

## Role of cashless economy in India

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### Abstract

Prime Minister Narendra Modi floated the idea of establishment of a cashless society in India. Govt. of India seems to be strict to bring reform in Indian economy. Online transactions will allow the government to keep a check on payments and lessen the possibility of black money in the economy. Such economy will depend on online transactions rather than cash payments. Transactions of higher amounts may be done through cards, shopkeepers are unwilling to use soft money for transactions which of a lesser amount.

**Keywords:** cashless economy, cash-centric

### Introduction

India has 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. India is only country in the world where this option "Cash on Delivery" was the preferred choice of 70% of all online shoppers. The number of currency notes in circulation is also far higher than in other large economies. Studies show that cash dominates even in malls, which are visited by people who are likely to have credit cards, so it is no surprise that cash dominates in other markets as well.

India is trying to improve its digital economy, which include simpler, more technologically advanced digital payment systems, increased merchant acceptance, improvements in UPI, which allows monetary transfers between any two bank accounts via a smart phone, as well as a reduction in cash-based transactions. Govt. has a plan of educating people on how to move towards a cashless society how will people who are not tech-savvy access.

Cash less economy will reduce instances of tax avoidance and curb generation of black money. It will reduce real estate prices because of curbs on black money as most of black money is invested in Real estate prices which inflates the prices of Real estate markets. It will pave way for universal availability of banking services to all without physical structure. There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients. Thus once money is transferred directly into a beneficiary's bank account, the entire process becomes transparent. Payments can be easily traced and collected, and corruption will automatically end. RBI spent Rs 27 billion on just the activity of currency issuance and management. This could be avoided if India become cashless society.

Here are some of the problems which stand in the way of India becoming a cashless society

### Cyber security

In October 2016, the detail of over 30 lakh debit cards was feared to have been exposed at ATMs. It was believed that the card and PIN details might have been leaked due to which customers were advised to change the PINs of their ATM-cum-debit cards. Stringent steps issued regard new cards were also taken. People need assurance regarding safety of swiping cards at shops and vendors.

### Network connectivity

In India people have to face network problems with almost all service providers. In villages mobile phones are available but network is hardly available. Without improvement in networking services on line transaction is impossible. Connectivity issues need to resolve before dreaming about a cashless society. States like Jammu and Kashmir often face crackdown where the internet is the first thing that is blocked. In such circumstances, neither is it possible to use cards for transactions nor is it possible to use e-wallets.

### Internet cost

The internet cost in India is still substantially high. There is no Wifi at public places and if people do not get their monthly data packs recharged, there is no way they can be connected to make online payments. Internet connectivity is needed even for the e-wallets. In order to convince people to do cashless transactions, the cost of the internet should be lowered and free WiFi should also be provided at public places.

### Charges on cards, online transactions

These are additional charges that are levied by the vendors when they offer an online payment facility. But when the government is forcing public to go cashless, shouldn't this compulsory fee on online transactions.

### Knowledge of Technology

The new generation is glued to their phones, gadgets and

computers but not many people are comfortable using these items and depend on their children. Before promoting a cashless society, efforts need to be taken to educate people on how to use phones for transactions.

**Smart phone affordability**

Several companies have come up with new and inexpensive phones but them still not affordable for most of the population in the country. More affordable options should be launched by the government for people to buy smart phones for cashless transactions.

**Phone Charging Facility**

It is a basic problem for users. India still lacks when it comes to supporting a mobile society. It is extremely difficult to find a public charging point if the phone battery discharges. Even metro stations or railway stations do not facilitate.

**Not enough bank accounts**

Most people still do not have bank accounts. Most often there is just one account per family which also limits the number of cards. A family of even four people cannot be dependent on just one card for all household expenditure. Banks are required special arrangements in terms of opening more accounts.

Spending by cards often encourages people to spend more rather cash by hand.

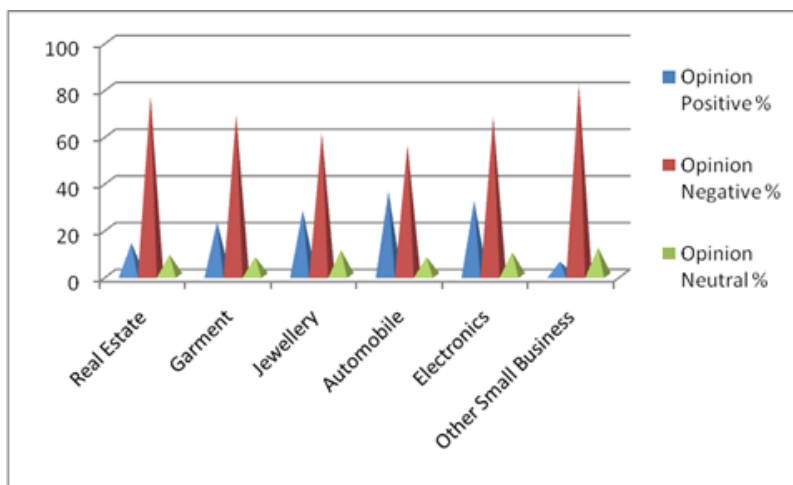
**Methodology**

Survey method is followed to find status of cash less economy in India. Data is collected from market places, banks, websites, news channels, online pay services. 200 persons related to different industries are selected for survey. Retailers of Real estate, automobile, electronics, jewellery, garment industry are selected for study. Some other business retailers are also interviewed. A questionnaire is prepared to find their opinion regarding cashless economy. Collected data is tabulated and analyzed.

**Finding and Analysis**

**Table:** Status of Cashless Economy in Different Industries

Industry	Opinion		
	Positive %	Negative %	Neutral %
Real Estate	14	77	9
Garment	23	69	8
Jewellery	28	61	11
Automobile	36	56	8
Electronics	32	68	10
Other Small Business	6	82	12



**Fig 1:** Status of Cashless Economy in Different Industries

Data indicates that small businesses are not prepared for cash less economy. 82% retailers are against this action and just 6% showed consent. In the Real estate industry only 14% agreed and 77% have negative view. In jewellery industry 28% while in electronics industry only 32% showed positivity. In automobile industry 36% retailers found with positive view for cashless economy.

**Conclusion**

A cashless society is a welcome idea but higher level preparations are required. 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. A cashless society, for now, seems like a distant dream but a less cash society can be appreciated. This step is against corruption and will stand India with developed countries.

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