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**BENEFITS & CHALLENGES OF MOVING TOWARDS CASHLESS
ECONOMY**

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ABSTRACT

A Cashless economy means that economy where most of the transactions take place without using hard cash or with only small amount of hard cash. In this system most of the transactions take place through digital mode, online and with the help of the internet. Today, with the increase in the number of internet users, people are preferring to pay online rather than paying via cash. People in India, were self aware about the benefits of cashless transactions but only a little percentage of people were doing it practically. Indian Government started promoting cashless transactions and showed the people of country a dream of cashless economy after the demonetization in 2016. Since demonetization, cashless economy has caught momentum. The major reason for people adopting using cashless transactions was shortage of physical cash due to demonetization. A lot of efforts are being made by the government to encourage people in using cashless transactions and the benefits which this system is going to provide in the long term one can say that these efforts are worth making. This paper is an attempt in discussing and finding out the benefits, challenges and efforts required in implementing cashless system in Indian economy successfully.

Keywords: Digital, Cashless, Cashless Economy, Digital India

Introduction

A country like India, where cash is used dominantly and is used primarily in all small and big transactions, converting that economy into a cashless economy is a really challenging task. With a lot of percentage of people of India still being poor and illiterate, it is really very difficult to make cashless system in the economy a success. Still, government is doing a lot of things in this direction. After demonetization when there was shortage of cash in the market, people started using digital mode of payment and now they are shifting towards cashless system of payment due to the benefits it provides. Not only the government is encouraging the people for going cashless, a lot of companies offering the service of e-payments and e-wallet are also encouraging the people in going cashless by giving cash back offers. The purpose of those companies may be different from the government as they want to increase the number of customers but still it will be an encouragement to the general

public and will add more pace to the speed of digitalization. By going digital one can make any amount of transactions even offline without carrying any amount of cash and it provides a lot of security to the user. If the government becomes successful in implementing cashless system in the economy properly then it will be a big step towards establishment of digital India, but while making people understand the benefits of cashless transactions, there are a lot of challenges that the government will have to face.

Methodology

All the data, information, and steps taken by government for making digital India successful have been taken from the internet. After a lot of analysis and in-depth study, the same have been presented in this paper to give insightful view to the reader. The source of data is secondary and all the schemes, benefits and challenges have been taken after scrutinizing this already available information.

Objectives of the Study

- 1) To understand the concept of cashless economy and digital India.
- 2) To present the steps taken the Indian government for successful implementation of digital India.
- 3) To analyze and discuss the benefits that citizens are going to derive in a cashless economy.
- 4) To analyze the challenges that government may have to face to successfully implement cashless system of transactions.

Initiatives by the Government

In November 2016, Indian Government announced Demonetization the purpose of which was to curtail black money, mitigate corruption, eradicate terrorism and *Naxalwaad* etc. But there was one hidden purpose too. It was to make people ready to do digital transactions. Through Demonetization, Indian government wanted to promote digital transactions. Near about after one month of Demonetization, Indian Government announced some benefits of using digital transactions. These benefits were provided to encourage people to go cashless.

- 1) At least two Point of Sale devices will be installed in those villages where the population is less than 10,000 and central government will extend this facility by providing financial support through NABARD.
- 2) If a life insurance policy premium is paid online and via Public Sector Undertakings website then a general discount of 8%-10% will be available.
- 3) Government started 'Lucky Grahak Yojna' in which a customer will be able to win prizes while doing transactions through online banking. Another scheme namely 'Digi-Dhan Vyapari Yojna' was also launched by the government to promote online transactions.
- 4) Central government also announced an incentive by the way of discount of 0.75% of the price if the payment is made via digital means on the purchase of petrol and diesel. This scheme increased the number of customers from 20% to 40% who pays through digital means.
- 5) Central Government also supported RRBs and Co-operative banks through NABARD to make them enable to issue 'Rupay Kisan Credit Card' to 4.3 Crores Kisan Credit Card holders, so that they could make digital transactions at Point of Sale machines and ATMs.
- 6) Railway provided a discount of 0.5% on the seasonal tickets, if payment was made through digital means. Nearly 80 Lakhs passengers were using cash for booking at that time by spending around 2000 Crores per year and the aim of Railway was to reduce this number to 1000 Crores per year.
- 7) Service tax was exempted on the transactions made through credit or debit card and only upto Rs. 2000.
- 8) If the railway tickets were purchased and a free accidental insurance cover up to Rs. 1000000 was made available if the payment was made online.
- 9) Toll tax plaza will give 10% discount if the payment was made through RFID card.

