ANALYSIS

From a Cash Economy to a Less-Cash Economy

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Digitising financial transactions can prove to be an effective means of curbing the large parallel economy in India. It would make bookkeeping easier and increase the tax base, and substantially reduce the need to carry cash and the risk of physical theft

On 8 November 2016, the government demonetised currency notes of two denominations: Rs 500 and Rs 1000. Together, currency notes of these denominations had accounted for more than 85 per cent of the total value of banknotes in circulation. Demonetisation caused a cash crunch and forced the government to push for electronics payments and transfers. Though the main pitch of demonetisation was towards curbing financing of terrorism and eliminating black money, a major shift towards a cashless economy emerged as a necessity. In fact, in his 'Mann Ki Baat' address to the nation on 27 November 2016, Prime Minister declared, 'Our dream is that there should be a cashless society. This is correct that 100 per cent cashless society is never possible. But we can make a start with a less-cash society, and then cashless society will not be a far-off destination.'

Although the narrative of demonetisation has changed, the government has been sowing the seeds of a cashless economy.. First, in 2014, the government launched the Jan Dhan Yojana in 2014; as on 20 April 2016, nearly 220 million accounts had been opened. In February 2016, the Government of India approved the guidelines for promoting payments through cards and digital means. A massive change from the informal cash-carry system to a formal financing payment system will give an impetus to the payments and settlement system in India. The best way to reduce corruption and black money in the economy is to move from an economy dependent predominantly on cash to electronic transfers, which needs universal banking access and facility.

A cashless economy runs on credit or debit cards, electronic funds transfer, or online shopping instead of cash. The idea of a cashless economy is actually a revolution from the fiat money to digital money, generally adopted with the aim of curbing the flow of black money and increasing transparency of the flow of cash. All transactions are made with cards or through digital means—whether one has to pay bills, buy fruits, or take a bus or taxi ride. Just like traditional pocket wallets, e-wallets do not require cash in its physical form; these are linked to one's bank account and payments are directly deducted from it. Internet banking and the recently launched Unified Payment Interface (UPI) are other products of technology that are directed towards going cashless, but e-wallets are the most prevalent and widely used. In fact, it is being opined that in the near future even credit and debit cards will become redundant as all transactions would be made possible through a

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