

Going Cashless: Stepping Towards Digital India

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Abstract

A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. The paper under study tries to throw light on the rising trend of digital transactions in India being carried out in various cashless modes over the last few years but simultaneously being ourselves making alert of the negative impact of going cashless thereby showing downside of digital India. As the people of India are showing amazing response towards move of digitalization, it is the big indicator of prosperous future for India to be cashless India. So the need of an hour is to spot the weaknesses involved in cashless transactions and work out on them to achieve the vision of Prime Minister Modi's Digital India.

Keywords: Card-Swipe, Cashless, E-Banking, Mobile Banking, Pos.

Introduction

Objectives of Study

To find out benefits in going cashless.

To chalk out the major challenges in making India cashless.

To access growth of India on the path of being cashless in terms of digital transactions such as POS, Credit & debit cards and payment banks etc.

"We want to have one mission and target: Take the nation forward - Digitally and Economically"

-Shri Narendra Modi

Prime Minister, Mr. Narendra Modi launched the Programme "Digital India" with a vision to transform India into a digitally empowered nation and creating a cashless, paperless economy. As per the current status

of India, only 7% to 8% of all the payments are taking place electronically. On Nov 8, 2016, a historical date, he talked about making India a cashless economy and on Nov 27 during an election rally in Uttar Pradesh, he again motivated the people of India to become familiar with cashless transactions. On the same day, during his radio Programme "Mann ki Baat", he said: "Learn how this digital economy works.

Learn the different ways you can use your bank accounts and internet banking. Learn how to effectively use the apps of various banks on your phones. Learn how to run your business without cash. Learn about card payments and other electronic modes of payment. Look at the malls and see how they function. A cashless economy is secure, it is clean. You have a leadership role to play in taking India towards an increasingly digital economy".

Meaning Of Cashless Economy And Where India Stands?

A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets.

At present, India is far behind to other economies with regard to cashless transactions. The ratio of cash to **gross domestic product in India** is one of the highest in the world-**12.42% in 2014 as compared with 9.47% in China or 4% in Brazil.**

Another report by **Boston Consulting Group (BCG) and Google India** mentioned that last year around 75% of transactions in India was cash based while it was 20-25% in developed nations such as US, Japan, France, Germany etc.

Another statistics have revealed that **India has 76.47 billion currency notes in circulation in 2012-13 as compared with 34.5 billion in the U.S.** Moreover, various other studies have shown that people prefer to make payments in cash in malls even when they carry credit cards with them.

But, the step taken **on Nov 8, 2016 of demonetization** has pushed digital and e- transaction to the forefront in India due to depletion in cash. Now, e-banking, e-wallets and other transaction apps are becoming more prevalent.

Benefits of Going Cashless to the Economy

Going cashless has helped in creating a positive impact on society as the paper based methodology in financial transactions has been reduced thereby economy in operations, time and cost.

Various Benefits of Going Cashless can be Listed out as Under

- It will help in curbing the generation of black money. The cashless economy has attacked the parallel economy. People who hoard money under their bed, people who launder money bypassing banking channels, terrorist who need money to finance their terror will find difficulty in cashless economy.
- It will help in reducing instances of tax avoidance. All the transactions can be monitored and hence traced back to an individual. Income tax officials

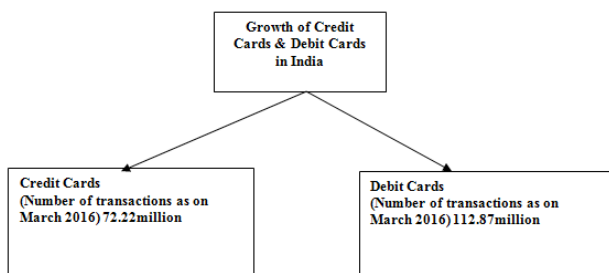
can easily trace out the transactions and it will become difficult for individuals to evade taxes. Ultimately, it will help in increasing revenue of the government from taxes and more productive activities can be carried out in the economy.

- It will lead to reduction in real estate prices because of curbs on black money as most of it is invested in real estate which ultimately inflates the prices of real estate markets.
- RBI spent Rs.27 billion in financial year 2015 on currency issuance and management. This could be avoided if India becomes a cashless economy.
- Cashless economy will boost consumption as people would not be attracted towards keeping money in banks. More consumption will lead to more production, more employment opportunities & hence, income of people will increase..

