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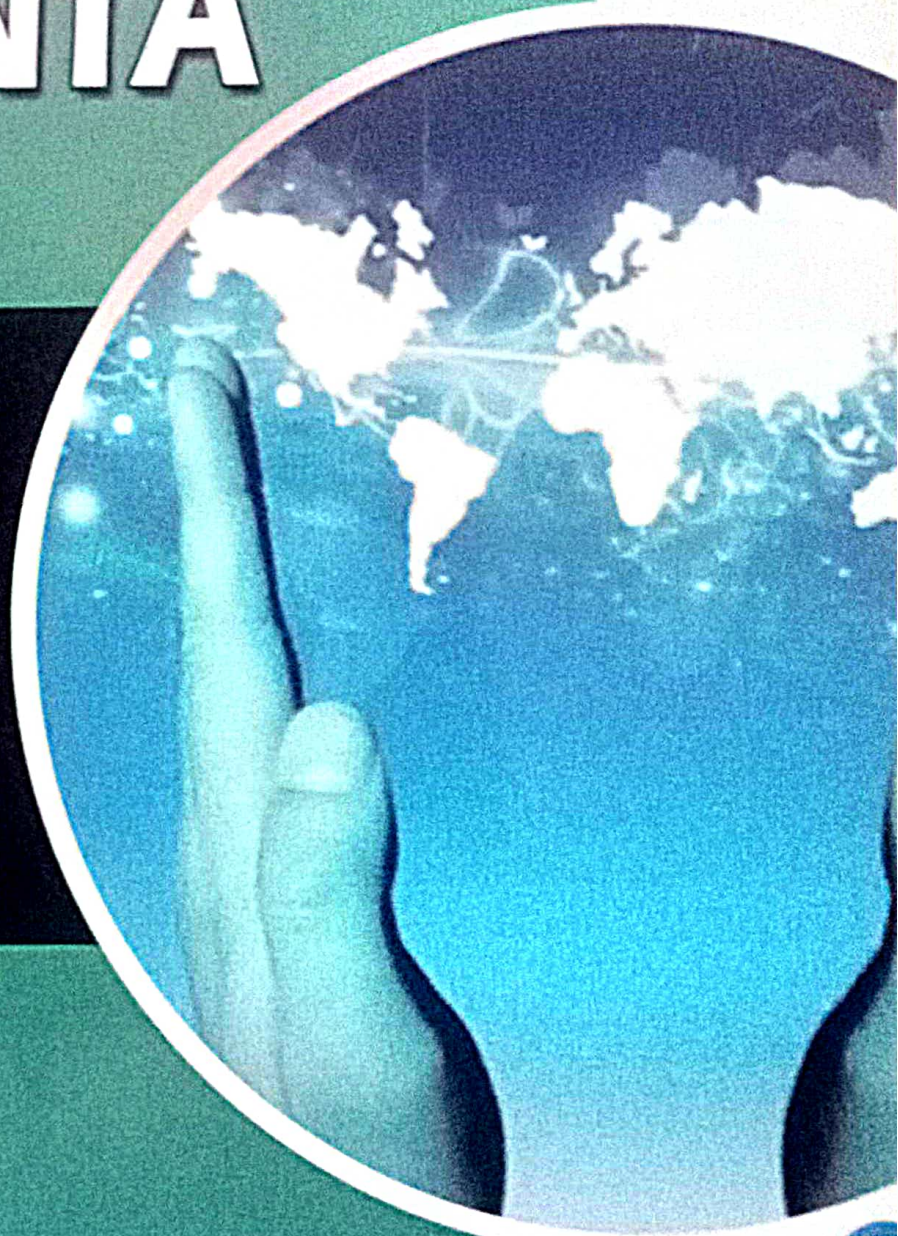


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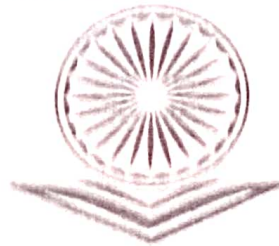
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❖ EDITOR ❖

Asst. Prof. Vinay Shankarrao Hatole

M.Sc (Maths), M.B.A. (Mktg), M.B.A. (HR),
M.Drama (Acting), M.Drama (Prod & Dir), M.Ed

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2. Cash to Cashless Indian Economy - Opportunities and Challenges

Prof. Ashish Rameshlal Kanhu

Assistant Professor, Department of Commerce, Arts, Science and Commerce College,
Chikhaldara.

