

CASHLESS ECONOMY IN INDIA: CHALLENGES AND BENEFITSM. Jayalakshmi^{*1}G.Venkateswarlu²Research scholar, Dept of Business Management, Sri PadmavatiMahilaVisvavidyalayam (Women's University)
Tirupati-517502

Research scholar, Dept of Tourism management, VikramaSimhapuri University, Nellore,

venkateswarlu.gortala@gmail.comJayalakshmi.madderi8@gmail.com**ABSTRACT**

India continues to be determined by the use of cash; less than 5% of all payments are electronically; On the other hand, the Minister of Finance, in the 2016 budget speech, spoke about the idea of making India a moneyless society, with the aim of curbing the flow of black money. A non-monetary partnership is defined as an economic state in which financial transactions are not shown with money in the form of banknotes or physical currencies, but reasonably the transfer of digital information (usually electronic representations of money) between the parties performing the transaction. Although society is generally spoken without cash, most countries are increasing their money supply. India is dominated by small retailers. Excessive use of digital payment will save billions of rupees for the Indian economy, as it will help to bring down the cost of cash, according to a report from the payment company Visa Inc. As part of the promotion of cashless transactions and conversion of India in a company with less money, different payment methods are available. The goal of this study is to challenge and benefit the cashless economy and focus on various ways of digital payment. In India there is no place for black money or cash.

Keywords:

Cash less India, digital payment, cashless society, challenges and benefit's,

INTRODUCTION

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.

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.

- A cashless economy is an essentially which all the transactions are done by using cards or digital means. The movement of physical currency is nominal.
- India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world—12.42% in 2014, compared with 9.47% in China or 4% in Brazil.
- It's happen less than 5% of all electronically payments
- The number of currency notes in circulation is also far higher than in other large economies. India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US.
- 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.

A **cashless society** describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information between the transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bit coin. However this article discusses and focuses on the term "cashless society" in the sense of a move towards, and implications of, a society where cash is replaced by its digital equivalent - in other words, legal tender (money) exists, is recorded, and is exchanged only in electronic digital form.

Amount of cash circulation: Even though cashless society is widely discussed most countries are increasing their currency supply. The table below is taken from the red books for members of the Bank for International

Settlements, which includes most of the major fiat currencies of the world. Exceptions are South Africa whose supply of banknotes fluctuates wildly compared to most nations and Sweden which is drastically reducing its currency supply since 2007, the values in the table are "per capita" so they already are scaled topopulation changes. But even the smallest increases of 3% per year are much higher than any possible GDP growth.

To put things in perspective, the RBI demonetized 86% (in value terms) of its banknotes in circulation. Surely a record.

Table: Banknotes in circulation

Denomi nation (₹)	Volume(million pieces)			Value(₹ billion)		
	Mar -14	Mar-15	Mar-16	Mar -14	Mar-15	Mar-16
1	2	3	4	5	6	7
2 and 5	11,298 (15.1)	11,672 (13.9)	11,626 (12.9)	46 (0.4)	46 (0.3)	45 (0.3)
10	26,648 (34.5)	30,304 (36.3)	32,015 (35.5)	266 (2.1)	303 (2.1)	320 (1.9)
20	4,285 (5.5)	4,350 (5.2)	4,924 (5.4)	86 (0.7)	87 (0.6)	98 (0.6)
50	3,448 (4.5)	3,487 (4.2)	3,890 (4.3)	172 (1.3)	174 (1.2)	194 (1.2)
100	14,765 (19.1)	15,026 (18.0)	15,778 (17.5)	1,476 (11.5)	1,503 (10.5)	1,578 (9.6)
500	11,405 (14.7)	13,128 (15.7)	15,707 (17.4)	5,702 (44.4)	6,564 (46.0)	7,854 (47.8)
1000	5,081 (6.6)	5,612 (6.7)	6,326 (7.0)	5,081 (39.6)	5,612 (39.3)	6,326 (38.6)
Total	77,330	83,579	90,266	12,829	14,289	16,416
Note :figures in parentheses represent the percentage share in total						

But despite such warning signs, the move to demonetize came as a shock, particularly given how common Rs 500 and Rs 1,000 notes have become in daily lives. To put things in perspective, these two denominations account for a whopping 86% of all banknotes in circulation, as per the RBI's Annual Report for the financial year 2015-'16. India's real Gross Domestic Product at constant (2011-'12) prices for the year financial year 2015-'16 stood at Rs 113.5 lakh crore, indicating that Rs 500 and Rs1,000 banknotes accounted for nearly 12% of India's GDP, showing how integral these banknotes are to India's economy.

