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**SPECIAL ISSUE ON  
IMPACT OF CASHLESS ECONOMY : CHALLENGES AND OPPORTUNITIES**



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SPECIAL ISSUE ON IMPACT OF CASHLESS ECONOMY -CHALLENGES AND  
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**"PROSPECTS AND ADVANTAGES OF CASHLESS ECONOMY"**

**Dr. Shirish Nana Gawali**

Ex. Faculty Member, SPPU, Pune

Associate Professor, C.D. Jain College of Commerce, Shrirampur

**Abstract :**

*A thought process has been started for cashless India on 15<sup>th</sup> August 2014 when Prime Minister announced opening of Jan-dhan accounts on affordable cost for poor and unbanked areas under financial inclusion. Under the same process lastly on 8<sup>th</sup> November 2016 at 8.00 p.m. Hon. Prime Minister Narendra Modi announced that from 9<sup>th</sup> November 2016 old notes of denomination of Rs.500 and Rs.1000 will not be in use except some life saving services for time being. So demonetization is necessary. Whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit. Further so many additions and modifications have been made in the above process. However the main thought behind demonetization was first to control the black money in the economy and antimony laundering which has been used extensively by terrorists, second to increase E-transactions in the country. Though result of the above will come in course of time but it is sure that all developed countries are moving towards cashless transaction. No doubt control of currency needshuge expenses like printing, preserving, securities.*

**Keywords :** Cashless, Jan-dhan account, denomination, currency & transactions.

**Objectives of the Study:**

1. To study the concept of Cashless.
2. To study the how to increase Cashless transaction.
3. To elaborate the advantages of Cashless.
4. To evaluate the disadvantages of Cashless trading.

**Research Methodology:**

This paper is based on secondary data extracted from various authenticated websites, reference books, Journals, magazines and various newspaper articles.

**Introduction:**

At the end of a panel at Startup India, adequately named Disruptive Power of Technology financial inclusion, the panelists which included Paytm, CEO Vijay Shekhar Sharma, Eko Founder and Abhishek Sinha and Ispirt's Sharad Sharma, pledged to make India a Cashless economy. That was January 2016 and nearly 10 months later Hon. Prime Minister Narendra Modi put disruption into the financial payment shows with the move to remove and gradually recycle 86 % of the cash in the Indian economy. Hon. Venkaiah Naidu the Union Minister for Urban Development information and Broadcasting also referred to today as a cultural Revolution entailing to quote high behavioral modification.

**Demonetization in India**

Demonetization is an act of scrapping the legal tender status of currency note. When new currency is introduced to replace the old one government demonetizes the old currency. Demonetization is necessary whenever there is a change of natural currency. In short demonetization means the old unit of currency must be retired with a new currency Unit. The old currency note of Rs. 500 and Rs.1000 which constituted nearly 86 % of the whole money circulation in the country were demonetized on November 8, 2016.

The main objectives of demonetization are-

- i. To encourage cashless transaction.



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- ii. To combat inflation.
- iii. To curb black money and corruptions.
- iv. To check hawala transactions

In this way today, India moves towards a cashless environment after demonetizations the initial aware and confusion have given way to a flurry of concerns.

The incentivize the move towards a cashless economy the government has come up with a rash of discount and freebies on digital transactions. But will these be substantial enough and along with other benefits, counter the higher risk of identity theft once the currency notes are back in circulation? What are the gains and drawbacks of financial digitization of there's book at what may be in store for you.

**Current Scenario of Cashless in India:**

The cash centric informal sectors like agriculture, real estate etc. have been affected by demonetization. However the experts say that it's a short term scenario this move will give positive long term consequences.

- To bring the economy on track again, government is promoting cashless economy because scraping of cash needs an alternative to cash.
- In 2010 World Bank has been estimated India's black money has been estimated to be worth about 1/5<sup>th</sup> of the GDP. In a country where 90% transaction is carried out on cash basis, it was a revolutionary move to transaction are carried out on cash basis, it was a revolutionary move to transform form cash to cashless transactions.
- The NDA government announced Jan DhanYojana to increase the financial inclusion of those who never had an account in a bank. Under this scheme 250 million bank accounts have been opened in two years. According to the Reserve Bank of India reports bank branches increased by 5% per year but ATMs, Debit Cards and Card Swiping machines have doubled in four years and online transactions have been 20 times in six years in 2016.
- Therefore all these data and information shows a gradual shift towards cashless economy.

