

# Challenges and Prospects of Cashless Economy in India

Prof. Pavankumar U D<sup>1</sup>, Prof. Megha G Patil<sup>2</sup>

Assistant Professor, Department of P. G., Studies in Commerce, KLE's G H College, Haveri, Karnataka, India<sup>1,2</sup>

**ABSTRACT:** At present scenario almost all country made cashless transaction. Government of India also started a cashless transaction like digital India economy by minimizing the use of physical cash. This paper analysis moving towards cashless system, evaluate E-banking In India. Government of Indian releasing the number scheme under digital India and highlights the challenges of the cashless economy and online payment (debit/credit card, Google pay, phone pe and paytm etc.) this paper study to evaluate the challenges and prospects that are faced by India towards the cashless. Cashless system may be control black money and also facilitate transparent system but there are so many practical problem and issues are there especially the security and how make to operate or usage.

**KEYWORDS:** Digitization, Cashless Economy, Challenges and Prospects consumer and electronic payment system.

## I. INTRODUCTION

Indian economy is a mixed economy and having all type of sectors is among the prime important of the government of India. Cashless economy means does not need to carry cash in physical form as a medium of exchange, but slightly with the use of plastic card and e-model of banking system. The developed country reduced the use of paper money and uses only 5 to 10% of transactions are made in currency. But before to the cashless span, in India only 5% of payments happened electronically. To make India a cashless society government has also started various schemes like Digi locker, my Gov.in, e-sign framework, national scholarship portal, e-hospital, Digitize India Platform, Bharat net, Wi-Fi hotspots, Electronics Development Fund, Centre of Excellence on Internet of Things (IoT), National Electronic Funds Transfer (NEFT) and Bharat Interface for Money (BHIM) etc. but the main aim of the study is to find out the significant challenges faced by Indians while moving towards cashless society. The government of India has launched its attack "cashless India."

**Vision 2020** The Digital India programmer is a flagship programmer of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India.

## II. CASHLESS ECONOMY IN INDIA

A cashless economy is one in which all the transactions are done using plastic cards or digital means. The circulation of physical currency is reduced.

- India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world.
- Less than 5% of all payments happen electronically.
- Some 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.

### Benefits of Cashless Economy

- ✓ Reduced the quantity of paper and Reduced costs of operating ATMs
- ✓ It will pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital.
- ✓ Speed and satisfaction of operations for customers, no delays and queues, no interactions with bank staff required.
- ✓ Easy to make transaction anywhere and any time



### III. OBJECTIVES OF THE STUDY

- ✓ To know the awareness of cashless economy
- ✓ To identify the various challenges faced by Indians while moving towards cashless.
- ✓ To analyze the status of ‘cashless layout’ in rural and urban areas in India.
- ✓ To understand the benefits of Cashless Transaction System in India.
- ✓ To identify the challenges and prospects of Cashless Transaction System in India.

### IV. METHODOLOGY

The present study is based on the secondary data .Present study is descriptive as well as exploratory in nature. Secondary data form authentic sources like Hand of Statistics of Indian Economy, Published by Reserve bank of India, Reports published by NITI Aayog, World bank Data Base , and the facts produced by several research agencies has been used to draw meaningful conclusions about opportunities and challenges for cashless banking in India.

### V. LITERATURE REVIEW

**L.B. (2014)** found a lack of unique national identity system, inadequate infrastructure, and high rate of illiteracy and poor sensitization, poor timing, and sequencing for both the policy as challenges for cashless policy.

**Ovat (2012)** found Fraud, Indiscriminate deductions from accounts, high rate of illiteracy, inefficiency, epileptic public power supply as challenges in Nigeria. Ajayi,

Akhalumeh and Ohioka (2011) found out some challenges at the front of general people with the introduction of cashless policy. Their findings show that 34.0% of the respondents faced the problem of internet-based fraud, 15.5% of respondents argued the problem of limited POS/ATM, 19.6% cited the problem of illiteracy, and 30.9% stayed neutral – the respondent not been sure of problem been expected or experienced. Okay.

**Ashish Das, and Rakhi Agarwal, (2010)** in their article “Cashless Payment System in India- A Roadmap” Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.

**Alvares, Clifford (2009)** in their reports “The problem regarding fake currency in India.” It is said that the country’s battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

**Annamalai, S. and Muthu R. Iiakkuvan (2008)** in their article “Retail transaction: Future bright for plastic money” projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money.

