



Cashless economy: The latest step towards growth

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Abstract

Can you imagine a day without cash? The answer is an obvious 'no'. The rustle of notes and jingle of coins still have the power to light up any face. This paper studied the impact of cashless economy on the Indian growth. India continues to be driven by the use of cash; less than 5% of all payments happen electronically however the finance minister, in 2016 budget speech, talked about the idea of making India a cashless society, with the aim of curbing the flow of black money. This exploration paper demonstrates that presentation of cashless economy in India can be viewed as a positive development. It is normal that the effect will be felt in modernization of Indian installment framework, diminishment in cost of managing an account administrations, decrease in cost of high security and well-being administration. Lessen money related burglary in this manner decreasing danger of conveying money; cashless arrangement will likewise diminish money related debasement and draw in more outside financial specialists to the nation. Additionally check saving money related debasements.

Keywords: cashless economy, cashless policy, KYC

Introduction

Cashless economy is an economy where transaction can be done without necessarily carrying physical cash as a means of exchange of transaction but rather with the use of credit or debit card payment for goods and services. However the finance minister, in 2016 budget speech, talked about the idea of making India a cashless society, with the aim of curbing the flow of black money. Even the RBI has also recently unveiled a document — "Payments and Settlement Systems in India: Vision 2018" — setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term. Indeed, in excess of 99 percent of exchanges by volume are still in trade installments out India, as indicated by a McKinsey Global Insights report. The Reserve Bank of India (RBI) and business banks yearly spend Rs 21,000 crore (\$3.5 billion) to print and flow cash notes and coins, and to guard them. Subjects of Delhi alone spend Rs 9.1 crore – and 60 lakh hours – to pull back and oversee money, as indicated by a 2015 report by the Institute for Business in the Global Context.

What is a cashless economy and where does India stand?

1. A cashless economy is one in which every one of the exchanges are finished utilizing cards or computerized implies. The flow of physical cash is insignificant.
2. India utilizes excessively money for exchanges. The proportion of money to GDP is one of the most noteworthy on the planet—12.42% out of 2014, contrasted and 9.47% in China or 4% in Brazil.
3. Less than 5% of all installments happen electronically
4. The number of cash notes available for use is likewise far higher than in other substantial economies. India had 76.47 billion cash notes available for use in 2012-13 contrasted and 34.5 billion in the US.

5. Some ponders demonstrate that trade commands level out shopping centers, which are gone by individuals who are probably going to have charge cards, so it is nothing unexpected that trade overwhelms out different markets too.



Fig 1

Literature Review

Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media.

According to Woodford (2003), Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer.

According to Anup Kumar, PGDM (IIM Indore), Electrical Engineer (2016), in a cashless economy, the exchange takes place in the form of a commitment by a third party, i.e. Plastic cards, mobile banks etc. You have a commitment, but not the hard cash with you; it is with the service provider which you are using for transaction. He will allow you to use it whenever you want, but owns it all the time. If you are not using it, he has its possession and he can invest it to gain from it

According to Joseph Pride, Most MBAs, after a drink or two, fancy themselves economists. Dec 2016, the benefits include universal payment systems, no gotcha moments when you don't have exact change, more difficult violent robbery, no difficulty transporting money, no worn out currency that has to be replaced, and easy control of the money supply.

The disadvantages include zero expectation of privacy from the government over universal payment systems, no way to get by with change when the Internets aren't working, more potential avenues for electronic robbery (debatable, actually, given how credit cards work right now), no difficulty for the government to come transport your money away from the other side of the country if they decide to adopt that policy, no currency under the mattress, and absolutely no physical constraint on the money supply not even fiat paper.

Research Objectives

- To know the importance of cashless economy in India.
- To survey the Awareness of idea of cashless among the general population in India.
- To break down the advantages of cashless economy.
- To investigation the Government Schemes For creating of cashless economy.
- To recognize the difficulties related with the usage of the money strategy.
- To look at the effect of the cashless approach on the reduction of inflation in India.

Research Methodology

This paper is basically descriptive and analytical in nature. In this paper an attempt has been taken to analyze the effect of cashless economy and its significance in growth of Indian economy. The data used in it is purely from secondary sources according to the need of this study.

Benefits of Cashless economy

1. Reduced occasions of expense evasion since it is money related organizations based economy where exchange trails are cleared out.
2. It will control generation of dark cash
3. Will decrease land costs as a result of checks on dark cash as the greater part of dark cash is put resources into Real domain costs which blows up the costs of Real bequest markets
4. In Financial year 2015, RBI spent Rs 27 billion on simply the action of money issuance and administration. This could be kept away from on the off chance that we wind up cashless society.
5. There will be more noteworthy proficiency in welfare programs as cash is wired specifically into the records of beneficiaries. In this way once cash is moved straightforwardly into a recipient's financial balance, the

whole procedure winds up straightforward. Installments can be effortlessly followed and gathered, and debasement will naturally drop, so individuals will never again need to pay to gather what is legitimately theirs.

