

# Adoptability of Cashless Transactions: Opportunities & Challenges in Perspective of Rural India

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*Abstract*-This research article will be focused on exploring the possibilities, opportunities and challenges in mega diverse India for cashless transactions. In India, minor portion of population is familiar and availing such kind of facilities to do transaction in digitalised form but in numbers it's not sufficient to say full digitalisation. The topic of this research article is related to the concept of 'Cashless Transactions- Opportunities and Challenges in context of India'. Being a mega—diverse nation in many aspects, the execution of any policy depends on the understanding and estimation of the degree of responsiveness and its support from the population. The imagination of cashless economy and cashless society leads to the ancient time's activities.

**Keywords:** cashless Transaction, cashless Economy, Economy & ICT, Banking, financial Inclusion

## I. Introduction

Cash and Economy are two different term but both are complementary to each other. In an economy, money in the form of currency circulates like flow of blood in the human body. As there is a buzz in the country that cash should be replaced with some kinds of digitalized currency. In this process surely there would be many unfavourable outcomes. On the basis of some solid and genuine facts, it's obvious that these points may not be ignored so that results may be maximised positively. One of the most obvious fact is that India is a mega-diverse nation. Major population not so much educated, is dwelling in the rural areas under some underprivileged conditions. The major portion of their earnings mainly comes from agriculture or

allied activities of it. The degree of diversity of India can be understand with some facts in terms of literacy, education, social awareness and its adaptability, profession and earnings. This diversity cannot be ignored if desired results are to be

achieved. The planning and execution of policies in accordance of socio-economic structures leads to favourable and desired results. In this process, the requirements other than knowledge are physical facilities such as electricity, internet connectivity, banking kiosk like ATMs or POSs

As in old times there were no cash or no currency but in limited amount, though it was developed gradually, people used to sell or buy goods and services without cash that is called Barter System. Now the transactions without cash are being happened with the help of a third party agreed to pay with digitalized channels.

The other aspect of this article would be to emphasis on the importance of currency in a society and economy in which cash is being used as medium of exchange whether it is small transaction or a big deal. The other means of exchange are avoided such as transactions through bank, cheque, demand draft because of so many hurdles and burden in terms of tax, documentation. There is a need make this system user friendly and pro nation. Transactional structure should match the understanding and

capabilities of the major population and ease of exchange should be provided. As discussed above the basic infrastructural facilities are the backbone and life support for cashless economy. Further it is to be analysed that being cashless is the solution or need of the era? Who is going to get maximum benefits from such kind of activities? There are so many questions similar to above and maximum of them should be considered. As an agricultural based population where electricity, banking services and communication system are not so much developed and sophisticated especially in rural areas which is a major constituent of India, are we ready to adopt such kind of things? In lack of basic education, infrastructure and intension we are heading to an era where majority of the activities will be performed with the help of information technology, computers and its allied devices such as mobile phones and tablets. It will be interesting and courageous to experience such kind of events so that the dream of financial literacy and financial inclusion come true.

II.. Points to be studied

- a. Cash in an economy/Cash to GDP
- b. Drawbacks of cash transactions
- c. Adoption & Benefits of information technology (IT) for Cashless Economy
- d. Challenges in adoption of IT for financial transactions

All these points would be discussed thoroughly to get a deep understanding of them.

II.a. Cash in an economy/Cash to GDP Ratio

Before discussing this point further, the concept of cash should be understood. Cash is simply currency in printed form. This printed form of currency is called Notes. The total value of notes that are out with- people, companies and banks and prevailing in economy- is the total cash. How much cash should be out there in economy in comparison of GDP, an important and crucial part of economic decision making process? For this purpose ratio method is

adopted. It is to be necessary to know the relationship between cash and GDP and its impact on economy. The ratio of cash to GDP is calculated to estimate the value of cash to be out in circulation. Cash to GDP Ratio is calculated by dividing ‘the total cash out with people, companies, and banks’ by the monetary value of GDP. Symbolically

$$\text{Cash to GDP Ratio} = \frac{\text{Total cash}}{\text{Monetary value of GDP}}$$

The result may be high or low ratio depending upon the prevailing situations. High ratio of cash to GDP implies that more transactions are done with cash not by electronic money. If there is high ratio, situation may be in which at some point of time loans would be unpaid because of high spending’s of people. It may be a matter of debate because economics theories’ adoption varies as per the requirement of the nation. There may be different approaches towards this but before adoption of such kind of policies, different factors are to be considered. This ratio has an impression on economy. Some economists is of the view that high rate of corruption would be in and inflation is on above the average just because of high spending in cash. Due to high ratio of cash, the supply of it would be above demand and result in increasing inflation and interest rates in economy. So it is suggested to keep corruption at zero or minimal and inflation under control, Cash to GDP ratio should be preferred at minimum.

