

Cashless Economy in India: Need of Digital Literacy & Digitalization



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Abstract

We are in the transition phase from developing nation to developed nation. By adopting the fruits of digital revolution, we can expedite the process of transition a bit faster. India is having a distinction of only country in the world with Adhar linked IRIS Authentication system. The major challenge which we are facing is to manage the mammoth population and complexities of fast expanding economy. This Paper basically focuses on addressing those burning issues to the metamorphosis of present cash based economy to cashless economy and hassels to be over come in realizing this dream. The work lucidly and thoroughly diagnoses use of internet enabled smart phones and use PoS along with the support of well equipped banking system to bring us one step closer to the distination of digital economy.

Keywords: Internet as a panacea, Transition issues, POS, MOBT
Introduction

India is the second most popular country in the world next to china. We are confronted with lots of problem (corruption and black money, access to cash by terrorists, tax evasion etc).The Modi government has taken a decisive step to wipe out or get rid of these problems plagueing economy and are obstacles to the growth and prosperity of the nation. On November 8, 2016 government made an announcement of demonetization of high denomination Note of Rs.500 and Rs.1000. High denomination Note make 85% of the total cash circulated in the economy. This move was followed by a severe cash crunch in banks and ATMs across the country. People have to face hardship by standing in long queue in banks and outside of ATMs. There was a long debate in both houses of Parliament by opposition parties on the this issues and several political parties opposed this move. BSE Sensex and Nifty crashed. There seems to be a common consensus among civilians across the country on policy issues but there are several obstacles in implementing such policy. The above mentioned move of the government is basically directed towards making India a cashless economy. The infrastructure required for digital transaction is yet not ready. Neither businesses nor citizens of India are ready to move into cashless state. The instrument like banks, regulators and other bodies are not equipped with the digital tools to give a platform to the people to go for cashless transaction and implement the policy. India is the only country in the world where IRIS Authentication (Biometric Authentication linked with Adhar Server) on cell phone is available. This will be proved as a boon realizing fully authenticated digital transaction based economy. This research will add in understanding the implication of realizing the digital economy. It will enhance the transparency in the transaction and by eliminating the physical cash from the economy a massive amount of Rs. 21000 Crore and many more will be saved.

Review of Literature

DengXiaoping's reforms were directed towards increasing the income of people in China. His reforms turned China into a global super power having the distinction of largest middle class population in the world. A research conducted by Tufts University in 2014 reveals that cost of cash in India, Cash operation cost the Reserve Bank of India and Commercial banks above Rs.21000 Crore. According to the RBI's Financial Inclusion Report 2015, more than 50 percent of Indian adults held an account with a financial institution, compared with nearly 70 percent of adults in the BRIC countries. According to the Prime Minister Jan-Dhan Yojana (PMJDY), 242 million accounts have been opened. Former CEO of Infosys technology Nandan Nilkani termed cashless economy as a defining point in India moving to cashless. Cash crunch has caused people to use digital modes of payment. Those who are the beginners will continue to use this mode of

payment but we are still confronted with a lot of problem making India a cashless economy. The cost of a point-of-sale (POS) terminal in India ranges from INR 8,000 (USD 118.9) to INR 12,000 (USD 178.3) countervailing duties and taxes account for about 20 percent of the price. In addition, the annual operating cost is INR 3,000 (USD 44.6) to INR 4,000 (USD 59.40) per terminal. That covers paper and servicing costs, amounting to about INR 3.9 billion (USD 60 million) annually for all installed 1.3 million terminals. According to research conducted by Price Waterhouse Coopers; a leading consultancy firm reveals that there is still a large chunk of population (233 million) who are not having any bank account. Even those people who are having bank account, very few of them use debit and credit card because there are only 1.46 million POS Machine which accept payment through cards. Adopting open loop payment systems for transit, introducing government procurement and disbursement cards, and diffusing innovations like near field communication technology and mobile-based payment solutions, are some measures to consider. A study by Boston Consulting Group and Google in July noted that wallet users have already surpassed the number of mobile banking users and are three times the number of credit card users.

