

Cashless India and Economic Growth- A Review

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Abstract

An economy is said to be cashless when the transactions inside are done through means other than hard currency. Facilities like credit cards, debit cards, e-wallets and online fund transfers contribute to it. The central government's increasing stress for the use of cashless means following demonetisation in November 2016 is widely believed to be a good sign for Indian economic growth. Following the demonetization policy, the dependence on online banking and e-wallets has increased remarkably, which further reduces the risk of theft and burglary in using hard cash. Mounting volume of black money in a corrupted economy will pull down the growth, cause higher unemployment rates and ultimately lower the living standards. Digitalizing the transactions in the economy is a solution for these economic hazards and believed to favour a fair growth. The present paper aims to study the importance of a cashless society in facilitating growth of the country and also brings out the challenges faced by our government to digitalize the economy.

Key words:

Information Technology, demonetisation, a cashless digitalized economy.

Introduction

The advancement of Information Technology has enabled human beings to have access to financial system eliminating time and place constraints. Transactions done through credit cards, debit cards, online fund transfers and e wallets contribute the features of a cashless digitalized economy where hard currency is replaced by the fore mentioned. The go digital initiative of the government is fully supported and accepted as it facilitates faster and secured transactions. Over the past few years the global trend in market is observed to be going cashless. A cash rich economy at present is less supported by economists. Walk-inn market having hard cash in pocket has already become stereotype hence a large number of consumers started using plastic money and online modes to payoff and receive payments. Less thin pockets and safely locked e-wallet app in a mini screen has already became part of our life style.

Significance of the study

From the Indian perspective it can be observed that advancement of card and online payment facilities has caused a volume increase in buying behaviour of individuals. People who do cashless transactions do higher transactions in number when compared to people who deal in hard currency. A base analysis of bills of purchases of these two classes could prove the researchers view. Hence cashless economies have higher consumption rates and GDP. Banking institutions in the country play a vital role in digitalizing the transactions in the economy. Still India has to work on many people who are without bank accounts, not only account penetration is comparatively low but so is the use of accounts for make or receives payments. Modi Govt.'s PMJDY scheme has impacted considerable increase in the bank accounts in the country with 200+ million new bank accounts. KYC and zero balance features of accounts further attracted people. Still miles to go; according to RBI 41% of citizen in India do not have bank accounts. Authorities are struggling to penetrate this number to boost up the financial inclusion initiative. Lack of familiarity and limited

access to advanced technology in rural areas, fear of the unknown and quality skill oriented education act as a hurdle for growth to digitalization and use of e-cash.

A completely digitalized receipts and payments system in an economy will bring down black marketing to the maximum extent and impact positive with income of the state. This study brings out the impact of cashless economy on the various aspects of Indian economic growth and development and also, the challenges faced by government to digitalize receipts and payments in the economy. In this context, the present study assumes greater importance.

Scope of the study

The scope of the study is limited to the importance of a cashless society in facilitating growth of the country and the challenges faced by our government to digitalize the economy. The study was mainly based on secondary data.

Objective of the study

- To study the importance of a cashless society in facilitating growth of the country and the challenges faced by our government to digitalize the economy.

Research Methodology

To study the effect of digitalisation and cashless transaction on Indian economy the researcher sorts mainly secondary sources. Interaction with people who depends on cashless transactions was a major help.

Results and Discussion

There are many benefits that are related directly or indirectly to the India's economy with the use of cashless transactions in the market. The **direct benefits** include

- 1. Eradication of black money:** Tax evasion is found to exist high in real money deals. Neither shopkeepers nor industrialists never show the actual figures on paper to save tax. It has caused a large amount of money to disappear from economy and a loss to tax benefits to the government. This unlawful practice impacts negative on the growth of the state and general well being of the people in the economy. Our economy going cashless will definitely support development by means of collecting surplus taxes and spending these collected taxes on public welfare schemes of the government. Modi in his poll manifesto said he'll sent 15 Lakhs rupees to individuals of the country by claiming the black money in circulation to the government.
- 2. Eradication of corruption:** Simple and transparent transactions in the economy will reduce the corruption rates in a systematic way.