II.b. Drawbacks of cash transactions

The buzz of being cashless and replacing it with e-cash is sounding at high nowadays. Why should it be adopted? It is the crucial part to think. Being cashless surely will be a strategic success and will have positive impacts on economy and society. The convenience and ease of cashless transaction cannot be ignored as it is evident that carrying cash and doing transitions with it, is not so easy every times. For this there are some points that supports the

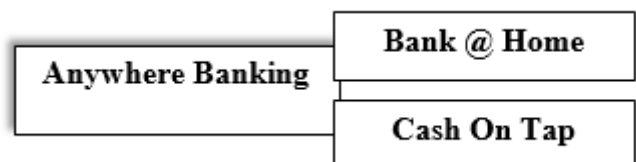
motion of being cashless. *Firstly*, the fear of losing and stealing of money in the form of cash is always arisen and potential of it always alive. Cash transaction for high amount of expenditure is not good and beneficial for economy as there may be the chances of tax evasion. In any emergency and contingency cash is not always helpful because carrying and procuring large amount of cash carries a high risk of stolen and robbery. *Secondly*, when it comes to small or petty transactions, there is an issue which always remain challenge for traders and customers that is the availability of change or *chillar*. *Thirdly*, the expenditure methods of Indian are traditionally based on cash and most of the time they prefer to do transaction in liquid (cash). Though this is easy and simple but carries high risk now. As there is practice of fake currency in circulation in economy and lack of awareness among the customers about real vs fake notes, the risk factor is very high is cash transaction. The chances of fraud are increased when a cash transaction took place in a new market. Generally rural or undereducated population is easily trapped in such kind of transactions with fake currency.

So it is very obvious that a system which carries such drawbacks with it, how and why it should be remain in practice? It is matter of concern to carry or not to carry it.

#### II.c. Adoption & Importance of Information Technology (IT) for Cashless Economy

As explained above, it has been found that cash transactions have some issues. How can these issues be resolved, a matter of concern? Nowadays or it can be said that in last decade commercial society had many changes in the form of updating receipt-payment practices. The use and adoption of technology had played a significant role in this progress. The importance and contribution of Information Technology (IT) is above of them. This particular branch of knowledge has changed the practices and perspective of business and economy. The contribution of IT in the field of economy

(cashless economy) can be understood by the fact the banking system, share markets, insurance business and many more are established and run by the application of it. The importance of IT is very oblivious and it is not hidden to anyone. The developments in the form of new methods and practices in receipt-payment are very clear and impressed its user too much. The different technological convergence like Credit Cards/Debit Cards, ATM, EFT (Electronic Fund Transfer), DeMat Account, Mobile Banking, Internet Banking are in practice and became the important part of our personal as well as professional life. Today if somebody want to make a payment of any utility he/she used, there is no need to go anywhere. There is only a requirement of PC/Mobile with internet and with few clicks payment is done. This is the point showing the advantage of Information Technology. The banking services nowadays are like wishes becoming true. The ease and availability of such services which are based on IT applications can be seen as doing transactions as per the need and choice with no boundary of time. The following figure shows the nature of banking services with IT today.



In rural areas where there is a gap between modern services and end users, IT is paving it and providing better options to make high utility of the services. The focus of such kind of services is to reach underdeveloped section of society to get them into mainstream. With the use of IT, the motive of financial inclusion as well as cashless economy may be achieved in near future.

Benefits of E-banking and Cashless transactions in perspective of rural population where most of them are not using such services even not aware about

them, are not to neglect and need to emphasis on this. There are some points explain the benefit.

- In rural India banking system is not much developed and its physical presence in every corner of rural areas not possible today. In such case the customers of bank have to travel to reach it for deposits and withdrawals of cash which is inconvenient and risky as well. For this IT has contributed a lot as *Anywhere Banking*. No matter wherever you are in the world, many services of banks such as balance enquiry, request for different services, issuing cheque book, cash transfer, payments to utility etc. is possible sitting at your place.
- Second most important aspect of Banking with IT is *Anytime Banking*. Earlier banks and its customers were bound to do transactions in stipulated time frame but now one can manage his/her bank account at any time as per the convenience and track real time fund movements, most importantly, 24 hours a day, 7days a week.
- Information Technology leads to convenience and this is a booster for customer and bank as well. It has a psychological positive impacts.
- Cash withdrawal was a big task in previous years but today it is so easy and quick that a person withdraws cash from any branch and any ATM 24\*7.
- Shopping has been a great fun but due to problems with cash and visiting crowded market place, it became a nightmare for most of the people. Online shopping of goods and services with online payment facility for the same has made the life easy. With few clicks one can purchase goods and services of his/her choice with ease and hassle free process. Last but not the least, use of IT in financial transactions, domestic utilities, business and profession cannot be ignored and surely that is the future of all.

