

SOCIO ECONOMIC IMPACT AND ANALYTICS OF CASHLESS ECONOMY

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ABSTRACT

A cashless society does not use banknotes or coins for financial transactions, but rather digital information (usually an electronic representation of money). As early as the beginnings of human civilisation there have been cashless societies based on barter and other ways of trade, and current cashless transactions are also conceivable utilising digital currencies such as bitcoins (as well as credit cards, debit cards, and mobile payments). As a result, the phrase "cashless society" is used in this article to refer to a society in which cash is replaced by its digital counterpart, which means that legal tender (money) is only available in electronic digital form and may only be traded electronically. While this idea has been addressed extensively due to a rapid and expanding usage of digital ways of recording, managing and trading money in many areas of the globe, transactions that would previously have been done with cash are now commonly done electronically in many parts of the world.

KEYWORDS: *Socio Economic Impact of Cashless Economy, Cash less financial System*

INTRODUCTION

The use of non-electronic payment methods has been restricted in several nations, particularly in the developing world. Electronic banking became widely used in the 1990s, which sparked a shift away from cash transactions and settlements in everyday life. By the decade of the 2010s, several nations have adopted digital payment methods such as PayPal, Apple Pay, contactless and NFC payments through electronic card or smartphone, and electronic bills and banking [1]. When it came to certain types of transactions, cash was deliberately discouraged, and bigger cash quantities were viewed suspiciously because of its adaptability and ease of use in money laundering and terrorist funding. Some suppliers and retailers have even gone so far as to outright ban big cash payments that the phrase "war on cash" has been coined. According to the 2016 US User Consumer Survey Study, 75% of respondents chose to pay using a credit or debit card, while just 11% opted to pay with cash. Venmo and Square were both founded in 2009, and since then, digital payments have become more widely available. With Venmo, you can send money to another person without needing to have any cash on hand. Small companies may now accept payments from their customers using Square's new technology [2].

A mere 2% of the value exchanged in Sweden and just 20% of retail transactions were done in cash in 2016. In the United States, fewer than half of all bank branches accepted cash transactions. In the 1960s, banks persuaded companies to use direct deposit, banks began charging for checks in the 1990s, banks launched the Swish smartphone-to-phone payment system in 2012, and small retailers began using iZettle to take credit cards in 2011.

Share of payments

Estimated share of payments done by cashless methods (from studies published 2008–2013)

Country	%
Singapore	61
Netherlands	60
France	59
Sweden	59
Canada	57
Belgium	56
the United Kingdom	52
United States	45
Australia	35
Germany	33
South Korea	29
Spain	16
Brazil	15
Japan	14
China	10
UAE	8
Taiwan	6
Italy	6
South Africa	6
Poland	5
Russia	4
Mexico	4
Greece	2
Colombia	2
India	2
Kenya	2
Thailand	2
Malaysia	2
Saudi Arabia	1
Peru	1
Egypt	1
Indonesia	0
Nigeria	0

A common measure of how close to a "cashless society" a country is becoming is some measure of the number of cashless payments or person to person transactions are done in that country. For instance, the Nordic countries conduct more cashless transactions than most other Europeans. Levels of cash in circulation can widely differ among two countries with a similar measure of cashless transactions [3].

Across the 33 countries covered in the European Payment Cards Yearbook 2015-16, the average number of card payments per capita per year is 88.4. In comparison, the average Dane makes 268.6 card payments each year, the average Finn 243.6, the average Iclander 375.5, the average Norwegian 353.7, and the average Swede 270.2. This makes card payments in the Nordics two-and-a-half to four times higher than the European average [4].

Amount of cash in circulation

Even though a cashless society is widely discussed, most countries are increasing their currency supply. Exceptions are South Africa whose supply of banknotes fluctuates wildly compared to most nations, and Sweden which has significantly reduced its currency supply since 2007. China's currency has decreased from 2017 to 2018

Banknotes and coins in circulation at end of 2018				
Value per inhabitant (USD)	Code	Exchange rate EOY2018	Value per inhabitant (local currency)	Country or region
\$10,194	CH	0.9842	10,033	Switzerland
\$8,471	HK	7.8319	66,346	Hong Kong SAR
\$8,290	JP	109.9127	911,000	Japan
\$6,378	SG	1.3617	8,684	Singapore
\$5,238	US	1.0000	5,238	United States
\$4,230	XM	0.8734	3,695	Euro area
\$2,404	AU	1.4166	3,405	Australia
\$2,003	KR	1,116.0961	2,236,000	Korea
\$1,924	CA	1.3629	2,623	Canada
\$1,683	SA	3.7500	6,311	Saudi Arabia
\$1,417	GB	0.7813	1,107	United Kingdom
\$1,009	RU	69.6203	70,234	Russia
\$825	CN	6.8778	5,672	China
\$682	SE	8.9562	6,111	Sweden
\$680	MX	19.6438	13,365	Mexico
\$513	AR	37.6680	19,318	Argentina
\$327	BR	3.8812	1,271	Brazil
\$311	TR	5.2915	1,646	Turkey
\$230	IN	69.6330	16,042	India
\$205	ZA	14.3750	2,945	South Africa
\$196	ID	14,410.4803	2,827,000	Indonesia