**Demonetization has sped up this transaction Positive effects on the Cashless economy: A cashless economy will give the following positive effects on the economy –**

- Clean and more transparent business transactions and money transfers.
- It will increase the taxation base. It will also reduce the instances of tax avoidance.
- Improved climate for foreign investments.
- Control on the insurance of fake currency and counterfeiting.
- Good governance.
- Efficiency in welfare programs as money can be easily transferred to the accounts of the recipients.
- Reduced money laundering due to easy traceability to transactions.
- It will eliminate the role of intermediaries who usurp the share of welfare money spent on people.
- Improved financial inclusion and credit access through the linkage of all welfare activities with bank accounts. It will not only increase welfare for the people but would assist in creating a sense of belonging and faith in the banking system.
- In the year 2015 RBI spent 27 billion on currency issuance and management. Cashless economy will reduce, such costs.
- This cashless regime represents transparency and people will get all the benefits directly in their account be achieved in few days or months it is long process. People have to be prepared to adopt this change.



**Advantages of going Cashless:**

• **Convenience :**

The ease of conducting financial transactions is probably the biggest motivator to go digital people will no longer need to carry wads cash, plastic cards, or even queue up or ATM withdrawals. It is also a safer and easier spending option when people are travelling, According to Kartik Jhaveri, Director Transcend consulting. The benefits are enormous it you leave out the low income group which will face a huge challenges but for the rest of the country, It is constructive and simple.

• **Small gains :**

It may not seem like much of an advantage but being cashless makes it easy to word off borrowers. Another plus is that the people can pay the exact amount without worrying about not having changed or getting it back form shopkeepers.

• **Lower risk:**

If stolen it easy to block a credit card or mobile valet money but it's impossible to get your cash back. According Pai in that sense the digital option offers limited security. This is especially true while travelling especially abroad where loss of cash can cause great inconvenience. Besides if the futuristic cards evolve to use biometric ID (finger prints eye scan etc.), it can be extremely difficult to copy making it a very safe option.

• **Budget discipline :**

Generally the written record will help the people to keep tabs on your spending and this will result in budgeting. According to Jhaveri various apps and tools will help people analyze their spending patterns and throw up good insights over a couple of years. In this way, controlled spending could also result in higher investing.

• **Tracking spends :**

Manoj Nagpal CEO Outlook Asia Capital says that if all transactions are on record it will be very easy for people to keep track of their spending. It will also help while filling income tax return and in case of a security people will find it easy explain their spends.

• **Go digital and get discounts :**

- a) Service Tax: Waiver of service tax of 15% digital transaction up to Rs.2000.
- b) Fuel: 0.75% discount on digital purchase of fuel through credit/debit cards, e-wallets or mobile wallets.
- c) Rail tickets: 0.5 discount on monthly and seasonal suburban railway tickets from 1 January 2017. Online rail ticket buyers get up to Rs.10, 00,000 lack free accident insurance too.
- d) Rail Catering: 5% discount on digital payments for railways catering, accommodation, retiring rooms etc.
- e) Highway toll : 10% discount on NH toll payment via RFID or fast tag in 2016-17
- f) Insurance: 10% discount by government general insurance on premium paid online via their portals. 8% discount on new LIC policies bought on line viva its site

**Limitations of digital transactions:**

• **Higher risk of identity theft :**

The biggest fear is the risk of identity theft. Since we are cultured to digital transaction even well deducted people run the risk of failing into phishing traps. Besides the latest move by the government to remove the two factor authentication process for online transaction up to Rs.2000/- will not help.



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• **Overspending :**

While there is no denying the convenience of card or mobile wallet transactions it could open a spending trap for an unsuspecting population. So using cash instead of cards or mobile wallet acts as a natural bulwark for people who find it difficult to control their spending

• **Difficult for tech. un savvy :**

India has a low internet penetration of 34.8% during the year (2016). According to the internet live stats only 26.3% of all mobile phone users take as Smartphone (2015). Besides the practical difficulty of going to a digital medium.

• **Losing Phone:**

Since people will be dependent on their phone for all their transactions on the more losing it can prove to be a double whammy. It can only make people susceptible to identify left then people would also be rendered helpless in the absence of physical cash or any other payment option.

• **Future of Cashless transaction :**

This is starting journey the moment when it will get up with the positive attitude in the minds of public, the above cashless transaction can further increase with huge numbers. No doubt there may be some problems at initial stage to all but with the cooperation from all sides the same will be minimized. Further their must or the business is run through cash only.

In present business transaction following option are available in the market.

- 1) Banking channel – both cash and cashless transactions can be done.
- 2) Other delivery channels.
  - i) ATM
  - ii) Internet Banking
  - iii) Mobile Banking
  - iv) Various Wallet
  - v) Pos Machines
  - vi) Debit – Credit cards
  - vii) Various transactions Apps like PAYTM, NPCI etc.
  - viii) Through Banking Correspondence.

Since ultimate transactions are being done through banks only hence can play a vital role in the cashless economy of every country.

**Conclusion –**

With the help of the above data & information on it is concluded that in short run the make can slow down the economic growth any may cause some transactions inconvenient to consumers and producers. Which action and transparent economy will get the fruit, since cashless transaction will lead to e-transaction.

There has been a drastic improvement in electronic transaction which may boost Cyber Crime. So we make aware of ways to keep.

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