

IMPORTANCE'S OF CASHLESS ECONOMY IN 21'CENTUARY

Dr.Sunita B Ahire
Department of Economics
R.N.C Arts, J.D.B Commerce & N.S.C. Science College



Abstract: A cashless transaction in India is an effort to move towards a cashless economy by minimising the use of physical cash. The main objective of the study is to present the current status of India in usage of digital currency in comparison to other developed countries and find the challenges and opportunities which are associated with the cashless transaction in India.

Keywords: Cashless Economy, Digital Currency, Global Economy, GDP .

Introduction :- India is ready to go cashless. After demonetization 65% people are using there debit card its indicate that we were ready to go cashless there are many apps are launched in the market like Paytm Freecharge etc every banks have their own banking sites for the convenience of the customer the cashless India.

Objectives of the Study-1.To find out the terms , benefits of cashless economy. 2.To study about the Conceptual Framework:

Research Methodology - Electronic databases and online libraries are searched for relevant literature using a comprehensive set of keywords and graphical representation relating to cashless technology of different countries including India. Information was gathered from web based search engines, published literatures.

According to the website of cashless India, the Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed roles of Digital India.

The ambitious mission of government of India to drive India towards a cashless economy was boosted with the announcement of demonetization on November 8, 2016.

What is a cashless economy?

A system where no physical cash is in circulation is a cashless system. Payments are made through credit and debit cards, bank electronic fund transfers or virtual wallets.

Benefits :- Cost Reduction: cashless system brings down the cost associated with printing, storing and transporting of cash.

Risk Reduction: The risk of money getting stolen or lost is minimal. Even if the card is stolen or lost it is easy to block a credit/debit card or a mobile wallet remotely. It is also a safer and easier spending option while travelling.

Convenient: The ease of conducting financial transactions is probably the biggest motivator to go digital. With the advent of digital modes, one can avoid queue for ATMs, transact 24*7 and save time. Additionally for service providers, with the emergence of e-KYC, it is no longer necessary to know your customer physically as the payments model has overcome limitations related to physical presence.

Tracking spends: Spending done via mobile or computer applications can be easily tracked with a simple click. This allows users to keep a track of all their spending and manage their budget effectively.

Increase in tax base: Traders, small businesses, shopkeepers, and consumers regularly use cash as a means to avoid paying service tax, sales tax, etc. However, in a cashless economy where all transactions will be done through organized channel, through banks and financial institutions, they can be monitored by the government and proper actions could be taken against the evaders. This will result in more transparent transactions which in turn lead to fall in corruption in the economy of the country.

Containment of parallel economy: In a cashless economy it is easier to track the black money and illicit transactions unlike cash based economy in which money does not come into the banking system. In case of digital transactions it is easy to track and monitor suspicious transactions as all the records are available with the banks.

Financial Inclusion: At present, India's low-income households access credit through informal systems, through relatives or private lenders. Forcing them to

shift to cashless payment platforms instantly formalizes this world of informality and include them in formal economy.

Discounts: A lot of ecommerce websites offer huge incentives in terms of discounts, cash back, loyalty points to the customers for making digital transactions for shopping online

Conceptual Framework : The main concept of the cashless economy is that to make people use digital payment methods for their transaction of money for goods and services fully, without elimination of physical cash from economic market completely. Limited cash in circulation support to control growth of inflation rate. Quantity theory of money (QTM) states that money supply and price level in an economy are in direct proportion to one another. When there is a change in the supply of money, there is a proportional change in the price level and vice-versa (Irving Fisher, 1911). Whenever money supply rose abnormally in the past in an economy, inflationary situation developed there. May not be the relationship a proportional one, but excessive increase in money supply leads to inflation .

The Theory's Calculations is expressed as:

$$MV=PT \text{ (the Fisher Equation)}$$

Each variable denotes the following:

M = Money supply

V = Velocity of Circulation (the number of times money changes hands)

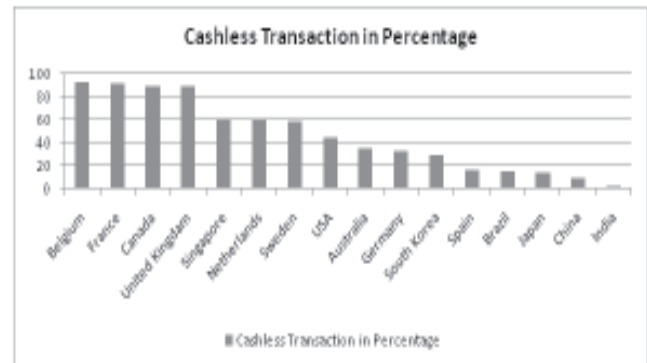
P = Average Price Level

T = Volume of Transaction of Goods and Services

In the 1950s, Milton Fried man came out with a thesis that "inflation is always and everywhere a monetary phenomenon". These words are enough to establish the essence of quantity theory of money inflation is largely caused by the excessive growth of money supply and by nothing else.

