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## Cashless Economy: The latest step towards growth

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**Abstract:**Government's today slogan is "Digital India"&cashless economy is an integral part of this movement. Cash less economy stands for use of digital means (like E-Payment, Paytm, Mobile Banking and Internet Banking) for making monetary transactions. Our present government has taken a great step on November 8,2016 through its demonetization policy, to promote the use of digital means for making monetary payments. Will this policy be succeed in future that is a big question, but still this policy has put the people on the track of using digital ways for their transactions. But in reality Cashless economy cannot be made by putting the people into those conditions that they don't have any other alternative to make payment in spite of digital means. To change our economic system or to stimulate the use of plastic money there is need to increase the education graph of Indian people so that they can be aware about the benefits of cashless economy. Today majority of Indian people hesitate to make digital payments due to illiteracy, lack of digitalization in rural area and the biggest reason behind is, they don't have confidence in making digital payment due to some security reasons.

**Key words:** Digitalization, Mobile Banking, Internet Banking, Cashless Economy

**Cashless economy:**A cashless economy is one in which all the transactions are done using cards or through digital means. The circulation of physical currency is minimised. Presently India is using too much cash for transactions.

### What is mean by cashless transaction economy?

The RBI and the Government are making several efforts to reduce the use of cash in the economy by promoting the digital payment devices. RBI's effort to encourage these new varieties of payment and settlement facilities aims to achieve the goal of a 'less cash' society. Here, the term less cash society and cashless transaction economy indicate the same thing of reducing cash transactions or doing transactions digitally. 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



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payment culture along with the expansion of infrastructure facilities is needed to achieve the goal.

**Advantages of Less Cash Economy:** 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 and in this way it is a first step against the spread of unaccounted money or black money. Secondly, the problem of counterfeit notes can also be avoided when payments are settled digitally.

**Initiatives made by RBI and Government:**The RBI and Government have launched several measures for the spread of electronic and other non-cash settlement culture. The Vision-2018 for Payment and Settlement Systems in India brought by the RBI in June 2016 reiterates the commitment to encourage greater use of electronic payments by all sections of society so as to achieve a “less-cash” society.

“The broad contours of Vision-2018 revolve around five Cs — coverage, convenience, confidence, convergence, and cost. To achieve these, Vision-2018 will focus on four strategic initiatives such as responsive regulation, robust infrastructure, effective supervision and customer-centricity,” RBI. The vision statement highlights following plans:

- The regulator wants to reduce the share of paper-based clearing instruments
- It aims to raise growth of the digital payments space
- It wants to ensure accelerated use of Aadhar in payment systems

Government also made fiscal measures for the encouragement of card culture in the 2016 budget. Exempting service charge on card-based and other digital payments was one such step. Aadhar based payment system will be a big boost for promoting the cashless transaction culture.

**Committee Formed To Promote Digitalisation:**A committee of seven members, chaired by a ministry official, Neeraj Kumar Gupta was formed to recommend steps for the reduction of cash based transactions. The technology has spread internet banking, mobile banking, prepaid instruments, credit and debit cards etc. and at the same time, electronic payments system is



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fast growing. All these indicate that India is moving towards the RBI's goal of less cash economy-steady but slowly.

### **Demonetisation: Recent Steps Taken By Govt. to Promote Cashless Transactions**

On November 8th, 2016 Government had withdrawn Rs. 500 and Rs. 1000 notes two highest denominations in circulation. Main objectives were to fight counterfeit money and black money and to boost cashless transactions. The action has given tremendous boost to cashless transactions as card based and digital payments were not hindered when all high denomination cash transactions suffered because of absence of high denomination currencies. Everyone appreciated the government's intent of cracking down on the flow of black money into the system. For this, the government is looking at reducing cash transactions in the country and moving increasingly towards the idea of cashless economy.

However, if the problems people have faced in the days after the demonetisation announcement – manifest in the long queues at bank branches and ATM centres for valid currency notes – are any indication, India's shift to a cashless economy is not going to be easy. So, to promote the use of plastic money and reduce people's dependence on cash, the government has lately announced a slew of measures. It was announced that no service charges would be levied on debit card transactions till Dec.31. Business Standard lists the measures taken so far by the government to promote cashless transactions and reduce the difficulties faced by people during cash shortage

**Government's digital push: Incentives for cashless transactions:** One month after Government announced demonetisation of high-value currency notes, Union Finance Minister Arun Jaitley announced measures that the Centre has taken to encourage digital payments. Here are 11 measures announced today by the Finance Ministry.

