

Electronic Payment In Cashless Economy: Problem And Prospect

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Abstract: After demonetization initiatives, most of the people in India started electronic payments for conducting their transactions. Everyone from the merchant to neighboring textile shops is embracing digital payment solutions. Slowly India is moving towards cashless economy. A cashless economy is one in which all the transactions are done using cards or through digital means. The flow of physical currency is minimized in cashless economy. The benefits of Cashless economy are many. The increased use of credit cards will definitely reduce the amount of cash that people have to carry which reduces the risk and the cost associated with that. In this paper an attempt is made to examine the Public perception in India towards cashless transactions and the attempt is also made to identify the challenges faced by them during their transactions.

Index Terms: Benefits, Cashless Economy , Disadvantages Hurdles

1 INTRODUCTION

A cashless society wasn't the original goal of the country's draconian currency ban in November 2016. But when an acute shortage of banknotes gave a fillip to digital wallets, that purpose was added as an afterthought to justify an act of farcical state overreach. The real innovation in mobile payments in India began a few months prior to the cash ban. It's called a unified payment interface, or UPI. The name is clunky, but the idea is simple. One smartphone owner who's a customer of Bank A can request a payment from, or initiate a payment to, another owner who has an account with Bank B. Neither party needs to know anything more than each other's mobile number or a virtual ID. They don't even need to use the same mobile app to transact. The real innovation in mobile payments in India began a few months prior to the cash ban. It's called a unified payment interface, or UPI. The name is clunky, but the idea is simple. One smartphone owner who's a customer of Bank A can request a payment from, or initiate a payment to, another owner who has an account with Bank B. Neither party needs to know anything more than each other's mobile number or a virtual ID. They don't even need to use the same mobile app to transact.

2 BENEFITS OF A CASHLESS SOCIETY

- 1) Reduction in Crime – Using cash, stealing money is very easy regardless of the amount of money. In a similar manner, the illegal transactions such as drug trade will typically take place using cash in order to avoid any transaction record. This similarly ensures that the seller actually receive their share.
- 2) Paper trails – If there is another crime which should come to an end is financial crime. It becomes much difficult to conceal income & evade the taxes if at all a record of each payment you receive is present. In a similar manner, money laundering becomes a hard task when the funds source is available whenever needed.
- 3) Minimum management of cash – Involving in cashless transaction does not require cash in hand as everything is done using ATM or net banking or e-wallets.

3 DISADVANTAGES OF MOVING TO A CASHLESS SOCIETY

Depending on how you look at it, transiting to a cashless world might be complicated.

- 1) Lack of Privacy – Adopting cashless transaction means can adversely affect the privacy of the users as there are chances of losing password credentials.
- 2) Hacking issues – Hackers are persons who illegally access the account information of others and misuse it for their personal gain. The chance of getting attacked by hackers are more if we are engaging in online transactions.
- 3) Technological issues – Access to online transactions depends upon the access to the newest technology. Technical problems in network can make the user difficult in engaging in online transactions.
- 4) Rich and poor difference– Internet and network facilities can be accessed only by rich. Those who are financial lower background find it difficult to engage in cashless transactions.
- 5) Fees – In case we are forced to select from a few methods of payment, can we really expect the financial institutions to offer us a good deal? The payment processors might just exploit the high volumes which in turn eliminate the savings which should actually come from the handling of less cash.
- 6) Chance of Overspending – People are always cautious while spending cash. But engaging in cashless transaction mode can activate the purchaser to purchase more using cards. Hence it may result in over spending.
- 7) Interest rates that are negative – Once we turn to the cashless society, governments will have a chance to promote the negative interest rates. This is typically a move which is meant to stimulate national economies. The result however is that money is going to lose its purchasing power.

4 TYPES OF CASHLESS PAYMENT METHODS

There are numerous ways to go cashless. Here are some of the best methods to help you pilot your way into a cash-free world:

1) Cheques and Demand Drafts

A cheque is one of the safest and oldest methods of cashless payment. A cheque is issued to a person or business for a specific amount. This cheque is deposited in the receiver's bank, and the money is received through a payment processed by a clearinghouse. A demand draft is safer than a cheque because it cannot be defaulted or dishonoured, unlike a cheque. The DD is signed by a banker to ensure that sufficient funds are available for a successful transaction.

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2) Debit and Credit Cards

Debit and credit cards have caught on as a method of cashless trading. A debit card is safer because we are transacting with money in our account. The risk with a credit card is overspending. Debit and credit cards can be used to make purchases online as well as over-the-counter at a store.

3) UPI Applications

UPI stands for Unified Payment Interface. UPI has changed the way we transact. At the core of a UPI's functionality is the fact that our mobile numbers are registered with our respective banks and linked to our accounts. A virtual payment address helps to send or receive money without entering any bank related information. Merchants would need to have a current account to receive UPI payments. UPI applications that are currently popular are BHIM, PhonePe, Google Pay/ Tez, ICICI Pocket, and SBI Pay.