**Nayak, Tapan Kumar and Manish Agarwal (2008)** in their paper “Consumer’s 8585behavior in selecting credit cards” discussed about the factors influencing the selection of credit cards among consumers. The major factors points out by them are service offers, promotional offers, interest benefits, cash benefits, ease of payments, payment charges, card benefits and time benefit.

**Reddy, Ramakrishna (2006)** in his article “Card products in India” commented about the reasons for not attaining full growth potential among card products and suggest remedies for growth in this field for the benefit of all players.

**Saha, Tapash Ranjan (2006)** in the article “Debit cards overtaking credit cards in India”, provided comparative features of both credit cards and debit cards and its volume of transactions from 1995 to 2005, shows that debit cards growths out placing the credit cards.

#### RBI notes printing in the year 2013 to 2017

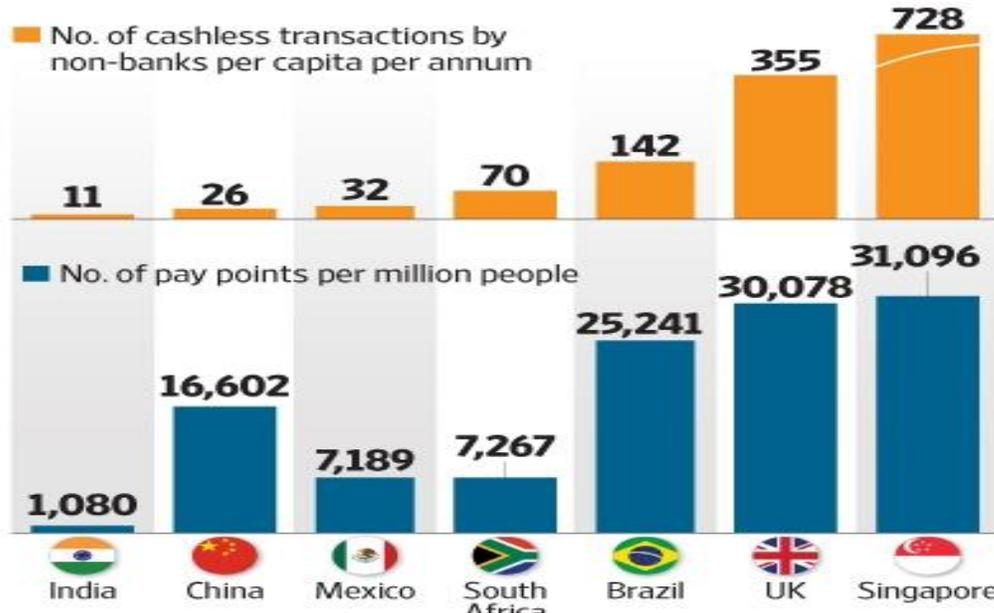
	2013-14	2014-15	2015-16	2016-17	2017-18
Printing of notes	332.14	337.62	34.21	779.65	49.12

