CASHLESS ECONOMY
(DIGITAL INDIA)

(RESEARCH PAPER PRESENTED BY)
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A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets.
“We want to have one mission and target: Take the nation forward – Digitally and Economically”

-NARENDRA MODI (PRIME MINISTER OF INDIA)
PRACTICAL IMPLEMENTATION FOR MOVING ON PATH OF GOING CASHLESS (IN CONTEXT OF INDIA):

- Payment banks
- Electronic Fund Transfer Systems
- Mobile Wallets
- Internet Banking
- Banking cards
- Banks pre-paid cards
- Point of sale
- Mobile Banking
1. **Payment Banks**

2. **Electronic Fund Transfer Systems:**

3. **Mobile Wallets**

4. **Internet Banking**
5. Banking Cards

6. Bank Pre-Paid cards

7. Point of Sale

8. Mobile Banking
GOVERNMENTS RURAL PUSH FOR CASHLESS ECONOMY

In an attempt to encourage poor and illiterate people in rural areas to make digital payments, the government is promoting Aadhaar Pay which ensures financial transactions by just using fingerprint.
INDIA IS TAKING A STEP ON THE ROAD TO CASHLESS ECONOMY:

- The government has been working hard to promote digital payment systems. So far, it seems to be working: the government has reported a 400-1,000% increase in digital transactions since the demonetization.

- The National Payments Corporation of India, together with the RBI, has launched UPI (“united payment interface”).
How to make a payment transaction through UPI?

1. UPI will use your phone number, which is linked to your bank account.
2. It will generate a unique UPI ID which is just like an ordinary email ID.
3. Download and open the UPI app.
4. Select the amount to be paid.
5. Add the unique ID of your beneficiary.
6. Select ‘Send’. You will receive an OTP on your phone.
7. The receipient will receive the money after you approve the transfer.
• The “Digital India Initiative” has been set up to provide internet access and comprehensive mobile phone coverage across India, helping over a billion people to get online and utilize digital payment techniques.

• The RBI has been promoting a biometric authentication system for banking.

• The Aadhar Enabled Payment System (AEPS) can be used to open a Bank Account using just an identification number and fingerprint.
ACHIEVING A CASHLESS ECONOMY ON RURAL AREAS:

- Rural areas are home to two thirds of the country’s population.
- Number of connected rural consumers is expected to increase from 120 million in 2015 to almost 315 in 2020.
- Over 93% of people in rural India have not done any digital transactions.
- The government has taken steps including announcing zero balance accounts for people, but growth of Bank branches has been low.
STEPS TAKEN BY RBI AND GOVERNMENT TO DISCOURAGE THE USE OF CASH:

Government is also promoting mobile wallets. Recently, the RBI had issued certain guidelines that allow the users to increase their limit to Rs 1,00,000 based on certain Know your customer verification.

Various incentives offered by government to promote digital India on Cashless India:
• On digital transactions up to rupees 2000, Service Tax of 15% waived off
• Digital purchase of fuel through credit cards, mobile wallets or e-wallets, discount of 0.75%

• Free accident insurance worth rupees 10 lakh on account of online ticket buyers

• On purchase of new LIC policies online via its site, 8% discount is offered.

Government has introduced various technologies like BHIM (Bharat Interface for Money) app to transact between each other as well as with other merchants.
In addition to government or RBI, Companies are also participating in combating of cybercrimes. Microsoft opened full scale cyber security Center called Cyber security Engagement center (CSEC) in India. This centre monitors how viruses are spreading, from where cyber attacks are originating and helping customers to tap pool of security specialists.
CHALLENGES IN INDIA MAKING A CASHLESS ECONOMY:

There are a number of obstacles in making India a cashless economy. Some of them are as under:-

- Currency denominated economy:
- Transactions are mainly in cash:
- ATM use is mainly for cash withdrawals and not for settling online transactions
- Limited availability of point of sale terminals. (pos machines)
- Mobile Internet penetration remains weak in rural India
• Though bank accounts have been opened through Jan Dhan Yojana, most of them are lying unoperational

• The low literacy rates in rural India & lack of infrastructure

• In India, there are approx. 350 million internet users. The internet penetration rate is just 27% which is very low, it has to be at least 67% which is global median

• Since, India is dominated by small retailers; therefore they don’t have enough resources to invest in electronic payment infrastructure.
STEPS SHOULD BE TAKEN TO FOCUS CASHLESS ECONOMY ON RURAL AREAS:

- The Jan Dhan Aadhaar Mobile (JAM) can encourage digital transaction culture. A large number of government transfers are made through JAM mode.
• A tax rebate (of say 1% to 2%) on payments made by households as salary to unorganized sector can boost cashless payments.

