

CASHLESS TRANSACTION CHALLENGES AND REMEDIES

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Abstract: Indian Government and RBI are trying continuously cashless transaction by using digital or electronic mediums like net banking, credit cards, debit cards, etc. The Government reduces the cases of counterfeit of currency, the crowd and burden of bank to strengthen the Indian economy. The digital payments mechanism is a flagship program of the Government with a vision to transform India into a digitally empowered society. The RBI classifies every mode of cashless fund transfer or transaction using cards or mobile phones as payment instrument. These can be issued as smart cards, magnetic stripe cards, Net accounts, Net wallets, mobile accounts, mobile wallets or paper vouchers. People want no heavy cash on wallet and want digital payment for day to day needs. They want to take advantage of discount by cashless transaction.

Keywords: Cashless, digital payment, remedies, challenges

Introduction

India is moving to cashless economy after demonization of Rs 500 and Rs 1000 currency notes. Indian Government and RBI are trying continuously cashless transaction by using digital or electronic mediums like net banking, credit cards, debit cards, etc. It doesn't mean that government is trying to remove the cash from the circulation but it enhances the habit of people settling transactions digitally. A **cashless** transaction describes an **economic** state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. The term cashless transaction means to reduce cash transactions and settlement of payment through transactions digitally or electronically. On November 8th, government withdrew Rs 500 and Rs 1000 notes- two highest currency from the circulation. Main objectives were to fight against corruptions, convenience, counterfeit money and black money. The whole country is witnessing the effects of demonetization and with our Prime Minister hinting at a cashless economy, many people are left in confusion. How would a cashless economy be beneficial is the question of many. The cashless transfer is soon becoming the most preferred option and there are a number of benefits of going cashless. The digital or electronic transaction of the capital by using net banking, credit cards etc. is called cashless transfer. People can easily pay their bills online, shop and schedule transactions and manage all the finances using their laptops or Smartphone. Going cashless not only eases one's life but also helps authenticate and formalize the transactions that are done. This helps to curb corruption and the flow of black money which results in an increase of economic growth. The expenditure incurred in printing and transportation of currency notes is reduced. In a nation like India, cashless transactions are not widespread and this is due to the technology gap and the lack of proper education. Though these are the matters of concern, the government or the financial institutes need to address them to create a strong cashless economy.



Objective of the Research :

- To identify the different modes of cashless transaction.
- To examine the various challenges in cashless transaction
- To suggest various remedial measure to overcome challenges in cashless transaction.


Research Methodology

- **Population:** Entire people who are involved in cashless transaction
- **Sample size:** 50 respondents
- **Research design:** Descriptive research designs because my research work aims to describe the impact of cashless transaction in Indian economy. Also it endeavors to describe the various challenges and different remedial measures to overcome them
- **Data collection method:**
Primary data: This has been collected through interview of the selected respondent using a suitable questionnaire.
Secondary data: This has been collected through the study of available research journal and data related to cashless transaction.

Results:

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless , Paperless, Cashless” is one of professed role of Digital India. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

These mode are:

 Banking Cards	 USSD	 AEPS	 UPI	 Mobile Wallet
 Banks Pre-paid Cards	 Point of Sale	 Internet Banking	 Mobile Banking	 Micro ATMs

Mode of Cashless Transaction

- 1. Mobile Banking:** Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a Smartphone or tablet. Mobile banking is usually available on a 24-hour basis. Transactions through mobile banking may include obtaining account balances and lists of latest transactions, electronic bill payments, and funds transfers between a customer's or another's accounts. It allows you to use your banking services from any place across the country.
- 2. Online Banking :** Online banking, also known as internet banking, it is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services.
- 3. Credit Card or Debit Card:** Credit card or debit card is another mode of cashless payment .The uses of credit card and debit card is increasing continuously because of multiple uses. Advantages of debit cards is being safer than carrying cash, worldwide functionality due to Visa and MasterCard merchant acceptance, not having to worry about paying a credit card bill or going into debt, the opportunity for anyone over the age of 18 to apply and be accepted without regard to credit quality, and the option to directly deposit paychecks and government benefits onto the card for free.
- 4. RTGS/NEFT:** National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement (RTGS) allow individuals, companies and firms to transfer funds from one bank to another. We can check the RBI website for a list of NEFT and RTGS-enabled branches of bank. These facilities can only be used for transferring money within the country. To opt for these, we need to fill a form providing our or the beneficiary's details — name, bank branch where the account is held, the Indian Financial System Code, a unique code for identifying the branch, and the account number and type. We have to submit a cheque while opting for this facility.
- 5. Cheques:** cheque is one of the popular modes of cashless payment. In this method one issue a cheque for the specific amount to anyone else. The person deposits the cheque into the concern bank. Within two day bank get cleared the amount. The maximum validity of a cheque is three month from the date of issue. The entire transaction done through cheque gets recorded and there is a proof of payment. Although there is a chance to get dishonor of cheque because of not sufficient balance, mismatch of signature, in order to avoid all these issue in cheque book people can goes through cashless transaction.
- 6. Demand Draft:** A demand draft is a negotiable instrument similar to a bill of exchange. A bank issues a demand draft to a client (drawer), directing another bank (drawee) or one of its own branches to pay a certain sum to the specified party (payee). A demand draft can also be compared to a cheque. However, demand drafts are difficult to countermand. Demand drafts can only be made payable to a specified party, also known as pay to order. But, cheques can also be made payable to the bearer. Demand drafts are orders of payment by a bank to another bank, whereas cheques are orders of payment from an account holder to the bank.