Source : Annual reports 2017-2018

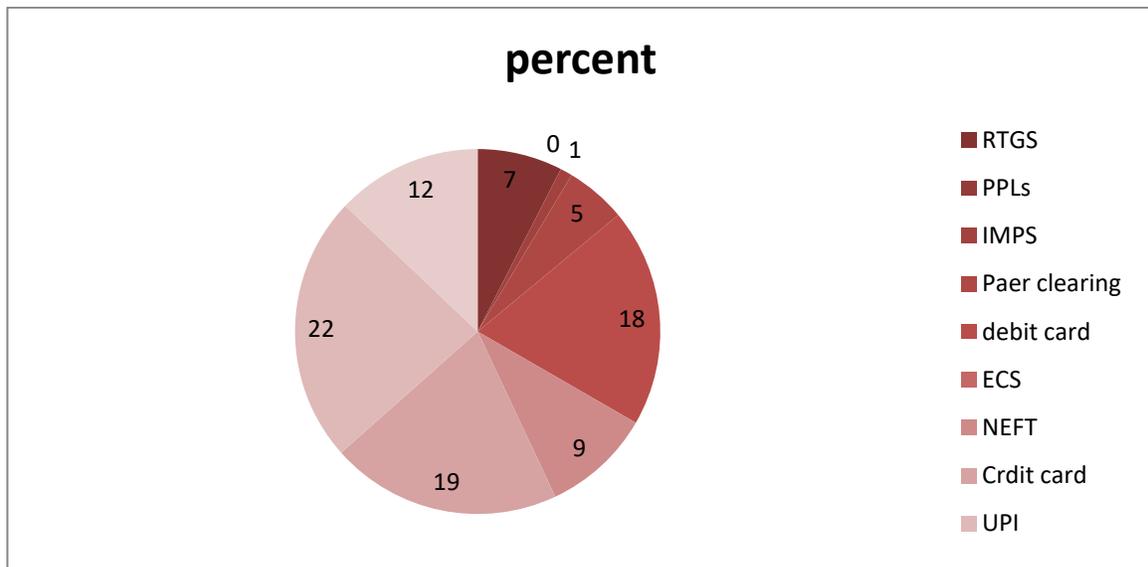


## GOING CASHLESS: HOW INDIA STACKS UP

A comparison with other countries shows that India lags behind in the metrics to measure a cashless economy. The government has announced a slew of incentives to promote cashless transactions since Prime Minister Narendra Modi announced the recall of old Rs500 and Rs1,000 notes on 8 November.



Sources: Niti aayog



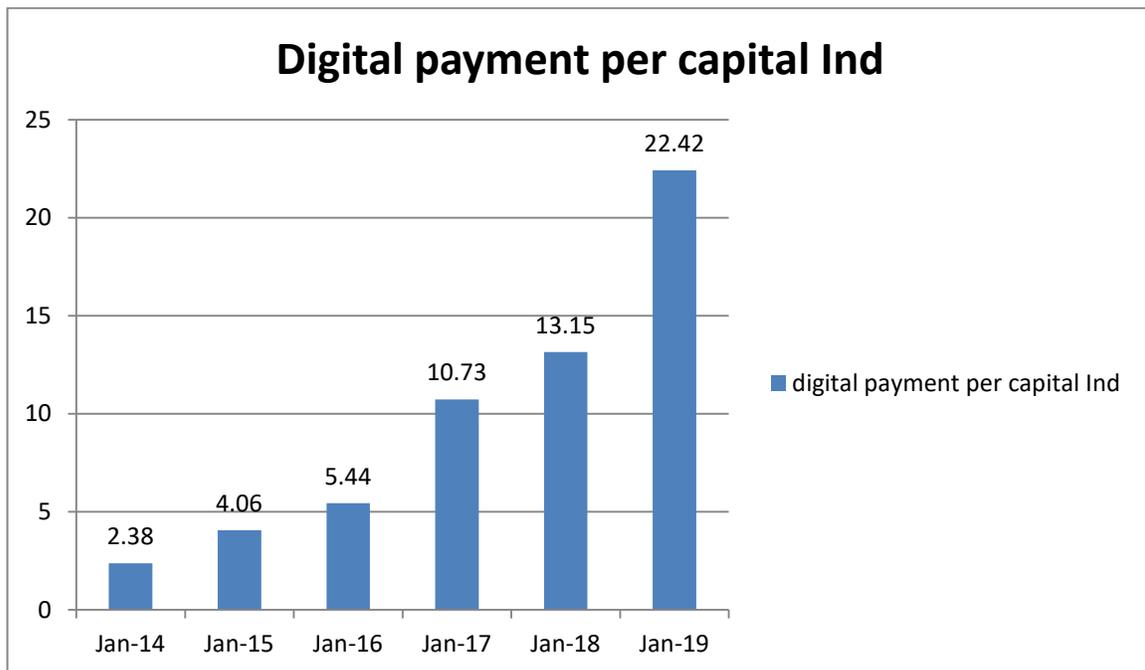
Payment Systems Share FY2018-19-Volume



**Number of cashless transactions per capita**

Country	2015	2016	2017
Singapore	727.9	759.0	782.4
Sweden	428.8	481.4	497.9
USA	420.9	442.6	473.6
Euro Area	156.9	172.6	186.8
Russia	99.5	132.8	178.5
Brazil	137.6	139.4	148.5
China	48.9	70.4	96.7
South Africa	68.7	78.0	79.2
Indonesia	23.4	28.4	34.0

Source: Annual reports 2017-2018



For India, this metric has shown significant growth, from 2.4 digital transactions per capita per annum to about 22 in 5 years! The committee estimates that with the right enabling measures, this metric can grow by a factor of 10 in 3 years, i.e. the RBI and the Government aim for Annualized Per Capita Transaction Volume to reach 220 by Mar 2021

**VI. CHALLENGES**

- **Unorganized Economy:** Indian economy is highly original economy near to 50% to 55% of Indian population engaged in agricultural sector and third sector of organized.
- **Lack of Digital Infrastructure**  
Lack of adequate infrastructure is a major hurdle in setting up a cashless economy in India. The number of ATMs in India dropped to 2, **21,703** as on March 31, 2019 from 2, **22,300** at the end of 2017, recording a decrease of **597** ATMs during the period, according to a report released by the Reserve Bank of India. At present situation number ATM and Passbook and deposited machines worked 3 to 4 days per week reaming days its show server busy or insufficient money in Indian both rural and urban area inefficient infrastructure, poor digital system and poor internet facilities.

