# Turning India Into Cashless Economy In Rural Sector (with Special Reference To Rajasthan)

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## Abstract

There are many problems to be settled for a smooth switch over cash to cashless economy in rural sector in Rajasthan. Many people cannot access the bank due to situated in remote areas and uneducated. It is hard for people who are illiterate to fill forms in banks. Another big problem is non-availability of required technology. The state of cyber security in our country is also a point of concern. Going cashless needs protection against fraud and needed technology in every rural sector.

Taking into consideration the literacy rate and the unemployment in the State, most of the people are well below the poverty line and are living in rural areas for their livelihood. People are still not aware of the basic government policies and schemes aimed at rural areas.

Until then 'cashless economy in rural Rajasthan' will remain just a dream. More benefits and Challenges of Cashless economy Like Time saving, Investment through Internet Banking, Automated Teller Machines, Credit Cards, Debit Cards, Smart Cards, NEFT System, Mobile Banking, Internet Banking, Telephone Banking etc. are the benefits of cashless economy and application software to facilitate internet connectivity for public, Need for high levels of security, Poverty, Cyber Crime, illiteracy, Service charges, Networking, Legal issues and Regulatory and supervisory issues.

#### **Turning India Into Cashless Economy In Rural Sector**

#### (with Special Reference To Rajasthan)

In India economic growth and development is predicated to a large extent upon the development of its 74.30 Crore strong rural population. Majority of the population lives in about 6,00,000 small villages and are engaged primarily in agriculture, directly or indirectly.In Rajasthan 68.90 percent population lived in rural sector and 31.10 percent lived in urban sectors. Rural sector population depends on agriculture and allied activities and its depends on rural finance. Rural Finance provided by Govt. of State as TAKVI loan, Central Cooperative Banks, Primary Land Development Bank, Regional Rural Bank, Public Sector Bank and Seth/Mahajan.

Rajasthan, the largest (area-wise) state in India, is located in the Northwestern part of the subcontinent. It is surrounded on the North and Northeast by the states of Punjab, Haryana, and Uttar Pradesh, on the East and Southeast by the states of Uttar Pradesh and Madhya Pradesh, and on the Southwest by the state of Gujarat.



Parameters	Rajasthan
Capital	Jaipur
Geographical area (sq km)	342,239
Administrative districts (No)	33
Population density (persons per sqkm)*	201
Total population (million)*	68.6
Male population (million)*	35.6
Female population (million)*	33.0
Sex ratio (females per 1,000 males)*	926
Literacy rate (%)*	67.1

## **Table 1 : Introduction of Rajasthan**

#### Table 2 : POPULATION COMPARISON

YEAR	INDIA		RAJASTHAN	
	RURAL(%)	URBAN(%)	RURAL(%)	URBAN(%)
1951	82.70	17.30	84.50	15.50
1961	82.00	18.00	83.70	16.30
1971	80.10	19.90	82.40	17.60
1981	76.70	23.30	79.00	21.00
1991	74.30	25.70	77.00	23.00
2001	72.20	27.80	76.60	23.40
2011	68.86	31.40	75.13	24.87

Source : Indian Economy, RuddarDatt& K.P.M. Sundharam

#### Table 3 : LITERACY COMPIRASION

YEAR	INDIA	RAJASTHAN
TOTAL	73.00%	66.10%
RURAL	67.80%	61.40%
URBAN	84.10%	79.70%

Source : Some Facts About Rajasthan, 2016, DES, Rajasthan

#### **Table 4 : AGEWISE POPULATION IN RAJATHAN**

AGE	RAJASTHAN
LESS THAN 14 YEARS	34.61%
14 TO 75 YEARS	63.44%
MORE THAN 75 YEARS	1.95%

Source : Some Facts About Rajasthan, 2016, DES, Rajasthan

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S. No.	NAME OF DISTRICTS	POPUATION IN PERCENTAGE
1.	Banswara	35.40%
2.	Dungarpur	36.30%
3.	Udaipur	33.40%
4.	Sawaimadhopur	18.60%
5.	Shirohi	38.80%
6.	Chittorgarh	31.40%
7.	Bundi	17.30%

