CASHLESS SOCIETY IN INDIA

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Introduction

Even the RBI has also recently Unveiled document- "Payments and Settlement System in India: Vission-2018"- Setting out a plan encourage electronic payments and to enable India to move towards a Cashless Society or economy in the medium and long term.

India continues to be driven by the use of cash, less than 5% of all payments happens electronically however the finance minister in 2016 Budget Speech, talked about the idea of making India a cashless society. With the aim of curbing the black money.

What is a cashless economy in India:

➢ Less than 5% of all payments happen electronically.
➢ The number of currency notes in circulation is also for higher than in other large economies. India had 76.47 billion currency notes in circulation in 2012-2013 compared with 34.5 billion in the U.S.
➢ Some studies show that cash dominates even in malls, which are visited by people who are likely to have a credit cards, So it is no surprise that cash dominates in other markets as well.

Benefits of Cashless Economy:

➢ There will be greater efficiency in Welfare Programmes as money is wired directly in to the accounts of recipiets. Thus once money is transferred directly in to a beneficiary's bank account, the entire process becomes transparent. Payment can be easily tracced and collected, and corruption will automatically drop, So people will no longer have to pay to collect what is rightfully theirs.
➢ In Financial year 2015, RBI spent Rs. 27 billion on just the activity of currency issurance and management. This could be avoided if we become cashless society.
➢ It will crub generation of black money.

➢ It will pave way for universal availability of banking services of all as no physical infrastructure is needed other than digital.

Hygiene:

➢ Soiled, tobacco stained notes. Full of germs are a norm in India. There are many such incidents in our life where we knowing or Unknowingly give and take terms in the form of Rupees notes. This could be avoided if we move towards cashless economy.
➢ In a cashless economy there will be no problem of solid notes or counter fiet currency.
➢ Reduced costs of operating ATMS.

Challenges in Making India a Cashless:

➢ Most card and cash users fear that they will be charged more if they use cads. Further, non-users of credit cards are not aware of the benefits of credit cards.
➢ Indian banks are making if difficult for digital wallets issues by Private Sector companies to be used on the respective bank website. It could be restriction on using bank accounts to refill digital wallets or a lock of access to payment gateways.

Steps taken by RBI and Government to discoverage use of cash:

➢ Promotion of e-commerce by liberalizing the FDI norms for this sector.
➢ Licensing of Payment banks.
➢ Government has also launched UPI which will make Electronic transaction much simpler and faster.
➢ Government has also withdrawn surcharge, service charge on cards and digital payments.

What else needs to be done?:

➢ Open bank accounts and ensure they are operationalized.
➢ RBI will also have to shed some of its conversation, part of which is because it has often seen itself as the protector of banking interests rather the overall financial development.
➢ That rebates for consumer and for merchants who adopt electronic payments.
➢ Abolishment of government fees on credit card transaction, reduction of interchange fee on card transaction, increase in taxes on ATM withdrawal.
➢ The Reserve Bank of India too will have to come to terms with a few issues, from figuring out what digital payments across borders means for its capital controls to how the new modes of payment affect key monetary variables such as the velocity of money.

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