



PAPERLESS/CASHLESS ECONOMY ITS ADVANTAGES AND WEAKNESSES : A REVIEW

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ABSTRACT

It's a digital world, and every business owner is busy with finding another solution to rationalize work, and to take things "to the cloud." Going paperless has many advantages for business owners. Even so, there are risks that some business owners are wondering exactly what they should keep in a digital space, and what should they relegate to old-fashioned paper methods. Paperless economy is an economy where utmost transactions are done without using the physical cash but through digital means like credit cards, debit cards, e-wallets and electronic fund transfer (ECS, NEFT, RTGS, USSD, UPI, Adhar based payment system etc.). India uses too much cash for business. The ratio of cash to gross household product is one of the highest in the world. In Financial year 2015, RBI spent Rs. 27 billion on just the activity of currency issuance and management. India faces many challenges in setting up a cashless economy like lack of digital and banking communications, cyber security and financial literacy, high cash dependency etc. Finance Minister, in 2016 budget speech, talked about the idea of making India a cashless society. The major benefits of cashless economy in India are reduced tax avoidance and money laundering, reduced costs of printing money etc. Secondary data has been used for study, which is collected from different newspapers, websites, journals etc. In Dec. 2016 total value transaction done using E-wallet was 97.70 (Rs. in Billion) and in Jan. 2017 it is increased up to 108.69. Indian digital payments industry is expected to reach \$700 billion by 2022 in terms of value of transactions. Cashless economy is an economic system in which transactions are not done predominantly in exchange for actual cash. It does not refer to an outright absence of cash transactions in the economic setting but one in which the amount of cash-based transactions are kept to the barest minimum. A cashless economy or an e-payment system is a situation where there is little or very low cash flow in a given society, meaning thereby, transactions will be made by electronic channels like debit cards, electronic funds transfer, mobile payments, multifunctional ATMs, and internet banking.

KEYWORDS: Cashless economy, Demonetization, Digital Wallet, Electronic Payments, Point of Sales Cash to Cashless Economy, Paperless economy.

INTRODUCTION

Over the last few years there have been many changes to the container export industry. There are a variety of reasons for these changes including exchange rate fluctuations, fuel and energy price fluctuations and their effects on bulk freight rates. The pressure to enhance and remain competitive has also increased amid these rapid changes. An effective strategy is for companies to focus attentions on costs they can control. In the container freight industry, one of these costs is reducing the "paper" aspects of operations and increasing its "electronic" aspects. This thesis focuses specifically on evaluating File Bound, document management software, for the purpose of going "paperless" in a Container Freight, Non-Vessel Operating Common Carrier (NVOCC) and freight forwarding company. Going paperless has many advantages: increased efficiency, paper and printing cost savings, time savings, storage cost savings, environmental benefits, efficient file retrieval, and enhanced customer service. By adopting the File Bound technology, the case study company hopes to achieve most of these benefits, allowing it to reduce overall costs, and especially, reduce the number of employees managing physical documents and move people into sales and marketing. The critical assumption of the study was that the electronic



processes contributed to time savings and it is from these time savings that most of the other benefits emanated. The data collected was analyzed using regression analysis to determine the factors that influenced time savings, if any, and their statistical significance. There are three specific activities involved with the process of completing a transaction in the container freight business: booking, instruction and bill of lading. The analysis was conducted for each of these steps in the process.