**0.75 % discount on fuel:** The Government Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75 per cent of the sale price to consumers on purchase of petrol or diesel if payment is made through digital means.



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**POS machines in villages:** To expand digital payment infrastructure in rural areas, the Government through NABARD will extend financial support to eligible banks for deployment of 2 POS devices each in 1 lakh villages with population of less than 10,000. These POS machines are intended to be deployed at primary cooperative societies/milk societies/agricultural input dealers to facilitate Agro-related transactions through digital means. This will benefit farmers of one lakh village covering a total population of nearly 75cr who will have facility to transact ceaselessly in their villages for their agricultural needs.

**RupayKisan Cards for farmers:** The Government through NABARD will also support Rural Regional Banks and Cooperative Banks to issue “RupayKisan Cards” to 4.32 croreKisan Credit Card holders to enable them to make digital transactions at POS machines/Micro ATMs/ATMs.

**Buy railway tickets online:**Railway through its sub urban railway network shall provide incentive by way of discount up to 0.5 per cent to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means. Nearly 80 lakh passengers use seasonal or monthly ticket on suburban railways, largely in cash, spending worth nearly Rs 2,000 crore per year.

**Free accidental insurance:** All railway passengers buying online ticket shall be given free accidental insurance cover of up toRs 10 lakh. Nearly 14 lakh railway passengers are buying tickets everyday out of which 58% tickets are bought online through digital means.

**Incentives for railway passengers:**For paid services e.g. catering, accommodation, retiring rooms etc. being offered by railways through its affiliated entities/corporations to the passengers, it will provide a discount of 5 per cent for payment of these services through digital means. All the passengers travelling on railways availing these services may avail the benefit.

**Discount on policies sold online:**Public sector insurance companies will provide incentive, by way of discount or credit, up to 10 per cent of the premium in general insurance policies and 8 per cent in new life policies of Life Insurance Corporation sold through the customer portals, in case payment is made through digital means.

**No transaction fee on digital payments:**Government departments and PSUs will ensure that transactions fees associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by them.



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**Benefits for merchants, traders:**Public sector banks are advised that merchant should not be required to pay more than Rs 100 per month as monthly rental for POS terminals to bring small merchant on board the digital payment eco system. Nearly 6.5 lakh machines by Public Sector Banks have been issued to merchants who will be benefitted by the lower rentals and promote digital transactions.

**No cess on cashless payment less than Rs 2000:** No service tax will be charged on digital transaction charges for transactions upto Rs.2000.

**10% discount on card payments:** For the payment of toll at Toll Plazas on National Highways using RFID card and Fast Tags, a discount of 10 per cent will be available to users in the year 2016-17.

### Is The Real Goal Of India's Demonetization "A Move Towards Cashless Future"

Soon after Finance Minister ArunJaitley announced a raft of discounts and freebies to promote digital transactions last week, one of the Twitter feeds read: 'the finance ministry is sounding more like an e-commerce salesman.' The promotional offer, which is less attractive than the ones thrown by e-commerce firms, is like a coin with two sides depending on which side you look at– either the government is desperately shifting the narrative to digitalisation from black money. Some persons have a opinion that govt. is protecting itself after being failed through its demonetisation policy by converting its main aim from bringing black money to promoting digitalisation.

### Is Demonetisation in India a failure?

Monishankar Prasad, a New Delhi-based author and editor, talks about India's demonetization initiative and subsequent drive towards developing a cashless economy. The biggest problem with India suddenly removing 86% of its currency from circulation without having an adequate supply of new notes ready to take their place is that fact that India is more reliant on cash than almost any other country on earth. Suddenly, hundreds of millions of people were left without the means to engage economically, to buy the things they wanted and needed, and myriad businesses were left without a readily available mechanism to receive payment for their goods, to buy supplies, or pay their staff. India's demonetization scheme was a unilateral initiative that was planned in secret in a back room of Prime Minister



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Modi's home, in fact by a small group of insiders tied-in with the upper echelons of India's government. The strategy was to instantly nullify all 500 and 1,000 rupee banknotes, the most common currency denominations in the country, and then eventually replace them with newly designed, more secure 500 and 2,000 rupee notes. This endeavour instantaneously became policy when the prime minister announced it via a surprise television address at 10:15 PM on November 8.

