



## Cashless economy- The demand of the day

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### ABSTRACT

The world is becoming cashless to ease the transaction settlements and to track back the records of transactions. Development is based on adaptability and updating of latest technologies which reduce the need to face hurdles and remain competitive. India is gaining awareness towards cashless transactions and its importance at present though many modes of cashless transactions take place in India. Various modes of cashless payment include card based payments, mobile wallets, e-wallets etc. In using these we people without awareness supporting to transformation of cashless economy which will be helpful to reduce various issues in the country. Apart from various impediments present, to step into a development path the cashless economy would be a source.

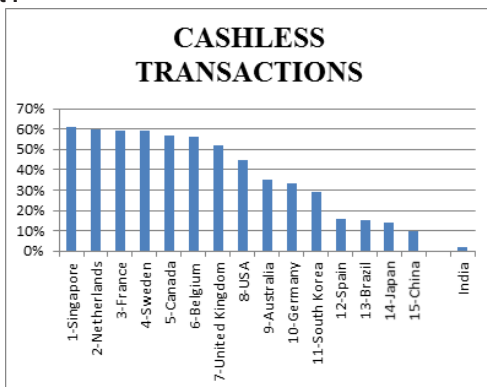
**KEYWORDS** : cashless economy, corruption, card based payments.

### INTRODUCTION

Barter system was a system through which man satisfied his needs without any medium of exchange. Goods were exchanged for goods in this system. Gradually, then as the value of the products exchanged differed there aroused a need for common medium of exchange. Money in physical form (coins and paper currency) came into existence. With the increasing change over in the economy, circulation of physical form of currency became an issue these days. In order to set right these issues the cashless economy came into existence. Cashless economy is replacement of the physical money with the electronic mode of cash. The electronic monetary transactions and settlements began its phase during 1990's, which deeply ingrained in 2010's.

Various modes of digital or e-payments include credit or debit cards, e-wallet, mobile wallet, UPI Apps, gift cards, Aadhar enabled payment system, USSD etc. Many developed economies are transforming into cashless economies. Cashless economy will be helpful to trace the transactions accurately which eradicates unaccountable money, fake or counterfeit currency etc. However various factors affect the implementation of cashless economy in which the main factor is technology. The technologically aware and equipped country will find ease to implement the cashless economy. The following chart clearly shows the countries which stick to cashless transaction and its extent of implementation.

Chart 1



Source: Mastercard Advisor's Measuring progress toward a cashless society

Singapore ranks first in implementing cashless transactions followed by Netherland and other developed countries in first 14 ranks. India ranks last in which only 2% of transactions are cashless transactions. Furthermore, it could be said that those countries which were following cashless economy concept were ranked low in corruption as per the corruption perception index. It would be useful to know various supportive points to cashless economy.

### Objectives of the study

- To understand the defects in circulation of paper currency.
- To provide suggestions for transforming into a cashless economy.

### Review of Literature

**Mohammad Isha Kida & Adamu Garba Aloomo (2014)** in their study had an objective to analyze factors affecting the prospects and implementation of cashless policy. The study states that inadequacy of ATMs and POS, IT infrastructure, high level of illiteracy etc are the problems or barriers for implementation of cashless policy.

**Ebeiyamba Oluchukwu** had made an attempt to analyze the effect of cashless economy on micro and small scale business. Through the study the results revealed were that the problem of illiteracy, charges attached to cashless system, reduction in employment due to use of technology and some security issues.

**Ashish Das and Rakthi Agarwal** studied about cashless payment in India which analyzed the card based payments, rules to use it and the incentives given. Usage of primary data with the survey questionnaire containing 16 main questions was collected from various merchants and company establishments. Various countries payment system was analyzed. The result of the study showed that 60% of the sales of the merchants were through card payments but not the small merchants.

**Hugh Thomasin** his paper "Measuring progress towards cashless society" analyzed the percentage usage of cashless transactions in various countries which showed Singapore mostly used go for cashless transactions. Among various countries India ranks last.

### ISSUES RELATED TO PAPER CURRENCY TRANSACTION

The main issues that occur in a cash dependent economy are

- Unaccountable and Illegal money.
- Counterfeit currency.
- High cost for cash issuance and management for RBI.

### Unaccountable and Illegal money:

The money earned from the illegal activities and which is unaccountable is termed as unaccountable and illegal money. Many Anti-corruption activities were taken which includes framing of various acts such as the prevention of corruption Act and The Benami Transaction Act, 1988, The Lokpal and Lokayuktas Act, 2013. Apart from these laws, various institution and agencies such as The Directorate General of Income Tax Investigation, Central Vigilance Commission and Central Bureau of Investigation were established to address the issues against corruption. However, the corruption cannot be curbed to nothing.

