

12. Cashless Economy: An Electronic Presentation of Money and Tool to Reduce the Corruption

Dr. B. B. Lakshete

HOD of Commerce Department, Adarsh College, Hingoli.

Mr. A. D. Madavi

HOD of Economics Department, Adarsh College, Hingoli.

Abstract

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 between the transacting parties. Cashless societies have existed from the time when human society came into existence, based on barter and other methods of exchange, and cashless transactions have also become possible in modern times using digital currencies such as bit coin. However, this study discusses and focuses on the term 'cashless economy' in the sense of move towards, and implications of, a society where cash is replaced by its digital equivalent. It means that legal tender (money) exists, is recorded, and is exchanged only in electronic form.

The present study is aimed to discuss the, Objectives of cashless economy, Legal status, Advantages of cashless economy and Challenges of cashless economy.

Purpose of the Study

The primary purpose of the study is to prove that transferring from 'Cash to Cashless Economy' is one of the major steps of development. Also to know how it helps to reduce the corruption in the country.

Keywords: Cash, Cashless Economy, Digital Money, Corruption.

Introduction

Cashless economies, as the name suggests, are those that run mostly on plastic or digital money and thus with minimal cash or money in paper form. This is possible in mostly those countries where there is greater financial literacy and citizens are aware of the benefits of going cashless. A very important factor in the running of such an economy is the confidence that the people's money is safe in banks. Also, going cashless is much more important. But, it is not just the easiest way to transact, but also brings about a lot more transparency in the financial system,

which helps in curbing black money, discourages tax evasion and ultimately leads to lesser funding for illegal trades and activities including terrorism.

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.

Objectives of the Study

The present study has the following objectives-

1. To study the Objectives of cashless economy.
2. To study the Legal status.
3. To know the Advantages of cashless economy.
4. To know the Challenges of cashless economy.

Limitations of the Study

The various factors are available to reduce the corruption of a nation but only one factor i.e. Cashless Economy is selected in the present study.

Data Collection

This study is done with the maximum usage of secondary data. Secondary information has been made available from published sources like, library books, journals, newspapers, magazines etc.

Findings of the Study

A) To study the Objectives of cashless economy

The following are the main objectives of the cashless economy-

1. To reduce the corruption which takes place mostly through the cash medium
2. To reduce the burden of the cost of printing currency and also handling them.
3. The transfer of money from one place to another is also gruesome.
4. To track the movement of money which is not possible completely in cash medium
5. To revive the banking sector which is high on NPA and bad loans
6. To make loans cheaper and affordable for everyone.

B) Legal status

Massachusetts state law from 1978 requires retail businesses to accept cash, but as of 2018 is the only U. S. state with such a law.

C) The Advantages of cashless economy

The following are the various advantages of cashless economy-

1. **Saves Money and Time:** Companies and governments will get efficient and they can reduce costs as they no longer need the manual accounting work to be done. The costs associated with accounting and handling cash is very high.
2. **Less Cash Decreased Crimes:** Business and individuals can also avoid other costs as well. Theft often leaves a big hole in ones pocket. The risk of theft will continue until people carry cash and by going cashless the same can be reduced. This also leaves an impact on the government as they can then reduce the costs that the government spends on nabbing the culprits. In countries like the US, burglary and assault have dropped by about 10% once the government shifted the payment made for social welfare to electronic transfer. The government, however, has to take measures to curb the online scam and identity theft incidents.
3. **Production Costs of Coins and Paper Currency are Reduced:** Production of coins and paper currency is indeed an expensive endeavor and the life span of most of the paper currencies is about 6 years. So, by going electronic the cost of production gets reduced.
4. **Less Cash Means More Data:** The government can use the data coming from the cashless transactions to improve and analyze their policies. By using such data, officials can predict or identify the patterns of activity and use such information for urban planning for sectors like energy management, housing, and transportation.
5. **More Spending Helps Improved Economic Growth:** When a nation is taking a step towards a cashless economy, a boost in the economic growth can be expected. In countries like US higher card usage has contributed a consumption of about US\$ 296 billion globally from the year 2011 to 2015 which is a 0.1% increase in the GDP. Shopping online gets easy as one can use a number of payment options; from credit and debit cards to net banking. One can observe more spontaneous buying while making cashless payments.
6. **Less Risky:** Imagine a situation where you are traveling abroad and all of your cash gets stolen. You are stranded in an alien nation with no money. What will you do then? Cash once stolen hardly ever comes back. The money is lost forever. But if you get robbed of your debit or credit cards, you can easily block them remotely and be assured that you will face no loss of money. That is a major plus of going cashless.
7. **Cleaner and Greener:** While this reason may not amount much, but going cashless does contribute to a cleaner and greener country. More people joining the cashless

revolution would mean reduction in the volume of paper money to be produced. This would definitely help the environment and our surroundings as less paper requirement would mean lesser trees being cut.

D) The Challenges of cashless economy

The following are the various challenges for cashless economy-

1. **High Cash Dependency:** India has a high cash penetration in almost all of its transactions that happen as B2C transactions. Total cash flow in the market accounts for 12.04% of the GDP, which is among the highest in developing countries. This goes to show our dependence on cash is acute and it requires time to tackle it.
2. **Lack of Digital Infrastructure:** The first and foremost requirement of a digital economy is the penetration of a digital economy is the penetration of internet and smart phone. Although a billion mobile subscriptions only 30% of subscribers use smart phones.
3. **Skepticism in Merchants:** Small time merchants as well as users have high amount of suspicion over plastic money and they need to be educated over the potential benefits of using it. One cannot expect an overnight change in the perception of a majority of Indians over the use of plastic money. Government needs to come out with awareness and incentive schemes to promote digital economy.
4. **High Merchant Discount Rate:** These are the percentage deducted from each purchase a merchant makes by the card issuing authority or bank. These are volume dependent and are more economical if the merchant is able to sell a large amount of products, thereby beneficial for big merchants. For smaller merchants, it does not provide enough incentive to make the shift from cash.
5. **Transactions are mainly in cash:** Nearly 95% of transactions take place in cash. Large size of informal sector entities and workers prefer cash based transactions. They don't have required digital and fin tech literacy.
6. **Mobile Internet Penetration remains weak in rural India:** For settling transactions digitally, internet connection is needed. But in India, there is poor connectivity in rural areas. In addition to this, a lower literacy level in poor and rural parts of the country, make it problematic to push the use of plastic money on a wider scale.

Conclusion

The objective of this study is to find the objectives, advantages and challenges of cashless economy and the purpose of the study is to prove that how cashless economy is essential for the

development of a nation and how it helps in the reduction of corruption. Cashless economy can be achieved by adoption of proper methods of digital payments. It only requires full proved new financial policies, centralized administrative control, regular monitory attention on the bankers, government agencies and other private service. Safe and secured services like immediate certification of payments, clear statement of their accounts, no hidden charges, full control on money, shorten process of transaction by fulfill of mandatory information. As an overall review, most of the major developed countries in the world are moving in a very excellent way of cashless economy. By taking into consideration all the challenges and by making some effective measures to overcome these challenges in coming days India will also leads towards the cashless economy in the world.

Glossary

1. **GDP:** Gross Domestic Product
2. **NPA:** Non-performing Assets
3. **US:** United States

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