Research Paper
Impact Factor: 4.729
Refereed, Listed & Indexed

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

METAMORPHOSIS FROM CASH TO CASHLESS – DELVING INTO TRINITY OF FINANCIAL INCLUSION, EMPOWERMENT OF RURAL SOCIETY AND BEHAVIOURAL CONNOTATIONS

SunitaRamaswamy*   Sandhya Parnandy**
**Assistant Professor, T John College, Bengaluru.*
***Assistant professor, T John College, Bengaluru.*

Abstract
The world has come full circle, from the times of trading goods and services in exchange for goods and services in order to get cross benefits, thereby satisfying mutual needs and wants, simply called as ***barter****to the legal tender or* ***currency*** *that divided the globe on the basis of economic, political and social empowerment and dominance to the* ***digital barter*** *age or virtual currency bitcoin era which has made the human race to go back to bartering albeit in a brand new avatar that has seamlessly incorporated cryptography and digital payment system The Indian economy, with the advent of technology and the rise of Artificial Intelligence, is witnessing a gamut of changes that throws down the gauntlet to a new way of doing business. From the Indian perspective, apart from the technology and infrastructure confrontations, there are various determinants and aspects that may become potential roadblocks for a seamless transition. The authors, through this paper have made an earnest attempt, in the form of a non empirical research to understand the behavioural dimensions, the strategy of financial inclusion and empowerment of the rural sector and what our nation encounters in making the changeover to a cashless society.*

Keywords: Cashless Society, Digital Barter, Behavioural Dimension, Financial Inclusion and Empowering Rural Society.

Introduction

Money in itself is nothing- a piece of paper or a metal coin. Money derives its value by being a medium of exchange. It allows people to trade goods and services and is a unit of measurement for the value of those goods or services.

Money in some form has been a part of human history for at least the last 3,000 years. Paper bills were first used by the Chinese, who started carrying folding money during the Tang Dynasty (A.D. 618-907), mostly in the form of privately issued bills of credit or exchange notes.They used it for more than five hundred years before the practice began to catch on in Europe in the 17th century. While it took another century or two for paper money to spread to the rest of the world, China was already going through a fairly advanced financial crisis: the production of paper notes had grown until their value plummeted, prompting inflation to soar. As a result, China eliminated paper money entirely in 1455 and did not adopt it again for several hundred years.

By the mid-1800s, before the arrival of cash, gold was used as the currency of choice and most countries across the globe had adopted the gold standard. Therefore, the country with the most gold was the wealthiest. By the mid-1800s, most countries wanted to standardize transactions in the booming world trade market.It guaranteed that the government could redeem any amount of paper money for its value in gold. Gold rush had a huge impact on the stability of gold prices and indirectly the currency value. Every time miners found large new gold deposits, the price of gold and the currency value would drop. In 1913, the US Congress created the Federal Reserve to stabilize gold and currency values. But World War I followed by the Great Depression, slowed down the positive impact that could have been created by the Federal Reserve policies. On January 30, 1934, the Gold Reserve Act prohibited private ownership of gold except under license. The Depression ended in 1939 and this allowed countries to go back on a modified gold standard. The 1944 Bretton Woods Agreement set the exchange value for all currencies in terms of gold. It obligated member countries to convert foreign official holdings of their currencies into gold at these par values. Gold was set at $35 per ounce. The gold standard ended on August 15, 1971. That is when President Nixon changed the dollar/gold relationship to $38 per ounce. He no longer allowed the Fed to redeem dollars with gold. That made the gold standard meaningless. Once the gold standard was dropped, countries began printing more of their own currency. Inflation usually resulted, but for the most part abandoning the gold standard created more economic growth. Paper currency now had guaranteed value tied to something real and this increased the trust needed for successful global trade.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

Once the gold standard was dropped in 1971, countries began printing and minting more of their own currency. Since then, the use of paper money has dominated the world economy.[Fig 1]

Let us go back in time, **barter- the fine act of exchanging one commodity (goods or services) for another, without the use of money, the first cashless society human race ever saw!**

This trading went on for years, despite the hurdles and hiccups, with exchanges that ranged from livestock to cattle to agricultural produce and along with the system came the difficulties of finding persons who wanted your goods and who in turn had something of use to offer you – aptly termed as the double coincidence of wants and obviously lot of time and energy was wasted to narrow down on the search for prospective buyers and sellers! Without the common measure of value, people were hunting, fishing and growing crops to exchange for things and commodities that they wanted and equating with the traded goods and many lost out on the bargain due to the perishable nature of the items.

