

Cashless Economy: Problem & Prospect

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Abstract— Cashless economy increases transparency in system. This makes banker to expand their business because each citizen in India required have a bank account. India is an effort to move towards a cashless transaction economy by minimizing the use of Physical cash. The leading advantage of building a cashless economy is elimination of black money. Here are some of the problems which stand in the way of India becoming a cashless society such as internet blockage, not enough bank accounts, non-tech-savvy, internet cost, network connectivity, cyber security. Some disadvantages also here like direct threat to cyber security and individual financial data, increase in online banking fraud etc. But beyond this advantage are more than the disadvantages such as the government can control the financial transactions in the society, more transparency and easy to track money laundering and other such activities and if the government finds a person guilty government can easily block his/her transaction. But with a strong security system in the online processing to avoid hacking and cyber fraud the Cashless Economy is beneficial for both the society and for the government.

Index Term- Physical cash, black money, cyber security, cashless economy, transparency.

I. INTRODUCTION

Cashless Economy is when the flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer.

II. OBJECTIVES OF THE STUDY

- Cashless economy and demonetization.
- Cashless economy and corruption.
- Cashless economy and black money.
- Prospect of cashless economy.
- Pros and cons of cashless economy.
- Problem of cashless economy.
- Importance of study of cashless economy.

III. CASHLESS ECONOMY AND DEMONETIZATION

Good results of the demonetization would come while the economy of the country would also be changed. The people should support this decision in order to get long term benefits. The main thought behind demonetization was, first, to control the black money in the economy and anti money laundering which has been used extensively by terrorists. Second to increase E-transactions in the country. Though, result of the above will come in due course of time but it is sure that all developed countries are moving towards cashless transactions.

IV. CASHLESS ECONOMY AND CORRUPTION

Cash in circulation in an economy has little correlation with corruption, a comparative analysis of World Bank and Transparency International data suggests, deepening suspicion that those with black money prefer to keep their ill-gotten wealth in other forms of assets. While figures show that India holds 11.8% of its economy in cash and is ranked a poor 76th in the global corruption ranking. Germany, at 9th in the graft ranking, has an 8.7% cash economy. Sweden, one of the world's top three least corrupt countries, and Nigeria, one of the worst, has near similar proportion of cash in their economies. The findings raise further doubts over the efficacy of the Centre's drive against black money by demonetizing 500 and 1,000 currencies since most of the unaccounted for wealth in the country is perhaps not held in cash.

V. CASHLESS ECONOMY AND BLACK MONEY

The campaign against the black money would not be limited to the demonetization. The sources of black money would be destroyed by fulfilling the dream of cashless economy. The decision of demonetization is against no one but it was taken in order to benefit the 125 crore people of the country. Black money destroys the country and its economy. The Prime Minister Narendra Modi had taken this decision aiming that it would also destroy the roots of the terrorists and naxalites. Good results of the demonetization would come while the economy of the country would also be changed.

VI. PROSPECT OF THE CASHLESS ECONOMY

Government's demonetization drive is also supposed to benefit cashless economy. Still there are several constraints as well as prospects in the journey towards cashless economy

1. The JAM infrastructure can encourage digital transaction culture. The JAM infrastructure is spreading to reach each remote corner of the country as well as to every citizen. Almost 24 JDY Accounts, 124 Aadhar identity cards and nearly 90 crore mobile phones. Similarly, 33 million internet users are in India. This means that the JAM infrastructure can be used to promote cashless transactions.

2. A large number of government transfers (DBT) are made through JAM mode. This will help people to get digital transaction awareness.

3. The growth in volume and value of transactions using prepaid payment instruments (PPIs) issued by banks and authorized non-bank entities has also been significant.

4. NPCI promoted Aadhaar enabled Payment System, IMPS etc and they have registered big turnover in transactions. Newly launched UPI (Unified Payment Interface) is expected to give a big boost to cashless transactions.

5. Number of credit and debit cards are increased to 25.4 million and 691.1 million, respectively. The demonetization drive may encourage people to learn and settle transaction using online.

6. RTGS and NEFT volumes increased almost threefold between 2013 and 2016 reflecting greater adoption of the system by all segments of users.

7. As more people start using Rupay debit cards and Aadhaar for digital payments, it will facilitate a less cash economy.

8. With increasing mobile banking services, growth in e-commerce and use of mobile payment applications, the use of cash will decrease.

9. The RBI has made several efforts to promote digital settlements. Most important of them are launch of a regulatory set up for Prepaid Instruments (PPIs). Similarly, encouragement to mobile banking and internet banking will help to reduce the use of physical cash.

VII. PROBLEMS OF CASHLESS ECONOMY

Before we dream of becoming a cashless economy we have to face many realities. Here are some of them.

1. Half of the Population Does not Fall in Any Banking System

As I said earlier 50% of Indians are not covered by any banking system so how you can think of cashless economy.

2. Limited Internet Penetration
In India there are over 350 million internet users. The internet penetration rate is just 27% which is very low compared to countries like Nigeria, Kenya, and Indonesia etc. It has to be at least 67% which is global median.

3. Limited Smartphone Penetration
Only 17% of Indians use smart phones which is very low if you want to become a cashless economy.

4. Limited Smartphone with Broadband Subscription
Only 15% of Indians have internet on their Smartphone. So it will be only 154 million people with broadband on their smart phones.

5. Internet Speed

The internet loading speed is very slow. The average page load time in India is 5.5 seconds whereas in China is just 2.6 seconds.

6. Limited PoS Machine

PoS machines (Point of sales) are must for any cashless transactions. However in India there are only 1.46 million PoS machines. It means only 856 machines per million people which is very low compared to China where it is 4000 machines per million people.

After reading above 6 points you will conclude India lacks infrastructure for a cashless economy. So it is going to be long time when India thinks of becoming a cashless economy.

VIII. IMPORTANCE OF THE STUDY OF CASHLESS ECONOMY

By studying the cashless economy we can imagine is it better to be cashless or not. Whether is it in favour of the society or not? What are the problems of an economy being cashless? Can it will be a measure to control black money and corruption? But any policy or change will be applied only when the people of that country co operate.

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