One of Modi's main brands is that of a corruption fighter, and his demonetization initiative was rushed into effect in an attempt to catch the black market off guard which could potentially lead to a big payday for the central bank if large amounts of illicit cash weren't redeemed. That plan flopped, as almost all of the recalled notes were officially accounted for one way or another.

It pushed millions of new users onto the country's digital economic grid by virtual fiat. In point, the people of India were left in limbo as the government cancelled the bulk of their currency without providing them with the means to obtain the newly printed notes to replace it. On the surface, this seems as if it was a matter of gross negligence, but there may have been more to it than that. As the demonetization process continues, Modi's rhetoric is less about fighting corruption and more about transitioning India to a cashless economy.

Up until this campaign, India was an incredibly cash-centric economy. Cash accounted for upwards of 95% of all transactions, 90% of vendors didn't have card readers or the means of accepting electronic payments, 85% of workers were paid in cash, and almost half of the population didn't even have bank accounts. By temporarily turning off the engines which drove the cash economy, India hoped that more people could be brought into the fold by using digital financing vehicles, like debit cards and e-wallets. But in reality Cashless economy cannot be made by putting the people into those conditions that they don't have any other way to make payment in spite of digital means.

### **Positive views about Demonetisation - In bringing cash less economy**

India still has a reasonably large part of the population that doesn't even have a bank account," said Arpan Nangia, the head of the India desk for HSBC's commercial banking division. "Yes, our position is that everybody should have a bank account and everybody



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should be transacting through that, but if a large part of your population doesn't even bank it is going to take some time for you to invest before you can say let's go completely cashless.”

However, reservations about the timing of India’s big cashless push at this point are irrelevant. India is currently in the middle of an all out movement to modernize the way things are paid for. New bank accounts are being opened at a heightened rate, e-payment services are seeing rapid growth, cash-on-delivery in e-commerce has crashed, and digitally-focused sectors like the online grocery business have started booming.

Modi’s demonetization initiative has been a boon for India’s e-payment providers. Paytm reported a three-times surge in new users tacking on over 14 million new accounts in November alone. While paytmWallet’s daily average users increased by 167% since demonetization began.

“Ever since Prime Minister Narendra Modi’s demonetization announcement, we have suddenly seen a spike in both app downloads & merchant registrations. This spike is now coming from all cities, big and small, pan-India, consisting of small merchants like vegetable vendors, Kirana shopkeepers [small convenience stores], street vendors, rickshaw drivers, taxi’s etc., who’ve signed onto their paytm Wallet app for payments service,”

“Even the vegetable vendors on the streets have opened up Paytm accounts and they have a machine outside their shop where someone can scan the bar code and make the payment,” Nangia explained. “A lot more retail outlets are accepting e-wallets, including my laundry provider and my dabbawala,” Prasad proclaimed. “This is revolutionary, and survival of the fittest.”

“The Prime Minister's move to incentivize digital payments(after demonetisation policy) will offer a strong support to our ongoing efforts in helping the country leapfrog the cash generation to digital payment solutions,” added Deepak Abbot, the senior vice president of Paytm. “This will not only help millions of Indians overcome the hassles of dealing in cash but also act as a significant step towards propelling India to emerge as a truly cashless economy.”



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**Outcome of the study:** Our present government has taken a great step on November 8, 2016 through its demonetization policy, to promote the use of digital means for making monetary payments. Will this policy be succeed in future that is a big question, but still this policy has put the people on the track of using digital ways for their transactions. One of Modi's main brands is that of a corruption fighter, and his demonetization initiative was rushed into effect in an attempt to catch the black market off guard which could potentially lead to a big payday for the central bank if large amounts of illicit cash weren't redeemed. That plan flopped, as almost all of the recalled notes were officially accounted for one way or another. In reality we conclude through our article that Cashless economy cannot be made by putting the people into those conditions that they don't have any other option to make payment in spite of digital means. In best way to change our economic system or to stimulate the use of plastic money there is need to increase the education graph of Indian people so that they can be aware about the benefits of cashless economy.

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