Practical Implementation For Moving on Path of Going Cashless (In Context of India)

For making India cashless, these are the various modes available in form of digital transactions which are being considerably implemented and which clearly indicate that cashless transactions are being actively used by people in India. These can be highlighted as under:

- **Payment Banks:** Payment bank is a new model of banks introduced by RBI. Payment can issue services like ATM Cards, mobile banking, net banking, and debit cards etc. These payment banks offer amazing competition to traditional banks in terms of services. **Two such prominent licensees are Airtel (founded in 1995, in 2016 reaching at revenue of \$14.5 billion) and Paytm (founded in 2010 and valued at \$1 billion presently)**
- **Electronic Fund Transfer Systems:** Two popular methods RTGS and NEFT are increasingly used by people at a large scale for making funds transfer from one bank to another leading to less time and economy in operations.
- **Mobile Wallets:** Option to open a zero KYC or a full KYC wallet along with your mobile number and the application to be downloaded to your smart phone.
- **Internet Banking:** For this type of digital service to take benefit of, the individual must hold a bank account and opt for the online service same.
- **Banking Cards:** Banking cards are available by the bank by providing the KYC (know you customer) information to the bank. Applying for a card and getting a pin for the same. Credit and Debit cards are plastic cards that are used as method of payment



Source: www.medianama.com (Fig.1)

- **Banks Pre-Paid Cards:** For this service, a bank account is there with wallet or a pre-paid card and a smart phone to generate the MPIIN.

Point of Sale: A handheld device with the biometric reader along with a merchant bank account and internet connectivity. POS machines facilitate acceptance of payment from customers by swiping of their debit/credit/prepaid cards on POS terminals. Number of POS terminals in India has increased from 5 Lakh in year 2010 to 14.62 Lakh in year 2016. (Source: www.indianexpress.com)

Table : 1 Growth of POS Terminals in India (Bank wise)

Bank	Number of POS terminals(in lakh)
State Bank of India	3.29
HDFC	2.88
Axis Bank	2.7
ICICI	2.02

Source: www.indianexpress.com

4.8 Mobile Banking: A bank account is required along with a mobile phone application of the bank and internet connectivity to take benefit of this digital service. Mobile banking concept is gaining its momentum over the years. As shown in graph below, value of transactions using mobile banking increased is maximum than in other digital platforms such as POS, PPI etc.

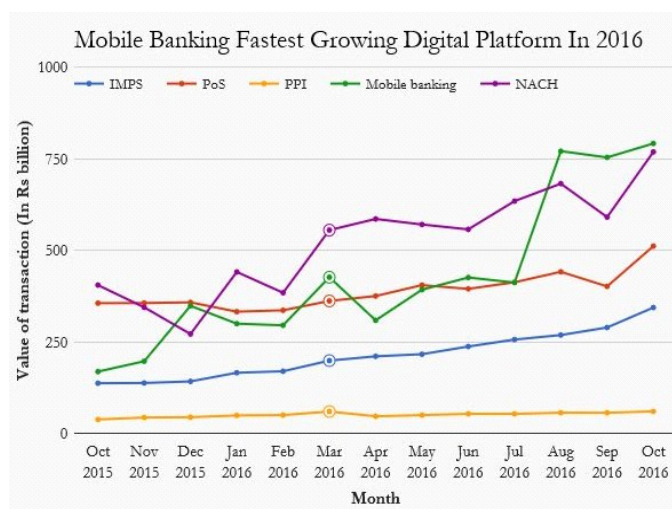


Fig.: 2

Negative impact of going cashless

As we know every good has its bad side also, surely aura of cashless transactions is spreading all over India converting India into Digital India, simultaneously the more and more use of internet is giving rise to various negative effects also. **Following can be highlighted as the negative effects of going cashless with reference to India:**

- **Increase in Cyber Crimes:** Due to the increasing rate of online frauds, the risk of hacking will also increase as more people will be on the digital mode. More and more use of internet is giving boost to cyber crimes at an increasing pace as can be seen below:

**Rate of Cyber Crimes in India (Under IT Act)
(Table-2)**

Year	Registered Cases	Persons Arrested
2011	1791	1184
2012	2876	1522
2013	4356	2098
2014	7201	4246
2015	8045	5102

Source: <http://factly.in>

- **Increased chances of trapping:** Performing digital transactions using public networks can be more prone to traps on mobile devices and thereby giving opportunity to hackers to access account related sensitive information.
- **Frauds through digital transactions:** A report by ASSOCHAM-EY on study titled "Strategic Nation measures to combat cyber crimes" highlights **46% Complaints of credit/debit cards frauds, 18 % on account of hacking of email ids and 21% complaints on account of cheating through mobiles.** (Source: newsnation.in)
- In October 2016, 3.2 million card details were stolen in malware related security areas. These cards belonged to customers of SBI, HDFC, ICICI, Axis Bank and were used at ATMs. Stolen debit cards were used in china. No legal decision has been taken and the case is still under

investigation. (Source: economic times of India, December 2016)

Challenges In Making India A Cashless Economy

There are a number of obstacles in making India a cashless economy. Some of them are as under:-