It is one of the trending and rising concepts, which is regarded by eminent economists as the best form of modern economy. CASHLESS economy is an economy, which performs all its dealings using plastic money or through the digital means. The recent step of demonetization of government aimed at fourfold attack on counterfeit currency, currency used for terrorist financing, accumulated black money and corruption. In addition, RBI recently unveiled its document on "Payments and settlement systems in India: vision 2018" aimed at making India a cashless economy. Not only this, our eminent prime minister is working extremely towards his move of digitization. Thus, both of these moves demonetization and digitization if worked upon effectively can act as a catalyst in making India a cashless economy. The objective of this seminar is to study the facets of cashless economy and analyzing it in Indian context, the strengths for India becoming cashless, weaknesses that can be faced in completion, opportunities it can grab by becoming cashless and the threats it can face. The reasons which can be attributed for focusing on India's shift to cashless economy are decrease in tax evasion and avoidance, saving in time, decreased risk, less cost for maintaining currency notes, curbing black money, tackling counterfeit currency and improved hygiene standards. Many challenges in this transition can be identified as handling currency denominated economy, limited availability of point of sale terminals, weak mobile internet penetration in rural India, capital e-illiteracy and sluggish economy. The Digital India program started by the government of India is a flagship program visioning Indian conversion into a digital economy. "Faceless, paperless, cashless" is the main role of Digital India. Thus to strengthen the program, the government of India went on for financial inclusion linking the bank accounts of people with their salaries and opening of bank accounts linked with aadhaar accounts under Jan Dhan scheme. In addition, the step of demonetization equally attributes towards making India move forward on the path of becoming cashless.

The Indian Economy continues to be driven by the use of cash; less than 5% of all payments happen electronically. In India, the ratio of cash to gross domestic product is 12.42% in GDP, which is one of the highest in the world. It was 9.47% in China or 4% in Brazil. Further, the number of currency notes in circulation is also far higher than in other large economies; India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US. The Indian economy is strengthening by saving habit of Indian people to keep cash money with them. There are various myths about cashless transaction, which resist common person to divert towards cashless world.

The advantages and disadvantages of cashless economy are as follows:--

Advantages:

- **Significant Cost Savings:---** Keeping everything stored in a digital format, whether on computer drives, flash drives or in cloud-based systems, is cheaper than printing and storing it on paper. This eliminates the cost of shredding services for paperwork with

sensitive information. Some businesses have entire rooms and storage units devoted to archiving paper. Paperless systems eliminate this cost.

- **Speed of Information:**--*When everything is stored digitally, versus on paper in files, accessibility becomes quick and easy. Employees, consumers and business owners have access to all data, contracts and consumer files with just a few mouse clicks. This eliminates having to locate the file or form, which saves every one time.*
- **Mobile Workforce:**--*Moving from paper to digital storage, particularly through cloud-based technology, keeping information based on the internet has made it easier to have mobile employees. There is more flexibility to meet with clients outside the office or to spend a day working from home. Employees can access all information online, quickly and easily. Often, remote workers don't even work in the same city as the business owner, which means a new pool of talent is available to employers, as well.*

Disadvantages:

- **Consumer Habits:**--*Many businesses have point-of-sale systems that do everything on a tablet. Although this is quick and efficient for the business owner and his team to conduct transactions, it can leave customers feeling concerned about walking out without a paper receipt. Some consumers like to review things on paper and don't want to print their transactions later.*
- **Potential Hackers:**---*When information is stored on paper and locked in file cabinets, someone would need to physically have access to the papers to steal information. Hackers don't need to worry about this when everything is stored digitally. Business owners often get too busy to update software and virus protections, making it easier for hackers to install spyware, steal information or hijack company data.*

Warning for paperless economy:--*Some documents must be signed in ink, with one copy given to the consumer and one kept on file. This is common in the financial services industries. In cases like this, going completely paperless is not an option, because of the legal ramifications involved with non-compliance.*

Data Security:--*Traditional file organization has security advantages over electronic filing, but it also has its disadvantages. Electronic files are usually accessible on a network, which means it's possible for an unauthorized person to gain access to electronic data over the Internet through hacking methods. Electronic data can also be damaged by software security problems like computer viruses. On the other hand, paper files can be lost in fires and floods, but electronic data is easy to backup in multiple locations, reducing the potential for permanent data loss.*

Complexity:--*A traditional file approach is less complex than electronic systems, which can make it easier for untrained people to access and manipulate data. Anyone can look through alphabetized filing cabinets to find a file.*



Locating and manipulating an electronic database information may require technical training, and user error can result in unintended alterations or data loss.

