

Impact of Cashless Economy on Common Man in India

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Abstract: *The low literacy rates in rural India, along with the lack of infrastructure like internet access and power make things extremely difficult for people to adopt e-transaction route. The financial technology industry would be unwise to ignore the rise of mobile transaction services, person-to-person networks and the whole range of digital disruption in the payments arena from the likes of Bit coin, Apple Pay and PayPal that undoubtedly is putting pressure on cash. The present paper meets an attempt to know the awareness about smart phone and the use of smart phone in rural India. To overcome from the problem of cashless services providing in rural India.*

Key words: *Cashless, Smart Phone, infrastructure, internet & networks etc.*

INTRODUCTION:

Cash is like water a basic necessity without which survival is a challenge. Nevertheless, cash use doesn't seem to be waning all that much, with around 85% of global payments still made using cash. One of the main reasons is that there is nothing to truly compete with the flexibility of notes and coins. Of course, the digital era is something to embrace, and new methods of payments will continue to be introduced. But Indians need to recognize the risks and benefits of different payment instruments, the risks associated with electronic payment instruments are far more diverse and severe. Recently lakhs of debit card data were stolen by hackers; the ability of Indian financial institutions to protect the electronic currency came into question also an important reason why people favour cash. In a courageous move to combat black money and counterfeit currency, Narendra Modi's government scrapped currency notes of INR 500 and INR 1000 denominations, which is seen as an unprecedented measure, though a giant leap towards curbing corruption and forged currency. The declaration created confusion across the spectrum, as these high-value notes from around 86% of total legal tender.

However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been assorted with demonetisation that was aimed to extract liquidity from the system to unearth black money. Prime Minister Narendra

Modi acknowledged the fact in his monthly radio programme, 'Mann Ki Baat' on Sunday that making the transition to cashless economy is challenging, and hence has urged the public to move to 'less-cash' society. A report by Boston Consulting Group (BCG) and Google India revealed that last year around 75 per cent of transactions in India were cash-based, while in developed nations such as the US, Japan, France, Germany etc. it was around 20-25 per cent. The depletion in cash due to demonetisation has pushed digital and e-transactions to the forefront; e-banking, e-wallets, and other transaction apps becoming prevalent.

STATEMENT OF THE PROBLEM:

A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal. India uses too much cash for transactions. The number of currency notes in circulation is also far higher than in other large economies. In this context recent trend have been changed, while revolution in the information technology in India. The researcher tries bridge the gap between awareness about the smart phone makes use of it in rural India.

OBJECTIVES OF THE PAPER:

1. To study the concept of cashless economy.
2. To know the need for cash and challenges to go to digital
3. To suggest for make use cashless.

METHODOLOGY:

The present is mainly based on secondary data which is available in the papers, articles, journals and internet etc.

Why Is Cash Required?

The magnificence of cash is that -- it just works; even in the isolated whereabouts of India, where the government might not be present physically with its paraphernalia, its injunction runs in the form of legal tender that public uses for business on an everyday basis. A large informal economy that supports a major part of Indian population and their livelihoods also runs in cash. This is why Cash is yet King. The ground reality reveals, a majority of transactions in Kirana stores,

the go-to shop for daily purchases in India are cash based transactions, because these are generally small ticket transactions. The customers, as well as Kirana store owners feel more comfortable in dealing with cash for small transactions, while these merchants also provide credit facility to customers.

However, the governments drive to incentivise consumers and merchants alike to move to electronic modes of payments has not found many takers because our cash driven economy is fuelled through rampant corruption in society and black money. The modus operations for corruption are cash so unless we rid our society of corruption at all levels this will be a huge task. Imagine paying a corrupt official through your e-wallet it will never happen. Also another point to ponder on is why India has such less tax payers in a population of over 1.2 billion people. Is 98% of our population earning below 2.5 lakhs a year. This is one of the issues that needs to be addressed and hopefully with many more transaction moving electronic & records of the same being made available many more people should fall under the tax net be it small merchants, professionals etc. Will this segment of society adapt to electronic modes of payment so that the nation can benefit from a higher tax collection leading to better benefits to society at large?

The challenge to go digital

A major obstacle for the quick adoption of alternate mode of payments is mobile internet penetration, which is crucial because point-of-sale (PoS) terminal works over mobile internet connections, while banks have been charging money on card-based transactions, which is seen as a hurdle. The low literacy rates in rural India, along with the lack of infrastructure like internet access and Power make things extremely difficult for people to adopt e-transaction route.

The financial safety over the digital payment channels is important for pushing the cashless economy idea. Imagine losing your credit cards or being the victim of digital hackers can lead to a whole host of issues like denied payment, identity theft, account takeover, fraudulent transactions and data breaches. According to the digital security company Gemalto, more than 1 billion personal records were compromised in 2014.

Cash is here to stay!

Despite the numerous State endeavours, India has always been driven by cash; while electronic payments are seen restricted to a small size of the population, compared to the cash transactions. Considering the demographics of

India, two-thirds of the population lives in rural areas, where farmers and poor people are still struggling to get their hands on their own money. As per Data in July this year, 881 million transactions were made using debit cards at ATMs and PoS terminals. Out of these, 92 per cent were cash withdrawals from ATMs. The sole purpose for cards in Indian is to withdraw cash. Changing this mind set will be an uphill task. The last few days have clearly shown that the country is highly underpenetrated as far as ATMs per million people and it's the ATM which will help the government fulfill its ambition of financial inclusion as the ATM will play a key role in the last mile towards customer fulfillment which is self-service 24*7 which even a Business Correspondent or Micro ATM cannot do.

Currently, there is a mix of cash and cashless transactions happening across the country, while many enablers are working towards turning the cashless economy dream into a reality. We have taken big strides towards becoming a cashless economy; however it will take more than a generation to change the habit from cash to no cash transaction. Rushing the economy into a cashless state without proper planning and infrastructure will be disastrous and its consequences will be everlasting. A gradual move towards less-cash society as said by the Prime Minister is the right way forward. Also, important to note that if people start flocking to alternate currencies, governments could wind up losing much of their power to influence economic issues such as inflation and unemployment. The government can't set an interest rate for institutions lending in a currency it doesn't control.

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