

A Great Step towards Growth: Cash to Cashless Economy

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Abstract: India is one of the fastest growing economies in the world. It is because of effective steps taken by country. Various strategies are formulated and implemented to make 'digital India', all this helped to transform from cash to cashless economy. Conversion into cashless economy is a great step towards growth. Cashless does not indicate shortage of cash, but it means less use of cash i.e. doing transactions digitally. All this increases the use of electronic devices such as credit and debit cards, e- wallets etc. It is true that 100% cashless society is not possible but initiatives toward cashless society can help the country to move from less cash to cashless economy. But it is not easy to introduce the digital world at large scale quickly. It needs time to make people aware about pros and cons. The World Bank's Global Index shows that Indians are significantly less familiar with digital banking, making transactions using mobile phones, and using the internet to pay bills – than their peers in middle-income nations. Another big hurdle is unachieved targets for digital India. Low literacy rates in rural areas along with lack of internet access or even basic utilities in many places. It makes clear that there is a large gap which our country has to reduce. This paper reviews about the advantages and limitations of cashless economy.

Key Words: Electronic payment system, Digital India, growth, cashless economy.

1. INTRODUCTION:

Cashless economy is the situation in which flow of cash within an economy is non-existent i.e. the transactions are made electronically rather than physical flow of cash. There are various electronic modes of payment for instance Mobile Wallets, Plastic Money (credit and debit cards), Net Banking, etc. The aim of India is to become digital but it is a challenging task because very less percentage of all payments are done electronically. Various steps have been taken to make the people aware about EPS (electronic payment system). After demonetisation there is great increment in use of electronic mode of payment. EPS reduces the risk of carrying cash and payments can be made anytime, anywhere.

2. ADVANTAGES OF CASHLESS ECONOMY:

- **Direct payment to bank account:** With the help of EPS amount can be transferred from one account to another account without visiting bank. Anytime, anywhere transaction can be performed.
- **No fear of being robbed:** When large amount of cash is carried from one place to another place there is risk of being robbed. But in EPS there is no need to carry the physical cash thus risk of robbery is eliminated.
- **Pack of cards:** No need to carry bulky notes in a case. Just carrying the required cards or other device to make payment.
- **More sense of safety:** With a PIN protected card etc. which will work only with your own credentials, payments are safer.
- **Taxation:** With lesser availability of hard cash at homes and more in banks, there is lesser scope of hiding income and evading taxation and when there are more tax payers it ultimately leads to a lesser rate of taxation for the whole country.
- **Transparency and accountability:** It becomes easier to track the flow of money with every transaction being recorded with the buyer, seller as well as regulatory bodies, making the system much more transparent and compliant. In the long term it leads to better business and investment prospects for the economy as a whole.
- **Circulation of money:** More currency in bank will means more circulation of money in the economy, leading to greater liquidity and would eventually mean lesser interest rates (according to the **monetary policy** of the country).
- **Reduced corruption:** With cashless transactions through electronic means the transfers are tracked and people are accountable which in turn reduces corruption and improves service time.

- **Less availability of cash for illegal activities:** When people are encouraged to go cashless, there is lesser cash available with the people and there won't be a means to invest in other activities to use the idle cash. These payments have full record so people are unable to use cash for illegal activities.
- **Lower risk:** If stolen, it is easy to block a credit card or mobile wallet. If the futuristic cards evolve to use biometric ID (finger prints, eye scan, etc.), it can be extremely difficult to copy, which makes it a very safe option.