Research Methodology

The research is of descriptive type and is based on the secondary data. The source of data includes Newspaper, Magazines, Reports, Internet, etc.

Internet as Panacea

1) Low internet penetration

Currently, Indian population is about 125 crore. Out of this population there are 342 million internet users which is just 25% of it. Still we are having huge chunk of population (73%) is not having access to internet. At the same time a large proportion of population (70%) resides in rural areas where strong internet infrastructure is not available.

2) Lower rate of adoption of Smart Phones

In India only 17% of the adult population is having smart phones. This figure stands at just 7% for rural adults. People especially in the country side are not tech savvy. It is the hindrance to the proliferation and use of mobile handset. Also they are resistant to change and are having several seeds of doubt in their mind about this new technology gadgets.

3) Speed of Internet

Introduction of broadband, 3G/4G is in nascent stage and the package of this service is a bit expensive for the masses. Also the above mentioned services are not available in all the areas. Traffic congestion is another hurdle in rapid adoption of this device. Average time for page loading is much higher as compared to our neighboring nations like china, Bangladesh and Sri Lanka.

4) Inadequate Number of PoS Machines per million population

According to Reserve Bank of India 2016 Reports we are having 856 machines per million population and 1.46 million PoS Machine in use in total. The figure is quite low if we compare it with

developing nation like Brazil whose population is less by 84% to ours.

Transition Issues

When we move from cash based economy to cash less economy (Digital based economy).

Following areas are needed to attention.

1) Infrastructural Issues

For promoting transaction we need a seamless connection of internet. So, it is of vital importance we need a robust telecom infrastructure, upgraded banking system and uninterrupted power supply. Presently we are having bottlenecks in the above mentioned areas of infrastructure.

2) Consumer behavior

People in India particularly from semi urban and rural areas are having rigid mind set which is a hindrance to change. We need for digital transaction an agent who is well versed in using the machine used in the process and also comprehend the content of the transaction. The agent needs to move from tangible means to less tangible forms.

3) Accessibility in language

Presently, the mobile instrument used for transaction is adopted for one or two language (English and Hindi). If we want to make it popular on nationwide basis for both rural and urban areas we need to adapt to various regional languages spoken in different states.

4) Issues pertaining to banking sector

When transaction is done digitally the bank can lend a fraction of deposit to the borrower and remaining amount lying in the account can be given as call money for today to other bank. This way, we can enhance the productivity of the capital. By adopting this method of transaction we can reduce the cost of lending and borrowing. The banking institution should design and install such model which will support the above mentioned ideas. When the transaction is done digitally the amount of deposit available with the bank is more and the saving of people is less. As more amounts is available with bank it can be lend or credited to the borrower enhancing the worth of money. Earlier, it was lying with the people without any productive investment.

POS transaction value dips, UPI growth slows

The value of transaction made through the unified payment interface (UPI) and unstructured supplementary service data (USSD) channels continued to rise in the first 12 days of February, albeit on the low base of the corresponding period in January. The values of transactions at point of sale (POS) machines however show a 16% decline in this time. The UPI channel reported transactions worth Rs. 835.13 crore, Up 37% over the corresponding period in January. The growth was significantly slower than 134.5% clocked between December and January. However the UPI Channel continued to eat into the space occupied by wallets. Transactions made through prepaid instrument or wallets dropped 4.6% from the month ago period to Rs.802.71 crore during the first 12 days of February. At Rs. 16.76 crore, the USSD channel reported growth of 29.6% month on month. Again the momentum was a bit slower 259%

Asian Resonance

rise seen between December and January. The aggregate value of credit and debit cards transaction, at Rs.16775.67 crore was lower than the Rs. 20000.51 crore reported in January, representative data released by Reserve Bank of India showed. The Data on POS transaction is sourced from four banks. This is a continuation of a trend observed in January, the value of the PoS transaction fell 25% from their peak in December. The decline has been in line with the RBI decision to gradually ease limits on cash withdrawal starting January, and suggest that a section of consumers has gone back to using cash after a brief stint with digital payment amid a demonetization induced cash crunch.

