

Moving towards cashless is beneficial or worse for Indian economy

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Abstract

The government decision of demonetization gave birth to a new debate in India that whether cash based or cashless economy which is better for the speedy growth and development of India. The cashless economy will help the government to govern the Direct and Indirect taxation and increase its tax payer's. It can also help to maintain the chain of money and reduced the black money formation; it will not be achievable to absolutely diminish the cash transactions. It has been a topic of discussion on a global scale but through this research paper we are going to emphasize on the benefits and dark shades of "Cashless" transaction in India.

Aims And Objectives :-

1. To study the concepts of Cashless economy
2. To Study the significance of cashless economy from Indian prospective
3. To analyze the pros and cons of cashless transaction for India

Introduction to Cashless Economy: -

A **cashless** society describes an **economic** state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties.

Decision of Cashless Economy with respect to India:-

Cash is like water a basic necessity without which survival is a challenge. Nevertheless, cash use doesn't seem to be waning all that much, with around 85% of global payments still made using cash. One of the main reasons is that there is nothing to truly compete with the flexibility of notes and coins.

Of course, the digital era is something to embrace, and new methods of payments will continue to be introduced. But Indians need to recognize the risks and benefits of different payment instruments, the risks associated with electronic payment instruments are far more diverse and severe. Recently lakhs of debit card data were stolen by hackers; the ability of Indian financial institutions to protect the electronic currency came into question also an important reason why people favour cash.

In a courageous move to combat black money and counterfeit currency, Narendra Modi's government scrapped currency notes of INR 500 and INR 1000 denominations, which is seen as an unprecedented measure, though a giant leap towards curbing corruption and forged currency. The declaration created confusion across the spectrum, as these high-value notes form around 86% of total legal tender.

However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been assorted with demonetization that was aimed to extract liquidity from the system to unearth black money. Prime Minister Narendra Modi acknowledged the fact in his monthly radio programme, 'Mann Ki Baat' on Sunday that making the transition to cashless economy is challenging, and hence has urged the public to move to 'less-cash' society.

Pros of cashless economy in India:

➤ ***Attack on parallel economy:***

This is one of the most important reasons why a cashless society is must. People who accumulate money in an unauthorized way (also known as black money), people who launder money bypassing banking channels, terrorist who need money to finance their terror etc will run out of business now. Size of Parallel economy will reduce substantially.

➤ ***Financial inclusion:***

Digital economy will help to enhance our current banking system. There will be higher access to credit for people who did not come in any banking system. Financial inclusion will automatically reduce poverty.

➤ ***Increase the Tax Collection:***

All the transactions that are done can be monitored and traced back to a given individual. If officials from tax department detect something suspicious then they can trace the money transaction back to the individual. Hence it will be really difficult for someone to evade tax. Increasing tax collection is very important for any government.

➤ ***Boost in consumption:***

There would be no incentive for people keeping money in the bank. So they would love to spend on things that they like. It will help to boost consumption that is really good for any economy. More jobs will be created and income level of people will rise.

➤ ***Convenience:***

Last but not the least is security and convenience. You don't have to carry a hard cash with yourself. You just use your mobile phone or credit card/ Debit card for transaction. It is very hassle free and already going on in urban areas of the country.

Cons of Cashless economy in India:-**➤ *Cyber attack, Fraud and Power outages:***

Cashless economy can be a frightening when it comes to security. All your transactions will be done digitally. You will be prone to cyber attacks like hacking. Hackers can hack your sensitive information like password, credit card number etc and leave your account with no money.

➤ *Dependency government or third party:*

As I said earlier there is no money in your hand. All the money is digital so either they are in control of banks or government or any other third party. You have to trust government or bank blindly because everything is under their possession. This is could be scary because if tomorrow something happens you will be left with no hard cash.

➤ *Reduction in liquidity:*

There are certain sectors which depend upon high level of transaction. Sectors like Real Estate, jewelry, retail industry, restaurants and eating joints, cement and other SME will be affected badly because of cashless society. It means a lot people who are employed by these sectors are also going to be affected.

➤ *Really bad for poor:*

It is a debatable issue. But large no of poor people are aloof from banks and digital currencies due to poverty and illiteracy. Hence it is very difficult for them to survive in cash less society.

Conclusion :-

Though cashless transactions have increased these days, right now India cannot completely become a cashless economy considering its high proportion of digital illiteracy and cash transactions. But Indian Government is working towards increasing the share of cashless transactions, which is a good thing for any economy.

Reference :-

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