3. DISADVANTAGE OF THE CASHLESS ECONOMY:

- **Difficult to implement cashless:** The biggest disadvantage of the cashless economy is that not everybody has the knowledge of doing digital transactions and hence its reach is limited to urban and semi-urban centres only and therefore it is very difficult to implement cashless economy in the country where many sections of the society in rural areas is illiterate and poor. Hence the lack of proper infrastructure and education among citizens is disadvantageous as far as the cashless economy is concerned.
- **Higher risk of identity theft:** Another disadvantage of the cashless economy is that although it is easy to do digital transactions but at the same time it is very risky as compared to cash related transactions. Hence people having half knowledge of digital payments are exposed to cyber fraud and losing their hard earned money to online scam and hacking of bank accounts and hence it is better to do cash transactions rather than doing digital transactions if one is not fully aware of the online medium of transactions.
- **Cost of transaction :** Another demerit of the cashless economy is that digital mode of payments like the credit card, wallet payments, internet banking involves some transactions fee which is not the case with cash transactions and hence any individual thinking of doing online transactions will take into account these transaction costs and will not favour online medium of transactions. Hence the presence of transaction cost is a hindrance to cashless economy finding acceptance among the people of the country.
- **Less Access:** Only 34.8% of population has access to the internet (even after digital India campaign). It means very less percentage of people use internet.
- **Low speed network:** 392.2 million Customers are still using 2G network because of which 6 out of 10 transactions fail due to low speed on 2G connectivity. Only 90 million people have 4g mobile and LTE enabled.
- **Language compatibility:-** In India many people are unable to read and write English that is why people hesitate to use electronic payment system.
- **Time taken for a transaction:** If you have driven through a toll booth and transaction is in process, then because of low connectivity there will be problems with both customer and the merchant.

4. MODES OF EPS:

There are various types of electronic payment system which a person can adopt and now a days these are becoming very popular. Some of these modes are explained below:

- **Mobile wallet:**

This is basically a virtual wallet available on your mobile phone. You can store cash on the mobile to make online or offline payments. Various service providers offer these wallets via mobile apps, which you need to download on the phone. You can transfer the money into these wallets online using credit/debit card or Net banking. This means that every time you pay a bill or buy online via the wallet, you won't have to furnish your card details. You can use these to pay fees, bills and make online purchases.
- **Plastic money:**

This includes credit, debit and prepaid cards. The latter can be issued by banks or non-banks and can be physical or virtual. These can be bought and recharged online via Net banking and can be used to make online or point-of-sale purchases, even given as gift cards.
- **Net banking:**

This does not involve any wallet and is simply a method of online transfer of funds from your bank account to another bank account, credit card, or a third party. You can do it through a computer or mobile phone. Log in to your bank account on the Net and transfer money via national electronic funds transfer (NEFT), real-time gross settlement (RTGS) or immediate payment service (IMPS), all of which come at a nominal cost ranging from Rs 5-55.
- **Cheque**

The cheque is one of the oldest methods of cashless payment. It is a known method to everyone. In this method, you issue a cheque for the specific amount to someone else. The cheque gets deposited in the respective bank. The bank processes a payment through a clearing house. The entire transaction done through cheque gets recorded and there is a proof of payment. However, there are instances where cheque payments

get dishonored due to signature mismatch or insufficient fund. In order to avoid such issue, you can use other cashless payment options.

- **Draft**

Demand draft is another rudimentary way of cashless transaction. It is a safest option to receive payment from anyone. Demand draft (DD) never gets defaulted as it is signed by the banker. The disadvantage of DD and cheque is you need to visit a bank in order to deposit cheque and demand draft. The clearance of cheque or DD takes additional time.

- **Transfer- NEFT or RTGS**

The third simplest method for the cashless transaction is online transfer using NEFT or RTGS. In order to do online money transfer, you need internet banking facility. Online transfer using NEFT or RTGS is comparatively faster than cheque or demand draft. Online transfer can be done from anywhere using internet facility.

- **Credit Card or Debit Card**

Credit card or debit card is another cashless payment method. The usage of credit card and debit card was limited in India. However, usage of credit card and debit card is increasing now. Credit card provides a line of credit and its each swipe means some amount is borrowed. Whereas swipe debit card means some amount is deducted from the account immediately.

5. CONCLUSION:

The cashless transaction system is reaching its growth day-by-day. With the globalization of market and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also important key of growth. Most of the online market transactions basically depend upon cashless transaction system. The cashless transaction is not only safer than the cash transaction but is less time consuming and reduces trouble of carrying cash and of wear and tear of paper money. It also helps in record of all the transaction done. So, without doubt it can be said that future transaction system should be cashless.

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