From February 28 the weekly limit for withdrawal from savings account will be raised to 50,000 Rs. from Rs 24000 and freed a completely on march 13. All mobile banking transaction dropped 19.6% by value to Rs.41, 300.82 crore during the period under review

Table:-1 A mixed bag

Value (in crore)	Jan 1-12 Amount	Feb 1-12 Amount	% Change
Cards at PoS	20,000.51	16,775.67	-16.2
IMPS	21252.66	22137.12	4.16
UPI	608.92	855.13	37.15
Mobile Banking	51,406.08	41,500.82	-19.66
USSD	12	16.76	29.62
PPI	841.06	802.71	-4.56

Source: RBI

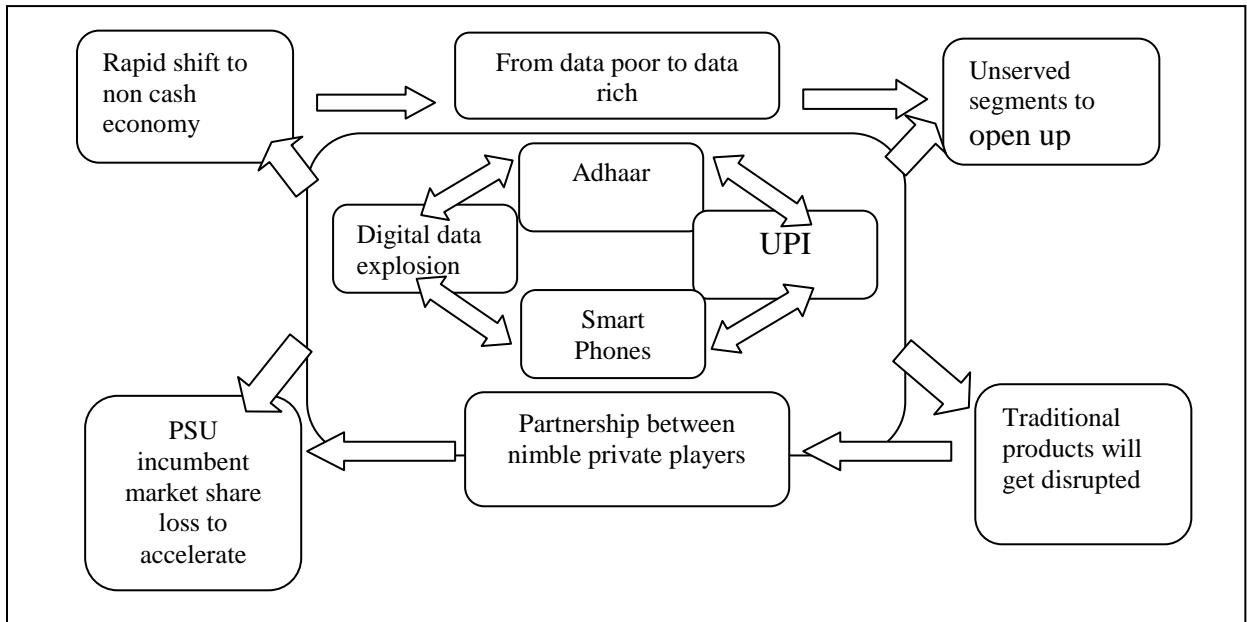
Use of tools like MOBT

The revolution in telecommunication has shifted focus from desktop to internet enabled mobile sets these days internet enable mobile sets are extensively used for doing all sorts of payment like paying bills of utility, payment of insurance premium, Online purchasing of goods, Footing the bills of a cab hired, Air and Railway ticket booking, Booking a room in retiring room on railway station etc.