Access Time in a Traditional File Environment:--One of the primary disadvantages of an traditional file environment is the time it takes to access data. It can take minutes if not hours to locate a few files in a large paper filing system. Electronic databases allow for almost instantaneous access to information. Faster data access time can increase the productivity of managers, analysts, accountants and other workers who use data on a regular basis.

Editing and Communication:--A traditional file system is cumbersome in that it does not allow users to easily edit files or send information to others. Paper files often cannot be edited directly, forcing users to make new copies to update old files. To distribute data on paper files, users must mail, fax or scan the data. Databases allow users to edit information fields directly, and because information is stored digitally, it is already in a form that can be easily transmitted.

Order of Data:--Data can get out of order in traditional filing systems. If someone accidentally puts a file in the wrong place, or takes a file out of a cabinet and forgets to put it back, it can lead to lost data or the creation of additional copies of files. Electronic filing systems allow users to quickly check whether information already exists somewhere in the system, which helps avoid problems like redundant files and data loss.

- High Cash Dependency India has a high cash penetration in almost all of its transactions that happen as B2C transactions. Total cash flow in the market accounts for 12.04% of the GDP, which is among the highest in developing countries.
- Lack of Digital Infrastructure Lack of adequate infrastructure is a major hurdle in setting up a cashless economy. Inefficient banking systems, poor digital infrastructure, poor internet connectivity. The remote areas are still not having the banks at their doorstep. There are no ATM facilities in the remote areas. In 2014, there were just 18 ATMs and 13 commercial bank branches for every 100,000 adults – in comparison; the number in Brazil was 129 and 47 respectively. From 2013 to 2015, debit cards grew twice as fast as the number of PoS terminals and 1.5 times the number of ATMs, with the majority of the new infrastructure-taking root in urban centers. The banks need to be fully equipped to handle the surge in e-transactions. The first and foremost requirement of a digital economy is the penetration of internet and smart phone. Only 30% of subscriber use smart phones, over 70% of them are in cities while 70% of Indian population lives in villages.



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- Financial Inclusion About 60% of the country's population has bank accounts. Still large number of people is not having the bank accounts. More than 228 million accounts were opened under PMJDY (PradhanMantri Jan DhanYojana) scheme until July 2016.
 - Cyber Security Issues Another mounting challenge in digital payments is cyber security issues, with the magnitude with which digital transaction-taking place after demonetization the risk of online fraud, leakage of confidential information, cyber-crimes, malware and virus attacks has been raising. This is the biggest concern to deal with in order to popularize digital payments.
 - Low Literacy Rate Low literacy rate hinders the accessibility of banking services. Citizens should not only know how to read and write but also possess basic ICT literacy to fully enjoy the benefits of e-payments.
 - Costly Swipe Machines Swipe machines are also not subsidy free. Rich shopkeepers can only afford it. It cannot be expected from an auto driver or a normal grocery seller to afford swipe card machines. Besides, many street vendors, shopkeepers do not know how to use swipe machines.
 - Few Banks in villages The capital city New Delhi alone has about 20 HDFC bank branches. There are several villages and Tehsils that do not even have one. More the banks, more the cash deposits in accounts. Banks in villages should be helpful in teaching the residents the process, usage and benefits of plastic cards Opportunities of Cashless Economy The expenditure incurred in printing and transportation of currency notes is reduced. Cash less economy helps in curbing generation of black money.
 - Reduce cost of printing money Printing money is the direct cost that affects the bank (Reserve Bank of India). In the cash system of economy where maximum people will work on the cash transaction, government has to produce more and more cash notes.
 - Decreased Crimes The risk of theft will continue until people carry cash and by going cashless, the same can be reduced. The government, however, has to take measures to curb the online scam and identity theft incidents.
 - Cost effective to Banks Normally, if bank transactions are done manually, it costs nearly Rs. 40 to 45 and the same is done through internet it costs 7 to 8. Simultaneously, it same transactions is done through eitherU Mobile or ATM it hardly costs Rs. 12 to 14 and Rs. 3 to 4 respectively. Production of coins and paper currency is indeed an expensive endeavor.
 - Safe and Secure Both it is safer for bank and customer as well; it keeps high degree of secrecy. If stolen, it is easy to block a credit card or mobile wallet remotely.
 - Improved Economic Growth Shopping online gets easy as one can use a number of payment options; from credit and debit cards to net banking. In addition to this, going cashless also has health benefits. With physical currency, the chance of spreading of germs is more.
 - Control of Black Money and check for Anti money laundry Even transactions can be done through e banking but it can be traced while it is very difficult to trace the transactions in cash. There are certain check also in depositing and withdrawing money through bank
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accounts. Hence, it will definitely control over black money and money laundering in the days to come.