## **Table 5 : TRIBAL POPULATION IN RAJATHAN**

Source : Some Facts About Rajasthan, 2016, DES, Rajasthan

#### **Table 6 : BANKING IN RAJATHAN**

S. No.	NAME OF DISTRICTS	NUMBER OF OFFICES
1.	STATE BANK OF INDIA	1546
2.	NATIONALISED BANKS	2827
3.	FOREIGN BANKS	6
4.	REGIONAL RURAL BANKS	1460
5.	PRIVATE SECTOR BANKS	983
6.	TOTAL SCHEDULED COMMERCIAL BANKS	6822

Source : Some Facts About Rajasthan, 2016, DES, Rajasthan

### **Table 7 : COPERATIVE BANKS IN RAJATHAN**

S. No.	NAME OF DISTRICTS	NUMBER OF OFFICES
1.	STATE COPERATIVE BANKS	1
2.	CENTAL COPERATIVE BANKS	29
3.	STATE LAND DEVEOPMENT BANK	1
4.	PRIMARY LAND DEVELOPMENT BANK	35
5.	URBAN COPERATIVE BANK	39

Source : Some Facts About Rajasthan, 2016, DES, Rajasthan

Indian public sector banks that hold around 75 % of market share do have taken initiative in the field of IT. They are moving towards the centralized database and decentralize decisions making process. They posses enviable quality manpower. Awareness and appreciation of IT are very much there. What is needed is a 'big push' the way it was given in the post nationalization period for expansionary activities.

IT and India have become synonymous. Whether India becomes a destination for outsourcing or it becomes a development centre is matter of debate. As far as banking industry in India is concerned it can be said that although the Indian banks may not be as technologically advanced as their counterparts in the developed world, they are following the majority of international trends on the IT front. The strength of Indian banking lie in withering storms and rising up to the expectations from all the quarters-catching up with all the global trends is a matter of time.

The idea of a cashless economy will contribute significantly to the development of India. Rural population

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is not fully equipped for a cashless economy. The government hasn't done enough to provide effective internet, Infra facilities etc. The older generation is largely uneducated and rural young generation has negligence towards the cashless. They don't have the required knowledge of online cash transactions and could become easy targets for cheating and manipulation. Added to that, technologically uneducated areas like Rajasthan (where majority live in rural and tribal area), because of frequent disturbed internet connectivity, cashless transaction becomes impossible. So, in a nutshell, before implementing such law, government has to find solutions for such problems. Only then it can prove to be a boon for the people. There are many problems to be settled for a smooth switch over cash to cashless economy in rural sector in Rajasthan. Many people cannot access the bank due to situated in remote areas and uneducated. It is hard for people who are illiterate to fill forms in banks. Another big problem is non-availability of required technology. The state of cyber security in our country is also a point of concern. Going cashless needs protection against fraud and needed technology in every rural sector.

Taking into consideration the literacy rate and the unemployment in the State, most of the people are well below the poverty line and are living in rural areas for their livelihood. People are still not aware of the basic government policies and schemes aimed at rural areas. A fast growing technology will not only make their lives difficult but also take away their basic livelihood. In order to move towards a 'cashless economy' in the rural areas, we need education, basic facilities and awareness of the technological developments. Until then 'cashless economy in rural Rajasthan' will remain just a dream.Cashless economy is like a daydream, and it cannot come true in decades. Most of them are illiterate, and unable to use even paper system properly. Even a few of the educated lack knowledge of e-Banking transactions and are confused, while others are afraid of cyber crimes and unable to trust the cashless system. Because, though we became Independent in 1947, even now there are many people not having a full meal a day, clean water, decent clothing, housing and proper education and so on. Therefore, I strongly believe that when all these basic needs of the people are met then we can think of cashless economy in India. This is what I would like to suggest to the government as well. Hence it's very clear that thinking of a cashless economy in Rajasthan is like shaking a tree believing that it will fall down.

The state has an extensive network of banking and financial system. As on September, 2016, there are total 6,822 bank offices/branches in the state, out of which 2,827 are nationalized banks, 1,546 of SBI, 1,460 RRBs, 983 of private sector Banks and 6 of foreign Banks. The deposits have increased by 15.74 per cent in Rajasthan in September, 2016 over September, 2015 while at all India deposits increased by 12.93 per cent during the same period. The credit deposit for all schedule commercial banks is 70.61 per cent in Rajasthan and 74.46 per cent at all India level as on September, 2016, whereas it was 84.72 per cent in Rajasthan and 75.01 per cent at all India level in September, 2015.