4) Mobile Wallets

Mobile wallets have become a convenient way of making payments without cash. Once you load money into your mobile wallet, you can use it wherever it is accepted. The most popular mobile wallet that is trending is Paytm.

5) NEFT & RTGS

National Electronic Fund Transfer and Real Time Gross Settlement are electronic payment systems that allow convenient fund transfer between bank accounts. Both facilities are maintained by the RBI (Reserve Bank of India). The facilities can be used to transfer money only within India.

6) IMPS

IMPS is a service which is offered by National payment Corporation of India. The users who registered for mobile banking can access IMPS service. IMPS, which stands for Immediate Payment Service.

7) USSD

Unstructured Supplementary Service Data is a cashless option for those who do not carry a smartphone or tablet. It works without an internet connection as opposed to most of the other digital payment services.

8) ECS

ECS stands for Electronic Clearance Service. It is a convenient method to make bulk payments, especially to pay off your utility services, equated monthly installments, and for financial institutions to disburse payments like pensions, salaries, or dividend interest.

9) QR Codes

QR codes are an extension of the mobile wallet payment services. You simply scan the code of the merchant service to complete your transaction. This would require a smart device with a camera and a scanning facility. It is a quick and hassle-free method of transacting digitally.

10) Net Banking

Net banking is the easiest way for conducting online transactions. The user can log in to the account using ID and password and can transact easily.

5 HURDLES IN MAKING CASHLESS BANKING

More than 60% of Indian population belongs to rural region who do not have access to internet technologies which makes them difficult to get engaged in cashless transactions. Informal labors lack technical knowledge and can't access online transactions. India is a country where 90% of transactions are paid for in cash because cash facilitates making transactions anonymous, helping conceal activities from the government in a way that might help agents avoid laws, regulations and taxes. Transition from a 90% cash based economy. Security issue is a major concern in internet banking. Though several companies have come up with inexpensive smart phones still they are not inexpensive for most of the people in the country. Unless Indian supervision provides necessary subsidy or affordable solutions cashless economy would be a farfetched dream.

6 MAJOR CHALLENGES IN IMPLEMENTING CASHLESS ECONOMY

1) **Financial inclusion:** if we see the present situation of the people in India having bank accounts, we can see that only sixty percent of the country's population has bank accounts. Still large number of people is not having the bank accounts. People without knowledge of operating accounts are in no way efficient enough to operate the account. There are several other reasons like lack of money, lack of income, illiteracy and lack of information to the account holders.

2) Limited infrastructure facilities:

The remote areas are still not having the banks at their door step. People have to move to distant places to have their money transactions in the banks. There are no ATM facilities in the remote areas. Even the ATM are not fully backup with the electricity and other IT related facilities. It is the chief concern of the government and the banks to come up with the basic and secure infrastructure for the banking services.

3) Lack of education:

People living in the remote villages and areas of the country are still not educated enough and are not able to operate the banking services effectively. Illiterate people with bank accounts in the country are not even good enough to fill in the bank forms to deposit and withdrawal money. They have to take help of the people in the banks to fill in the forms and get their work done. It has become the prime responsibility of the government to start a campaign in the form of mission to enable the people to discharge their duty by themselves. Lack of education and the poor syllabus done in the schools are the main reasons that they are not able to operate their bank accounts. Furthermore, illiterate and the people with less exposure to such facilities are not able to operate the cards. The people are not aware of the security measures of the PIN number etc. people should be made aware enough so that they can use the basic banking facilities.

4) Access of technology:

Technology is the backbone to this banking revolution. Technology must be available in all the areas of the country; it means all the banks at the branch level even in the remote area should have the access to the technology. The technology must have all the aspects that can help the individuals to do the things better and effectively. The second major aspect of the technology is that it should be easily handled and used by the people. It is one of the major aspect of the banking that the

consumer must be aware of the technology and should be able to use it effectively for the purpose. The people are not aware of the technology and are not so involved in the use of it.

5) Large number of people to be covered:

Still forty percent of the India's population are not having access to the bank and banking services. It needs a proper penetration into the market to give the services of banking to the people. It is one of the major challenges for the government to include large number of people in the mainstream.

6) Resistance to change mindset:

Most of the people due to one reason or the other are not willing to join the cashless banking solutions. The major reasons are the sellers are not willing to accept the cards and cheques as the sale through POS terminals and cheque transactions will be accounted for. The other major aspect is that the sellers mostly ask for the transaction fee that makes the things more costly. The only solution to this problem is that if large number of people joins the revolution of cash less payments by virtue of using debit or credit card it will be easier for the banks or service provider to lower the transaction fees and adjust to the normal phenomenon.

7 CONCLUSION

The concept of cashless economy for cashless or transaction is element of the Digital India program and its vision is focused on transforming India into a society which is digitally accomplished and where there is no cash lane, there are many powerful ways of development Are there. As a result, in the near future, India is ready to be completely cashless or cashless banking through digital media such as credit / debit card, mobile purse, pre-paid card of banks, through the UPI, USSD, internet banking, etc.

8 REFERENCE

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