

## CASHLESS ECONOMY: The Road Ahead

Sumit Khanna<sup>1</sup>, Dr. Alka Singh<sup>2</sup>,

<sup>1</sup> Research Scholar, Sri Ramswaroop Memorial University, Lucknow

<sup>1</sup> Senior Lecturer, Sri Ramswaroop Memorial Group of Professional Colleges, Lucknow

Email- sumit.khanna3@gmail.com,

<sup>2</sup> Associate Professor, Sri Ramswaroop Memorial University, Lucknow

Email- alkavinay@gmail.com,

**Abstract:** In ancient times the transactions were carried out through a system of exchange of goods that was known as barter system. Later this system phased out after the introduction of gold, silver and similar other currency having monetary denominations which was followed by the extensive application of cash transactions. Nowadays we are witnessing another change in form of cashless transactions. This has been made possible with the introduction of modern technology in form of electronic or digital wallet. A digital wallet provides a substitute for physical wallet and holds money in virtual form. It also ensures safe and secure payments quickly and efficiently without any hassle. It is also very helpful for ensuring smooth transactions and payments in a cashless economy. A cashless economy can be developed by ensuring very less or no significant use of cash for transactions. Therefore, digital wallets play a very important role in a cashless economy.

**Key Words:** Cashless economy, e-wallet, mobile wallet, digital wallet, digital transactions, electronic payment

### 1. INTRODUCTION:

An economy can be referred to as 'cashless' if all the monetary transactions occur through the means of plastic cards or digital modes and not physical bank notes, paper currency or coins. These digital modes may be digital wallets, mobile banking or UPI (Unified Payments Interface). Though this had existed in ancient times in form of barter system, the exact term 'cashless economy' came into picture during 1990s. Today there has been a frequent trend shift into going cashless in various countries since 2010. India also has witnessed such changes in recent years with the introduction of ecommerce industry. These changes got momentum during the demonetization phase recently. Several E-wallet companies like Paytm, Freecharge, Mobikwik gained a new subscriber base within a very short period post demonetization. The newly formed payment banks like Airtel Money, Vodafone m-pesa also developed a good subscriber base. The government also tried to incentivize the cashless transactions by providing freebies and discounts. There were several such steps taken by the government at a later stage also to promote digital transactions. Some of the important ones include UPI (Unified Payments Interface), BHIM (Bharat Interface for Money) app, AEPS (Aadhaar Enabled Payment System), USSD (Unstructured Supplementary Structured Data) etc.

Banknotes and coin in circulation at end of year						
Values are expressed in native currency and are total value per capita						
Country	Avg. year	2011	2012	2013	2014	2015
Turkey	12.10%	751	815	993	1,115	1,332
Korea	11.90%	975,301	1,084,361	1,259,466	1,483,891	1,711,506
Mexico	8.00%	7,017	7,270	7,802	8,934	10,303
India	7.90%	8,871	9,696	10,546	11,431	12,965
Brazil	6.00%	R\$825	R\$941	R\$1,016	R\$1,091	R\$1,103
Hong Kong SAR	6.00%	37,962	42,063	47,110	48,649	50,763
Singapore	5.50%	5,301	5,481	5,863	6,292	6,943
Saudi Arabia	5.40%	4,928	5,234	5,547	5,879	6,407
United States	5.10%	\$3,453	\$3,725	\$3,926	\$4,218	\$4,433
Switzerland	4.40%	7,401	8,091	8,495	8,622	9,169
Russia	3.80%	₽48,284	₽53,598	₽57,942	₽61,523	₽58,270
Euro Area	3.80%	2721	2787	2913	3089	3280
Australia	3.80%	\$2,639	\$2,739	\$2,873	\$2,999	\$3,175
Canada	3.20%	\$1,937	\$1,995	\$2,058	\$2,134	\$2,271
Japan	3.20%	¥692,858	¥715,452	¥744,471	¥769,088	¥811,266
United Kingdom	3.20%	£913	£948	£968	£1,019	£1,067
South Africa	-3.70%	R2,137	R3,021	R2,253	R2,521	R1,765
Sweden	-6.90%	10,515kr	10,059kr	8,849kr	8,578kr	7,362kr

**Estimated share of payments done by non-cash methods**

Country	%
Singapore	61
Netherlands	60
France	59
Sweden	59
Canada	57
Belgium	56
United Kingdom	52
USA	45
Australia	35
Germany	33
Korea	29

Spain	16
Brazil	15
Japan	14
China	10
UAE	8
Taiwan	6
Italy	6
South Africa	6
Poland	5
Russia	4
Mexico	4
Greece	2
Colombia	2

India	2
Kenya	2
Thailand	2
Malaysia	2
Saudi Arabia	1
Peru	1
Egypt	1
Indonesia	0
Nigeria	0

**2. BENEFITS:**

A cashless economy works mainly through the usage of digital wallets and plastic cards. The digital wallets supplement monetary transactions with the following advantages:

