Impact of Cashless Society for the Economic Growth in India

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Introduction

Cashless economy is the economy in which the flow of cash within an economy is non-existent and all transactions are completed through electronic medium i.e. direct debit, credit and debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). It has been find out that if the cashless transaction increases, it will reduce the withdrawal not only from ATM but also from banks. This will reduce the bank burden along with the reduction in the cost of maintenance of such machine. It has also been find out that Indian gives the priority to cards payments in comparison to other mode. In fact, cashless transition will make the things different with the increase in the income of relevant state. It is expected to stop maximum amount of black marketing in the market and will increase the receipt of VAT in the treasury of Indian Government. In India, around 20% households have internet access and only 6% have subscribed for mobile broadband connection. The basic aim of this research paper is to find out the impact of cashless economy on overall development and growth of Indian economy along with the challenges and opportunities in adaptation of cashless economy in India.

Objectives of the Study

- Studying the concept of cashless economy.
- To identify the prospects and challenges of cashless transaction system in India.
- Studying the current position of cashless India.
- To study the opportunities and advantages if India become a cashless economy.

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- To find out the challenges to establish cashless economy in India.
- To analyse the initiative taken by the government and RBI to discourage the use of cash in India.
- To analyze the future trend of cashless transaction.
- To suggest the future prospects of cashless India.

Methodology

The present is mainly based on secondary data which is available in the papers, articles, journals and internet etc.

Benefits of Cashless Economy

- **Cost of Printing Money**
  It is the direct cost and affects the Indian economy. If there is cash system, people will work on cash transaction and government will be bound to produce the new notes. But on adaptation of cashless economy we will be able to save this cost up to a certain level.

- **Reduce the Maintenance Cost**
  Other than printing cost of currency notes such as storage cost of notes, transportation cost of notes, security cost of notes, and device for detection counterfeit notes etc. may be saved. Cashless transaction will also reduce the cost of maintenance of ATM machines.

- **Fast Transactions**
  A queuing at the point of sale terminals and vending machine will be reduced. It means three times more people can be served using a cashless system than could have been if they were paying cash.

- **Save Money and Time**
  Cashless economy will reduce the costs as there is no need to maintain the manual accounting because the banks employees a large no of staff attend and redress the complained.

- **Collection of Higher Revenue**
  It will increase the collection of taxes. This increased collection may be converted into public welfare policy and schemes.

- **Convenience and Lower Risk**
  It is safer of both Bank as well as customers because of having high degree of secrecy and if stolen, may be easily locked credit cards or mobile wallet remotely.

- **Reduction of Income Tax Rate**
  Due to the lesser availability of hard cash in home and banks, it will be very easy to hide and evade the income tax. It will certainly increase not only the no of tax payer but also the collection of income tax. It will ultimately lead to reduce the income tax rate for the whole country.
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- **Transparency and Accountability**
  Cashless transactions are generally electronic transactions which leaves the digital proof. Digital proofs are beneficial not only for government but also for the taxpayer (Consumer). It makes the overall system nor transparent and compliant.

- **Eradication of the Corruption**
  Cashless economy will be simple, transparent and easy. It will show the every transaction in both the parties i.e. sender and receiver. Hence it will eradicate the corruption in Indian economy up to some extent. In fact, it will hit the corruption in much planned manner and will save enough money in the Indian economy.

- **To Check on Organized Crime**
  Organized crime such as armed robbery, kidnapping, terrorist activities and money laundering requires huge volume of cash to carry out their nefarious operations so that they cannot be easily traced. Thus, cashless economy will surly curtail these type f unsocial activities.

- **To Wipe Away the Black Money from the Indian Market**
  The habit of evading sales on paper by the small shopkeeper and big industrialist to save the taxes create the problem of loss of tax to exchequer and lead to parallel economy. It creates big losses to towards the government as well as common people goal. The cashless economies will surly lead to the development of India by means of collecting surplus taxes and also to spend these taxes for the benefit of the scheme for poor people in India.

- **Stopping the Leakages**
  In cashless economy, the direct benefit transfer policy of Indian government will help in identification of the beneficiary on the basis of biometric identity such as AADHAR or UID no. and people will get their dues directly in their banks accounts. It will stop the leakage of money by the officials of the government while distributing money to the beneficiary.

