A Study on Cashless Transactions in India: Issues and Challenges

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ABSTRACT

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India. Go cashless! Spurred by demonetization many Indians have made up their minds to become used to the cashless economy. The purpose of demonetization is to remove black money as well as to encourage cashless transactions for accountability. It is very convenient, easy and most importantly safer than the cash exchange. Ultimately, it is not just convenient for the user but also facilitates to keeping nation and national economy accountable. Will the emphasis on online transactions provide convenience and tangible benefits or just add to stress and additional charges? To incentivize the move towards a cashless economy, the government has come up with a rash of discounts and freebies on digital transactions. As the country moves towards a cashless environment after demonetization, the initial awe and confusion have given way to a flurry of concerns. This brings security from internal terrorism and external terrorism also. India is a country adopting new technologies very fast; birth rate is high and the second largest populated country in the world. Primary sector agriculture is contributing 70% of GDP. Most of the population is living in rural areas where infrastructure facilities are inadequate. One side there are various advantages and other side there are insufficient environment to take a bold step towards cashless society. In this situation cashless economy is a big task. The present paper discusses the issues and challenges of cashless transactions in India

KEYWORDS: - Digital India, demonetization, Cashless,

1. INTRODUCTION

The government and RBI want India to be a cashless economy; the move towards a cashless economy is a move towards greater accountability towards the flow of money, reduction in black economy and bringing more people into the banking system. This leads high security from internal terrorism and external terrorism also. India is a country adopting new technologies very fast; birth rate is high and the second largest populated country in the world. Primary sector agriculture is contributing 70% of GDP. Most of the population is living in rural areas where infrastructure facilities are inadequate. One side there are various advantages and other side there are insufficient environment to take a bold step. In this situation cashless society is a big task.

MEANING OF CASHLESS

Designating or of financial transactions handled as by means of credit cards, bank transfers, and checks, with no bills or coins handed from person to person. Union finance minister ArunJaitley said that "Our bid to go cashless means less cash, not no cash. Now, the money has come into the banking system and the anonymity of cash has vanished".

CASHLESS SOCIETY

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.

CASHLESS ECONOMY

A cashless economy or an e-payment system is a situation where there is little or very low cash flow in a given society, thus every other purchases and transactions will be made by electronic channels, examples of which are direct debit, electronic funds transfer, mobile payments, multi-functional ATMs, internet banking and a significant increase in point of sale (POS) penetration and usage. In other words, it simply refers to the widespread application of information technology in the financial system. Payments under this new system will range from a list of options such as cheques, wire transfers, debit and credit cards, online transactions, and mobile banking. The advantages of a cashless society are enormous; from regulating, controlling, and securing the financial system of any economy

2. OBJECTIVES OF THE STUDY

- To present various modes of cashless transactions
- To present various issues and challenges of cashless economy

INDIA POSITION OF CASHLESS ECONOMY IN WORLD ECONOMIES

The most cashless societies of the world have been enlisted below. In Belgium, France, and Canada over 90% of consumer payments are made via cashless modes. The United Kingdom, Sweden, Australia, Netherlands, and the US also have high rates of consumer payments (80% and over) made via non-cash modes. Germany and South Korea also use cashless payments as the major mode of consumer payments. The latter is the only Asian country featuring in the list of the top 10 cashless societies while no country from Africa or South America finds a position in the list. In the case India has reached 32% consumer payments.

MODES OF DIGITAL PAYMENTS

BANKING CARDS (DEBIT / CREDIT / CASH / TRAVEL / OTHERS)

Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available – including credit, debit and prepaid – offers enormous flexibility, as well. These cards provide 2 factor authentication for secure payments e.g secure PIN and OTP. RuPay, Visa, MasterCard are some of the example of card payment systems. Payment cards give people the power to purchase items in stores, on the Internet, through mail-order catalogues and over the telephone. They save both customers and merchants' time and money, and thus enable them for ease of transaction.

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UNSTRUCTURED SUPPLEMENTARY SERVICE DATA (USSD)

The innovative payment service *99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of underbanked society in the mainstream banking services.

AADHAAR ENABLED PAYMENT SYSTEM (AEPS)

EPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.

UNIFIED PAYMENTS INTERFACE (UPI)

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).

MOBILE WALLETS

A mobile wallet is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your smartphone, tablet, or smart watch. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money, SBI Buddy, itz Cash, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, SpeedPay etc.

BANKS PRE-PAID CARDS

A card issued by a financial institution that is preloaded with funds and is used like a normal credit card. A prepaid credit card works in the opposite way of a normal credit card, because instead of buying something with borrowed funds (through credit), you buy things with funds that have already been paid.

POINT OF SALE

A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

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DIFFERENT TYPES OF POS ARE

INTERNET BANKING

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

DIFFERENT TYPES OF ONLINE FINANCIAL TRANSACTIONS ARE

National Electronic Fund Transfer (NEFT)

Real Time Gross Settlement (RTGS)

Electronic Clearing System (ECS)

Immediate Payment Service (IMPS)

The RTGS system and the NEFT system for inter bank fund transfers has also played an important role in gradually phasing out paper based transactions. Paper based transactions have come down to 34.6% in 2013-14 of all non-cash transactions from 43.4% in the year ago period.

