

# Paperless Currency: Moving Towards Digital India

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**Abstract -A Paperless Currency is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or machines and mobile wallets. The paper under study tries to throw light on the rising trend of digital transactions in India being carried out in various cashless modes over the last few years but simultaneously being ourselves making alert of the negative impact of going cashless thereby showing downside of digital India. As the people of India are showing amazing response towards move of digitalization, it is the big indicator of prosperous future for India to be cashless India.**

**Keywords: Card-Swipe, Cashless, E-Banking, Mobile Banking, Pos.**

## I. INTRODUCTION

A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes e-banking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets. Cashless transaction doesn't mean shortage of cash rather it indicates a culture of people settling transactions digitally. In a modern economy, money moves electronically. Hence the spread of digital payment culture along with the expansion of infrastructure facilities is needed to achieve the goal.

Prime Minister, Mr. Narendra Modi launched the Programme "Digital India" with a vision to transform India into a digitally empowered nation and creating a cashless, paperless economy. As per the current status of India, only 7% to 8% of all the payments are taking place electronically. On Nov 8, 2016, a historical date, he talked about making India a cashless economy and on Nov 27 during an election rally in Uttar Pradesh, he again motivated the people of India to become familiar with cashless transactions.

## BENEFITS OF PAPERLESS CURRENCY

- It will help in curbing the generation of black money. The cashless economy has attacked the parallel economy. People who hoard money under their bed, people who launder money bypassing banking channels, terrorist who need money to finance their terror will find difficulty in cashless economy.
- It will help in reducing instances of tax avoidance. All the transactions can be monitored and hence traced back to an individual. Income tax officials can easily trace out the transactions and it will become difficult for individuals to evade taxes. Ultimately, it will help in increasing revenue of the government from taxes and more

productive activities can be carried out in the economy.

- Paperless transactions does not make of any inconvenience of carrying cash verywhere.
  - In digital transactions, you can view history of your expenses so that you can manage your budget easily.
- Tools for Digitalization

For making India cashless, these are the various modes available in form of digital transactions which are being considerably implemented and which clearly indicate that cashless transactions are being actively used by people in India. These can be highlighted as under:

### ➤ Payment Banks

Payment bank is a new model of banks introduced by RBI. Payment can issue services like ATM Cards, mobile banking, net banking, and debit cards etc. These payment banks offer amazing competition to traditional banks in terms of services. Two such prominent licensees are Airtel (founded in 1995, in 2016 reaching at revenue of \$14.5 billion) and PayTM (founded in 2010 and valued at \$1 billion presently)

### ➤ Electronic Fund Transfer Systems

Two popular methods RTGS and NEFT are increasingly used by people at a large scale for making funds transfer from one bank to another leading to less time and economy in operations.

### ➤ Mobile Wallets

Option to open a zero KYC or a full KYC wallet along with your mobile number and the application to be downloaded to your smart phone.

### ➤ Internet Banking

For this type of digital service to take benefit of, the individual must hold a bank account and opt for the online service same.

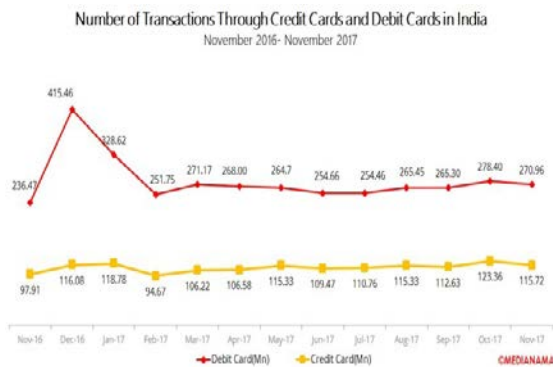
### ➤ Banking Cards

Banking cards are available by the bank by providing the KYC (know you customer) information to the bank. Applying for a card and getting a pin for the same. Credit and Debit cards are plastic cards that are used as method of payment.

### ➤ Mobile Banking

A bank account is required along with a mobile phone application of the bank and internet connectivity to take benefit of this digital service. Mobile banking concept is gaining its momentum over the years. Apart from this

transactions can also be done through some other apps like pay tm, Tez, phone pe....etc



Government has introduced various technologies like BHIM (Bharat Interface for Money) app to transact between each other as well as with other merchants. BHIM App currently has 17 million downloads in less than 3 months since its launch. And government is considerably promoting their digital cashless technologies other than BHIM such as UPI & Aadhar Enabled Payment Systems. As per National Payments Corporation of India, payment transactions through Aadhar enabled Payment Systems have raised 12 times over 6 months from April 2016 to October 2016 which is highlighting that traditional bank themselves are moving towards e-wallet services on mobiles at a faster pace.

