

DIGITAL INDIA: A Step Towards Cashless Economy

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ABSTRACT

Digital India was launched by our Prime Minister Mr. Narendra Modi with a objective to ensure that government services are made available to all the citizen of India electronically. Cashless economy is a economy where cash or any other physical form are not used for conducting financial transaction, but electronic representation of money is used for conducting financial transaction. Digital economy is a great step taken by the Indian government for making India a cashless Economy. But will India is ready to be a cashless economy. This research is done to give a knowledge about what are the advantages and disadvantages of Indian economy as a cashless economy.

Key Words – Demonetization, Indian economy, Internet, mobile wallet, black money.

INTRODUCTION

DIGITAL INDIA - Digital India was launched on 1st July 2015 by the Government of India. It was launched by our Prime Minister Mr. Narendra Damodardas Modi. The motto of Digital India is “Power to Empower”. The main objective of this mission was to make sure that government services are available to all the citizens of India electronically with the help of improved online infrastructure. The campaign was launched to make the country digitally empowered in the field of technology. The mission was started with a motive of connecting rural areas with the high speed internet network.

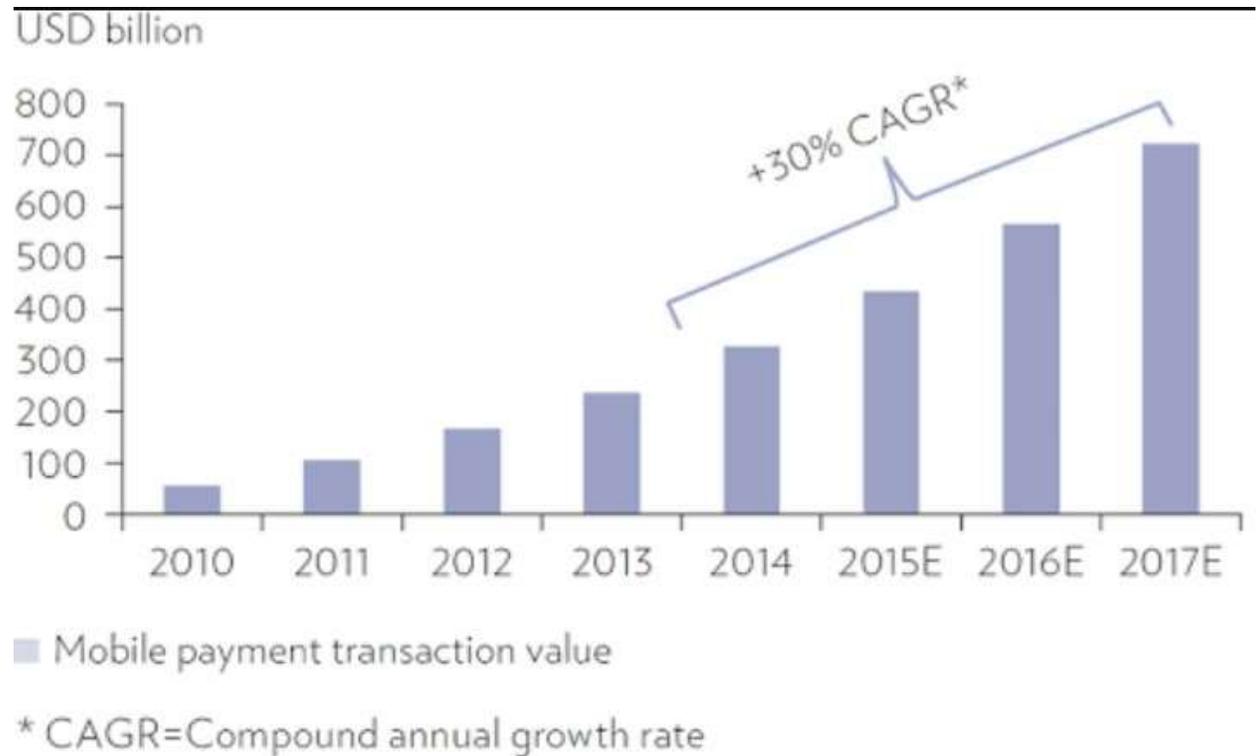
CASHLESS ECONOMY - The next step of Prime Minister Narendra Modi was Demonetization. On 8th November 2016, our Indian Government had announced the demonetization of all 500 and 1000 notes of the Mahatma Gandhi series. The main motive was to make Indian economy Cashless. Cashless society is a economy where cash or any other physical form of money are not used for conducting financial transaction. Electronic representation of money is used for conducting financial transaction between the transacting parties.