7. **Mobile Wallet :** Mobile wallet is a virtual wallet that stores payment card information on a mobile device. Mobile wallets are a convenient way for a user to make in-store payments and can be used at merchants listed with the mobile wallet service provider. A mobile wallet is a way to carry your credit card or debit card information in a digital form on your mobile device. Instead of using your physical plastic card to make purchases, we can pay with our Smartphone, tablet, or smart watch.
8. **Unified Payment Interface:** UPI is a single window mobile payment system launched by the National Payments Corporation of India (NPCI). The system is designed to provide a simple, secure and convenient “single interface” to enable sending and receiving of money using Smartphone through a "single identifier" which can be a virtual address like an email ID, mobile number or Aadhaar number (like the Social Security Number). It eliminates the need to enter bank details or other sensitive information each time a customer initiates a transaction.
9. **E- Coupons:** These electronic coupons are offered by various online mega stores. They are very helpful in taking discounts on purchase done through online shopping. We only need to enter the e-code and get the discount automatically. They do not require any printing or clipping. They carry unique identification code which can be accessed through the internet at particular sites. Some of the coupons which are available online are nearby coupons, shopping site coupons, etc
10. **Gift Card** The next cashless payment method is a gift card. Gift card is a readymade card and can be purchased from a merchant or from the bank. The gift card is loaded with a fix cash amount you can purchase any item from the specific vendor by using a gift card.
11. **Aadhaar Enabled Payment System :** Aadhaar Enabled Payment System (AEPS) is one of the best cashless payment methods. AEPS is like Micro ATM it uses smartphone and a finger-print scanner for the transaction. In order to use this facility, it is mandatory to link your Aadhaar card to your bank account. You can use AEPS in order to perform transactions like Aadhar to Aadhaar fund transfer, Cash withdrawn, Cash deposit, etc.

Challenges for Cashless Transaction

However, in a country of 1.3 billion people, all are not perfect. Going cashless must be an exponential curve, slow initial buildup then fast paced in later stages, not a digital step signal. That could be counterintuitive to the whole process. India is a large country that needs a change that is systemic and systematic. Here is a list of challenges-

1. **Lack of Digital Literacy :** There are large number of people is still illiterate in India and can be victim of fraud or other malpractices while using digital payment options. This is due to lack of training to handle software; people do not know the way to make digital payments and use of debit and credit card. Many Street vendors, shopkeepers don't know how to use Swipe machines. Also these are not available to them. People in rural still don't know what actually Smartphone mean. For them mobile is still a mode of communication only.
2. **Internet Facility:** Lack of internet facilities and without it a country cannot think of becoming digital. There are still many rural and urban areas where you might difficulty in having access to 2G network, let alone 3G, 4G. Another issue is that sometimes it becomes difficult to note whether your transaction was successful or not. It may be due to the loss of net connectivity in between, or due to a slow connection, or the bank's server is down.
3. **Higher risk of identity theft:** “The biggest fear is the risk of identity theft. Since we are culturally not attuned to digital transactions, even well-educated people run the risk of falling into phishing traps. With the rising incidence of online fraud, the risk of hacking will only grow as more people hop on to the digital platform. Besides, the latest move by the government to remove the two-factor authentication process for online transactions up to `2,000, will not help. Irrespective of the size of transaction, the absence of this additional layer of security will expose thousands to the risk of identity theft