Amount of cash in circulation (historical)

The amount of cash in circulation was much lower in past decades in all countries except Sweden. The oldest comparative figures at Bank for International Settlements were from 1978 and only including the USD and 10 other currencies [5].

Banknotes and coins in circulation per inhabitant in USD at exchange rate							
Country	2018	2008	1998	1988	1978	2018/1978	annual
Switzerland	\$10,194	\$6,371	\$3,065	\$2,688	\$2,008	5.08	4.15%
Japan	\$8,290	\$7,436	\$3,728	\$2,275	\$724	11.45	6.28%
United States	\$5,238	\$2,927	\$1,679	\$870	\$428	12.24	6.46%
Germany	\$4,230	\$3,324	\$1,759	\$1,300	\$680	6.22	4.68%
Belgium	\$4,230	\$3,324	\$1,244	\$1,127	\$1,229	3.44	3.14%
France	\$4,230	\$3,324	\$804	\$700	\$605	6.99	4.98%
Italy	\$4,230	\$3,324	\$1,205	\$747	\$394	10.74	6.11%
Netherlands	\$4,230	\$3,324	\$1,272	\$1,189	\$679	6.23	4.68%
Canada	\$1,924	\$1,444	\$685	\$554	\$320	6.01	4.59%
United Kingdom	\$1,417	\$1,168	\$726	\$470	\$326	4.35	3.74%
Sweden	\$682	\$1,553	\$1,082	\$1,063	\$772	0.88	-0.31%

Unbanked People's Issues

Many individuals rely on cash and are concentrated in specific groups such as the poor, the crippled, elderly, illegal immigrants, and teenagers, who may have difficulty adapting to cashless systems [6].

Deposit accounts (in a bank or other deposit-taking financial institution) and some knowledge of the payment system are required for electronic transactions. Unbanked or underbanked individuals populate many disadvantaged places. In 2012, about a third of the population in the United States lacked access to the complete spectrum of basic financial services. In 2011, the FDIC estimated that almost a quarter of low-income households had no bank account at all. Some 7.7 percent of the population of the United States does not have a bank account as of 2016, and in some cities and rural counties, the percentage was as high as 20% and 40%, respectively.

Singapore has been working toward a cashless society as part of its Smart Nation strategy. When it comes to payment methods, cash is still the most popular choice among the elderly. People who aren't used to using digital payment methods may run into difficulties while trying to fix problems like managing lost cards or passwords or keeping track of their spending [7].

Digital theft

Hackers are more likely to break into a server if payment information is kept there. Going cashless puts you at higher risk of financial cyber assaults and other forms of cybercrime. Several firms have already had data breaches, especially those involving payment systems, and this trend is expected to continue. Illicit access and the transfer of funds to another account, as well as unauthorised purchases, are possible with electronic accounts.

In contrast to cash transactions, electronic payments can be disrupted by attacks on or inadvertent outages of telecommunications infrastructure.

Opponents argue that in addition to recording all transactions, a cashless system would provide the federal government the ability to levy a transaction tax on all payments made from one person to another. Cash should be abolished as a method of avoiding nominal negative interest rates, which are used to combat deflation by discouraging saves (most effective if combined with bans on barter, private currencies like bitcoin, and storage of precious metals like gold). In certain cases, money might be programmed to "expire" and lose its value if it is not spent in a certain method or by a certain date. If the government permits for excessive inflation or allows for a depreciation of the currency, this is also conceivable with cash.

In totalitarian regimes, widespread monitoring might be more effective and swiftly prohibit some individuals from purchasing or earning money. Limit the kinds of consumer products that may be purchased with a specific quantity of money (and parents might be able to do the same with allowance money) [8, 9]

In Sweden, there is a lot of criticism. Swedish attempts to build a cashless society are a shining example for others to follow. Sweden is unique in that the amount of currency in circulation has decreased significantly. Between the years of 2000 and 2017, Sweden's society saw radical transformations as a result of efforts to replace all cash transactions with electronic ones. Between 2000 and 2005, cashless bank branches were introduced in Sweden as a prelude to the branch's eventual demise. Customers of Swedish banks have been receiving specific hardware (such as digital payment of bills) since roughly 2008, allowing them to perform financial transactions at home. However, people still had the option of using cash, and those who desired may continue do business in cash at the bank offices that remained.

