
CASH LESS ECONOMY: GROWTH AND PROSPECTS AFTER DEMONETIZATION OF HIGH VALUE BANK NOTES.

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ABSTRACT

Cash is the most liquid asset for every business, used for every necessary transaction by individuals and every entity. Without cash survival is something more than imagination. The uses of cash has its own merits and limitations such as circulation of large amount of cash in to economy brings many problems including higher cost to cash operation, corruption, difficulty in monitoring transactions etc. Moving towards less cash economy not only fetches benefits to curb corruption, save costs, easy monitoring of truncation but also lead to an improvement in financial inclusion as well as contribute to environment by reducing the uses of paper. The cashless system also brings affordability to the mass consumers in terms of saving cost and time. Therefore it becomes a win-win situation for both authority and users to move towards cash to less cash transactions.

KEYWORDS: Cashless transaction, demonetization, online transaction, Banking

INTRODUCTION

The cashless economy is in limelight to be discussing in every nook and corner of the country in the recent time especially after demonetization of high value currency notes, making it the national strategic importance. There is hot debate occurring on in various vicinity of the country including the entire social and professional segment. The conceptual framework of the aforesaid concept refers to the system where all the transactions are performed by the means of electronic mode such as debit/credit cards, internet banking, Immediate Payment services (IMPS), POS (point of sale), E wallets etc. and thereby the circulation of physical currency is minimal.

In today's scenario when citizen were in queue for the cash last year, transactions were hit and thereby, it became desirable to promote cashless system. There are multifaceted benefits of bringing less case system to the economy, some these includes cost reduction for cash operation, less dependence on cash, boost savings, curb corruption, monitoring transactions, deal with the tax evasion and save environment etc. This concept is not as new as the high value note replacement

drive in the country. The cashless system is already gained its pace in recent years, the RBI (Reserve Bank of India) has initiated with number of measures to reduce dependence on cash. The recommendation by the committee on 'Comprehensive Financial Service for Small Business and Low Income Households' that every Indian resident (18 years and above) should be given universal electronic bank account (UEBA) by January 2016, licensing of payment banks, e-wallets under prepaid payment instrument (PPI), unified payment instrument (UPI), etc. are major initiative bought by the RBI.

The trends towards cashless transaction got its space in 1990s, when internet banking became popular, by 2010 the digital payments methods like payment by electronic cards, Smartphone, NFC, electronic bills are become popular in many countries (Ragaventhara 2016). As per the news by 'Times of India' the RBI and commercial banks spend about \$3.5 billion in currency operation cost, consisting most cost-intensive economies in the world with 12% cash to GDP ratio. The value of ATM transactions increased by six times in 2012 from 2007 from ₹ 3 lakh crore to ₹ 18 lakh crore (Shetty 2015). In 2015 RBI spent ₹ 27 billion for currency issuance and management (Ragaventhara 2016). These aspects signify the scope and necessity of cashless economy in the country. However the different pertaining issues need to be addressed.

LITERATURE REVIEW

In India card transaction account for 4% of personal consumption expenditure, the major reason for using more cash instead of cashless is income status, education and having less banking habits. Furthermore, 90 % of the transactions are carried out on cash basis; demonetization was a revolutionary measure to transform economy towards cash less (Tawade 2017).

Post demonetization cashless system has mapped high which is a good sign to the economy to becoming cashless in future (Motamarri 2017).

Cashless system is need of today's society; it is safer than cash transaction and less time consuming and also helpful to keep records of transactions done (Kumar 2015).

RESEARCH METHODOLOGY

This paper is descriptive in nature. The study is based on secondary data, which has been collected from published articles, books, newspapers, RBI's bulletin and circulars, statistics from National Payments Corporation of India (NPCI) etc. This study aims to analyze cashless system in India, its trends and prospects after demonetization period including other pertaining issues.

