
Indian Society towards a Cashless Future

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Practically, there seems a need of a reasonable mix of digital payments and cash that should be in existence in our economy to the way of a cashless society and while simultaneously, maximize the efficiency benefits that the cashless transactions can provide. Even many developed nations, although, have emerged as cashless economy but the fact is that they are also shying away from going completely digital. We should not get carried away completely by the visions of a cashless society instead have to proceed with caution.

INTRODUCTION

India economy continues to be driven by the use of cash, as only less than 5% of all payments happen electronically, despite of the fact that our government is heading to encourage electronic payments and to enable India to move towards a cashless society or economy in short term¹. In this direction, a bold move of demonetization was taken recently by the government and reduced the total circulation of currency in the economy². A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal. In such society, the financial transactions are not conducted with money in the form of physical banknotes or coins, but rather only in electronic digital form. If all contracts and settlements make through banking transactions, all money will be accountable and all transactions could be traceable³. Financial corruption and parallel economy can be controlled. Thus going cashless would mean that our monies would be on the servers and we perform transactions without the physical cash. For this the minimum requirements are a bank account, a device, electricity and connectivity. But in India, as even in urban areas, the mobile and internet networks are weak and broken. Rural areas are just beginning to get a feel of both i.e. banking and internet utilities. In such scenario, it is necessary to analyze all aspects of a cashless economy. Hence, this article discusses and focuses on a "cashless

¹ <http://www.civildaily.com/story/cashless-society/>

² <https://www.easypolicy.com/knowinsurance-a/possible-effects-of-new-currency-change-in-india>

³ https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9008

society" in India with analyzing in depth its benefits, challenges and steps need to be taken by government.

BENEFITS OF A CASHLESS ECONOMY

There are a lot of benefits of a cashless economy for example here the instances of tax avoidance are reduced because it is a financial institutions based economy where such transactions are recorded⁴. Consequentially, it curbs generation of black money, money laundering and reduces real estate prices because of the curbs on black money as most of it is invested in Real estate which inflates the prices of Real estate markets. An increased use of credit or debit cards instead of cash would primarily enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers. There are many other advantages of it like, a consumer would neither be required to carry a bulky wallet nor a need to fight over change, crumpled currency notes or coins. Then no one would receive chocolates in lieu of change at Super Markets⁵. Apart from it, there will be greater efficiency and transparency in welfare programs as money is transferred directly into the accounts of recipients. Payments can be easily traced and collected, and corruption will automatically drop, so people will no longer have to pay to collect what is rightfully theirs. Besides it, security is another big touted advantage of non-cash payments. Cash makes all illegal economic activities easier from terrorist activities to petty criminals as they use cash to pay for drugs, which cannot be traced. Furthermore, unhygienic, soiled, tobacco stained and full of germs note is a norm in India. There are many such incidents in our life where we knowingly or unknowingly give and take germs in the form of rupee notes. Thus in a cashless economy there is no such problem of soiled notes or counterfeit currency. In turn, it will pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital and will reduce the costs of operating ATMs. There will be efficiency gains as transaction costs across the economy should also come down. Finally, such economy will have some more positive implications like improvement in credit access and financial inclusion, which will benefit the growth of SMEs most in the medium and long run⁶.

CHALLENGES OF A CASHLESS ECONOMY

Although we can agree with the idea of going digital as it is fascinating and holding future in itself. It also promises benefits like a check on corruption, black money, ease of payment etc. But right

⁴ <http://www.hindustantimes.com/analysis/india-is-far-away-from-being-a-cashless-economy-here-s-why/story-ybFui5M53JPFyD1MGvHigJ.html>

⁵ <https://www.quora.com/Is-digitalization-or-cashless-economy-good-for-India>

⁶ http://www3.weforum.org/docs/IP/2015/FS/GAC15_The_Future_of_FinTech_Paradigm_Shift_Small_Business_Finance_report_2015.pdf

now, our society is facing some challenges which are stopping a lot of people from using electronic transactions. First of all challenges is poverty. People are unable to buy smart phones which are the first requirement towards electronic transactions. Many people possess smart phones but they don't know how to operate it as English is required for operating Internet. They use their phone only for watching videos and playing games. Another urgent necessity is of internet speeds which are very poor in India. Here 3G services aren't available in rural areas and electronic transactions fail on 2G speeds. In present time, it is very difficult to book a ticket or recharge online on 2G speeds. Furthermore, Indian society is dominated by small retailers who don't have either enough resources to invest in electronic payment infrastructure or enough knowledge to provide us our day to day needs comprises of milk, sugar, salt, oil, vegetables etc. via electronic payments⁷. Our country is known for its street vendors and they are unable to make their online shopping websites or buy electronic transaction machine. Here many people earn their wage on daily basis. Although once their bank accounts have been opened through Jan Dhan Yojana, but still most of them are lying empty and unoperational. How can they buy things by debit cards with empty accounts? This is the biggest challenge before the advocates of cashless society. Thus unless such bank accounts start operating, the dream of cashless economy is not possible⁸. At times, there is also a vested interest in not moving towards cashless economy. The ridiculous, traditional and ages-old perception of consumers also acts as a barrier. Sometimes, the benefit of cashless transactions is not evident to even those who have credit cards. Cash, on the other hand, is perceived to be the fastest way of transaction for 82% of credit card users in our society. It is universally believed that having cash helps you negotiate better. Hence most of card and cash users have fear that they will be charged more if they use cards. Further, non-users of credit cards are not aware of the benefits of credit cards. Many people in India don't know about modern banking and other online services. They don't know about online sellers like flipkart, snapdeal and online recharge. They even don't know about mobile banking. Thus a generation still prefers to deal in hard cash and it will be very difficult to get them on board and switch to e-cash. Besides it, Indian banks are also making it difficult knowingly for digital wallets issued by private sector companies to be used on the respective bank websites. They make restrictions on using bank accounts to refill digital wallets or deny the access to payment gateways⁹. There is a need of proper regulation and monitoring this sector and the regulators will have to take a tough stand against such rent-seeking behavior by the banks. Thus a really large chunk of citizens is out of the banking or insurance net. The internet and mobile penetration is far from the level that is required for a cashless society. Here the critical infrastructure bottleneck i.e. growth of Internet, E-Gadgets, E-Literacy, Cyber security, E Grievance mechanism etc is grossly insufficient. People are more concerned about the safety of e-transactions. To cope up with this challenge, there is a requirement of huge cash-flows