This began in 2008 and peaked in 2015-17, when all Swedish coins and banknotes were exchanged for new ones (except for the 10 kronor coin). According to bank headquarters, withdrawals and deposits may be made (in restricted quantities) by machines, eliminating the need for cash. Bank customers may only withdraw between 5,000 and 10,000 SEK each week because of "safety standards." Deposits were also subject to "security rules." This practise of branch closure or "cash-free" branch closures was enforced by all major conventional banks with branches afterwards. The number of cash-handling bank branches has decreased significantly in recent years.

Smaller boutiques, businesses, and convenience stores in Sweden that rely on cash are struggling since they can no longer deposit their daily receipts or get any change. There has also been an outsized influence on non-profit organisations, which are particularly common in Sweden. Sweden's banks have responded by launching a mobile payment system called Swish. However, there have been several issues with this method [10, 11].

Complaints have been downplayed by banks and the media as "a difficulty for senior people," implying that some were merely having to master new technologies rather than being upset with a whole different transaction technique. The change's detractors argue that technology has advanced too quickly and that the reeds hide several risks. Increasing numbers of fraudulent transactions have been reported, and the rapid development of quantum computers has fueled worries of system hacking. When the Swedish authority Myndigheten för Samhällsskydd och Beredskap—MSB or "the Authority for Community Protection and Preparedness" in their writing "Om Kriget Eller Krisen Kommer" ("If war or crisis comes") contained a list of items to store permanently at home to be prepared, which includes "cash in small denominations." In

Sweden, there was a wave of unfavourable criticism from specialists outside the banking sector who expressed their worries.

Formed in the spring of 2016, Kontantupproret or "The Cash Petition" is the brainchild of former police chief Björn Eriksson. An rising number of people have joined this movement, which has fast expanded in size because to the increasing hostility of banks toward cash. People have complained about a wide range of difficulties. Television personality Robert Aschberg, for example, was outraged when the same drugstore that had just accepted his payment via his mobile phone sent him an advertising, raising privacy issues. According to math professor Svante Linusson, "the liquidation of currency is steadily eroding our democracy" (p. 68). It was almost necessary to close a Malmö billiard hall because their 20-year-old bank refused to recognise them as a customer after the hall refused to accept any other payments than cash (the bank claimed that the cash is not traceable in their crime investigation activities). A computer glitch led to the bankruptcy of a summer market in northern Lycksele. Due to the fact that Swish and cards had been mandated for payment, there was not enough money to conduct commerce in their market [12].

As the digital payments environment in the United States evolves, so does the technology that enables these developments. Because of this, the Committee on Digital Payments, headed by NITI Aayog's Principal Adviser Shri. Ratan P. Watal, was established in 2016.

The following NPCI modalities, in addition to UPI, have just been announced by NPCI.

- There are three levels to the Bharat Bill Payment System (BBPS), a unified bill payment system in India.
- UPI-enabled financial transactions may be made easy, fast, and speedy using BHIM, a smartphone software that connects to the Unified Payments Interface (UPI). To send money from one bank to another in an instant, all you need is your cell phone and a digital payment address.
- An interoperability QR code solution built by NPCI, MasterCard, and Visa technical synergy. The Bharat QR-enabled application in an interoperable environment allows customers to pay using associated accounts by scanning the QR codes that businesses can display on their locations or mobile devices.

The Indian Government is Trying to Promote a Cashless Economy

It was designed by the National Payments Corporation of India (NPCI) to help the RBI's objective of "less cash" and greater digitization. Several social benefit programmes, including the LPG subsidy, the Old Age Pensions, the Scholarships, and the MGNREGA, will be sent directly to the recipients' bank accounts under the Direct Benefit Transmit (DBT) programme [13]. As a result, rural Indians now have access to internet banking services. The Pradhan Mantri Jan Dhan Yojana was launched by the Indian government. The programme is a country's financial inclusiveness initiative that provides financial services to all families and adopts a comprehensive strategy to full fiscal inclusion.

CONCLUSION

As a rule, new money laundering regulations demand proof of the source of large sums of money. But while EU regulations allow transfers up to €15,000, Swedish banks need proof and

can refuse to accept or seize cash if the limit is less than that, and they also have rigorous paperwork requirements. For long years now, India's digital payments infrastructure has improved progressively thanks to advances in digital technology and nurturing in accordance with the RBI's aim. National Payments Corporation of India (NPCI) has been the driving force behind the technical progress of India's retail payment system since its foundation in 2008.

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