## II. OBJECTIVES AND METHODOLOGY

The main purpose of this study is to

- To provide with a basic understanding of going cashless and its benefits
- To highlight the major challenges in making India cashless.
- To suggest some initiative tools for paperless currency

## III. METHODOLOGY

The study is primarily based upon the secondary data. For this extant literature related to the topic from different databases, websites and other available sources were collected. A systematic review of collected literature was done in detail.

## IV. LITERATURE REVIEW

Indian Prime Minister Narendra Modi announced that all 500 and 1,000 rupee bills would cease to be legal tender, a scrap collector relayed his experience. Just three hours before Modi's Nov. 8 announcement, Pintu had boarded a train for a 24-hour journey to his village near Calcutta. With him were 11 (1,000) rupee notes that his buyer gave him as an advance just before he left. Just as he got on the train, the notes were declared worthless, and he barely managed to buy a single meal for his family along the way.

More importantly, it was very difficult for people like Pintu and even the scrap buyers to get the new 500 and 2,000 rupee bills issued to replace the eliminated notes.

The chain had been damaged: With cash in short supply everywhere, scrap buyers couldn't pay the collectors, who in turn had more trouble supporting their families. Seeing how people were struggling, a buyer rhetorically asked: "Why didn't the government do more to make sure that poor people would have money?"

While middle-class Indians were able to exchange their currency in banks, the unbanked poor often had to rely on informal lenders who would only exchange the old bills for new ones at predatory rates. Without savings, and with high rates of illiteracy, these laborers have little chance of joining Modi's dream of a cashless, digital economy. Even though moving towards digitalization is a step for development of India this are the problems faced when cash is appears suddenly due to demonetization.

## V. PREVIOUS WORK

Digital transactions are better in almost every way. They are more convenient and they help government check corruption or tax evasion. It is imperative, nay essential, that India moves towards a cashless economy. In this context the demonetization ordered by the Modi government is a welcome move. But at the same time, there is also the stark reality of India. It is also true that Indian is not exactly ready for cashless future. As for why, 5 reasons.

1. Majority still lacks a card: The magic in a cashless economy happens with a card, or rather cards. There are credit and debit cards. Then there are researchable cards. Around 60 per cent of Indians still don't have a debit card, let alone a credit card. This makes cashless economy a pipe-dream, at least for now.

2. Poor internet: Good connectivity is important for a cashless economy. Sadly, the good connectivity, whether you see it before Jio's time or after the Jio dream, which remains a dream for now, is not all that common in India. That creates problems.

3. No data privacy laws: One big problem with India's adoption is its lack of policy framework. And when it comes to policy, one glaring area that government is ignoring is the data protection and privacy laws. On the other hand, banks are unaccountable because consumers aren't guaranteed data protection. People also fear that their transaction details will leak in public or that if they do e-transactions people may misuse the data that they are giving to companies. To allay all these fears government needs bring in a privacy law and tell people that their e-transactions are as personal and discreet as their cash transaction.

4. Cyber security issues: The blame lies with the government policy and an overall lack of effort from banks etc for this.

Indian banks and institutions are among the least secure financial institutions across the world. The majority of banks here still use Windows XP in their ATMs. Windows XP is nearly 15 year old operating system, which doesn't even get security patches anymore. The quality of

protection Indian consumers get in the cyber world is poor. All of this needs fixing.

5. No PoS machines: This problem of Point of Sale machine is kind of chicken and egg problem, and the one that retailers in India don't want to solve. Such a system requires two things: a card that a buyer has and a compatible machine that seller provides. Unfortunately, in India retailers are not interested in digitising the payment system. They prefer cash to avoid tax. But unless they don't support to digitise the payment mechanism and invest in such a system, India can't go cashless.

This are the few problems which occurs in moving towards digitalization. As our government takes a clear step in solving this type of problems soon we are going to see digital India.

## VI. CONCLUSIONS & RECOMMENDATIONS

India is a vast country where the penetration of the banking facilities and the internet facility, computer awareness has not reached the common man. Therefore, although cashless economy has several advantages it will not be possible for the masses to resort fully to the cashless economy. Even The future of the Cashless India looks pretty promising as the response of the country people towards this move of the government and the support towards it is a clear indication that the government's move is likely to succeed. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways which will increase the GDP of the economy. This will increase the creditability of the country and make a rise in investments. This step of cashless is truly going to create ripples of big success and it will help to attain vision of Prime Minister Modi's vision of "Digital India". To recommend Organizations need to adopt new methods, technologies, and tools to create a positive impact towards the cashless

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