Abstract

Cashless economy is an economy where maximum transactions are done without using the physical cash or the means of hard cash. It is the economy where economic transactions are done with the facilities like credit card, debit cards and on line transactions by means of fund transfer and using e-wallets. The new policy of demonetization and the stress of the government on cashless transaction is a clear message towards the good economic growth in the country. The demonetization policy has increased the use of online banking services, cheque and e-wallets. It has not only reduced the threat of theft and loss of money on the one side but also facilitated the risk free transactions. Cashless societies are free from the curse of corruption, has considerable less amount of black money in circulation. It also paves the ways for the employment opportunities, high living standards and equal growth in the economy. The present paper aims to study the opportunities and challenges of transforming India from cash to cashless society. The research indicates the overall development of the market and society. It also studies the challenges faced by the government to establish the cashless economy.

Keywords :- Cashless economy, Demonatization, E-wallet,

Introduction

In today's world, money transfer is one of the necessary activities for everyone. In this digital age, it is evident that people are introducing various e-transaction tools and taking a step towards a cashless society. It becomes extremely important to critically evaluate the feasibility of a cashless society concept in terms of simplicity, comfort, speed, security and cost. Garcia-Swartz, Hahn, & Layne-Farrar (2004, 2006) advocate that e-transactions should be examined in two different aspects: 'Personal' and 'Social'. In the personal aspect a cost and benefit analysis of either payee or payer is carried out, whereas, in the social aspect all parties to a transaction are included. Also, success in creating a cashless country depends on the literacy rate of its citizens. Therefore, cashless activities are more visible in developed nations rather than less developed

countries. European countries such as the Netherlands, France and Belgium, are among the top countries where cashless transaction has surpassed 50 percent of all transactions (Thomas, 2013).

Cashless economy is an economy where maximum transactions are done without using the physical cash or the means of hard cash. It is the economy where economic transactions are done with the facilities like credit card, debit cards and on line transactions by means of fund transfer and using e-wallets. The introduction of cashless economy with the help of information technology these days is fully supported by the national government in India. This initiative has not only helped the fast transactions but at the same time it has saved lot of time and money in the country. If we see the global trend in the market it is clear that all over the world people have started taking interest in cashless transactions. Academicians, politicians, administrators and above all the economists all over the world has strongly advocated about going cashless from the cash rich economy. Every elite finds lots of benefits from this type of transactions rather carrying cash and move in the market. Moving toward the cashless economy can end up in number of benefits. It has been found in a study that cashless economies can lead to the increase in the consumption and hence definitely the GDP of the country. If we see the same from the Indian perspective it can be concluded that card and online transactions can lead to better spending avenues than the cash transactions. There is big difference of around fifteen to twenty percent in the bills of the customers doing online transactions and card payments. The bills of the people using cashless transactions are comparatively more than that of cash transactions.

It has been noted that with the increase of cashless transactions there is decline in the withdrawl from the automated telling machines. It has not only reduced the burden on banks but also at the same time helped in the reduction of cost of maintainance of such machines. The world payments report tell the figures that are really amazing. It says that the global non cash transactions have grown to 8.9% and reached 387.3 billion in the global market. The highest growth is recorded in Asian market that registers the growth of 31.5% in the year 2014

It has been found that card payments remained the top priority among the people. It has increased considerably to 11.4% highest among the other ways of non cash transactions. Still India is full of population that does not have a basic facility of bank account. According to the report presented by the bank of India it is said that 41% of the people in India still do not have bank accounts with them out of these 41% people 40% of the people are unbanked in urban areas and 61% of them are unbanked in the rural people.

It is therefore the prerogative of the banks, particularly government to open bank accounts in the country. With the scheme of Jan Dhan account scheme launched by Modi there is

considerable increase in bank accounts with 175 million new bank accounts in India. Still we have to work on many people who are without bank accounts. In India, not only account penetration is comparatively low, at 53 per cent, but so is the use of accounts for payments — mere 15 per cent of adults reported using an account to make or receive payments. Cashless transactions are going to make the things different with increase in income of the state. It is also going to stop maximum amount of black marketing in the market. There is and should be increase in the receipts of VAT in the government treasury. The aim of the study is to study challenges in front of the government to establish cashless economy in the country and opportunities of cashless economy to the Indian economy, its growth and development in the different aspects of the country's economy. This paper also studies the

Method: To find out the effects of the effects of the cashless transactions and its impact on Indian economy primary and secondary methods are used. Different aspects of the issue was find out with the help of secondary data

Findings: there are many benefits that are related directly or indirectly to the India's economy with the use of cashless transactions in the market.

Opportunities

Availability of low cost electronic gadgets (mobile, computer, laptop), easy accessibility of internet and proliferation of state-of-the-art technology, are the key indicators of an optimistic future for a cashless society (Hansen, 2011). Altogether, these developments offer unlimited opportunities in terms of costs, security, and convenience. Also, education can bring about a substantial change in the way people think about cashless societies. Developing a cashless society will not only help in the growth of an individual but also help in making society progressive. Individuals can pay money and make purchases anytime and anywhere.

