

CASHLESS ECONOMY AND THE PERIPHERAL MIZORAM

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ABSTRACT

The introduction and use of cashless transaction has always been a challenging job everywhere as 85 percent of the global transactions are still cash based. India too is facing the hardships in introducing the system, where 95 percent transactions are done with cash. Obviously, there are benefits of the system. It can check monetary evils like money laundering, tax evasion, black money, parallel economy, terrorist funding etc. However, the challenges are also countless. In the main, India is lacking in infrastructure necessary for digital transactions. Coupled with this is the problem of cyber fraud. Inadequate e-literacy awareness among the masses is another setback. The dual character of our economy aggravates the problem, leaving vast majority of the people outside the arena of cashless transactions. The rural sector, especially in the periphery of the country needs special attention for a successful cashless India mission.

Key words: *Cashless economy, Digital transaction, Infrastructure, Dual economy, PURA.*

INTRODUCTION:

In recent times, i.e., since 2014 there have been phenomenal changes in socio-political and economic policy initiatives in India. We can readily make mention of the prominent ones like Swach Bharat mission, Make in India programme, Digital India programme, Demonetisation, Cashless Economy initiatives, Goods and Services Tax etc. Each one of these has its own rationale and effects on the people and the economy. The present paper discusses the effects of cashless economy initiatives calling forth the digital transaction modes in the context of peripheral Mizoram. With the aim of curbing the flow of black money the Finance Minister, in his 2016 budget speech, talked about the idea of making India a cashless society, where less than 5% of the transactions are done electronically. Moreover, the RBI has also recently unveiled a document, viz., "Payments and Settlement Systems in India: Vision 2018", which seeks to encourage the electronic payments and enable India to move towards a cashless society in the medium and long term. However, the noble objectives of the

cashless economy drive have turned into day to day hardships for the rural populace. Amidst infrastructural inadequacy and lack of financial literacy the cashless transaction drive seems to have got an early start.

CASHLESS ECONOMY - MEANING AND GLOBAL PERSPECTIVE:

An economy where no or very minimal quantity of physical currency is used and all or most of the transactions are done through cards or digital means is called a cashless economy. It is a system in which our money is in the server and we perform transactions without the physical cash. It is an economic setting in which goods and services are bought and paid for through electronic media. It is defined as —one in which there are assumed to be no transaction frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return (Woodford, 2003).

The effect of cashless payment on an economy can be analysed by the Diffusion of Innovation Theory (DOI). The concept was first introduced by Roger in 1962 where he explained how innovation is diffused to members of a social system over time (Rogers, 1995). According to DOI, the adoption of a new idea or innovations is caused by interaction between individuals through interpersonal networks. In this context, diffusion is the spread of cashless payment where consumers seek improved and convenient transaction, while businesses seek new profit opportunities. So, depending on the type and stages of innovation the consequences of cashless payment will vary in different societies. Owing to its convenience and fast mode of transaction electronic payment system has been continually increasing. Oyewole et al. (2013) discovered that adopting electronic payment will positively affect economic growth and trade. Hasan et al. (2012) examined the fundamental relationship between the adoption of electronic retail payment and overall economic growth across 27 European countries between the period 1995 and 2009. They discovered that migration to an effective electronic retail payment would stimulate the overall economic growth, consumption, and trade. However, the impact of credit and debit card payment, fund transfers and cheques payment on the economy are relatively low. Although technological advancement has enabled improvement and innovation in electronic payment system (Oyewole et al. 2013), from the basic ATM card transaction to online credit transfer, direct debit, card payments and cheques, security related issues, non-IT savvy users and phishing emails are some of the shortcomings of the adoption of cashless payments. However, it is very much inclusive to draw a clear effect of cashless transaction on the overall economic growth and development of a country. Cashless payment might have a positive impact on economic activities (Hasan et al.2012) but it also provides an opportunity for corruption (Park 2012), caused bankruptcy among youth (Noordin et al. 2012) and reduced policy control of the monetary system (Ezuwore-Obodoekwe et al. 2014).

INDIA ON THE CROSSROAD:

India is a country where nearly two-thirds of the population live in rural areas. It has a vast unorganised sector and the recent drive of financial inclusion has been a good step to bring the vast majority of our population into the mainstream. In spite of various steps taken by the government for several years India continues to be pre-dominantly a cash driven economy. The ratio of cash to gross domestic product is one of the highest in the world—12.42% in 2014, compared to 9.47% in China or 4% in Brazil. The number of currency notes in circulation is also far higher in India than in other large economies. As of 2012-13, India had 76.47 billion currency notes which is more than double in the U.S. having only 34.5 billion. As to the people's preference they are used to cash transaction so much so that cash dominates even in some areas of shopping malls. In a recent report by Boston Consultancy Group (BCG) and Google India in 2017, almost 75 percent of the transactions in the country is cash based as against 20 to 25 percent in the advanced countries like U.S., Japan, France, Germany etc. As in July last year, 881 million transactions were done using debit cards in the ATMs and PoS terminals. Out of these, 92 percent were used to withdraw cash from the ATMs. This clearly shows the Indian mind set which is overwhelmingly inclined towards cash.

However, the recent cash crunch resulting from demonetisation of high-denomination notes and government's pro-digital economy policies, people are increasingly using e-banking, e-wallet and other transaction apps. The various modes of cashless transaction people use today are cheques, demand drafts, Automated Teller Machines (ATM), NEFT, RTGS, mobile money, E-transfers, PoS terminals, electronic purses/wallets, mobile wallets, credit cards, debit cards, smart cards, personal computer banking (INB), electronic cheques, digitalised 'E-Cash' systems, UPI Apps like SBI Pay, ICICI pocket, PNB UPI etc.

