

CASHLESS ECONOMY: SWOT ANALYSIS FROM INDIAN PERSPECTIVE

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ABSTRACT

Cashless economy is a new buzz word aimed by many economies around the world. It is one of the trending and emerging concept which is regarded by eminent economists as the best form of modern economy. CASHLESS economy is economy which performs all its transactions using plastic money or through the digital means. Recently RBI has also unveiled its document- “Payments and Settlement Systems in India: Vision 2018” encouraging the electronic payments and to help INDIA grow from cash to cashless society in the long run. Thus giving this concept an overlook, this paper focuses on the SWOT analysis of “CASHLESS ECONOMY” from an Indian perspective describing the strengths, weaknesses, opportunities and threats for India from going cash to cashless.

Keywords : *Cashless Economy, Demonetization, Digitization, Plastic Money*

I. INTRODUCTION

On November 8, 2016, the respected Prime minister of India demonetized the two largest denomination notes of INR 500 and INR 1000, ceasing to be legal tender with immediate effect except for few specified purposes. The entire nation was stunned with such huge cash circulation being rendered invalid with just one announcement. Though this was not the first time when government of India took such a step, it had already been done by government in 1946 and 1978 but this decision in 2016 came with huge criticism as people were left with INR 100 and less denomination to transact with. This step of government aimed at fourfold attack on counterfeit currency, currency used for terrorist financing, accumulated black money and corruption. Also RBI recently unveiled its document on “PAYMENTS AND SETTLEMENT SYSTEMS IN INDIA: VISION 2018” aimed at making India a cashless economy. Not only this, our eminent Prime Minister is working tremendously towards his move of Digitization (DIGITAL INDIA). Thus both of these moves DEMONETIZATION and DIGITIZATION if worked upon effectively can act as a catalyst in making INDIA a CASHLESS ECONOMY.

II. OBJECTIVE

The objective of the paper is to study the facets of cashless economy and analyzing it in Indian context, the STRENGTHS for India becoming cashless, WEAKNESSES that can be faced in implementation, OPPORTUNITIES it can grab by becoming cashless and also the THREATS it can face.

III. METHODOLOGY

The paper is written based on the secondary research done on already published articles, journals, research papers, newspapers, magazines and internet regarding the demonetization drive and cashless economy concept and analysis is done based on such research and conclusion is presented in the form of SWOT analysis.

IV. THE CONCEPTS

Cashless economy refers to the term describing the system in which the movement of physical money i.e. paper currency and coins are replaced with digital means of payments which includes plastic money, digital devices, and over the net transactions. Such a replacement does not mean the non existence of physical money but its circulation is minimal. The term “cashless economy” dates back its origination in the 1960s (Bergsten, 1967; Lee, 1967 etc), but it no more remains a theoretical concept as countries around the world are preparing themselves for the conversion from cash to cashless statuses. Achieving this status does not involve an immediate removal of currency but steadily and gradually expelling the cash from the society through the proper steps.

Physical money hereby means the paper currency and coins issued by the Government which forms a part of the legal tender.

Plastic money involves the use of plastic cards like debit cards, credit cards, Rupay cards, Smart cards, chip based cards, bank pre-paid cards, contactless cards, etc to complete various transactions.

Electronic mode involving payments includes the payments done through the digital devices like smart phones, laptops, computers, notepads etc using internet, e-wallets, PayPal, or Paytm etc.

V. AROUND THE WORLD SCENARIO

As per the survey conducted by CNBC regarding the WORLD'S MOST CASHLESS COUNTRIES following developed countries were interpreted among the most cashless on parameters of non cash payments share of total consumer payments and the percent of population having Debit Cards:

❖ Germany

Noncash payments' share of total value of consumer payments: 76 percent

Percent of population with a debit card: 88 percent

❖ South Korea

Noncash payments' share of total value of consumer payments: 70 percent

Percent of population with a debit card: 58 percent

❖ United States

Noncash payments' share of total value of consumer payments: 80 percent

Percent of population with a debit card: 72 percent

❖ The Netherlands

Noncash payments' share of total value of consumer payments: 85 percent

Percent of population with a debit card: 98 percent

❖ Australia

Noncash payments' share of total value of consumer payments: 86 percent

Percent of population with a debit card: 79 percent

❖ Sweden

Noncash payments' share of total value of consumer payments: 89 percent

Percent of population with a debit card: 96 percent

❖ **United Kingdom**

Noncash payments' share of total value of consumer payments: 89 percent

Percent of population with a debit card: 88 percent

❖ **Canada**

Noncash payments' share of total value of consumer payments: 90 percent

Percent of population with a debit card: 88 percent

❖ **France**

Noncash payments' share of total value of consumer payments: 92 percent

Percent of population with a debit card: 69 percent

❖ **Belgium**

Noncash payments' share of total value of consumer payments: 93 percent

Percent of population with a debit card: 86 percent

This indicates that the developed world is on the verge of getting cashless and this is not being achieved overnight but by making their economies well equipped to go cashless. the people possessing debit cards vary approximately between 50% to 90% of the population but their non cash spending lies in the window of 80-95% among these countries which indicates that not only card payments play role in making economy cashless but also the usage of digital devices equally play an important role. So the technology is itself an important need for going cashless.