Man's obsession with technology has seen new and innovative means of doing business. The increasing impact of technology on businesses and the quest to simplify transactions, has led to the introduction of plastic money as early as 1900's. Charge-cards laid the foundation for debit and credit cards. In 1958, Bank of America introduced a unique card that could be used to purchase anything at participating merchants with the concepts of credit limit and grace period. This revolutionized the credit card industry and later on went on to become the VISA network. The coming years saw the introduction of MASTER CARD and DISCOVER and these are still the largest players in the credit card industry.

With the internet reaching the far flung places of the globe, ease of transactions and security were the foremost factors that led to the development of a digital banking and virtual currencies. The concept of digital currency started in 1996. Ideas like E-gold, Web Money, Liberty Reserve and Perfect Money captured the attention of people but had to shut down due to technological or regulatory reasons. However, learning from the mistakes of earlier digital platforms, Bitcoin was first introduced in 2009 and seems to have hit the right cord. Following the popularity of bitcoin, there are new digital currencies that have come up, including national currencies. Ecuador has adopted its own digital currency and even Barcelona; Spain has plans on including digital currency as its legal tender.

Is it a farfetched Utopian dream, the answer is a definite **NO**, if we consider the pace with which technology has evolved over the years and how digitization has conquered our lives but maybe a ***small YES*** to the aforesaid question if we ponder and muse over human behaviour and mindset, the ***rigidity*** to accept a new way of life, the human psyche to ***resist*** change and the ***inherent fear and insecurity*** psychosis existing in people and ***awareness***with a ***sense of preparedness***in terms of technology and infrastructure.

Literature Review

- In their study - Empirical Analysis of People Awareness, Attitudes and Implications of Cashless Society Policy in Nigeria by Haastrup V Adeleye, Olukumoro S Olugbenga, Yekini N Asafe have discussed at length the introduction of digitalization in Nigeria, the problems encountered while on the gradual shift to the new economy and the difficulties faced in implementing this idea.
- Report by VISA research team on accelerating the growth of digital payments in India, a 5 year outlook presents insights and vision for the transformation into digital payments mode.

Methodology

The paper does a non-empirical analysis on the efforts of financial inclusion of the rural sector, the attempts and initiatives on empowering the different segments and the attitudinal and perception of the average Indian towards digitization. A three pronged outlook on stride towards cashless society in India is undertaken and the inferences, discussions and conclusions are purely based on secondary data available with different Government and private sources.

Analysis and Inferences

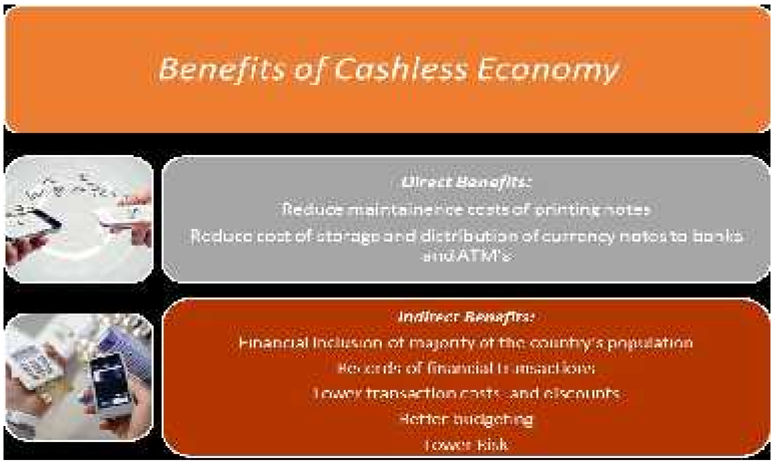
The hypothesis and rationale for making a society cashless are abundant and innumerable and listed below are some among them:

1. Ease and Convenience: The biggest gain for the people is the ease and convenience of transacting irrespective of the volume of the transaction. The driving force to move into a cashless economy is the convenience it offers. One need not carry big wads of cash or stand in queue at banks or ATMS's to complete transactions or be tied down to doing transactions only during business hours. A cashless system gives the freedom and the convenience to pay anywhere, anytime and especially during emergencies like in a hospital