4. **High Cash Dependency:** India has a high cash penetration in almost all of its transactions that happen as B2C transactions. Total cash flow in the market accounts for 12.04% of the GDP, which is among the highest in developing countries. This goes to show our dependence on cash is acute and it requires time to tackle it.
5. **Lack of Digital Infrastructure in Rural Area:** In rural area there are no banks branches. No Atm machines or e lobby facility. Many of the villages where is no electricity and telecom facility so far. The first and foremost requirement of a digital economy is the penetration of internet and smartphone. Not all Indians have mobiles, leave alone net connections. The latest figures from the Indian telecom regulator TRAI, India had a teledensity of 83%, with Bihar, Assam, Madhya Pradesh and Uttar Pradesh with teledensity of less than 70%. Although a billion mobile subscriptions (not users), only 30% of subscribers use smart phones. With 370 million mobile internet users, over 70% of them are in cities while 70% of Indian population lives in villages.
6. **Skepticism in Merchants:** Small time merchants as well as users have high amount of suspicion over plastic money and they need to be educated over the potential benefits of using it. One cannot expect an overnight change in the perception of a majority of Indians over the use of plastic money. Government needs to come out with awareness and incentive schemes to promote digital economy.
7. **High Merchant Discount Rate:** These are the percentage deducted from each purchase a merchant makes by the card issuing authority or bank. These are volume dependent and are more economical if the merchant is able to sell a large amount of products, thereby beneficial for big merchants. For smaller merchants, it does not provide enough incentive to make the shift from cash.

Remedial Measure to Improve Cashless Transaction

1. **Enhancing Online Transactions:** Efforts should be made both by the government, bank and the public to encourage online transaction, thereby promoting digital cashless society. Earlier, the income tax regulations had imposed a rule of scrutiny for transactions above Rs.2 lakh through credit cards in a year and the customers were reluctant to show electronic payments. Now this limit will be extended further. Payments Council of India (PCI) of India released a statement in which it said that overall growth rate of digital payments has already been around 40-70% between different payment products. Debit cards are growing at the rate of 40%, credit cards at 15-20% but with the growth in the overall spend, and cash was also growing. Now it's the beginning of a new era and the cashless industry is all set to expand at the rate of 100% in the next two years. This is a positive sign for the Indian economy to move in the cashless direction.
2. **Financial Security:** Financial security over the digital payment channels is imperative for pushing the cashless economy idea. When recently, the data of lakhs of debit cards was rather easily stolen by attackers, the ability of Indian financial institutions to safeguard electronic currency and exchanges came into question. Also, a big reason why people prefer cash as financial fraud has become too common and complicated for the common person. Huge sums are being invested in anti-fraud systems. Risk-mitigation tools for electronic payments have grown significantly stronger and now surpass those for traditional payments systems
3. **Learning from other Cashless Economies:** India can take into considerations the model of those economies which have already moved towards being cashless economies. Uruguay has put in place incentives for merchants to prefer digital payments. India may need to think about doing so too. Sweden is another example. Even after a full scale-up, a fully financially digitized economy like Sweden still conducts about 20% of its money transaction in cash.
4. **Mobile Wallet:** Credits system supports various payment methods, from cards – credit cards, prepaid cards and international debit cards from any issuer – to alternatives like bank transfer, direct debit, phone credit, payment accounts or electronic money. The platform's Mobile Wallet feature brings together a range of payment methods for consumers to choose the most suitable one for the product or service that they are buying. The platform offers shared horizontal components that not only generate economies of scale by introducing additional scenarios but also enable added-value services, like loyalty and couponing. Credits provide specific support for the sale of digital goods and services by offering phone credit as an alternative payment method. With these features, the platform underpins the service offered by Italian mobile-telephone operators. What sets it apart is the enrichment functionality, a technology that recognizes the user via their telephone number and powers a fast, simple and secure payment experience

5. **Mobile POS:** the latest solution for enabling new business models in the acquiring chain. Mobile POS exploits synergies between an ordinary smartphone or tablet and a PIN pad that reads payment cards and processes transactions in line with the card networks' standards.

Conclusion:

The benefits of cashless transaction through digital payment system have now started blooming in steady pace with more and more people switching to digital modes of receiving and making payment. India is gradually transitioning from a cash-centric to cashless economy. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of modernization in money transactions, with e-payment services gaining unprecedented momentum. A large number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than ever before. With increasing adoption of electronic payments, particularly those driving e-commerce and m-commerce, there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions. Also, a shift away from cash will make it more difficult for tax evaders to hide their income, a substantial benefit in a country that is fiscally constrained.

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