**Challenges in Making India Cashless Economy**

- **Lack of Digital Literacy**
  Since more than 60% population of India does not know how to use the computer and rural Indian does not know about the smart phone. There is need of high speed internet connection but in India, there are various rural and urban area where the access of internet is very difficult. The areas which have internet connection also have problems in continuous connection. The costs of internet facilities are very high in comparison to developed countries.

- **Lack of Infrastructure in India**
  There are various area in the rural where banks is still a distant dream because these area are still having the banks at their door step. There is lack of ATMs in such
areas and the areas which have ATMs are not fully backup with the electricity and other IT facilities. So it is necessary to have basic infrastructure for banking services.

- **Lack of Education**
  
  Person of villages and remote area are neither educated enough nor able to operate the banking facilities effectively. Due to illiteracy, Indian rural and remote area people having the bank accounts feels unable to fill the deposit and withdrawal form of their bank account without the help of other people. It may be the big challenge for Indian government to start a campaign to literate them to discharge their duty by themselves. Due to lack of education they are not aware for the security measures of the PIN no.

- **Financial Inclusion**
  
  Only 60% of Indian population has bank account in present scenario. It means a large no of Indian people do not have bank accounts. Government has launched a Scheme named Pradhan Mantri Jan Dhan Yojna to open the massive bank accounts for every citizen of India. More than 228 million accounts have been opened under this scheme but mostly accounts were opened with zero balance and now they are dormant in the banks. A lot of Indian does not only know how to operate the account but also inefficient to operate the account due to lack of money, lack of income, lack of information and illiteracy etc.

- **To Cover Large No. of Indian**
  
  In spite of that a large no of bank accounts was opened by people under PMJDY, around 40% of Indian population does not have any access to bank and banking services. There is need of proper penetration into the market to provide banking service to all Indians. To include a large no of Indian in the main stream of banking services is a major challenge for the Indian government.

- **Unwillingness of Indian to Make Cashless Transactions**
  
  Mostly Indian does not prefer to deal with cashless transaction because seller does not accept the cards and cheques at the point of sales and they demand for transaction fees that makes the things costly. This problem may be solved to lower the transaction fees by the banks or service provider if large no of Indian use the debit and credit cards for making the cashless transactions.

- **One English or Barrier of English Language**
  
  Since India have characteristics of unity in diversity. But English is the basic platform of internet as well as details on plastic cards. Moreover the message of transaction are mobile are also received in English. Therefore, it must be attempted to teach English everyone or we must use multiple language regarding such processes.
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• **Uneven Participants Profile**
  There are not only different priorities in the nationalized and private banks but also they have uneven extent because various cards are issued by the nationalized bank having the different level of motives whenever there is lack of service mission in private banks which makes the affairs costly.

• **Lack of Customer Awareness**
  There is lack of awareness about different aspects of cashless transactions. It is the need of the hour to stress upon the matter relation to the service tax, transaction fees, security of accounts etc to make the consumer aware and effective party of the mission.

• **Costly Swipe Machine**
  Since swipe card machine are not provided at subsidy rate hence it may only be used by the rich shopkeepers because it may not be possible to have swipe machine by auto driver or a normal vendor. Besides it various shopkeepers does not know how to use swipe machines.

**Suggestions**

• To abolish the government fees on credit card transactions
• To reduce the interchange fee on card transactions
• To provide additional tax rebated to consumer use mostly electronic payment
• To provide the education to the Indian for the suitable and proper use of cards
• To develop proper infrastructure in the remote area of India to provide the internet and banking facilities in that area
• To create awareness among buyer and seller about the benefits of cashless transactions
• To establish a regulatory authority to ensure that policy is being properly enforced.

**Conclusion**

India is gradually transitioning from an economy based on cash to cashless economy. Now, there is an immense need for India to move towards a cashless economy to save huge money which is being spent on the printing and maintenance of currency. It may assist the Indian government not only to achieve the objective of inclusive growth but also to make public utilities more effective. Cashless economy is based on digital transactions which are easily traceable and taxable and does not leave any room for circulation of black money. The cashless transaction system is reaching its growth day by day because it is not only safer than cash transaction but also it is less time consuming and avoid the trouble of carrying and trouble of wear and tear like paper notes. Although it is difficult to implement the idea of cashless
Indian economy due to misery and poverty of a large no of Indians yet there is a sea change in the mindset of Indian people with regards to digital means of monetary dealing due to being easy, convenient, transparent and safe. Now we may say that India must go for less cash economy instead of cashless economy because a continuous march towards less cash economy will certainly lead to India towards cashless economy.

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