Akinola (2012) suggests that in the presence of a cashless society, people can enjoy both social and personal benefits. Certain crimes will be completely eradicated if a cashless society emerges successfully. On the economic front, Thomas (2013) proposes that production of hard currencies is a significant burden on national economies, accounting for as much as 1.5 percent of GDP. Hence, 'cashlessness' could be proven to enhance economic growth. Also, countries are moving towards being cashless in order to change their status from less developed to developed countries (Alao & Sorinola, 2015). Another vital benefit of no longer using cash is in the field of Financial Inclusion (FI). With the help of FI, financial services can be made available to low-income groups, where these services are currently either unavailable or too costly (Jain, 2014). The direct benefits of cashless economy include

1) **Cost of printing money:** Printing money is the direct cost that effects 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. Printing notes it is a costly affair. Data from a Right to Information answer by the RBI in 2012 shows that it costs Rs. 2.50 to print each Rs. 500 denomination note, and Rs. 3.17 to print a Rs. 1,000 note. From April 1994 to June 2016, currency has shown a yearly growth rate of 17%, while the share of bank currency has remained around 5%.² It was estimated that, for 2009–2010, RBI incurred an annual cost of INR 2800 Crores for printing currency notes (Das and Agarwal 2010). As per the new declaration of demonetization by Modi it has cost the nation an additional burden of 12000 Crore on the exchequer.

2) **Maintenance Cost:** Other than printing cost of the currency notes there are many other expenses that RBI and government has to do. Another important aspect is the maintenance in the form of storage of notes, transportation of the notes to the distant places, security of the notes, and devices for the detection of counterfeit notes. The other major aspect of the maintenance is that the distribution of money through ATM machines at the different locations. It is reported that all this maintainance cost the government about 5% of the GDP of India. In nutshell we can save somewhere around 500 crores by this mean only.

3) **Eradication of the corruption:** going cashless is going to eradicate the corruption to some extent. The direct transactions of the money cannot take place easily. These transactions will be simple easy and transparent which in turn will show in the accounts of the senders and the receivers. This cashless economy is going to hit the corruption in a very planned way from the government offices. This is again going to save enough money in the economy of the country.

4) **Help to Check High Rate Of Organized Crimes, Such As Armed Robbery, Kidnapping Terrorist Activities And Money Laundering:** It is a well known fact that the criminal underworld usually requires huge volumes of cash to carry out their nefarious operations in order to avoid being traced or tracked. Therefore, placing a limit on the amount of cash flowing in the system, will curtail such activities as armed robbery, kidnapping, drug and gun running and money laundering. In an environment of extensive and predominant use of cheques and e- payments, criminal transactions can be easily traceable and tracked. All the terrorist related activities are highly funded by the cash. The cashless economy helps the government to keep a check on the free flow of cash to the terrorists and terrorist related activities.

5) **Wipe away the black money from the market:** it has been observed that many businessmen start evading the real money. Most of them never show the actual business on paper. This habit of evading sales has caused a lot of impact on the tax of the country. Small shopkeepers and big industrialists do this to save tax. This practice has created a very big problem of loss of tax to the exchequer. The loss of huge money has led to the parallel economy in the state that has created a big loss not only to the government but towards the development of the common people's goal. The presence of cashless economy will definitely lead to the development of the country by means of collecting surplus taxes and also to spend these taxes for the benefit of the scheme. Modi in his poll manifesto of 2014 general election has announced that if the government is able to bring back the black money in the mainstream than every Indian will have 15 lakhs of rupees in their accounts irrespective of their income potential.

6) **Installation of formal and pure form of economy:** It has been observed that cashless economy leads to the start of proper formal and functional economy in the country. When all the transactions are made proper clear clean and taxed, it may lead to the establishment of formal setup of the total financial system that leads the country towards the development.

7) **Stop Leakages:** Cashless economy is the best and one of the few ways in the system to stop leakages of the money by the officials of the government while distribution money to the beneficiary. The present policy of the linkage of AADHAR or UID NO. by the government has resolved this issue to the great extent. The direct benefit transfer policy of the government has helped the identification of the beneficiary on the basis of biometric identity and helps the people to get their dues directly in their bank accounts. This is again a digital or cashless system of transaction that helps the individual to save time and money.

8) **Decrease the cost of commodity:** the cashless economy aims at reducing the cost of the commodities by setting aside the black market and the proper deposit of the tax. All this leads to the development of the system where one can find the cost of the commodity going down in the market. The developed economy like China is the best example for this.

Challenges in establishing Cashless economy

It is very important to see the facts that most of the situations and circumstances have posed as big challenge to the government. The major challenges that are there to establish the cashless economy are.