- **Unorganized Economy:** Indian economy is highly original economy near to 50% to 55% of Indian population engaged in agricultural sector and third sector of organized.
- **High Cash Dependency** India has a highest uses paper money as B2C, B2B etc total cash flow in the market 12% of the gross domestic products. Almost all developing countries circulate cash penetration.
- **Financial Inclusion**  
About 40 to 50% of the country's population has bank accounts. Still large number of people is not having the bank account (especially in India). More than 35.99 crore accounts were opened under PMJDY (Pradhan Mantri Jan Dhan Yojana) scheme until July 2016. Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in August 2014 with the objective to, inter-alia; provide universal access to banking facilities to the people of the country. As informed by banks, out of 35.99 crore accounts opened under PMJDY as on 26 June 2019, 29.54 crore accounts are operative accounts
- **Cyber Security Issues**  
Another riding challenge in digital payments in India is cyber security issues, with the magnitude with which digital transaction-taking place after demonetization the risk of online fraud, leakage of confidential information, cyber-crimes, malware, hackers and virus attacks has been raising. This is the biggest concern to deal with in order to popularize digital payments.
- **Lack of Literacy awareness Rate**  
Low literacy rate hinders the accessibility of banking services. Citizens should not only know how to read and write but also possess basic digital literacy (10% in India) to fully enjoy the benefits of e-payments.  
As per 2019 overall literacy rate in Rural India is 64.7 per cent. In rural India, the literacy rate among females is **56.8 per cent** and among males is 72.3 per cent. 3. The overall literacy rate in Urban India is **79.5 per cent**.
- **Few Banks in village**  
In rural area only having 1 or 2 bank are there. And some village not having any kind of bank and also bank facilities. More the banks, more the cash deposits in accounts. Banks in villages should be helpful in teaching the residents the process, usage and benefits of plastic cards

## VII. OPPORTUNITIES OF CASHLESS ECONOMY

Cash less economy its helps to in repress generation of black money.

### Reduce cost of printing money

Printing money is the direct cost that affects the bank (Reserve Bank of India). In the cash system of economy where maximum people will work on the cash transaction, government has to produce more and more cash notes. When implementing the cashless transaction that time reduced paper and cost of expenditure.

### Decreased Crimes

It is very difficult to carry cash and by going cashless and cashless system is easy to find the scam and has to take measures per capital income.

### Safe and Secure

Cashless economy is safe and secure as well as its give information about withdrawn and deposits SMS and also gave place and time of both transaction.

### Control of Black Money

Even transactions can be done through e banking but it can be traced while it is very difficult to trace the transactions in cash. There are certain check also in depositing and withdrawing money through bank accounts.

### Higher Revenue

A cashless system is help to transparent transactions and increases the collection of tax. Thus generating higher revenue for the government, this in turn will be converted into public welfare policies and schemes. The government will benefit from

the cashless economy in the area of adequate budgeting and taxation, improved regulatory services, improved administrative processes (automation), and reduced cost of currency administration and management

### VIII. SUGGESTIONS

A cashless economy in India is having aspects challenge and opportunity as well as economic growth it is not only act of government bodies but a revolt and people make understand the benefits of cashless transaction in day today life. People first understanding important of digital mode and cashless exchanges are how much virtual play for developing the Indian GDP and per capital income e-Commerce and e-banking system its give a all remittance if done electronically mode will give transparent, accountable and also avoided corruptions, black money and easy to find out who are not paid tax to the government . The measure suggested include encouraging installation of point of sale (POS) machine by rationalizing merchant discount rate (MDR) and allowing first five interbank transactions free of cost to promote online money transfer.

### IX CONCLUSION

The years by year prove and updated technology and digital transaction. India slowly increase cashless transaction and also government or authorized persons reduced cyber or hacking Improve the security issues, awareness rate of digital pay or digital exchanges. Encourages the customer go with cashless transaction and customer also ready to update the self and society that only India improve rapidly and also lead worldwide or easy to compete to other country all sector.

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