### Indian Corruption Rank

| Year | Ranking |
|------|---------|
| 2007 | 72      |
| 2008 | 85      |
| 2009 | 84      |
| 2010 | 87      |
| 2011 | 95      |
| 2012 | 94      |
| 2013 | 94      |
| 2014 | 85      |
| 2015 | 76      |
| 2016 | 79      |

From above the position of India in corruption as compared to other countries for the past 10 years of which it was in 79<sup>th</sup> rank in the previous year can know. It was always placed around 70 to 90s. In a corrupted economy no importance given for quality of services rendered, trust on government will be in declining trend, growth and development of the economy will be seriously affected and much more. With the intention to overcome these issues anti-corruption measures are taken by the government however which serves its purpose to a limited extent. A solution to these issues may be cashless economy.

**Counterfeit Currency:**

Counterfeit currency is a replication currency created without legal sanction. The effects of counterfeit currency include

- a fall in the value of real money
- foster in prices (inflation)
- a decrease in the acceptability of paper money and losses
- When traders do not compensate for counterfeit money detected by banks, even if it is confiscated.
- Supportive to terrorism acts.

The table below shows the statistics of the counterfeit currency in circulation.

**Table 1**  
Counterfeit Currency in Circulation

| Denomination (₹) | 2013-14                     |                      |                             | 2014-15                     |                      |                             |
|------------------|-----------------------------|----------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|
|                  | Number of Counterfeit Notes | Notes in Circulation | FICN as a proportion of NIC | Number of Counterfeit Notes | Notes in Circulation | FICN as a proportion of NIC |
| 1                | 2                           | 3                    | 4                           | 5                           | 6                    | 7                           |
| 2 and 5          | 1                           | 11,698,00,000        | 0.000000                    | 0                           | 11,672,00,000        | 0.000000                    |
| 10               | 157                         | 26,648,00,000        | 0.000000                    | 268                         | 30,304,00,000        | 0.000000                    |
| 20               | 87                          | 4,285,00,000         | 0.000000                    | 106                         | 4,350,00,000         | 0.000000                    |
| 50               | 6,851                       | 3,448,00,000         | 0.000001                    | 7,160                       | 3,487,00,000         | 0.000002                    |
| 100              | 118,873                     | 14,765,00,000        | 0.000008                    | 181,799                     | 15,026,000,00        | 0.000012                    |
| 500              | 252,269                     | 11,405,00,000        | 0.000022                    | 273,923                     | 13,128,00,000        | 0.000020                    |
| 1000             | 110,035                     | 5,081,00,000         | 0.000021                    | 131,190                     | 5,612,00,000         | 0.000023                    |
| Total            | 488,273                     | 77,330,00,000        | 0.000006                    | 594,446                     | 83,579,00,000        | 0.000007                    |

FICN: Fake Indian Currency Notes. NIC: Notes in Circulation.  
Note: Does not include counterfeit notes seized by the police and other enforcement agencies.

Source: RBI

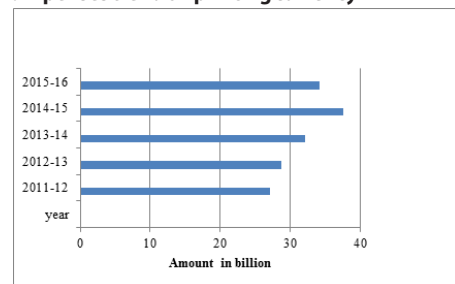
The table above clearly shows that in the year 2013-14 & 2014-15 the counterfeit currency circulation has increased many folds. With a

keen look over it could be clear that the currency notes of denomination Rs.100, Rs.500, Rs.1,000 shows a increasing trend. Apart from various measures taken to control counterfeit currency such as holograms, multi colored bills, embedded devices such as strips, micro printing, watermarks etc. it was found difficult by the government to completely eradicate it. The solutions kept forth by experts were cashless economy.

**High cost for cash issuance and management for RBI:**

Currency management infrastructure consists of a network of 19 issue offices, 4,132 currency chests (including sub-treasury offices and a currency chest of the Reserve Bank at Kochi) and 3,813 small coin depots of commercial, cooperative and regional rural banks spread across the country. There is no doubt that managing these networks would cost more for the central bank and it has been said that the currency note's life is only 4 to 5 years. Moreover, the printing expenses as per the report provided by RBI was increasing year by year which is illustrious from the below chart.

**Chart 2: Expenses trend on printing currency**



The chart shows an increasing trend in the expenses incurred to print currency year by year. In order to eradicate these expenses cashless economy would be the boon.

**Suggestions for transforming into cashless economy**

- Need to create awareness on the importance of cashless transactions.
- Essential to develop an efficient telecom networks
- Reduce surcharges on non-cash payments
- Provision of more incentives for usage of cashless payments
- Improving the financial inclusion process by making each and every citizen banking literate.

**Conclusion**

A better economy with sustainable growth factors will make an economy a super economy for which more efforts are necessary. Of which cashless economy is a boost for a country to grow fast.

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