wallets, websites and legal framework supporting the cashless transactions. Among such measures, UMANG, Digishala, CSCs, and Visaka are formally claimed to be the capacity building measures towards the digital economy.

UMANG: UMANG (Unified Mobile Application for New-Age Governance) is one of the key initiatives under the Digital India program to develop a common, unified platform and mobile app to facilitate a single point of access to all government services. It is envisaged to act as a master application, which will integrate 200 applications which will offer around 1,200 services of various government departments of the Centre, states and local bodies, and even some important utility services from the private sector. Its primary aim is to abridge inconvenience faced by users in managing multiple mobile apps and facilitate a one-stop-solution to avail varied government services.

Performance Assessment of UMANG: This application has been launched only in the month of July 2017, which does not offer any statistics to evaluate its performance as it is still at the rudimentary stage. But, it is found from the web sources that, only 2042 subscribers have

downloaded the app in the tenure of one month, which is very nominal comparing to the private counterparts offering digital wallets.

Digishala: Door Darshan (DD) Free Dish reaches to around 2 to 2.5 crore families, mostly in rural areas and people from poor background. The DigiShala is an education and non-commercial TV channel on DD Free Dish which aims at imparting education related to the digital payment ecosystem, its tools, benefits and processes, informing and educating citizens about Digital India cashless, faceless and paperless transactions, encouraging citizens especially in rural and semi urban areas to use digital payments as well as other products and services offered by Digital India

Performance Assessment of Digishala: the programme schedule of Digishala displayed in its formal website for the month of July 2017 reveals that it had forty two programmes designed to broadcast. But the most unfortunate fact is that thirty six programmes of it are designed in the language of Hindi and English, though, government has been claiming that, Digishala helps connecting digital India through regional languages to reach rural people. Despite this flipside, Digishala deserves wider encomium as, it emphasize on Step by step demos of making digital payments using UPI, USSD, Aadhaar, e-Wallets, cards etc, talk shows and panel discussions with experts, case studies on business transformation using digital payments and information about products and services under the Digital India programme.

Common Service Centers (CSCs): Ministry of Electronics and IT (MeitY) has launched a new scheme entitled "Digital Finance for Rural India: Creating Awareness and Access through Common Service Centers (CSCs)" under Digital Saksharta Abhiyan (DISHA) with objectives to enable the CSCs to become Digital Financial Hubs, by hosting awareness sessions on government policies and digital finance options available for rural citizens as well as enabling various mechanism of digital financial services such as IMPS, UPI, Bank PoS machines etc. with an outlay of Rs 65.625 crore. 2 lakhs Common Service Centers (CSCs) are planned to provide capacity building, awareness and access for digital payments methods to around 1 Crore rural citizens and 25 lakh merchants across India. Each CSC would reach out to 40 households in the catchment area, covering one person from each household. Apart from rural citizens, each CSC would also target 10 Merchants per Panchayat to facilitate them in getting POS machines or digital payment mechanism.

Performance Assessment of CSCs: It is found to be one of the most successful capacity building measures initiated by the Government of India towards the cashless economy. Because, CSC reflects the total of 2.05 Crore citizens registered themselves under the programme, 20274341 EPS activations were made with the merchant base of 2708300 members. The CSC initiative undertook 650 district level and 5735 block level sensitization drives to motivate rural India towards cashless economy.

Visaka: Vittiya Saksharta Abhiyan (VISAKA) is another capacity building measure of cashless economy vested in the hands of the Ministry of Human Resource Development (MHRD) which views the institutions of higher education in the country, faculty members and students to take the lead and act as engines of this transformational shift. The purpose of the 'Vittiya Saksharta Abhiyan' is to actively engage the youth/ students of Higher Education Institutions to

encourage and motivate all payers and payees to use a digitally enabled cashless economic system for transfer of funds.

The best way of leadership is to lead by example. All heads of higher educational institutions were therefore advised to plan for a cashless campus, within a limited timeframe, for all transactions within the campus. Various options of digital transactions are presented under this scheme. To begin with, the faculty, staff and students, who are referred to as engines of change, need to dispel the commonly held belief that digital transactions are complex and necessarily require a smart phone and internet connectivity. They need to further educate their family members and people in their immediate surroundings and motivate them for digital transactions. This programme occasions NCC/NSS volunteers of an institute to take up a major market and interact with shop owners, including vendors, and their associations with an objective of developing a cashless market focusing on each point of sale.

Performance Assessment of Visaka: The uniqueness of this programme is that it is persuasive and not conclusive. It helps disseminating the details of other digital payment modes launched by the government such as Unstructured Supplementary Data (USSD), Aadhar Enabled Payments (AEP) and RuPay cards available at banks and many other tools which work without the aid of smart phone and internet. Therefore, this programme is believed to reach the rural population at a faster rate than any other capacity building measure.

Conclusion:

The capacity building measures towards cashless economy in India are assessed to be still at the nascent stage as the radical changes in terms of the digital payment system were sparked only in the post demonetization period. Thus, the concept of cashless economy may require crossing many mile stones like infrastructure barriers, legal issues; awareness and commitment of the government, nevertheless, fair measures of augmenting the competencies of cashless economy were mooted.

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