Cashless economy is one of the professed Roles of digital India. The program is a chief program of the Indian government with a goal to transformed India into a digitally empowered society and knowledge economy. The move of demonetization by the Indian government will reduce the black money which will lead the country towards digital economy. There will be less wastage, more productivity, more evaluation and less of a black economy due to digital economy.

DIGITAL PAYMENT– After the step of Demonetization, digital payment had become very popular. As part of converting India into cashless economy, various modes of digital payments are available. Digital payments mean applications that are used to do online transaction. To weed out black money and corruption from the economy, a transformative attempt has been taken. As the country is moving towards a cashless environment, an emphasis of digital payment has been made. Various mode of digital payments are banking cards, mobile wallet, internet banking, micro ATMs, mobile banking etc. many different application has been developed for promoting cashless transaction i.e carrying transaction online. Some of the applications are Paytm, Bhim app. These applications support online transaction and provide facilities such as payment of bills, recharge, shopping, transfer of money, etc.

Benefit of Digital payment is that, there is no need to stand in a long queue for ATMs or to carry wads of cash, plastic cards. Conducting financial transaction would be much easier and safer. Government has provided a waiver of service tax on card transaction up to Rs2000 to promote digital transaction. Cash back offers, discounts and reward points are offered by mobile wallets. Another major advantage of Digital payment is that it can be tracked anytime. All the transactions are recorded making it very easy for the people to keep track of their spending. It will also help while filing Income Tax return. If electronic money is stolen, it can be easily blocked but if money is stolen, it is impossible to get the cash back which means digital payments offers limited security.

Increase in digital payments in India: -A tremendous increase is witnessed from 2010 till 2017. The figures are given below in USD billion. There is a 30% annual growth from 2014 to 2017.



Source – Gartner, Deutsche bank, Julius Baer.

Data of various digital payments:-



Source: RBI Annual Report

Source – Annual Report of SBI.

MAKING INDIA A CASHLESS ECONOMY– A lot of discussion has been made by government on whether they can use the current situation to push India towards a cashless future. In a country like India, 98% of the transaction occurs in cash. Reducing the dependence of cash in India is highly desirable for variety of reason. India is one of the highest cash to gross domestic product ratios in the world. Total cost

of cash operation of RBI and Commercial banks amounts to 21000 crore annually. Currently our country is fiscally constrained, a shift away from cash will make it more difficult for tax evaders to hide or manipulate their income, which will be a substantial benefit for a country. To make India a cashless economy, government is working at different levels. The government on its part, is trying its best to reduce the dependence on cash. New age small finance bank and payments banks are also launched by bank to give a push to financial institutions and bring innovative banking solution. Digital transactions are made simple as sending a text message.

Hurdles in making India a cashless economy – a large part of population in India is outside the banking net and is not in a position to reduce its dependence on cash. Even the people with the access to banking cannot use their debit or credit card because there are only about 1.6million points of sale which accept payments through cards. Unorganised sector is occupied by 90% of the workforce, which produce nearly half of the output in the country. Informal sector will find it very difficult to go cashless, and this part of the economy will be affected the most because of the ongoing currency swap. There is a preference for cash transactions in India. It will be difficult to adopt the new system as people are having the habit of cash. Even in the metro cities, people face difficulties in making electronic payments because of the poor network.

CONCLUSION -

The move of demonetization by Indian government would reduce the black money from the country and it will lead the country towards a digital economy but it will take some time in moving to a cashless system as there will be difficulties in implementing the ideas of cashless economy in India where a large number of people are living under poverty and misery. The toughest part of the digital or a cashless economy will be changing the habits of a population which has been using cash for over a millennium. The government has to take various initiative to change the habits of the people. It is not easy to convince a country of 1.3billion people to abandon the coins and cash-in favour of modern technology alternatives. But with a careful design communication programmes, and with an interested government the transition is possible. If it is carried out successfully, it will be one of the biggest changes in the contemporary world.

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