- Higher Revenue A derivative advantage of transparent transactions is collection of tax will increase. Thus generating higher revenue for the government, this in turn will be converted into public welfare policies and schemes.
- Saves Money and Time Presently banking is required good number of staff to attend and redress the complaints at different stages. They can reduce costs, as they no longer need the manual accounting work to be done.
- Transparency It is not just the easiest way to transact but also brings about a lot more transparency in the financial system, which helps to curb generation of black money.
- Reduced Red-tapism and Bureaucracy With cashless transactions through electronic means, the wire transfers are tracked and people are accountable which in turn reduces corruption and improve service time
- Benefit to Government The government will benefit from the cashless economy in the area of adequate budgeting and taxation, improved regulatory services, improved administrative processes (automation), and reduced cost of currency administration and management (Ashike, 2011). Jimi Agbaje, one of the former governorship candidates on the platform of DPA in Lagos State states that the advantages of a cashless society range from regulating and controlling to securing the financial system of our economy.
- Maintenance Cost Maintenance in the form of storage of notes, transportation of the notes to the distant places, security of the notes, and devices for the detection of counterfeit notes. The other major aspect of the maintenance is that the distribution of money through ATM machines at the different locations.

It is reported that all this maintenance cost the government about 5% of the GDP of India. In nutshell we can save somewhere around 500 crores by this mean only. Suggestions A cashless economy is not just an effort by the government bodies but a revolution which has to be brought about to make people understand the benefits and finally empower them to transact digitally in their everyday life. From one's salary to their mobile recharge, all remittance if done electronically will lead to a more transparent and accountable society (Sparrow 2016). The transformation of the current payment method to a total cashless one may not be possible in the near future, but continuous innovation in technologically aided payment system will certainly expand the society's accessibility to cashless payment. Although the adoption of one type of cashless payment will affect another type of cashless payment in the short run, the consequences of adopting cashless payment on economic growth can only be significantly observed in the end. Hence, any policy that promotes cashless payment will not affect the economy immediately. The banks should work on twofactor authentication process for online transaction. The measure suggested include encouraging installation of point of sale (POS) machine by rationalizing merchant discount rate (MDR) and allowing first five interbank transactions free of cost to promote online money transfer. Further,more ATM should be setup so that people start using plastic money. It is also suggested to withdraw of surcharge or service charge or convenience fee on card and digital payments currently imposed by government. Conclusion The need to move towards a cashless economy in India is immense. One, it will save a huge amount of



money that is spend annually in printing and maintaining currency. Currently less than 1% of all consumption expenditure is incurred through cashless instruments. The arrival of malls, multiplexes, online shopping stores and shopping complexes encourage the customers to make use of plastic cards. The government needs to take the necessary steps and make some policy considerations when they are preparing for a cashless economy. The payment systems have to be protected from the cyber-attacks. Going cashless provides a lot more benefits than just convenience to people, businesses and the government in particular. Increasing use of electronic payments boosts consumption and GDP. This move by the Government along with the implementation of the GST will eventually make the system more accountable and efficient.

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