2. Discounts and Paybacks: The array of discounts and options like interest free EMI's prove to be a huge incentive for people to go the cashless way. Loyalty and bonus points accrued on debit and credit cards are a huge incentive for people who look for 'something extra' in each transaction. This means that in effect one pays much less than the actual which results in greater savings and a great impetus to use cards

3. Tracking: Digital footprints and records of transactions make it easy for people to keep track of their spending. No need to sit with multiple bills and receipts to reconcile their spending at the end of the month. Easy access to all their transactions gives people a fair idea of how much they are spending and their spending habits. The digital records also make it easier to file taxes as well as scrutinize their spending and all transactions are on record and authenticated leading to a corruption free environment

4. Budgeting: The digital records give people a better idea about their spending habits which results in better budgeting. There are a plethora of apps and tools that help people analyze their spending patterns. This trickles down to a controlled spending as people will have fewer leaks in their budget at the end of the month due to over spending loose change and smaller currency notes.



5. Lower Risks: It is easier to block a stolen debit or credit card versus recovering a stolen wallet filled with cash and in this sense, digital transactions offer a sense of security especially during travel when carrying wads of cash can be both risky and cumbersome. The future of cards is even more promising in terms of security due to additional features like biometrics (fingerprints, eye/iris scan etc).

6. Less Costs: Cost of minting and printing currency is considerably brought down

7. Digital Barter: Data got on digital transactions can expand the E commerce and business to business transactions

8. Drives Economy and GDP: The spending pattern of the public increases with card usage which means the economy looks up.

9. Curtailing Illegal Activities: Curbing the menace of black money, funding for terrorist activities, tax evasion, counterfeit currency, funding of political parties and elections, etc with digitization

10. Growth of Businesses: Helps start-ups, businesses, entrepreneurs and others in a big way

11. Financial Inclusion: All strata of the society join the main stream and this aids progress and development
Regardless of the progress made, India still is a cash-intensive economy and we have miles to go to get into an absolutely 100% cashless economy

- Fewer than 35% of Indians above the age of 15 have used a bank account and less than 10% have ever used any kind of non-cash payment instrument. In fact, the percentage of India's population that has accounts with formal financial institutions (35%) is significantly lower than that of Kenya (42%), Brazil (55%), and China (63%)
- India's cash intensity also stands out in contrast to other developing countries. The value of notes and coins in circulation as a percentage of GDP in India is 12.04%, compared to 3.93% in Brazil, 5.32% in Mexico, and 3.72% in South Africa.

For a cash intensive economy like India, the move from a cash to a cashless society is not a seamless transaction as it involves various factors like governmental policies, infrastructure support, financial inclusion and literacy of the majority of the population, empowering rural society and changing the human behaviour.

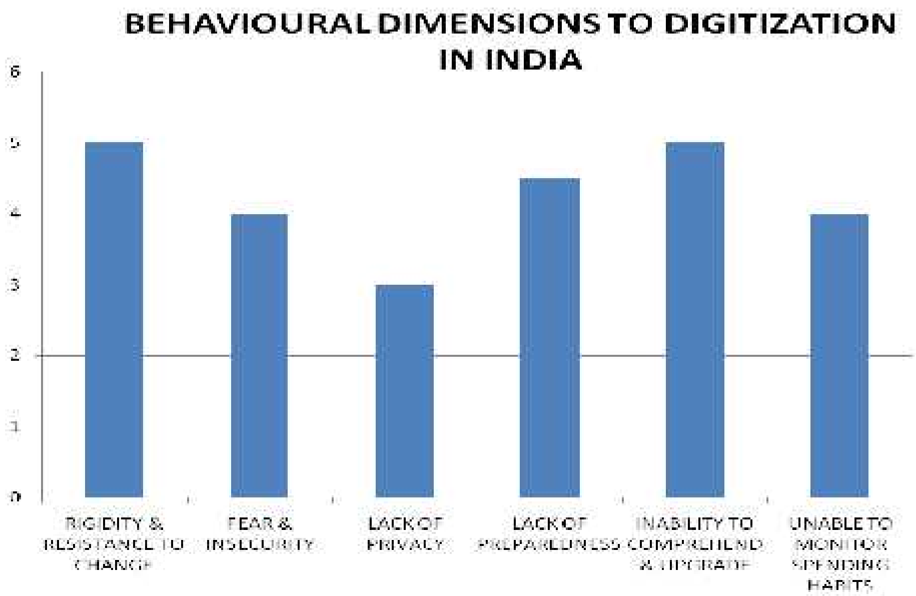
IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