6. There will be proficiency picks up as exchange costs over the economy should likewise descend.
7. 1 in 7 notes should be phony, which has an immense negative effect on economy, by going cashless, that can be stayed away from.

Hygiene

Soiled, tobacco stained notes full of germs are 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. In a cashless economy there will be no issue of ruined notes or fake money

1. Reduced expenses of working ATMs.
2. Speed and fulfillment of activities for clients, no deferrals and lines, no communications with bank staff required.
3. A Moody's report pegged the effect of electronic exchanges to 0.8% expansion in GDP for developing markets and 0.3% expansion for created markets on account of expanded speed of cash
4. An expanded utilization of charge cards rather than money would essentially empower a more point by point record of the considerable number of exchanges which occur in the general public, permitting more straightforwardness in business activities and cash exchanges. This could be avoided if we move towards Cashless economy.

This will eventually have the following chain effect

1. Improvement in credit access and financial inclusion, which will benefit the growth of SMEs in the medium/long run.
2. Reduce tax avoidance and money laundering thanks to the higher traceability of all the transactions.
3. The increased use of credit cards will definitely reduce the amount of cash that people will carry and as a consequence, reduce the risk and the cost associated with that.

Challenges in Making India a Cashless Economy

1. Availability of web association and budgetary education.
2. Though ledgers have been opened through Jan Dhan Yojana, the greater part of them are lying un-operational. Except if individuals begin working ledgers cashless economy isn't conceivable.
3. There is likewise personal stake in not moving towards cashless economy.
4. India is commanded by little retailers. They don't have enough assets to put resources into electronic installment foundation.
5. The view of purchasers likewise once in a while demonstrations a boundary. The advantage of cashless exchanges isn't clear to even the individuals who have charge cards. Money, then again, is seen to be the quickest method for executing for 82% of charge card clients. It is all around trusted that having money causes you arrange better.
6. Most card and money clients expect that they will be

charged progressively on the off chance that they utilize cards. Further, non-clients of Mastercards don't know about the advantages of charge cards.

7. Indian banks are making it troublesome for computerized wallets issued by private part organizations to be utilized on the particular bank sites. It could be limitations on utilizing ledgers to refill computerized wallets or an absence of access to installment passages. Controllers should take an intense remain against such lease looking for conduct by the banks.

Steps taken by RBI and Government to discourage use of cash

1. Licensing of Payment banks
2. Government is additionally advancing portable wallets. Portable wallets enables clients to right away send cash, pay charges, and revive mobiles, book film tickets, and send physical and e-blessings both on the web and disconnected. As of late, the RBI had issued certain rules that enable the clients to expand their point of confinement to Rs 1,00,000 in light of a specific KYC check
3. Promotion of internet business by changing the FDI standards for this segment.
4. Government has likewise propelled UPI which will make Electronic exchange significantly less difficult and speedier.
5. Government has likewise pulled back extra charge, benefit charge on cards and computerized installments.

What else needs to be done?

1. Open Bank accounts and guarantee they are operationalized.
2. Abolishment of government expenses on charge card exchanges; diminishment of trade charge on card exchanges; increment in charges on ATM withdrawals.
3. Tax discounts for purchasers and for vendors who receive electronic installments.
4. Making Electronic installment foundation totally protected and secure with the goal that episodes of Cyber violations could be limited and individuals create confidence in electronic installment framework.
5. Create a culture of sparing and confidence in budgetary framework among the rustic poor.
6. The Reserve Bank of India too should grapple with a couple of issues, from making sense of what advanced installments crosswise over fringes implies for its capital controls to how the new methods of installment influence key fiscal factors, for example, the speed of cash.
7. RBI will likewise need to shed a portion of its conservatism, some portion of which is on account of it has frequently considered itself to be the defender of managing an account interests as opposed to general money related improvement.
8. The controllers additionally need to watch out for any potential prohibitive practices that banks may enjoy to keep up their present strength over the lucrative installments business.

Conclusion

Cashless economy is an economy where transaction can be

done without necessarily carrying physical cash as a means of exchange of transaction but rather with the use of credit or debit card payment for goods and services. There will be efficiency gains as transaction costs across the economy should also come down.1 in 7 notes is supposed to be fake, which has a huge negative impact on economy, by going cashless, that can be avoided. In Financial year 2015, RBI spent Rs 27 billion on just the activity of currency issuance and management. This could be avoided if we become cashless society.

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