Increase of cashless economy or cashless transaction is generate less cash or no cash demand in the market and create scope of develop for QTM theory and it may be a grateful participation to develop a healthy economy for long run..

Source: Economic Survey Calculation (2016-17) projected calculation for 2016-17



- According to TRAI, as on 30 September 2016, 82 out of 100 citizens in India owned a mobile phone. The evolution of the telecom ecosystem, with significant reduction in call and data rates, along with the prices of smart phones, is propelling the shift to a cashless economy.
- The government of India is working dedicatedly to push India towards a cashless economy. With major initiatives such as demonetization, Direct Benefit Transfers, BHIM and many more. The intent is to streamline the economy and curb corruption.
- The government approved for a proposal, under which there would be no charge for BHIM, UPI, and debit card transactions up to 1 2000.
- Government also ran a DigiDhan campaign where 16 lakh lucky winners (users and merchants) were rewarded with prizes ranging from Rs 1000 to 1 crore.
- Further to incentivize behavior change and bring down the cost of digital payments, referral and cash back schemes have also been launched for BHIM where users and merchants receive cash back. Also, initiatives like USSD and the *99# service have ensured that non-Smartphone users are also on board the cashless wave.
- Demonetization has given an impetus to e-wallet services. According to a report "Securing the cashless economy", by PwC, India witnessed
- 3X increase in the download of a leading mobile wallet app within 2 days of the demonetization announcement.
- 1 million: Number of newly saved credit and debit cards within two days of demonetization announcement.

- 100%: Day-on-day growth in customer enrolment with leading mobile wallets after demonetization.
- 30%: Increase in app usage and 50% increase in the download of wallets backed by leading banks.

Impact and Importance of Cashless Transaction in India. ... According to Government of India the cashless policy will increase employment, reduce cash related robbery thereby reducing risk of carrying cash. Cashless policy will also reduce cash related corruption and attract more foreign investors to the country.

- The Reserve Bank of India (RBI) has stepped up measures to ensure the use of cash is reduced in the economy. In a Vision-2018 document revealed by the regulator, RBI said it would aim at improving the payments system network in India for a "cashless" economy.
- "The broad contours of Vision-2018 revolve around five Cs – coverage, convenience, confidence, convergence, and cost. To achieve these, Vision-2018 will focus on four strategic initiatives such as responsive regulation, robust infrastructure, effective supervision and customer-centricity," RBI said.
- With this vision document in place, the regulator wants to reduce the share of paper-based clearing instruments, increase growth of digital payments space, improve growth in acceptance infrastructure and ensure accelerated use of Aadhaar in payment systems.

CENTRAL BANK VISION

The regulator wants to reduce the share of paper-based clearing instruments

It aims to raise growth of the digital payments space

It wants to ensure accelerated use of Aadhaar in payment systems

With this in view, RBI will look at directly regulating payments gateway service providers and payments aggregators and will be revising the current guidelines. Apart from this, they will look at developments in technology such as distributed ledgers, and blockchain, among others, and will ensure that a regulatory framework is put in place as required. Guidelines regarding prepaid payment issuers, mobile banking and white label ATMs (automated teller machines) will also be reviewed.

In order to improve the payments space, RBI will also look at improving the payment infrastructure space by improving the ATM and point of sales network. There will also be measures to include that there is better fraud monitoring and enhanced customer service.

The central bank, with the finance ministry, has been working towards reducing cash transactions and improving the payments infrastructure in the country. The focus on reducing cash transactions has been to improve convenience and because cash comes at a cost. India's cash-to-gross domestic product proportion was a little over 12 per cent in 2014, higher than several other economies. According to a 2015 report, RBI and commercial banks annually spend Rs 21,000 crore on currency operations.

Ref

1. <https://www.mbauniverse.com/group-discussion/topic/business-economy/make-in-india>
2. https://www.business-standard.com/article/finance/rbi-revs-drive-towards-cashless-economy-116062301051_1.html
3. www.Economy.com
4. www.study.com
5. www.google.com
6. www.worldatlas.com
7. www.infowars.com
8. www.en.wikipedia.org