• The 5 A's of promoting financial inclusion through cashless payment instruments.

• Government should assure basic necessities in rural areas and focus on developing infrastructure.

• Financial literacy is a must for bringing more and more people to the digital platform.
• Linkage of all welfare activities with bank accounts is a very strategic step.

• Targeted financial education programs can improve financial skills and Credit Management, and increase account ownership in rural India.
A STEP ON THE ROAD TO CASHLESS TRANSACTIONS TOWARDS FARMERS:

- The Indian Farmers Fertilizer Cooperative Limited (IFFCO), the world's largest fertilizer cooperative, has initiated a pan India outreach programme to educate farmers.

- Through live demonstrations and interactive sessions.

- Separate stalls will be set up in each of the Rural locations to conduct live demonstrations and also answer the queries posed by farmers regarding the same.
To expand digital payment infrastructure in rural areas,

The Central Government through NABARD will extend financial support to eligible banks for development of 2 POS devices each in 1 lakh villages with population of less than 10,000.

This will benefit farmers of one lakh village covering a total population of nearly 75 crore who will have facility to transact cashlessly in their villages for their agriculture needs.
MEASURES TO BE TAKEN FOR DEVELOPING CASHLESS INDIA:

- Basic cyber hygiene
  (Better access to control techniques with strong authentication measures should be implemented by mobile e-wallet companies.)
- Bank accounts
- Abolishment of government fees
- Tax rebates for consumers and for merchants who adopt electronic payments.
- Making Electronic payment infrastructure completely safe and secure.
- The Reserve Bank of India too will have to come to terms with a few issues.
DIGITAL PAYMENT METHODS:

- The Digital India programme is a flagship programme of the Government of India.

“Faceless, Paperless, Cashless” is one of professed role of Digital India.

As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.
INTERNET BANKING:

Internet banking, is an electronic payment system. Different types of online financial transactions are here:

- **National Electronic Funds Transfer (NEFT)**

NEFT is a nation-wide payment system facilitating one-to-one funds transfer. NEFT operates in hourly batches - there are twelve settlements from 8 am to 7 pm on week days (Monday through Friday) and from 8 am to 1 pm on Saturdays.
2. Real Time Gross Settlement (RTGS):
RTGS is defined as the continuous (real-time) settlement of funds transfers.
The RTGS system is primarily meant for large value transactions.
The minimum amount to be remitted through RTGS is 2 lakh.

3. Electronic Clearing System (ECS):
ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as:
telephone bills, electricity bills, insurance premier, card payments and loan repayments, etc.
4. Immediate Payment Service (IMPS): IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones.
CAPACITY BUILDING AND AWARENESS FOR CASHLESS ECONOMY:

1. Impart education related to the digital payment ecosystem, its tools, benefits and processes

2. Inform and educate citizens about Digital India - cashless, faceless and paperless

3. Encourage citizens especially in rural and semi urban areas to use digital payments as well as other products and services offered by Digital India

4. DigiShala Programme Portfolio.
Digital Finance for Rural India: Creating Awareness and Access through Common Service Centers (CSCs):

- 2 lakhs Common Service Centers (CSCs) to provide capacity building,
- Awareness access for digital payments methods to around 1 core rural citizens and 25 lakhs merchants across India.
- Each CSC would reach out to 40 households in the catchment area, covering one person from each household.
- It also targets 10 Merchants per panchayat (for getting POS machines or digital payment mechanism.)
HOW COME LOW-WAGE EARNERS ADAPT TO CASHLESS DIGITAL SYSTEM:

- Open a Jan-Dhan account
- Get valid ID proof
- Use e-wallets to transact
- Save for emergencies
- Invest in small instruments
CYBER SECURITY FOR DIGITAL PAYMENTS:

- Digital payments are likely to cost more if the National Democratic Alliance (NDA) government decides to impose a token 'security fee' or cess on each online payment.

- According to several media reports, the government is contemplating imposing a cyber-security cess on e-payments companies.

- This 'security fee' or cess like the Swachh Bharat cess, could be used to create better infrastructure for secure digital transactions.
ADVANTAGES OF GOING CASHLESS:

- Convenience
- Discounts
- Tracking spends
- Budget discipline
- Lower risk
- Small Gains
DISADVANTAGES OF CASHLESS ECONOMY:

- Higher risk of identity theft
- Losing phone
- Difficult for tech-unsavvy
- Overspending
SURVEY AND ANALYSES REGARDING CASHLESS ECONOMY

1. How many times do you engage in cash transactions everyday?

<table>
<thead>
<tr>
<th></th>
<th>Answered</th>
<th>Skipped</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>66.67%</td>
<td>10</td>
</tr>
<tr>
<td>3-5</td>
<td>20%</td>
<td>3</td>
</tr>
<tr>
<td>6-8</td>
<td>13.33%</td>
<td>2</td>
</tr>
</tbody>
</table>

Answered: 15   Skipped: 0
2. How effective do you think a cashless card system would be in solving the following problems of cash based system?

