

# Cash Lite India: Boon Or Bane?

Piyush Thukral

Assistant Professor, University of Delhi

**Abstract:** During the mid-20th century, most consumers were dependent on cash or cheques to buy goods and services, with cash predominately used for smaller purchases and cheques for more costly transactions. While cash remains the predominant form of payment in some places in the world, it has become a less common method of transaction as the advent of alternative and digital modes of payment has allowed consumers and businesses to buy and sell with greater convenience. There's been a shift in the cash paradigm in India especially after the Demonetization, but whether or not this paradigm shift will be of permanence is the underlying question. In light of this, the study will gauge the need, relevance, feasibility, and impact of transition of Indian economy from primarily being a cash economy to less cash economy.

**Keywords:** Cash, Cashless, Cash lite, Financial Inclusion, Digitalization, Economy, Demonetization, Digital payments

## I. INTRODUCTION

Cash is a primary medium of exchange that came into existence to do away with the limitations of the barter system. Overtime, cash has been spectacular in a way that it just works in all kinds of transactions and trades. Even in the confined whereabouts of India, where the administration is not available physically, its order keeps running through the legitimate tender that the public uses for business on a regular premise. A substantial casual economy that backs of a noteworthy piece of Indian populace and their vocations additionally keeps running in real money. This is the reason Cash is yet King.

In the eyes of a layman, terms "cashless" economy and "less cash/cash lite" economy are often used synonymously. Therefore, it is significant to first understand these terms, in order to clear the dilemma. Cashless Economy can be characterized as a circumstance in which the stream of money inside an economy is non-existent and all exchanges must be through electronic channels, for example, direct debit, credit and debit cards, electronic clearing, payment systems such as Unified Payments Interface (UPI), Immediate Payment Service (IMPS) and National Electronic Funds Transfer (NEFT), mobile and e – wallets, etc.

Cash lite economy or less cash economy on the other hand, implies reducing an economy's dependence on cash or reducing the magnitude of transactions using cash as a medium of exchange. It might be understood as reducing the magnitude of cash transactions and increasing the magnitude of electronic and digital transactions in the economy.

Making India a cashless society has been in discourse for the last numerous years. This has further gained momentum with the Government's recent move on demonetization, where the focus has again shifted to push India towards a cashless future.

The aim although should be towards a less cash economy rather than a cashless economy, the following arguments can be offered in support of a cash lite economy:

- ✓ Money extraordinarily encourages exchanges and there are true blue high esteem exchanges in each economy.
- ✓ Going less cash is a fine harmony between keeping up simplicity of budgetary exchanges and controlling acts of neglect.

The transformation from a cash intensive economy to a cash lite economy is not likely to be an easy one. Such a transformation bound to face a lot of obstacles, but once achieved it is likely bring in unparalleled benefits to the economy.

## II. THE CHALLENGES

It has been observed that India keeps on being driven by the utilization of money; fewer than 5% of all payments happen electronically. This is because of absence of access to banking services for an expansive piece of the populace and in addition money being the main means accessible for some. Expansive and little exchanges keep on being completed in cash. Indeed, even the individuals who can utilize electronic exchanges utilize money. The foremost obstacle is, thus, the resistance to change and move to cashless and digital modes of transactions. Table 1(Appendix A) gives a glance into degree of resistance offered by people.

The government has used a carrot and stick approach to effect the movement towards cashless and digital means. On one hand, government has actualized carrots, for example, transitory prizes to go cashless, better devices, for example, BHIM application and cost cuts on computerized exchanges utilizing UPI, then again, unforgiving sticks have been executed as more tax raids on non-compliance, setting up of threshold restrict on money exchanges.

Nonetheless, the administration's carrot and stick approach has not discovered numerous takers for the most part in view of the reason that the Indian economy is cash escalated economy which is continually heightened by the predominant and widespread defilement and dark cash. The modus operations for debasement are money so unless the general public is freed of defilement at all level, changing to money less economy will be a difficult and daunting task.

The sudden rise in digital transactions during Demonetization 2016 did not last long. The shift towards digital and electronic means of transactions appeared to be transient in nature that occurred due to acute shortages of cash during the demonetization period. As and when the flow of cash in economy was restored by issue of new currency notes, cash has been anointed as the king in the realm of transactions.

To overcome this resistance towards using the digital means of transactions, Government will have to design innovative tools which ensure that the benefits of non – cash transactions outweigh the benefits of cash transactions.

