

ANVESHANA - 2018

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DIGITALISATION- A WAY TOWARDS CASHLESS SOCIETY

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ABSTRACT

Digitalization is the use of digital system or use of computer for data management. It is making daily life less dependent with the help of technology. Now the entire world is in our mobile handsets. Now it is easy to book a travel ticket, do shopping. Chat with friends across globe and even share your views to external world more freely and easily. It is safety transferring the cash or money for the payment of bills etc without cash.

India is becoming cashless society through digitalization. From the past few years the digitalization has taken place in the developing world. A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal.

It is benefit for the country for transparent transactions. A cashless society describes an economic state where 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.

In this article we will explain what Cashless economy is, what are the major advantages of cashless economy and what challenges India will face in moving towards a cashless economy. This article explores the various technology used in digitalisation which tends towards cashless society.

Keywords: Cashless banking, Cashless economy, Liquid money, Online banking system, Control of banks."

INTRODUCTION

The “*digital economy*” is a term for all of those economic processes, transactions, interactions and activities that are based on digital technologies. It is one where all the transactions like payments are done through electronics. It is based on digital payment technology.” This can be also known as **cashless economy**.

Objectives of the study

1. To study the concept of Cashless banking.
2. To know the modes of cashless banking system.
3. To identify the advantages of cashless banking.
4. To find out the challenges of cashless banking.
5. To recommend some suggestions to the users of cashless banking.

Research Methodology

This study mainly includes literature review from secondary data. It includes different articles, other relative information published from the bank and other internet sites. The study is based on earlier research done in this particular aspects. This study is a descriptive study based on findings of other researchers.

Meaning of Cashless Economy

A cashless economy is a system where any type of money transactions are done through digital means like debit cards, electronic fund transfer, mobile payments, internet banking, mobile wallets, card swipe or point of sales and other newly evolved payment channels, this will leave very little scope for flow of hard cash in economy.

There are many ways of digital payment which tends towards cashless economy. Some of them are

1. Banking cards: Variety of banking cards like debit cards, credit cards offer consumers more security, convenience, flexibility and control than any other mode of payment.

2. **USSD(Unstructured Supplementary Service Data):** 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.
3. **AEPS (Adhar Enabled Payment System):** it is a bank led model which allows online financial transaction at PoS(Point of Sale) through the business correspondent using the Adhar authentication.
4. **UPI (Unified Payment Interface):** It is a system that enables access of multiple bank accounts through a single mobile application.
5. **Mobile wallets:** It is a way to carry cash in digital format. Credit card and debit card information can link to mobile device, mobile wallet application.
6. **Internet banking:** it is also known as online banking or e-banking is an electronic payment system that enables customers of a bank or other financial institutions to conduct financial transactions.
7. **Mobile banking:** It is a service provided by a bank or other financial institutions that allows its customers to conduct different types of financial transactions using a mobile phone or mobile tablet.

Advantages of cashless economy:

With a strong security system in the online processing to avoid hacking and cyber fraud the cashless economy has many advantages.

1. **Liquid Money:** No liquid money is used by the society or reduce the circulation of liquid money.
2. **Easy transaction:** The transaction process and purchase will be made easy compared to the general system.
3. **Transparency:** Cashless economy increases transparency in the system, as all transactions are digitalised and get informed very soon. More transparency and easy to track money laundering and other such activities.
4. **Expansion of bank:** This makes bankers to expand their business because each citizen in India required to have a bank account. Cashless banking helps the customers from different corners to access their accounts whenever they want.

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5. **Labour Law:** Now labour get paid in their bank account therefore minimum wages as per Indian labour law can be ensured by each labour in India.
6. **Advantages to Businessmen:** Drive a new market in form of digital payment bank, e-wallet and e payments. More entrepreneurs now have opportunities to take advantage of it.
7. **Demand for app developers:** App developers and e commerce now have better market conditions to lure Indian market opportunities.
8. **Increase in GDP:** Indian GDP now has incremental effect because of cashless economy. It also helps to eliminate counterfeit currencies
9. **Reduces black money:** Black money in India get curtailed gradually because of cashless economy.
10. **Govt. Control:** The government can control the financial transactions in the society. If the government finds a person guilty government can easily block his/her transaction.

With the above all pros of cashless economy, there are many cons which hinders the economy.

Disadvantages of cashless economy:

1. **Threat to users:** It has direct threat to cyber security and individual financial data. It may lead to increase in online banking fraud.
2. **Burden for Uneducateds:** A thick part of Indian population is not educated about banking system and they resist making mobile banking therefore this makes cashless economy a hit. Literacy rate of India is 74% by this clear that 26% of the people are facing problems with cashless transactions.
3. **Unemployment:** As per recent survey digitalisation cuts the rate of employment in India.
4. **Difficulty in Usage:** Cash less transactions are alien to the rural people of India. Cashless economy is really going to hurt poor.
5. **Need of Smar phone:** It is not at all possible for the people who doesn't possess smart phones.

Cash is like water a basic necessity without which survival is a challenge. The impact of the cashless economy will affect a lot to the rural economy. 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.

But majority of the people are being forced to make digital payments. Proper precautions and security policies can be implemented for safety cashless transactions.. Prime Minister Narendra Modi recently asked people to embrace the digital cashless world, reiterating that digitisation of economic activities is here to stay. In the midst of going cashless, we should not cast a blind eye to the security aspect of digital payments. We all share a collective responsibility to build a safe and secure digital infrastructure.

1. All companies that offer platforms or services enabling digital payments should increase awareness among their customers of the risks, and educate them on ways to secure themselves
2. Customers should educate themselves about the risks involved and take precautions. They must minimise vulnerability with two-factor authentication and change their password frequently.
3. The government should check if the current policies regulating these platforms are adequate and update them regularly.

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