1. **Financial inclusion:** if we see the present situation of the people in India having bank accounts, we can see that only sixty percent of the country's population has bank accounts. Still large number of people is not having the bank accounts. Government's decision on opening the

massive bank accounts under PradhanMantri Jan DhanYojna has perpetuated this cause of giving every citizen of the country with the account. More than 228 million accounts were opened under PMJDY scheme till July 2016. Most of these accounts were zero balanced accounts and out of these many accounts are lying dormant in the bank. People without knowledge of operating accounts are in no way efficient enough to operate the account. There are several other reasons like lack of money, lack of income, illiteracy and lack of information to the account holders.

2. Lack of infrastructure: in India there are many areas where bank is still a distant dream. The remote areas are still not having the banks at their door step. People have to move to distant places to have their money transactions in the banks. There are no ATM facilities in the remote areas. Even the ATM are not fully backup with the electricity and other IT related facilities. It is the chief concern of the government and the banks to come up with the basic and secure infrastructure for the banking services.

3. Lack of education: People living in the remote villages and areas of the country are still not educated enough and are not able to operate the banking services effectively. Illiterate people with bank accounts in the country are not even good enough to fill in the bank forms to deposit and withdrawal money. They have to take help of the people in the banks to fill in the forms and get their work done. It has become the prime responsibility of the government to start a campaign in the form of mission to enable the people to discharge their duty by themselves. Lack of education and the poor syllabus done in the schools are the main reasons that they are not able to operate their bank accounts. Furthermore, illiterate and the people with less exposure to such facilities are not able to operate the cards. The people are not aware of the security measures of the PIN number etc. people should be made aware enough so that they can use the basic banking facilities.

4. Access of technology: technology is the backbone to this banking revolution. Technology must be available in all the areas of the country; it means all the banks at the branch level even in the remote area should have the access to the technology. The technology must have all the aspects that can help the individuals to do the things better and effectively. The second major aspect of the technology is that it should be easily handled and used by the people. It is one of the major aspect of the banking that the consumer must be aware of the technology and should be able to use it effectively for the purpose. The people are not aware of the technology and are not so involved in the use of it.

5. Large number of people to be covered: As discussed earlier there are large number of people that are to be covered. Although many accounts are opened during PradhanMantri Jan

DhanYojna, but many of them are lying dormant. Still forty percent of the India's population are not having access to the bank and banking services. It needs a proper penetration into the market to give the services of banking to the people. It is one of the major challenges for the government to include large number of people in the mainstream.

6. Unwillingness to join cashless moment: Most of the people due to one reason or the other are not willing to join the cashless banking solutions. The major reasons are the sellers are not willing to accept the cards and cheques as the sale through POS terminals and cheque transactions will be accounted for. The other major aspect is that the sellers mostly ask for the transaction fee that makes the things more costly. The only solution to this problem is that if large number of people joins the revolution of cash less payments by virtue of using debit or credit card it will be easier for the banks or service provider to lower the transaction fees and adjust to the normal phenomenon.

7. Uneven profile of the participants: the banks who are participating in this mission are having uneven status. The national banks and privatized banks have different priorities and there services are to the some extent are uneven in this context. As maximum cards are issued by nationalized banks they have different level of motives. The service mission s missing in private banks and hence it creates the affair costly

8. Customer awareness is missing: consumers are not aware about the different aspects of cashless transactions. Service tax, transaction fee, security of the account all matters should be stressed upon so that consumer gets awareness and become an effective party to the mission.

Although the cashless society has paved the way for a revolutionary concept the future is not isolated from challenges and risks. The main concern with cashless societies is the degree of awareness. The majority of the population is still unaware of the benefits of cashless transactions. Other critical issues are availability, accessibility, ease of use, safety and speed. Akinola (2012) recommends that all stakeholders of the society (governments, organizations, financial institutions, and citizens) should come together and resolve technological, behavioral, legal and security issues.

Conclusion

If we look at the overall scenario of establishing the cashless economy, its benefits and uses in the present system it can be said that cashless economy is the need of the hour. It has become not only important but necessary for the country to go cashless for the systematic development in the economy. This is to be done in a very systematic way some of the initiatives that should be taken are

1. People should be educated adequately. The use of cards in the ATM should be described to the people so that they can easily use the card.

2. Proper infrastructure should be developed in the remote areas so that this facility should be taken to the rural and remote India.

3. People should be made aware so that they can utilize their money effectively through cashless means. Buyers and sellers both should be made aware about the benefits of the cashless transactions.

By following some of the points it can be said that we can effectively implement the cashless transactions in the country. It will be better to say that India at this point of time has to go for less cash economy rather than cash less economy. The continuous march towards less cash economy will lead to cashless economy in the country.

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