- A large part of the population, approx. 50% of Indians is not covered under any banking system. According to 2015, report by Price Waterhouse Coopers, India's unbanked population was at 233 million. Though bank accounts have been opened through Jan Dhan Yojana, most of them are lying unoperational. Unless, people start operating bank accounts, cashless economy is not possible.
- The digital mode is a big hurdle for the tech-unfriendly people. Since, India has a low penetration of 34.8% as per Internet live stats and only 26.3% of all mobile phone users have a smart phone, therefore, it is difficult to go digital.
- The low literacy rates in rural India & lack of infrastructure like internet access and power make things extremely difficult for people to adopt cashless economy.
- In India, there are approx. 350 million internet users. The internet penetration rate is just 27% which is very low in comparison to countries like Nigeria, Kenya & Indonesia etc. It has to be at least 67% which is global median.
- Only 17% of Indians use smart phones which is very less and only 15% of Indians have internet on their smart phones.
- The internet loading speed is very low. The **average page load time is 5.5 seconds in India in comparison to 2.6 seconds in China.**
- POS machines (Point of sales) are must for any cashless transactions. A study was conducted by Macquarie Research and it was posted on website of **National Payments Corporation of India**, in which it has been highlighted that **India still far behind in terms of Number of POS machines which is 2 per 1000 debit cards as compared to other countries like in Brazil 14.8, China 12.5, Russia is 6.1, U.S 13.1 and in Australia is 33.2 per 1000 debit cards.**(Source: www.indianexpress.com)

- Since, India is dominated by small retailers; therefore they don't have enough resources to invest in electronic payment infrastructure.
- Most card and cash users have the perception that they will be charged more if they use cards. Moreover, non- users of credit cards are not aware of the benefits of credit cards.

Steps Taken By Rbi and Government to Discourage Use of Cash

Government is also promoting mobile wallets. Mobile wallet allows users to instantly send money, pay bill, and recharge mobiles, book movie tickets, and send physical and e-gifts both online and offline. Recently, the RBI had issued certain guidelines that allow the users to increase their limit to Rs 1, 00,000 based on certain KYC verification. Various incentives offered by government to promote digitalization in India to make India "Digital India" by focusing on cashless modes are:

- On digital transactions up to rupees 2000, Service Tax of 15% waived off
- 7.1.2 Digital purchase of fuel through credit cards, mobile wallets or e-wallets, discount of 0.75%
- Free accident insurance worth rupees 10 lakh on account of online ticket buyers
- On purchase of new LIC policies online via its site, 8% discount is offered.
- Government has also launched **UPI (PDF) (Unified Payment Interface)**, payment system that can be used for immediate mobile transfers between account holders of two different banks.
- Government has introduced various technologies like **BHIM (Bharat Interface for Money) app** to transact between each other as well as with other merchants. **BHIM App currently has 17 million downloads in less than 3 months since its launch.** And government is considerably promoting their digital cashless technologies other than **BHIM such as UPI & Aadhar Enabled Payment Systems.** As per **National Payments Corporation of India, payment transactions through Aadhar enabled Payment Systems have raised 12 times over 6 months from April 2016 to October 2016** which is highlighting that traditional bank themselves

are moving towards e-wallet services on mobiles at a faster pace.

- In addition to govt or RBI, Companies are also participating in combating of cyber crimes because of increasing trend of cashless or digital transactions. **Microsoft** opened full scale **cyber security Center** called **Cyber security Engagement center (CSEC)** in India. This centre, located in Delhi, functions as a satellite to company's Redmond Digital Crime Unit (DCU). This centre monitors how viruses are spreading, from where cyber attacks are originating and helping customers to tap pool of security specialists.

Measures To Be Taken For Stepping Towards Cashless India

- Basic cyber hygiene must be taken care of such as non-sharing of passwords with others, non-saving of passwords on public networks and Better access to control techniques with strong authentication measures should be implemented by mobile e-wallet companies.
- Open Bank accounts and ensures they are operationalised.
- Abolishment of government fees on credit card transactions; reduction of interchange fee on card transactions; increase in taxes on ATM withdrawals.
- Tax rebates for consumers and for merchants who adopt electronic payments.
- Need is to scale up the capabilities of POS machines for faster rollouts in country.
- Making Electronic payment infrastructure completely safe and secure so that incidents of Cyber crimes could be minimized and people develop faith in electronic payment system.
- The Reserve Bank of India too will have to come to terms with a few issues, from figuring out what digital payments across borders means for its capital controls to how the new modes of payment affect key monetary variables such as the velocity of money.
- RBI will also have to shed some of its conservatism, part of which is because it has often seen itself as the protector of banking interests rather than overall financial development.

Conclusion

The future of the Cashless India looks pretty promising as the response of the country people towards this move of the government and the support towards It is a clear indication that the government's move is likely to succeed. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways which will increase the GDP of the economy. This will increase the creditability of the country and make a rise in investments. This step of cashless is truly going to create ripples of big success and it will help to attain vision of Prime Minister Modi's vision of "Digital India".

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