CASE OF PERIPHERAL MIZORAM:

Mizoram is a small hilly state in the North-Eastern corner of India. It has more of international border, i.e., 722 kms. than inter-state boundary, i.e., 495 kms. So, the peripheries of the state, especially in the matter of digitalization, are categorically underdeveloped. In such a state of affairs, the present study has been conducted with a sample of five villages in Lawngtlai district, located at the South-Western part of Mizoram. Some crucial issues were identified pertaining to the subject under consideration and categorised as primary and secondary requirements. The primary requirements for a cashless transaction are to have a bank account, a device, electricity and internet connectivity. The secondary requirements are public awareness, acceptability, reliability in the system and response. Addressing the aforesaid requirements, a set of questions was designed to be administered. A total of 200 questionnaires were distributed among the respondents, randomly selecting 40 each from a village. However, only 182 filled-up questionnaires were received, based on which an analysis is presented below.

1. Bank:

For the population of five villages comprising around 12100 persons there is only one branch each of the State Bank of India (SBI) and its subsidiary Mizoram Rural Bank (MRB). The single officer SBI branch operates at the mercy of the disrupted power supply and server/internet connectivity. While, the MRB does not have all the facilities required for functional cashless transaction. Only 33 percent of the respondents reported to have an account in any one of the banks. The respondents are scattered to a distance of 1 to 65 kilometres from their bank branches. The far-off ones do visit their branches once in a quarter, often to see if there is a credit in their zero balance accounts.

2. Automated Teller Machines (ATM):

For the whole of the study area there is only 1 ATM (SBI). It works usually for 15 to 20 days in a month. Of course, it is not an issue particularly for this place, as irregular functioning is a regular feature of ATMs everywhere. But the problem here is a gradual disregard in the minds of the users coming from far off places and there is no alternative one to go.

3. PoS terminals:

There is not even a single PoS terminal in the study area. No shop or other business organisation uses such device. Payment in cash is the only way out.

4. Cards:

Nearly 80 percent of the account holders have Debit Cards, while only 13 percent are having Credit cards. Due to the irregular functioning of the ATM and non-availability of PoS terminals, the use of the plastic cards is minimal. Out of the total respondents, 12 percent people does not know the difference between a credit and debit card.

5. Electricity:

It is the kernel of the whole system of modern life. But unfortunately, all the five villages are having acute power shortages. The very nature of power shortage is not only uncertain but also prolonged. During rainy season the area remains cut off for two to three weeks at a stretch. Life becomes miserable, not to talk of electronic gadgets to function. Rather, many an electrical item get damaged due to the use of alternative power sources like generators, solar etc.

6. Gadgets:

At a high of 93 percent having mobile phones and out of which 71 percent being smart phone owners, the data seems to be quite encouraging. But except a mere 3 percent, the others use their mobiles for playing offline music, making phone calls, text messages, and surfing the host of social media sites and apps, whenever possible. The figure of computer/laptop owners is very dismal again. Only 7 percent of the respondents have a computer.

7. Internet:

Almost half of the area under study is outside internet coverage. The remaining 50 percent villages have mostly 2G connectivity for 7 to 8 hours in a day. Getting 3G connection occasionally with desirable speed is a matter of climbing certain hill tops. Because of interrupted service 20 percent of the people do not want to subscribe to internet.

8. Internet Banking:

In the absence of proper internet service, the question of internet banking is insignificant. However, 5 percent of the respondent know about internet banking and 2 percent use it, mostly during their visits outside this locality.

9. E-wallets:

Although a reasonable number knows about e-wallets, only 3 percent use it. The most common use is reported to be in online recharging of mobiles, DTH etc.

10. E-literacy:

In the absence of any formal e-literacy awareness campaign by a governmental agency or NGO the people are found to be somewhat informed of the recent digital world. But little learning in an informal way is very much likely to cause havoc in some sensitive web pages.

11. Security:

Nearly three fourths of the respondents opine that, digital transaction is not secured, irrespective of the ones who use or do not use it. This shows people's lack of confidence on the system.

12. E-grievance:

It is the end point of success of the cashless mode of payment. But on this issue 95 percent of the respondents have no knowledge but only doubts. They are scared of any untoward incident especially in the present situation of recurrent fraudulent activities, where not even a single account hacking case has yet been redressed.

CONCLUSION:

Though it will take time to move towards a complete cashless economy sincere efforts should be continued with gradual improvement of the preconditions required for digital transactions. India is a country with dualistic features of developed urban and very underdeveloped rural areas. Again, most of its population, almost two-thirds, resides in rural areas, while around 70 percent of the GDP comes from the urban areas. So, the holistic approach to develop the economy with the vast rural sector seems to be a crucial problem. Specifically, the case of cashless transaction in the country is of paramount importance considering its benefits

and a far reality due to infrastructural bottlenecks. The problem is more acute in the rural areas, in general, and extreme peripheries like that of hilly Mizoram, in particular. For a greater success of cashless economy drive a concerted effort should be made by the government and various service providing agencies to make the provision of urban facilities in rural areas. The dream PURA policy of the 'people's President', Dr. APJ Abdul Kalam can go a long way in resolving the issue in question. Apart from this, the security aspect to combat cyber-crime needs to be seriously dealt with and awareness among the masses be ensured.

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