Government has propelled different activities to serve the goal of financial inclusion in the nation. The Pradhan Mantri Jan Dhan Yojna is an initiative toward this path, which has roused subjects to open bank accounts and become a part of the formal monetary framework. The greatest downside of such an activity is, to the point that an extensive number of bank accounts that were opened lie dormant. Unless individuals begin working through their financial balances, less money economy has all the earmarks of being an unviable and fantastical dream. Despite the fact that, the Jan Dhan Aadhaar Mobile trinity initiative has been embraced to enable the clients to associate with their banks and beat the issue of dormant accounts, yet the initiative is in its initial stage and should defeat a considerable measure of hindrances to fill its need.

A noteworthy snag to the speedy reception of alternate method of payments is portable mobile internet infiltration, which is pivotal in light of the fact that point-of-sale (PoS) terminal works over versatile internet associations.

In addition, the cost of setting up foundation for advanced payment instruments is high in India. For example, a point-of-sale (POS) terminal in India regularly runs from Rs. 8,000 to Rs. 12,000; countervailing obligations and charges represent around 20 percent of the cost. What's more, the yearly working expense is Rs. 3,000 to Rs. 4,000 for each terminal (Accelerating The Growth of Digital Payments in India: A Five Year Outlook, 2016). High costs, low exchange volumes and transaction sizes at small dealers, particularly outside of Tier 1 urban areas, make it unviable for banks to extend their impression into such sections.

Another obstacle exists as restricted entrance of the formal financial framework and absence of financial education and literacy, which infer constrained extent of moving alternate payment mechanisms. Although, the rapid dissemination of technology platforms over the past decades has significantly aided in a movement away from cash, it is primarily limited to a particular section of highly educated, higher income earning sections of society.

The absence of financial literacy in India combined with low literacy rates in rustic India and the absence of foundations like internet and power make things a great degree troublesome for individuals to embrace e-transaction course.

## III. THE REWARDS

Decreasing Indian economy's reliance on money is attractive for many reasons. One of the preeminent reasons, it the cost of money caused. India has one of the most noteworthy cash to total national output proportions on the planet around 1.7% of GDP in 2014-15 (Accelerating The Growth of Digital Payments in India: A Five Year Outlook, 2016), and greasing up financial action with paper has costs. The cost of keeping and flowing currency in India is ginormous. An investigation from Tufts University, The Cost of Cash in India, gauges that Reserve Bank of India (RBI) and commercial banks yearly spend Rs. 21,000 crores to print and circle currency notes and coins, and to guard them. A money lite economy might have the capacity to lessen the onus and greatness of this cost.

Cashless transactions leave a digital footprint, creating a higher financial transparency. Dark cash is one of the greatest obstacles in India's financial development and going computerized or lessening reliance on cash may be exactly what is expected to conquer this hurdle. Also, since there would be money related records for computerized and digital transactions, the tax base of the economy would be extended and cases of tax evasion would be seriously decreased.

An indirect benefit that would be derived from being cash lite would be widely spreading the net of Financial Inclusion in India. Cashless means of transactions such as digital wallets and innovational banking such as payments banks are easy and convenient to operate, thus encouraging a wider mass of the population to come under the formal financial system.

A cash lite economy would enhance financial inclusion, as well as guarantee linkage of all welfare exercises with bank accounts. It won't just build welfare for the general population however would also help with generating a feeling of having a place and confidence in the banking framework. There will be

more prominent proficiency in welfare programs as cash would be wired specifically into the accounts of beneficiaries. In this way once cash is moved specifically into a recipient's bank account, the whole procedure winds up plainly straightforward. Payments can be effectively followed and gathered, and corruption will consequently drop, so individuals will not any more need to pay to gather what is legitimately theirs.

The reduced dependence on cash would be helpful in tackling the evils of counterfeit currency and money laundering activities. Cash less transactions have the advantage of being traceable, which make it extremely difficult for the money launderers to transact anonymously. In light of deprived flow of currency in the economy, any injections of counterfeit currency could be easily traced back to the source, which may act as a deterrent to the counterfeiters.

A move towards less cash economy may enhance the Indian economy's image as foreign investment destination in the global outlook. Due to transparency in transactions offered by cash less means, the foreign outlook and faith towards pursuing business and investment opportunities in India might be greatly improved.

#### IV. CONCLUSION

Right now transaction worldview in India is made out of both cash and cashless/digital exchanges. Numerous empowering agents and impassioned supporters of less money economy have been endeavoring to make the implausible dream of cash lite economy a reality. Enormous steps have been taken towards being a cash lite economy; in any case it will take more than an era to change the propensity from cash to no cash exchange. Hurrying the economy into a cash lite state without appropriate arranging and framework might be awful and its results could be everlasting. The need of the hour is to make a progressive move towards decreasing the reliance of the economy on cash, with steady endeavors being made towards foundation of pertinent framework and spread of monetary proficiency.