- a. **Saves Time:** Today time is the most important factor and going cashless saves this most precious item in comparison to payment in cash. It does not require standing in long queues for cash withdrawals from ATMs.
- b. **Convenience:** Convenience is another great motivator for going cashless because there is no need of carrying cash in wallets, plastic cards etc. It is very helpful in case a person is travelling or in case of emergencies for payments.
- c. **Secured:** Today going cashless ensures the safety of cash in case of thefts or other similar accidents. It is conducted in a very safe and secured environment with latest defense grade technology and secured protocols for ensuring the safety of transactions from fraudulent activities as well. Also it is easy to block an account or card rather than recovering cash in case of theft.
- d. **User Friendly:** Apart from being secured it is also very much easy to use making it most user friendly experience for payments.
- e. **Attractive Incentives and Discounts:** Many companies and banks today provide several types of discounts and offers for conducting cashless transactions. Though this is done to promote cashless transactions it is a method to incentivize the customers.
- f. **Tracking Spending Attitude:** When there are lesser or no cash transactions it is very easy to keep a record of the expenditure pattern. This is helpful in recalling the expense in case of tax filing or similar purposes.
- g. **Improved Budgeting Expenditure:** A proper budgetary pattern may be developed and maintained when there is a record of the transactions which is not possible in case of cash transactions. This is helpful in remaining under the extreme limits of expenditure for an individual.

There are many other such benefits that a cashless economy brings in the system. It reduces the instances of tax avoidance and is very helpful in curbing the menace of black money. It is helpful in reducing transaction costs and ensuring the availability of financial services universally with least infrastructural facilities. It even helps in reducing operating costs for circulation of money and ATM operations. On the health front cashless economy proves to be hygienically safe due to reduced usage of soiled or tobacco stained currency notes which may be full of germs. In a cashless economy there is also no problem of counterfeit currency.

**3. CHALLENGES:**

There are several hindrances that hamper the flow of cashless economic architecture. Some of these challenges include:

- a. The biggest problem is of financial literacy. People are not aware about the benefits of credit cards and other plastic or electronic forms of payments. There is a common misconception that they might have to pay more if the payment is made through any of these modes.
- b. Another major problem is lack of proper infrastructure which includes the availability of good internet bandwidth and proper network especially in remote areas.

- c. Although several accounts are opened under Jan-Dhan Yojna still majority of them are lying un-operational because people don't make use of them for depositing the savings. The target cashless economy cannot be reached until this attitude of people changes.
- d. There is a majority of small retailer in India who lack the capacity to afford electronic payment infrastructure.
- e. Ensuring the safety of transactions from fraudulent activities is another major concern. It requires having a robust system of architecture for non cash transactions and holding virtual cash.

#### **4. STEPS TAKEN:**

The Government and RBI have taken several steps to promote the use of electronic modes of payment. Some of these primary steps include:

- a. Promotion to digital payments through E-wallets like Paytm, PhonePe, BHIM, Airtel Money, Mobikwik, Payzapp etc.
- b. Licensing of new Payment banks.
- c. The Government is promoting UPI (Unified Payment Interface) as a simple and easy to use payment mode.
- d. There is also an emphasis on Mobile banking for making payments even without the availability of Internet connection.
- e. Several surcharges and service charges are withdrawn by the Government for promoting cashless transactions. Also, several incentives are being provided for achieving this task.
- f. The FDI (foreign direct investment) norms have also been liberalized for promoting cashless transactions.
- g. Delimitation of cash transactions and currency usage.

#### **5. THE FUTURE:**

Although several steps have been initiated by the Government but achieving the target of a cashless economy is a daunting task. The primary objective is to ensure financial inclusion of all the marginalized sections of society and other vulnerable groups. There is also a requirement of reducing the transaction cost and taxes over the electronic transactions. The Government and RBI need to shed their conservative approach towards the interests of banking institutions. There is a need to ensure financial literacy and promote a sense of saving amongst all the individuals in the country. The Government needs to work for developing faith towards various financial institutions in the country and ensure complete safety and security of financial transactions.

Though conversion into a cashless economy may take time but it is actually the need of hour. The primary task may be to promote these steps in urban areas which may further be carried to rural areas in phases. This is also important because nearly 70% of GDP in the country comes from urban areas. The shift towards rural areas may be made at a later stage after going cashless in urban areas.

#### **REFERENCES:**

1. Basavaraj Nagesh Kadamudimatha,( Dec 2016) Digital Wallet: The next way of growth, International Journal of Commerce and Management Research, Vol. 2, Issue 12,
2. Vision 2018, Payment and Settlement Systems in India, Department of Payment and settlement systems, Reserve Bank of India, 2018.

#### **WEB REFERENCES:**

- <https://economictimes.indiatimes.com/wealth/spend/going-cashless-is-it-good-for-you/articleshow/55908649.cms>
- [https://en.wikipedia.org/wiki/Cashless\\_society](https://en.wikipedia.org/wiki/Cashless_society)
- <http://www.civildaily.com/story/cashless-society/>
- [http://www.business-standard.com/article/economy-policy/why-a-cashless-economy-would-hurt-the-poor-a-lesson-from-india-117062900161\\_1.html](http://www.business-standard.com/article/economy-policy/why-a-cashless-economy-would-hurt-the-poor-a-lesson-from-india-117062900161_1.html)
- <https://thenextweb.com/in/2017/03/24/race-make-india-cashless-economy/>