TRENDS AND PROSPECTS OF CASHLESS ECONOMY IN INDIA

One of the important functions of the banking system is to improve banking habits of the people in the country like India, where the Reserve Bank and government has taken a number of steps to bring unbanked population to formal banking system. The cashless system may also contribute towards this aspect. Furthermore the massive change from cash carry system to cashless system may multifaceted benefits such curbing tax evasion and tax avoidance, black money and fake money, corruption and many more. The cashless economy runs on digital payment system one has not to carry physical cash, he/she can carry debit or credit card or e-wallets or UPI or internet banking out of these e-wallets is most prevalent and widely used (Sahoo, Arora 2017), which either linked to one’s bank account or loaded with money by debit/credit card. The following table shows some the important benefits and challenges towards cashless economy in India.

Table 1. Benefits and Challenges of Cashless Economy in India

Benefits	Challenges
Saves costs and time of consumer	Cyber security
Cost effective to banks	Internet connectivity and reach
Reduce tax evasion and avoidance	Non-tech savvy
Curb black money and fake currency	Infrastructure to serve large population
Improved Transparency & Monitoring	Maintenance charges of Cards
Less risk with proper safety measures	Transaction charges
Saves cost of issue and circulation of currency	

After demonetization of ₹ 1000 and ₹ 500 currency notes the digital payment and settlement has been impacting a lot the following table shows the non cash transaction in India since November 2016 to September 2017. Digitization creates financial revolution it offers huge opportunities in the country, every 1% reduction in cash in circulation translates into an increment of 40 (0.4%) basis points in GDP (Jha 2016). This has brought attractive opportunities for the payment space in India and also the forthcoming couple of years will be very exciting in this regard (Bama et al 2016). UPI enabled payment services, Aadhar enabled payment services, BHIM and Google Tez, Amazon pay etc are some examples in this context.

Table 2. Electronic Payment system (November 2016 to September 2017)