- 10) A limit on the monthly rent of POS machines and Micro ATMs was put. This limit was Rs. 100 per month. The rent of these devices could not exceed Rs. 100 per month.
- 11) Any transactions charges will not be borne by the customer, rather they will be borne by the government and PSUs.

Benefits To Citizens Due To Cashless Economy

- 1) Using cash for making the transactions was very simple but it was leading to tax evasion at big scale. Due to tax evasion the government was not being able to get its full amount of revenue. We can say that tax evasion was really easy due to the cash transactions. Due to the digital economy, tax evasion will not be easy and it will increase the government revenue and the benefit of which will reach to the people of the nation in the form of subsidies, government schemes and developed infrastructure.
- 2) If the people will involve banks for receiving and paying money, then it will come into the notice of the government and in that case, it would become difficult to receive or pay for unaccounted transactions. Due to demonetization, government makes it compulsory to take and receive cash through online channels and it helped government to curb corruption really effectively.
- 3) Most of the unaccounted money is invested in real estate so the prices of real estate were really high at the time of demonetization. Due to shortage of cash, people stopped investing in real estate and it brought the prices of real estate properties at their bottoms. It makes the housing within the reach of a common man.
- 4) The major attack of demonetization was on the terrorism where the money was being used by them to buy arms and ammunition and other illegal activities. They were left without any cash and it mitigated their activities up to much extent.
- 5) The cost of printing money is really high and it is borne by the government at regular interval. By going through online transactions, there will be less need of hard cash it will reduce the cost of printing the currency. The amount spent by the government on printing currency can be used on some productive purposes.
- 6) Counterfeit currency is a really big threat to national integrity and demonetization removed counterfeit currency in one stroke. Due to the fear of getting caught, the people with counterfeit currency did not go to bank and they could not use the money in the open market too. So, demonetization flushed out the counterfeit currency from the economy.
- 8) Going cashless also removes the threat of theft of currency. The online transactions are safe and secure and you do not need to carry the cash with you or you will not need to keep it at home too. You can do buying, selling, transfer and any kind of transactions by keeping the money in your bank account.

Challenges To Be Faced By Government

No doubt there are a lot of benefits that citizens will receive through digital economy, but it cannot be denied that government will have to face a lot of issues. The list below discusses the challenges that government may have to face to develop a cashless economy.

- 1) The foremost challenge is to encourage people and make them aware about the benefits of digital transactions. Most of the people are ignorant of the benefits of online transactions so, they must be made understand about the benefits that they will derive from online transactions only thereafter the government will be able to add more and more people with this project.
- 2) There is a lack of infrastructure in the form of ATM machines, POS devices, internet connections, internet banking etc. There are a lot of areas where even physical banks are not available, then making people aware about online banking over there would be very difficult. A lot of areas are out there where there is no internet connection so developing a cashless trend in these areas is a very difficult task.

- 3) Banks will have to be liberal while issuing debit and credit cards. They will have to lessen the number of formalities and the securities etc. Only when people will have debit and credit cards, they will be able to use them to make online transactions.
- 4) Before promoting online banking, there is a need to promote offline banking in the country. There is a large population who do not have accounts in the any bank. Before they go digital, there is a need of bank accounts. Government and banks will have to do extraordinary efforts to add more and more people to banking system and then they can be converted to online banking users.
- 5) Government will have to make stringent cyber crime laws. People are still afraid of doing online transactions due to the fraud which are going online. More robust cyber security infrastructure should be developed in the country. So that people can make any number of online transactions without worrying about cyber attacks or online frauds.
- 6) More and more schemes should be introduced by the government and these schemes must be advertised and promoted by the government from time to time. Few previous schemes went unattractive because the government did not advertise well and the benefits could not reach to the general public well in time and form.

Conclusion

India is a huge economy and there is a big need to convert this economy in a cashless economy. It can be seen in any bank and at anytime that customers are standing in queue for their routine and simple task like withdrawing cash or depositing cash etc. This thing can be done via online banking easily. Going digital is a major requirement today for a huge economy like India, but at the same time the size of the economy poses challenge for the government too. Even, a number of steps have been taken by the government to promote cashless economy but still a lot is required to be done. Many schemes have been launched by the government but there is a need for more steps to be taken. If the government accept these challenges positively and try to remove the problems one by one then it can deliver the benefits of digital economy to the people of the country. Not the government only, general public will also have to understand the benefits of digital transactions and should support the government in this major task. After all, it will benefit the whole country in the long run.

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