Though use of IT seems good and easy today. But there is another facet of it and this is the ignorance, avoidance, non-compatibility of it to the majority of population in India. In India there is a gap between technology and its end users, gap between literates and illiterates, resources and consumers. So it seems that the adoptability of IT especially in rural areas is a mirage. The efforts must be taken to pave such gaps. Due to this, the new problems and challenges are arising day by day. In this section of this article, the focus would be “the issues and challenges in using Information Technology for cashless transactions. As it is known that majority of population of India is dwelling in rural areas, based on agriculture and its allied activities with underdeveloped resources. They are generally uneducated, unskilled and untrained in perspective of using IT based services for their profession, business or domestic use. Generally they feels hesitated and avoid to use IT based services with a sense of fear and insecurity of their resources and errors while processing. The reason behind it, may be the communication gap between them and services providers. Generally they are unaware, not communicated even not convinced properly. For the adoption of cashless transactions, they are to be mobilised and convinced about the importance of such services. They also must be assured that their resources are secured and fully protected. The detailed and proper campaign on “how to use and how to protect fund and avoid financial loss while using IT based financial services such as fund transfers, online shopping, online recharge or payments, cash withdrawal by ATM etc. They must be able to adopt this without any fear and their maximum participation should be sought so the mission of cashless transaction can be achieved. There are some important aspects which must not be ignored while promoting such initiatives in rural areas. In other words, these are the issues which are prevailing in the scenario and challenging the system. Due to these issues, system is not

developing in terms of adoption and these are given as follows:

- **Financial Inclusion**This is a fact which not to be ignored that without having bank accounts the dream of cashless transactions cannot be completed. Major part of population is still out of reach of banking services. If they are having accounts, they are not interested to be a part of this system. They limits themselves to go a bank only when the subsidy or other financial benefits are to be received. This tendency of the people is making this initiative weak and vulnerable. The concept and importance of financial inclusion must be explained and they must be convinced to be a part of it.
- **Lack of IT Based Equipment**In rural India majority of population is lacking basic facilities so having or using techno equipment still is a dream. Most of the people are not using smartphones by which this issue may be resolved up to a certain extent. The cost of smartphone, laptops or computers is to be considered as a big challenge in this regard.
- **Lack of Technical Knowledge**In general, it is seems that most of the people do not want to do online transaction due to the inability of them. Because they are unskilled and lacking a technical knowledge about the operation of these IT based services like using of ATM securely, online fund transfer, online payments for shopping and many more. So it is clear the lack of knowledge and skill is creating hurdle in the path of cashless transactions. It is big task to make them skilled and fearless to do such transaction securely and safely.
- **Cyber Security**This is the crucial part of this mission. At present the rate of cybercrime is alarming in India. The laws related to cybercrime in India is not so effective to curb on it. The cloning of ATM card, hacking and fishing of bank details and

accounts, theft of personal and confidential information is not a new thing in our country. There are so many complaints regarding such kind of crimes nowadays where hackers or fraudsters catch their target very easily. Here one thing should be kept in mind that due to lack of awareness and skill, such crimes are to happen again and again. Other aspect of this issue is the role of government agencies and police. Most of the time they are helpless in such cases.

- **Network & Connectivity**As this article is based on the perspective of rural India so the availability of internet is the prime factor for cashless transactions. Even in urban India the connectivity is not stable and proper so what can be expected for rural areas. In modern age where internet is the lifeline of any social and commercial world, India is lagging far behind in comparison of other countries in this race. The frequent discontinuation of internet connectivity is a very serious problems. The reasons behind it, the increasing demand with limited supply and non-upgradation of networks equipment. How would a customer prefer an online transaction if the frequent fluctuation and unstable connectivity persist always.
- **Affordable Services**The chances of success and failure of cashless transactions is totally based on the degree of interest of the end users. At present the cost of the data which is high comparatively and extra charges on online transactions, both are somehow affecting the progress of this task. Still in our country, major population is using basic mobile phones even some are using none. For cashless transactions, PC or Smartphone is a basic requirement. After it internet data is another requirement. These both will surely increase the financial burden of the user. Other aspect is that doing transactions online, it becomes costlier due to the extra charge imposed by services provider. Finally

overall cost will increase and the user never prefer an expensive product or service. So alternate affordable services should be provided.

- Availability of Electricity The fuel or the source of energy to propel this initiative which is not be forget and it is the availability of electricity. The electricity which is absolutely centre of all such initiatives. The fact which is so scaring that country like India, proper supply of electricity is still a dream for major population. Even there are some places without no supply and infrastructure of it. PCs and smartphones are the main instruments to be used in making a country cashless and these equipment without electricity are of no use.

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