VI. INDIAN PERSPECTIVE

The Digital India Program started by the Government of India is a flagship program visioning Indian transformation into a digital economy. “FACELESS, PAPERLESS, CASHLESS” is the main role of Digital India. Thus to strengthen the program, the government of India went on for Financial inclusion linking the bank accounts of people with their salaries and opening of bank accounts linked with AADHAAR accounts under JAN DHAN Scheme. Also the step of DEMONETIZATION equally attributes towards making the India move forward on the path of becoming Cashless. Analyzing various facets of the Cashless economy and India the SWOT analysis for India going Cashless can be concluded as:

6.1 STRENGTHS OF INDIA GOING CASHLESS:

A. Planned Strategy

Connecting the dots together, first SIT on black money, then JAN DHAN scheme targeting financial inclusion followed by track on foreign accounts and money hoarders, then the Income declaration scheme, opportunity to people to declare their wealth, and finally a blow by demonetizing the economy.

B. Financial Inclusion

Under the JAM (JAN DHAN, AADHAAR, MOBILE) trinity, government is focusing on reaching to all the corners of the country and to every citizen. It was seen with the introduction of PRADHAN MANTRI JAN DHAN YOJNA there was surprisingly huge rise in the opening of bank accounts by the people around the country. Bank account is one of the basic requirement for any nation going cashless. India saw a rise in number

of bank correspondents and bank branches in the non reachable areas also. Thus this acts as strength for the economy to go cashless.

C. Measures By Government:

- Launch of BHIM app for smart phone users based on Unified Payments Interface has created easy and quick payments system for the digital-haves.
- Launch of Aadhaar Merchant Pay has targeted those not having access to mobile phones thus can make payments through Aadhaar linked bank accounts.
- DIRECT BENEFIT TRANSFER has also helped the people in achieving digital transaction awareness.

6.2 Weaknesses Being Faced By India

- **Cash As King:** The currency in circulation in India is far higher than other nations around the world. The ratio of Cash to GDP ratio is around 12% which indicates large usage of cash in transactions. Cash is one of the biggest dominating factor of the Indian economy.
- **Electricity:** To go cashless the entire India needs to have an access of electricity. The hassle free and smooth functioning of cashless economy needs supply of 24x7 electricity, but India is still facing huge load shading in has yet not achieved 100% electrification in rural areas.
- **E-Illiteracy:** Another hassle India suffers is Illiteracy. Still around 30% of the population needs to get educated enough to use the internet. Just mere knowledge of reading and ability to write is not enough for the person to work effectively over the internet. Most of the people having computer knowledge also don't know how to use the internet.
- **Lack of Infrastructure:** Going cashless involves need for card swipe machines at the POS terminals. Either retailers are not able to afford the facility or the banks do not have the facility of providing such machines which disables the card payment mode adoption.
- **Smart Phone Market Still Untapped:** The rising concept of e-wallets and making payments online is only feasible through the smart phones, but Indian population mostly middle income group or rural population lacks the affordability of smart phones due to shortage of funds and e-illiteracy even though smart phones are easily available.
- **Sluggish Economy:** Indian economy is going through slow growth. Being in a sluggish phase has a negative effect on the labor as well as businesses. Furthermore this negative impact can be seen due to cash crunch due to money being withdrawn from the economy as a sudden step.

6.3 Opportunities For India Adopting Cashless Concept:

- **Curbing Black Money:** Since cash economy carries with it parallel economy run by black money holders, with India going cashless can put an end to this parallel run economy and demonetization is one such step for India to attack the Black money.
- **Tax Collection:** With digitization and adoption of cashless base the entire money will be operated through bank accounts thus TAX EVASION and TAX AVOIDANCE would not be seen creating good tax revenue base for the government.

- **Reduction In Real Estate:** The most affected sector with cash transactions is real estate, so going cashless will make all real estate transactions white in turn bringing down the inflated prices due to black money.
- **End of Corruption:** Going cashless will end the system of bribery to a very extent at all levels as bribe through bank accounts would be under proper check and will make people more alert in performing their duties well.
- **Savings on Huge Expenditure:** RBI spends around billions of rupees on the activity of currency issuance and management, thus this huge amount of expenditure can be cut off once India goes cashless.
- **Impact on Gdp:** Cashless status of the country will not only lay down the growth prospect for economy but also it will boost the GDP of the country to higher levels.
- **Higher Cost of Future Crimes:** With the cashless economy there will be an indirect and powerful impact on corrupt practices being carried on by cash.
- **Balance:** Less cash economy will act as a strong balance between a check on malpractices and also financial operations.

6.4 Threats In Going Cashless

- **Security:** The major and biggest threat economy faces going cashless in the threat of security of transactions:
 - Threat of loss of data base.
 - Threat to the money in e-wallets.
 - Threat of data encryption.
 - Threat of malwares, viruses to software.
 - Threat of cyber crimes.
- **Perception of Customers:** People at a large scale perceives cash to be the most convenient and fastest way of transacting, thus adopting the digital mode can face resistance from the society.
- **Earning Faith And Trust:** Country like India which is still in its developing phase faces every day new ups and downs and thus earning trust and faith of people to adopt the cashless economy is a big hurdle in its growth.

VII. CONCLUSION

Every new habit introduced in life needs at least 21 days to get used to and the way Indian society pay for a thing is a cultural pattern which is hard to change. Though, not impossible, but to achieve the concept of cashless, the steps needs to be taken in an appropriate manner. Our government tried to lay a series of steps before announcing demonetization but still somewhere it does seemed as an office act rather than a field work. In order to go Cashless, the phased implementation could have been worked upon i.e. choosing few districts or sectors to go cashless rather than sprinkling the idea upon entire society, or it could have been introduced as a pilot mechanism in few areas for a testing purpose whether Indian society is ready for such a move or not. If it is

achieved in coming time, then it is no less than a biggest achievement of all times, for the country as being on the graph of DEVELOPING status, it proved its worth among the developed ones.

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