The Following mentioned point highlights some of the glimpse of MOBT technology.

1. Instant messaging services like WhatsApp is very popular and the number of messages sent through Whatsapp daily is around 30 billion messages surpassing the sms by large margin.
2. As on today, we are having 90 crore mobile users in India that too with Adhar Linked IRIS Authentication.
3. Very soon Smart Phone will replace debit and credit card and the system like Paytm will be fully operational.
4. Digital wallet and digital locker will be proved as a game changer from physical cash based economy to cashless economy (Digital based transaction).
5. The entire process will contribute as innovation with the outcome that many businesses will die and new business models and ventures will come into picture.

Figure:-1



Source:-Credit Suisse Research

Advantages of Cashless Economy

1. It curbs criminal activities like looting, robbery, theft etc.
2. It also eliminate chances of spoilage of Notes by continuously being in circulation.
3. Cashless transaction prevent specific deforestation of bamboos used for making currency Notes.
4. It is estimated that the cost of cash for reserve bank of India and other commercial banks are

21000 crore. So, this amount can be saved and can be diverted to developmental project which will create a lot of employment opportunities. It will also increase GDP of the country and we will keep on striving to be one of the fastest growing economies in the world.

5. Cashless economy will prevent tax evasion which will in turn will increase the revenue collection of the government.
6. The real states brokers who mint unaccounted money will have no further scope for that.
7. Cashless transaction convenient for people as they are time starved. At the same time people can focus more on their work and can be more productive.
8. It curbs the menace of terrorism as they don't get the funds and this will strengthen the national security.
9. It is a multipronged strategy to wipe out many evils pledging the economy.
10. By adopting a cashless economy new business model will emerge and creating plenty of opportunities for start up. This platform will be an excellent one for promoting the same.
11. India will be rich in consumer data and business data. The data gathered will be used for analyzing consumer buying behavior.
12. The cost of transaction will be zero.

Limitations of Cashless Economy

1. Illiteracy in backward villages of India will be obstacle in the realization of cashless economy.
2. The rigid mindset of rural people will be another hindrance for cashless economy
3. Still many of the business transaction are on COD (Cash on delivery) so completely eliminating the physical cash from the economy is a distant dream.
4. The dependence on the data server of the organization and use of internet for data communication is a big risk in terms of data loss and theft.
5. A data communication or an infrastructure breakdown could bring down the entire network.
6. The Towers of telecom infrastructure emits infrared rays which is extremely injurious to health (like causing cardiac problems).
7. One of the strange phenomenon is observed recently the extinction of some of the birds like sparrow, crow etc.

Suggestion

1. Internet broadband penetration should be improved.
2. Organized Digital literacy campaign should be launched nationwide.
3. To make the rural people aware about the benefits of using Smart Phones. They should be told that it acts like a magic stick and it is a panacea.
4. In village Mukhia should be taken as opinion leader and convinced the villagers to various road show along with demonstration.
5. People should be persuaded that digital transaction as simple as sending a message.

6. It is imperative to design stand by infrastructure to cover for potential breakdowns.
7. Mobile Manufacturing companies should focus on producing affordable Smart Phones which is possible through the relentless pursuit of economies of scale and experience curve.
8. The government should restructure the taxes and duties applicable to electronic gadget manufacturing to make India an attractive destination and making dream come true of having Smart Phone in every hand.

Conclusion

For realizing a cashless economy, Digital literacy campaign is required to be promoted aggressively, especially in the rural area. Mobile handset producer focus on feature packed gadgets at an affordable price. Telecom companies can develop robust infrastructure to provide seamless connection of high speed internet. Production and distribution of PoS machine can be increased to fill the gap. Popularity and education of MOBT based technology can propel the nation in exclusive club of Digital nation.

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