<table>
<thead>
<tr>
<th>Problem</th>
<th>Row Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>inconvenience of carrying cash</td>
<td>15</td>
</tr>
<tr>
<td>unavailability of credit system at some of the outlets</td>
<td>14</td>
</tr>
<tr>
<td>insufficient credit limit</td>
<td>14</td>
</tr>
<tr>
<td>credit tracking at various outlets</td>
<td>14</td>
</tr>
<tr>
<td>track daily spending</td>
<td>14</td>
</tr>
<tr>
<td>lack of authenticity</td>
<td>14</td>
</tr>
</tbody>
</table>

Answered: 15  Skipped: 0
3. What kind of a system would you like for the transactions?

Answered: 15  Skipped: 0

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>card swipe</td>
<td>40%</td>
<td>6</td>
</tr>
<tr>
<td>card scan</td>
<td>6.67%</td>
<td>1</td>
</tr>
<tr>
<td>security pin</td>
<td>26.67%</td>
<td>4</td>
</tr>
<tr>
<td>biometric system</td>
<td>26.67%</td>
<td>4</td>
</tr>
</tbody>
</table>
4. Do you access public WIFI from phone/laptop?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Answered:</strong></td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td><strong>Yes:</strong></td>
<td>57.89%</td>
<td>42.11%</td>
</tr>
<tr>
<td><strong>No:</strong></td>
<td>11</td>
<td>8</td>
</tr>
</tbody>
</table>

**Total:** 19 respondents, 0 skipped.
5. What has been your preferred mode of payment since 9 November (Demonetisation)?

- Netbanking: 31.58% (6)
- Credit/Restaurant transactions: 36.84% (7)
- Cash: 21.05% (4)
- E-wallet/Mobile app: 10.53% (2)
- Cheque: 0% (0)

Answered: 19
Skipped: 0
5. Choose the options where you think the card system is not required

<table>
<thead>
<tr>
<th>Option</th>
<th>Response</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital</td>
<td>6.67%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>small grocery shops</td>
<td>40%</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>fruit stall/vegetable shops</td>
<td>53.33%</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>
6. How often do you draw cash out of an ATM?

Answered: 15  Skipped: 0

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>20%</td>
</tr>
<tr>
<td>Monthly</td>
<td>26.67%</td>
</tr>
<tr>
<td>Weekly</td>
<td>46.67%</td>
</tr>
<tr>
<td>Only in case of emergency</td>
<td>6.67%</td>
</tr>
</tbody>
</table>
7. Are you interested or have a plan of doing E-business in future?

<table>
<thead>
<tr>
<th></th>
<th>Answered</th>
<th>Skipped</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
<td>52.63%</td>
<td>10</td>
</tr>
<tr>
<td><strong>No</strong></td>
<td>47.37%</td>
<td>9</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>
8. To provide impact on rural areas what are the measures should be taken by the government mostly?

- Campaign for cashless education towards rural people: 57.89% (11)
- Demo classes through media (television): 26.32% (5)
- Keeping a compulsory / additional subject as cashless transactions in schools: 15.79% (3)

Answered: 19  Skipped: 0
9. Cashless transactions will be mostly useful to:

- Rural areas: 5.26% (1)
- Urban areas: 42.11% (8)
- Both: 52.63% (10)

9. How do you pay for your regular household expenses such as bills and mortgages?

- Direct debit: 13.33% (2)
- Card payment: 20% (3)
- Online banking: 13.33% (2)
- Cash: 53.33% (8)
10. What is the primary objective of cashless transactions as per your opinion?

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curbing black money?</td>
<td>46.67%</td>
<td>7</td>
</tr>
<tr>
<td>Stopping terrorism?</td>
<td>13.33%</td>
<td>2</td>
</tr>
<tr>
<td>Making India a cashless economy?</td>
<td>40%</td>
<td>6</td>
</tr>
</tbody>
</table>

Answered: 15  Skipped: 0
CONCLUSION:

- A cashless economy is secure, it is clean. We have a leadership role to play in taking India towards an increasingly “digital economy”.
- Thus, as citizens and youths of India it is in our hands to promote this magnificent India encouraged by our PM Mr. Narendra Modi who has a bright vision towards the upcoming of future India. Big success and it will help to attain vision of “DIGITAL INDIA”

“Coming together is a beginning; keeping together is progress; Working together is success”