Discussion

Insecurity and Paranoia of a country with over 120 billion people, when suddenly led into unchartered territories with absolute or little information can cause mayhem, anarchy and total chaos. For a country where majority still live in the villages with little or no access to banks or internet, coupled with the lack of connectivity and illiteracy, digitization is a mammoth exercise and the changeover has to be quick and simply cannot be gradual**.**

To a great extent, the heavy dependence on cash transactions can also be ascribed to the high cost involved in credit cards and incidentally, they were the first digital cards to enter the Indian marketing scenario and which did not have the desired impact on the reduction of cash usage. The massive urban-rural divide tilts heavily in the favour of preferring hard currency and this frame of mind had to undergo a tsunami like change.

The column graph below is the authors' perception of the reasons that can be attributed for the resistance to shift and evolve. The causes are marked on the X-axis and they are graded on a scale of 10 as shown on the Y-axis.



The Government took the initiative to the next level as mere opening or registration of accounts do not make any sense until and unless there are transactions happening with debit and credit payments and receipts. In order to avoid dormancy, these bank accounts were linked to domestic cooking gas connections wherein the subsidies were credited to the bank accounts. The bundling of insurance and pension schemes with the bank accounts added that much needed "security" element in the minds of the public. Another initiative that was started on a pilot basis under the UPA rule in 2013, but was given the right push under the Modi government was the 'Direct Benefit Transfer' (DBT). DBT is an attempt to change the mechanism of transferring subsidies directly to the people living below poverty line through their bank accounts. The main aim of this scheme was to plug delays, eliminate middlemen and remove ghost beneficiaries. Though the DBT mechanism started in 2013 under the UPA on a pilot basis, it took off in a major way only under Modi government after the LPG subsidy scheme (PAHAL) was commenced through the DBT mechanism in November 2014. As per the latest government figures, the savings due to DBT over the last three years have touched Rs. 50,000 Cr. as on December 31, 2016[18]

Conclusion

Last year was a watershed year as far as the movement was concerned with the demonetization of high value Indian rupee, a move that was mostly misunderstood to cleanse the Indian system seeped in corruption and hawala transactions. Though this would have been one of the objectives of the GOI, the prime goal was to catch the people unawares on the cashlessness front and inadvertently pushing the public towards cards by using the cash crunch or crisis as a tactic. This, we believe was a master stroke that forcibly transformed all categories of people, whether informed or otherwise, young or old, literate or illiterate, to a paperless world and most of them could ***sense, perceive, understand, comprehend and eventually reap the benefits of digitization***. The availability of technology products that are easy on the wallet such as POS machines, micro swiping gadgets, cheap smart mobile phones and the plethora of payment option applications have made the preparedness factor look easy.

Attitude and Perception are undoubtedly the two catalysts that can trigger the change and thought process and be the stimuli for taking the first measured steps in getting that connect to transform India. The human behaviour component in the implementation of a mammoth exercise is therefore essential and vital as they activate the transformation mode. Countries of the world from the most developed to the far flung ones such as Sweden and Nigeria, which are like chalk and cheese in terms of advancement of technology, financial inclusion and exposure have slowly and steadily adapted to the digital system. Statistics reveal interesting pictures on the peoples' acceptability and evolution which is the hallmark of human nature. Though the genesis of a cashless India has just begun, the metamorphosis within the shortest possible span of time of a vast population can be applauded and appreciated. The radical change in emboldening India was beyond doubt brought about by behavioural adjustment, correction, variation, refinement in addition to rapid strides in technological innovations.