MOBILE BANKING

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platform(s).

MICRO ATMS

Micro ATM meant to be a device that is used by a million Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents (who could be a local kirana shop owner and will act as 'micro ATM') to conduct instant transactions.

The micro platform will enable function through low cost devices (micro ATMs) that will be connected to banks across the country. This would enable a person to instantly deposit or withdraw

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funds regardless of the bank associated with a particular BC. This device will be based on a mobile phone connection and would be made available at every BC. Customers would just have to get their identity authenticated and withdraw or put money into their bank accounts. This money will come from the cash drawer of the BC. Essentially, BCs will act as bank for the customers and all they need to do is verify the authenticity of customer using customers' UID. The basic transaction types, to be supported by micro ATM, are Deposit, Withdrawal, Fund transfer and Balance enquiry.

BENEFITS OF CASHLESS TRANSACTION

CONTROL OVER BLACK MONEY

Black money has become a hazard now a day's cashless transaction become very important to control the black money. Whenever to buy any product, the producer/distributer do not disclose their income to the government and hence escape from given the tax that money do not come under government surveillance hence consider black money. Any properties which are not under government surveillance and the tax have not been paid for that is the black money.

CONTROL OVER FAKE NOTE

Cashless transactions brings digital environment, every citizen engaged any one of the cashless transaction modes. There is less circulation of physical notes. So it is impossible to make fake notes. In this situation all the transaction will be done online and well documented.

NO FUNDING TO TERRORISM

Funding to the terrorism is done by the unaccounted money by the black money holders. But cashless transaction will eradicate black money as well as fake currency hence no support to terrorism.

TAX PAYMENT

No one can store money with themselves as all the transaction will be done online. So, everybody has to pay tax for what they have.

ILLEGAL POLITICAL FUNDING

Political donation is the major concern in the country. Majority of the funding in the political party is unaccountable which is not revealed by the party as well as the donor. All that kind of illegal transaction would be stopped if a government follows cashless transaction.

COST OF PRINTING AND DISTRIBUTION OF CURRENCY

The cost of printing and distribution of currency would be zero for the cashless transaction as no paper notes to print and distribute.

CHALLENGES OF CASHLESS TRANSACTION

There are major technical and logistical challenges to implement cashless transactions in the existing technological, cultural and economic environment. These are

LIMITED AVAILABILITY OF POINT OF SALE TERMINALS AND POOR TRANSACTION CULTURE IN POS

According to RBI, there are 1.44 million POS terminals installed by various banks across locations at the end of July 2016. But most of them remains in urban/ semi-urban areas. As per TRAI the total telephone subscriber (in million) are 1058.85 sill it is not in the range of all the people. The existing telephone infrastructure is not covering all the area

INFRASTRUCTURE

Insufficient infrastructure is also a major barricade for cashless transaction. For a Large country like India, there are only 2.3 lakh ATMs and 14 lakh POS terminals are very low. Countries such as Brazil, Australia, France and the UK have POS terminals three or four times that of India. Also the customer awareness drive is virtually missing. The regulatory framework for card payment is sound.The current business model of card payment is also under pressure

ILLITERACY

Illiteracy is one of the major issue in the path of cashless transaction, as per UNESCO report India currently has the largest population of illiterate adults in the world with 287 million [16]. India's illiterate population largest in the world says UNESCO report.

CYBER SECURITY

Cyber Security is another serious challenge and concern, which can make or break CDT mission. Current service providers including banks, payment companies, etc. do not guarantee cyber security to either cashless digital payer or payee.

Cyber security can be defined as achieving minimum baseline of basic security criteria including (a) assuring "Confidentiality" of all data; (b) maintaining "Integrity" of all data and infrastructure; (c) assuring "Availability" of services in desired quality parameters; (d) assuring protection of "Privacy" ; (e) "Non-repudiation" of person and/or transaction; (f) maintaining "Incident response" with defined service level parameters and; (h) availability of "Customer protection functionalities" in end-to-end IT infrastructure.

LEGAL ISSUES

In case of crime / fraud, creating and collecting evidence in digital environment is radically different compared to paper based or physical environment. In physical environment, the evidences are generated and available on paper. Thus hard copy evidence exists. Creation of chain of custody is easy. Laws support this. Forensic analysis of paper based evidence is an established science. In digital environment, many times, logs are unavailable or deleted or corrupted or tampered; the storage is corrupted or deleted or tampered; evidences are scattered over different places/jurisdictions, in some cases even in other countries; law to define and accept digital evidences does not exist. These and similar issues need to be addressed before courts will be further loaded with Cashless transitions related cases over and above 3 crore cases, already pending in various layers of Indian courts.

3. CONCLUSION

As the demonetization applied by government of India, Government trying to aware its people for cashless transaction by various kinds of advertisement method but still a large number of people are awaiting for the introduction of cashless transaction.

Government must either createor facilitate a robust and secure backend infrastructure, which will take peak load, considering 80% of adult population goes for Cashless transaction.This can be government's own or under PPP model or assigned to some experienced Indian organisation with proven track record. It must be ensured that no alien entity will have access to this infrastructure as it contains one of the most super critical national assets.This must not fall into bureaucratic red tape else failure is guaranteed.

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