

# GENERAL ESSAY 2020

## Cash-less or Less-cash Economy?

For many of us, paying with a debit or credit card is no big deal. Coffee? Swipe it. Supermarket? Swipe it. Bus? Whatever we want, all we have to do is swipe it! Paying with cards is easy, safe and it allows us to move around the city without those bulky wallets full of cash in our back pockets. But how close are we really from a 'cashless society'?

In some developed countries, especially Scandinavian ones, the idea of leaving cash behind has been gaining traction rapidly. Sweden is a perfect example of how civil society and businesses are moving towards a cashless reality.

Last year, a nationwide research conducted by Sweden's Central Bank Riksbank showed that almost all transactions made by Swedes in 2018 have been processed digitally, either by swiping their debit/credit cards, using contactless technology (NFC), or relying on mobile applications, such as Apple Pay, Google Pay like Paytm in India.

Research also highlights a sharp reduction in cash withdrawals from ATMs.

It is predicted that Sweden will become the first cashless economy in 2023. But Sweden is not alone in the cash-free race. Norway, Finland, Iceland and Denmark are also on the same path to replace physical money with digital.

Regrettably, the way the Nordics are embracing cashless solutions for their everyday lives is in high contrast with other countries' relation to money.

As it turns out, cash continues to be the preferred payment choice in 75% percent of countries. Nearly half of financial transactions in these nations are made in paper money.

But cashless transactions hold promise.

financial inclusion where digital currency offers great promise, through its ability to reach people and businesses in remote and marginalized regions.

Saves costs for banks as they do not have to set up unviable branches in remote areas two-thirds of the total underbanked population owns a mobile phone.

They can have financial services like loans, saving accounts and investment products.

Central banks also benefit from moving to a cashless society. Printing of physical money is a big expense for central banks. One that, in certain cases, can cost up to 1.5 percent of a country's GDP.

An IMF working paper suggested there are two key benefits of digital currencies:

- Cost reduction of supplying cash to the public: nowadays it involves multiple processes as printing, storing, and distributing cash
- Improvement of user convenience: no need to visit ATM to perform basic operations, like depositing, withdrawing funds or paying for bills

### **Less-Cash, Not Cashless**

Undoubtedly, taking cash out of people's lives, governments, and businesses and replacing it with digital versions of it offer a long list of benefits, such as enhanced security, higher convenience and efficiency and lower costs. But to make it happen, there are plenty of challenges to be overcome. Cash dependency is largely linked to culture and available payment options. In Latin America,

1. a history of banking crisis,
2. government defaults
3. current lack of quality financial services and
4. digital tools seem to explain why cash is the chosen medium among South American consumers.

According to the World Bank's Global Findex Report 2017, the three most commonly cited barriers to open bank accounts were

1. lack of enough money,
2. no need for it and
3. their cost.

There are other reasons as well:

1. risk,
2. financial illiteracy
3. cumbersomeness,
4. non-availability most of the time

5. need for secrecy
6. financial institutions are too far away.

People trust cash because

1. it's free to use and readily available for consumers,
2. it's confidential,
3. it can't be hacked and
4. it doesn't run out of battery power–

These unique qualities continue to hold significant value to people.

### **India-specific**

Research was conducted on the views of people on introduction of less cash economy in India. The study was conducted in Dehradun region & data was collected with the help of structured questionnaire and analysed using simple percentage method. Responses from respondents shows that less cash economy will help in

1. curbing black money,
2. counterfeit's fake currency,
3. fighting against terrorism,
4. reduce cash related robbery,
5. helps in improving economic growth of our country.

Major challenges that can hinder the implementation of the policy are

1. cyber fraud,
2. High financial illiteracy rate,
3. attitude of people,
4. lack of transparency & efficiency in digital payment system.

The study shows that the introduction of cashless economy in India can be seen as a step-in right direction. It helps in growth and development of economy in India.

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Future is on the side of a cashless world, but the integration and implementation of digital payment technologies is likely to be carried out gradually. That said, we say with confidence that we're heading to a less-cash reality with hopes of a cashless one.

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