India has been ranked 79th among 176 countries in the Corruption Perception Index 2016 released by the Transparency International organization. Its score marginally improved from 38 in 2015 to 40 in 2016. India had a score of 36 in 2012. The researcher is of the opinion that corruption eradication should be from grass root level. Most links in the public service are corrupted in way that they expect favors for their action.

- 3. Saves printing costs:** Currency printing costs of RBI is a burden to the system and is high in an economy where people depend more on hard currency for their needs. Researcher feels going cashless will benefit the system saving this cost. According to the data released by RBI, the cost of printing notes doubled to Rs 7,965 crore in FY'17 from Rs 3,421 crore in FY'16 on account of new currency printing post note ban.
- 4. Reducing related costs:** These include costs faced by government and RBI in storage, transportation, security etc. incurred in dealing with hard currency. Saving this cost will help the government to reallocate the money to development needs of the nation.
- 5. Stop to money laundering:** Digitalizing the transactions in the economy will reduce the illegal money laundering crimes hence the amount of black money in the country is under watch.
- 6. Stop to terrorist financing and robberies:** Cashless transactions will considerably reduce hard-cash reserves with individuals and bring stop to organized robberies and terrorist activities.
- 7. Formalizing the Indian financial system:** Simple, transparent and taxed transactions in the economy will give a more formal face to our financial system.

Challenges in Establishing A Cashless Economy

- 1. Lack of education:** Adequate and quality education is yet to reach in remote villages of the country. Illiterate villagers are not able to effectively utilize the technology but also in a state to seek assistance even in filling up application forms. As far as banking is concerned these illiterate people doesn't know the various uses of plastic money and to the worse extent doesn't have the knowledge to operate ATM in a machine for withdrawal. This marks the primary responsibility of the government to design skill-oriented syllabus for education and develop infrastructure in village areas.
- 2. Limited access to technology:** the last decade's technological advancement resulted in a revolution in the banking sector. But these

resources are distributed unequally hence the accessibility and availability of these are concentrated highly in urban areas. One another hurdle is the unfamiliarity and lack of knowledge of people towards using modern banking facilities online.

3. **Financial Inclusion:** Modi Govt was able to penetrate the number of bank account holders of the country through the PMJDY scheme. Most of these accounts were of zero balance type and till date majority of it remain dormant. People are inefficient in using bank accounts and other reasons contribute; low income and savings, hesitant and unfamiliarity to technology, lack of information, reach and availability etc.
4. **Stereotype/ Hesitant to go digital:** the researcher observes; even educated people are indifferent to technology and unwilling to change. Fear of loss of money and unknown as a result of mounting reports of online frauds may be considered as a reason for this behaviour.
5. **Geographical constraints:** The facilities are yet to reach the rural India in its full potential. The market competition in the telecom industry has forced them to reach to the so far unreached rural areas of the country, which is a good sign. More people are getting a taste of data-based entertainment. This number need to be penetrated and diverted to digitalizing their transactions which further takes investment of time and skills from the part of government.

A deliberate analysis of available information enabled the researcher to reach the following conclusion.

Conclusion

India going digital has become the need for development of the economy and general wellbeing of people in it. Cashless transactions contribute greater good to the society and economy. It is quite true that there has been an astounding growth in digital transactions in India viz. mobile wallet, mobile banking, IMPS (immediate payment service) and POS transactions. More efficiency in systematic planning from the part of government is needed for accelerating the pace of going cashless. The authority must be able to bring down the value of direct ATM transactions and promote other means. Some key areas where the system needs greater concentration are;

1. Since one year from demonetization the proclaimed results are yet to reflect in the economy as promised. The acceleration of digitalization process is frozen post to note ban and the government visibly struggling for a fresh start.
2. Reach and distribution of technological infrastructure to the rural India.

3. Affordability of tech devices by rural people as factor of financial inclusion.
4. Skill oriented technical education. E.g.: user education for e-wallets and plastic money.
5. Increased buyer and seller awareness with respect to digital transactions/ or making cashless transactions a habit among countrymen.

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