#### APPENDIX A: TABLES

S. no.	Motivation to use cash	Examples	Resistance to move to Cashless means
1.	At least one party does not have a bank account	Day by day wage workers, maids, and so forth.	Low to Medium
2.	Convenience/Habit	Purchasing snacks, visit to the hair stylists shop, paying your nearby carpenter/plumber, purchasing from your neighborhood shops, religious donations, agriculturists purchasing crude material and offering produce and so forth	Medium

3.	Either or both parties wants to spare and avoid tax	Purchasing a house, paying rent to your proprietor, purchasing jewelry, going by your nearby doctor, purchasing garments and perishables from the neighborhood shops, small scale manufacturers purchasing and offering their products, merchandise and services sold in the rural market and so forth.	Medium to High
4.	Either one or both parties want to conceal the transaction	Illegal currency, Bribes, Hafta, Prostitution, Betting, Drugs, other criminal exercises and so on.	High

Table 1: Depiction of Resistance to move to cashless means  
(Source: <http://www.opindia.com/2017/02/why-moving-towards-cashless-economy-is-not-easy-for-india/>)

#### REFERENCES

- [1] Accelerating The Growth of Digital Payments in India: A Five Year Outlook. (2016, October). Retrieved from [www.visa.co.in:](http://www.visa.co.in:)  
[http://www.visa.co.in/aboutvisa/research/include/Digital\\_Payments\\_India.pdf](http://www.visa.co.in/aboutvisa/research/include/Digital_Payments_India.pdf)
- [2] Ashish Das, Rakhi Agarwal. (2010). Cashless Payment System in India - A Roadmap. Mumbai: Indian Institute of Technology Bombay.
- [3] Benjamin D. Mazzotta, Bhaskar Chakravorti, Rama Bijapurkar, Dr. Rajesh Shukla, Dr. K. Ramesha, Dr. Dhananjay Bapat, Dr. Deepankar Roy. (2014). The cost of cash in India. Institute for Business in the Global Context (IBGC).
- [4] Dastur, N. (2016, December 16). Cashless Indian Economy? -A Reality?? Retrieved May 21, 2017, from Business Today Web Site: <http://www.businesstoday.in/opinion/columns/money-today/cashless-indian-economy-%E2%80%93a-reality-/story/241987.html>
- [5] Dwivedi, Y. K. (2016, December 20). India taking a step on the road to cashless economy. Retrieved May 20, 2017, from The Conversation Web Site: <http://theconversation.com/india-taking-a-step-on-the-road-to-cashless-economy-70309>
- [6] Gorlamandala, R. (2017). Demonetisation is the tool but cashless economy is the goal of India. Retrieved from <http://www.tat.capital/>: <http://tat.capital/wp1/wp-content/uploads/2016/12/Demonetisation-is-the-tool-but-higher-cash-less-economy-is-the-goal-of-India-Final-Version.pdf>
- [7] Jain, M. (2017). Making towards a Cashless Economy: Challenges and Opportunities for India. Indian Journal of Applied Research, 7(1), 722-723.
- [8] Kaur, M. (2017). Demonetization: impact of cashless payment systems. International Conference on Recent Trends in Engineering, Science and Management (pp. 680 - 685). Sri Guru Teg Bahadur Khalsa College, Punjab.
- [9] Making India a cashless economy. (2016, November 29). Retrieved May 2017, from Livemint Web Site:

- <http://www.livemint.com/Opinion/XGbavEnoeP7dZITeh21MRM/Making-India-a-cashless-economy.html>
- [10] Mathur, H. (2016, December 12). How and Why should India move towards a Cashless economy. Retrieved May 21, 2017, from Inc42 Web Site: <https://inc42.com/resources/india-cashless-economy/>
- [11] Mukhopadhyay, B. (2016). Understanding cashless payments in India. Financial Innovation, 2-27.
- [12] Shepard, W. (2016, December 14). A Cashless Future Is The Real Goal Of India's Demonetization Move. Retrieved May 20, 2017, from Forbes Web Site: <https://www.forbes.com/sites/wadeshepard/2016/12/14/inside-indias-cashless-revolution/#1e88f1454d12>
- [13] Shreyas. (2017, February 20). Why moving towards cashless economy is not easy for India. Retrieved May 20, 2017, from Opindia Web Site: <http://www.opindia.com/2017/02/why-moving-towards-cashless-economy-is-not-easy-for-india/>

IJIRAS