OBJECTIVE

- To study on challenges and benefits of cashless economy in India
- To focus on digital payment methods

Benefits of Cashless economy

- Reduced instances of tax avoidance because it is financial institutions based economy where transaction trails are left.
- It will curb generation of black money
- 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
- In Financial year 2015, RBI spent Rs 27 billion o\n just the activity of currency issuance and management.

Challenges in making India a cashless economy

- Accessibility of the Internet connection and financial education.

- However, bank accounts have been opened through Jan DhanYojana, most of them do not work. Unless people start to operate bank accounts, the cashless economy is not possible.
- There is also a great interest in not moving towards the economy without cash.
- India is dominated by small retailers. They do not have abundant resources to invest in electronic payment infrastructure.
- The discernment of consumers also sometimes acts as a barrier. The benefit of cashless transactions is not evident even for those who have credit cards. Cash, on the other hand, is perceived as the dissolute way to carry out transactions for 82% of the users of credit cards. It is universally believed that having cash helps you negotiate better.
- Improved use of digital payments will save billions of rupees for the Indian economy as it will help topple the cost of cash, according to a report from Visa Inc., the payment company, entitled 'Rapid tracking of the growth of digital payments in India. : a five "Year Perspectives", the report discusses the challenge of India's transition to a less cash partnership over the next five years and describes a roadmap to reduce the cost of cash to 1.3% of the product gross domestic current of 1.7%.

Digital payment methods

- The Digital India program is an emblematic program of the Government of India with the vision of transforming India into a society and a knowledge economy with digital power. "Faceless, paperless, without cash" is one of the professors of Digital India.
- As part of the promotion of cashless transactions and the conversion of India into a society with less cash, there are several modes of digital payments available. **These modes are:**

- [1] Banking cards
- [2] USSD
- [3] AEPS
- [4] UPI
- [5] Mobile wallets
- [6] Bank pre-paid cards
- [7] Point of sale
- [8] Internet banking
- [9] Mobile banking
- [10] Micro ATMs

BANKING CARDS (DEBIT/CREDIT/CASH/TRAVEL/OTHERS): Credit card Plastic card issued by the bank with a magnetic strip containing a machine-readable identification code. Bank cards are used for electronic commerce (with magnetic stripe or Internet readers) and for bank transactions through ATM. The wide variety of cards available including credit, debit and prepaid and offers enormous flexibility, as well. These cards provide two factors authentications for secure payments e.g. secure PIN and OTP, RuPay, Visa, Master card are some of the example of card payment systems. Payment cards give people the power to purchase items in stores on the internet, through mail-order catalogues and over the telephone. They save time and money for both customer's and merchant's and thus enable them foresee of transaction.

Unstructured Supplementary Service Data: The innovative payment service *99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of under banked society in the mainstream banking services.

Aadhaar enabled payment system (AEPS): AEPS is a bank led model which allows online interoperable financial transaction at PoS(Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.

Unified payments interface(UPI): Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and IOS mobile platform(s).

Mobile wallets: A mobile wallet is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your smartphone, tablet, or smart watch. An individual's account is required to be linked to the digital wallet to load money in it. Most

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banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money, SBI Buddy, itz Cash, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, SpeedPay etc.

Point of sale: A point of sale (PoS) is the place where sales are made. On a macro level, PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

Internet banking: Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

Different types of online financial transactions are:

- National Electronic Fund Transfer (NEFT)
- Real Time Gross Settlement (RTGS)
- Electronic Clearing System (ECS)
- Immediate Payment Service (IMPS)

Mobile banking: Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platform(s).

Micro ATMs: Micro ATM meant to be a device that is used by a million Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents (who could be a local kirana shop owner and will act as 'micro ATM') to conduct instant transactions.

CONCLUSION

I have come to the conclusion that the cashless society establishes the cashless economy, so financial transactions are not made with money in the form of banknotes or physical coins, but through the transfer of digital information (usually an electronic representation of money) between the parties performing the transaction. In this concept of cashless economy in India and its goal and vision to turn the country into a digitally enabled country and enriched by various cashless transaction modes. As part of the Indian digital program, as a result, digital modes such as credit cards / debit, mobile wallets, prepaid bank cards, UPIs, AEPS, USSD, Internet banking, etc. They won't need currency, bringing India without cash in the near future. It will be advantageous and the growth of the Indian economy will increase to 7.6% in the fiscal year.

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