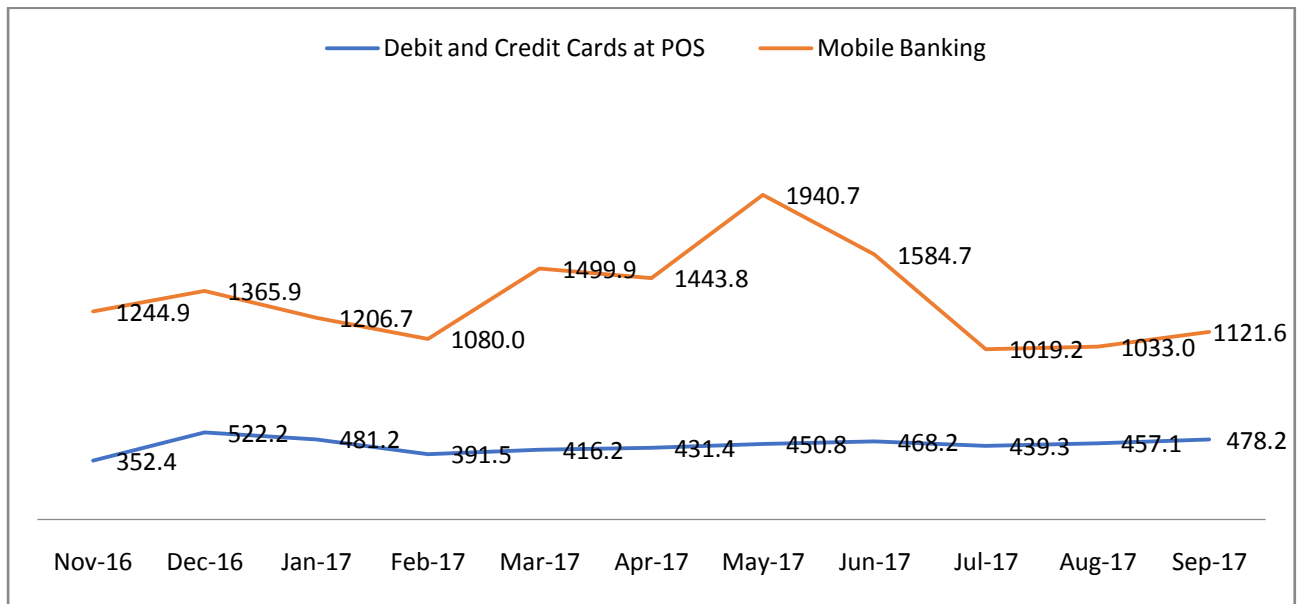
Amount in ₹ in Billion

Data for the period	RTGS	NEFT	CTS	IMPS	NACH	UPI	USSD(in thousands)	Debit & Credit Cards @ POS	PPI	Mobile Banking	TOTAL
Nov-16	78479.2	8807.8	5419.2	324.8	606.6	0.9	7302.6	352.4	13.2	1244.9	94004.2
Dec-16	84096.5	11537.6	6811.9	431.9	626.8	7.0	103718.4	522.2	21.3	1365.9	104055.3
Jan-17	77486.1	11355.1	6618.4	491.2	541.4	16.6	381760.2	481.2	21.0	1206.7	97011.4
Feb-17	74218.8	10877.9	5993.9	482.2	592.0	19.0	357055.2	391.5	18.7	1080.0	92594.5
Mar-17	123375.8	16294.5	8062.8	564.7	829.4	23.9	337962.4	416.2	21.5	1499.9	149589.1
Apr-17	88512.2	12156.2	6990.6	562.1	905.2	22.0	301650.5	431.4	22.3	1443.8	109602.2
May-17	90170.5	12410.8	6745.9	585.6	692.4	27.7	316723.7	450.8	25.3	1940.7	111109.3
Jun-17	92812.6	12694.2	6409.9	596.5	708.6	30.7	313277.0	468.2	24.1	1584.7	113745.2
Jul-17	87149.3	12011.6	6342.5	604.8	771.7	33.8	302097.8	439.3	25.1	1019.2	107378.4
Aug-17	89163.4	12500.4	6224.3	651.5	752.4	41.3	294239.4	457.1	27.2	1033.0	109817.9
Sep-17	102348.1	14182.1	6271.5	717.6	628.4	52.9	323578.5	478.2	27.6	1121.6	124706.8

Source NPCI, RBI

The above table shows data relating to electronic payment from November 2016 to September 2017. Total value of electronic payment made by RTGS, NEFT, CTS, IMPS, NACH, UPI, USSD, Debit and Credit Cards at POS, PPI¹ and mobile banking was ₹ 94004.2 billion as on November 2016 and it stood at ₹ 124706.8 billion as on September 2017, more than 32% growth has witnessed for the same period. The following chart shows movement of electronic payment made by debit and credit cards at POS and mobile banking for the same period.

Chart 1. Electronic payment through Debit and Credit cards at POS and Mobile Banking Amount in ₹ in Billion



Source : Table 2

The above chart depicts the payment made by debit and credit card at POS and mobile banking from November 2016 to September 2017. As per the chart it is evident that payments made through both debit and card at POS are fluctuating for said period whereas payment through mobile banking show consistent flow along the time, it was increased to ₹ 478.2 billion in September 2017 from ₹ 352.4 billion in November 2016.

CONCLUSION

The cashless transaction system gaining its space day by day, due to inherited multifaceted benefits this has become need of today's financial environment. The government has taken a number of initiatives to bring cashless system in the country however it has its own merits and challenges. There are number of benefits including saving cost to government, banks and consumers along with curbing corruption, tax evasion and monitoring financial transaction. Therefore it can be concluded that cashless system will become the transaction mode for major segment of population in coming future. It is also evident that financial awareness, income status, infrastructure to cater large population are some of the important challenges for the implementation of such cash less system. Therefore the authorities should take pain to improve for all the challenges for implementation of such move so that the common man can be included in the mainstream.

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ⁱ RTGS – Real time gross settlement , NEFT – National electronic funds transfer, CTS – Cheque truncation system, IMPS – Immediate payment service, NACH – National automated clearing house, UPI - Unified Payments Interface, POS – Point of sale, PPI – Prepaid payment instrument USSD - Unstructured Supplementary Service Data