⁷ <https://thesouthasianidea.wordpress.com/2009/01/27/why-indians-are-stressed-and-unhealthy/>

⁸ <https://www.forbes.com/sites/wadeshepard/2016/12/14/inside-indias-cashless-revolution/#48156fa34d12>

⁹ <http://www.financialexpress.com/industry/banking-finance/e-wallets-money-on-the-move/28571/>

for infrastructure development but our e-commerce sector is still out of the purview of FDI even after being in huge shortage of funds¹⁰. There are many other problems too. So India needs to address these problems in order to bring cashlessness in India.

STEPS TO BE TAKEN BY GOVERNMENT

There are many steps to be taken by government which can be helpful to achieve our goal of cashless economy. In India, the government needs to focus on Increasing internet speeds, spreading awareness about modern online services, simplifying procedures and providing websites in simple local languages too so that people can understand it properly. Along with all other ways of cashless economy, Government strongly needs such instrument like mobile wallets to popularize cashless economy in country. Mobile wallet allows users to instantly send money, pay bills, recharge mobiles, book movie tickets and send physical and e-gifts both online and offline. Government shall also withdraw surcharge, service charge on credit card transactions and digital payments and shall increase in taxes on ATM withdrawals¹¹. There shall be provisions like tax rebates for consumers and for merchants who adopt electronic payments. Initially, all small shopkeepers must be provided electronic swapping machines by government along with training to operate it. Thereon government shall take proper steps to make Electronic payment infrastructure completely safe and secure so that incidents of Cyber crimes could be minimized and people develop faith in electronic payment system. RBI will also have to change its conservatism, because it has often seen itself as the protector of banking interests rather than overall financial development. It has to create a culture of saving and a sense of faith in financial system among the rural poor. Recently, it had issued certain guidelines that allow the users to increase their transactions limit to Rs 100000 based on certain KYC verification.¹² Furthermore it has also launched UPI which will make Electronic transaction much simpler and faster. All civic services payments and other necessary fees should be done through a smart card or through online mode only making all government offices with cash free transaction which will help in curbing the corruption as well. Besides it, the government shall liberalize the FDI norms for this e-commerce sector because a cashless economy needs the base of a very advanced economical society. Finally, the most important step in this direction will be to enhance overall living standards because still so many people in India are living in worse situations.

CONCLUSION

¹⁰ <http://www.livemint.com/Industry/JI8YmK2GistPUKQimV4f9N/Indias-ecommerce-retail-sector-faces-cash-crunch.html>

¹¹ <http://economictimes.indiatimes.com/news/economy/policy/no-surcharge-service-charge-on-card-payments-cabinet/articleshow/51127090.cms>

¹² <http://www.thehindu.com/business/Industry/techsavvy-indians-shop-with-cashless-wallets/article8320850.ece>

In last, after a detailed analysis of advantages, challenges and suggestions of cashless economy we can conclude that without the basic infrastructure, a cashless society seems only a far-fetched dream. It is the very first requirement of such society. Public awareness, acceptability and response to this development are all secondary things. For now, we are only good enough up to cashless transactions, and not for a cashless society. To think about going fully cashless, first all ongoing policies like Jan Dhan Yojana, Deendayal Upadhyay Gram Jyoti Yojana and National Optical Fiber Network Plan need to be successful in letter and spirits. Though it will take time for moving towards a completely cashless economy, efforts should be made with priority to convert urban areas as cashless areas. As 70% of India's GDP comes from urban areas if government can convert that into cashless it will be a huge gain¹³. Finally, thus we can say that for a country as diverse as India with complex payment system including even more complex stakeholders, it will become only a nightmare to implement one cashless society, without getting it fragmented and with being fair to one and all. Even many developed nations, although, have emerged as cashless economy but the fact is that they are also shying away from going completely digital¹⁴. Therefore different trajectories need to be planned for migration to cashless for those having bank account and for those not having. (Email id- supriyadhull514@gmail.com)

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¹³ http://planningcommission.nic.in/reports/genrep/rep_uhc0812.pdf

¹⁴ <http://www.hindustantimes.com/analysis/india-is-far-away-from-being-a-cashless-economy-here-s-why/story-ybFui5M53JPFyD1MGvHigJ.html>

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