The impending challenges before us that are potential roadblocks to the realization of a cashless society can therefore be summarized as:

1. **Infrastructure:** One of the major roadblocks is the infrastructure of the country. There is a lack of basic amenities like healthcare, sanitation in the rural sectors and semi-urban areas despite campaigns like Swachh Bharat Mission Another major challenge is waste management. The growth of private healthcare organizations in the urban areas has been tremendous. However, the rural and semi-urban areas are still struggling to get adequate healthcare facilities. It is also essential for the government to improve the connectivity of the rural and semi-urban areas to make them accessible so that the latest technological innovations reach the remotest parts across the length and breadth of the nation.
2. **Education:** Education is the single most important factor to ensure gender equality and empowerment. There have been various policies run by the government to encourage primary and secondary education. The HRD ministry statistics show that the gender parity is dropping and the adult literacy rate has seen a steady rise. However, it is important for the government to make education accessible to people in rural and semi-urban areas. The linking of education to skill development will play a key role in building a workforce which is trained and employable.
3. **Empowerment of Women:** Any society can develop and prosper only if there is gender equality both in terms of education and opportunities. Programs like 'BalikaSamriddhiYojana' and 'SukanyaSamriddhiYojana' are initiatives with good intentions for gender equality but are not effective due to the lack of force in implementation. To be effective, these initiatives need the same kind of drive and importance that has been seen in DBT or UID schemes.

The idea of a digital and cashless society is the way of the future. India has plunged head-on into this futuristic scenario and is facing various challenges on the way. The initiatives taken by the Government are certainly taking the country in the right direction however; there are some foundations that the Government needs to build on to ensure that the country does not fall back into a cash society scenario again. The excellent move of demonetization set the ball rolling in the right direction towards a Digital India. The government needs to ensure that economic policies are stringent enough to curb the money from coming back into circulation. Measures to improve the infrastructure and reach of technology to the remotest corners of the country will be the fundamental building blocks on which the idea of a digital India can survive. Education and empowerment of women will have a direct impact on the peoples' behaviour which is essential for the acceptability and continuance of any new idea or system.

Time has come for technologies to educate, assist and support concerns in the form of antivirus, firewalls, intrusion prevention and other security tools. It becomes imperative therefore to identify and categorize the population and embed the security system to a maximum possible extent to have controls, devices and applications in place and the reaction and response time is minimal. This enables quicker and efficient management of risks before the users can get to know the elements.

References

1. http://www.mastercardadvisors.com/ -Measuring progress toward a cashless society - Author: Hugh Thomas Exclusive insights from MasterCard Advisors.
2. The origins of the cashless society: cash dispensers, direct to account payments and the development of on-line real-time network, c 1965-1985 - Bernardo Bátiz-Lazo, Tobias Karlsson, BjörnThodenius.
3. Who's afraid of the cashless society? Belgian survey evidence - Ellen Loix Ph.D. Candidate Centre for Work, Organisational and Economic Psychology (WOEPS) Free University of Brussels Roland Pepermans Full Professor Centre for Work, Organisational and Economic Psychology (WOEPS) Free University of Brussels Leo Van Hove * Associate Professor Centre for Economic, Monetary, and Financial Policy (ECON) Free University of Brussel.
4. Governor ErkkiLiikanen European Parliamentary Financial Services Forum, Brussels, 1 April 2008 Electronic and mobile payments - moving towards a cashless society?
5. Electronic Money and the Possibility of a Cashless Society.
6. Georgios Papadopoulos - Erasmus University Rotterdam.
7. The consumer in society: Utopian visions revisited – Author - Jonathan Edward Schroeder (Visiting Professor, Department of Industrial Economics and Management, Royal Institute of Technology, Stockholm, Sweden)
8. http://cashlessindia.gov.in/
9. http://www.paymentspost.com/indian-card-industry-interesting-statistics/ -Accelerating The Growth of Digital Payments in India – a five year outlook in the year 2016.
10. http://www.visa.co.in/aboutvisa/research/include/Digital_Payments_India.
11. Empirical analysis of people awareness, attitudes and implications of cashless society policy in Nigeria.
12. Moving from Cash to Cashless: Challenges and Opportunities for India - BappadityaMukhopadhyay - Great lakes Institute of Management, Gurgaon.
13. https://uidai.gov.in/
14. Fig 1: http://www.telegraph.co.uk/finance/businessclub/money/11174013/The-history-of-money-from-barter-to-bitcoin.html.
15. James Surowiecki writes The New Yorker's popular business column "The Financial Page." He is also the author of the best seller The Wisdom of Crowds (Doubleday, 2004).
16. http://timesofindia.indiatimes.com/governments-digital-push-top-11-incentives-for-cashless-transactions/listshow/55876568.cms
17. https://www.pmjdy.gov.in/account.
18. http://economictimes.indiatimes.com/articleshow/57240387.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.