## Direct Contribution to Cashless by the Government

There are large number of nodal points of interaction between a citizen and the Government. The obvious role of the Government in those cases will be to make cashless transactions mandatory for certain payments and make it mandatory for certain services exceeding a certain amount. For example, payment for passports can be made mandatory through cashless (online payments or bank drafts). While payments of various taxes (income, sales or excise duties) can be made mandatory through cashless modes. In addition a tax rebate (of say 1% to 2%) on payments made by households as salary to unorganized sector (domestic servants, sweepers etc) can boost cashless payments. This will do two things, One the households will have an incentive to go cashless and two, large portion of the unorganized sector will be



financially included. Apart from the incentives and mandatory prescriptions of cashless mentioned above, there are some direct Government programmes and initiatives where it can create a large platform for cashless transactions.

There are two broad areas where the Government can promote cashless transactions that will be quick, efficient as well as have an enormous impact. These are (a) cashless instruments to avail PDS, and (b) encouraging cashless transactions with Mahatma Gandhi National Rural Employment Guarantee (MNREG) payments.

## Cashless transactions and PDS:

In India, food security for the poor is addressed by the Government through the Public Distribution System (PDS) to the beneficiaries who possess the Above Poverty Line (APL), Below Poverty Line (BPL) and the Antyodaya cards. However, although Government has been allocating funds for PDS, only a fraction reaches the intended beneficiary, due to leakages, wastages and a system of "clogged pipes". According to the Wadhwa Committee report "PDS is inefficient and corrupt. There is diversion and black-marketing of PDS food grain in large scale. The poor people never get the PDS food grain in proper quantity and quality. Given the high leakage in PDS, a natural question that emerges is whether cashless transactions will plug these leaks. The Wadhwa committee explicitly recommends this as one of the possible solutions.

How will cashless transactions help? Indeed, cashless transactions (through a pre loaded card) will ensure that a record of the transactions is kept with both the PDS shop as well as the households. This will make the PDS much more accountable as the supply in the stock, the actual distribution, quantity distributed, prices charged will all be now recorded. A simple pre loaded card that can be used at POS will capture this data. Analysis of the survey data from Raghuvir Nagar further shows that household expenditure on PDS items are around 15% of total household expenditure for BPL families. Given that the intended PDS beneficiaries (BPL and Antyodaya) are around 80 million households in India, including them in the cashless network would immediately ensure three things -(a) total number of households who use cashless will increase by at least 5 times the current figure (b) an immediate cashless transaction of close to Rs 4000 Crores and (c) a PDS system that is efficient. The calculations follow from the fact that our survey shows less than 20% of all urban households and less than 10% of all rural households use cashless transactions. Given that these numbers are based only on those households having bank accounts, the total number of households who has ever used cashless transactions will not exceed 15 million. The PDS beneficiaries are least likely to be among these 15 million. Therefore, any move that brings them in the network immediately boosts the network size by at least 5 times and at a healthy 100 million! Further, given that the Government uses around Rs 280 billion per year as PDS subsidy, this immediately means that if cashless transactions are made mandatory at FPS (Fair price shops) (approximately 5 lakhs in all), there will be a savings of around INR 100 Crores per year alone on printing and managing currency! Operationally, using cashless instruments to access PDS is not difficult. It can be mandated by law that PDS payments can only be made through a pre paid loaded card. This would mean that a digital footprint of all PDS transactions can be maintained thereby preventing most leakages!

## Linking Cashless Transactions with MNREGA:

One of the determinants of whether a cashless transaction will be initiated by a household will depend upon whether the household gets its receivables in cashless instrument. This is because, if the receivables to a household are only in the form of cash, then to make cashless payments, the household will have to

incur extra cost to convert them to cashless instruments. Given that 90% of the workforce in India is in the unorganized sector and almost the entire rural population is in the unorganized sector, the chances of rural household receiving payments through non cash instruments are minimal. Therefore, this acts as a natural barrier in using cashless transactions in rural parts (apart from fewer sellers willing to accept them). The obvious role the Government can play here is to encourage cashless transactions through its largest programme- Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS). Nearly 84 per cent of the total wage payment under the rural employment guarantee scheme was made through banks and post offices in 2009-10. The total wage disbursed to the unskilled workers under the MNREG Scheme in FY'10 stood at Rs 25,634 crore and the amount paid through banks and post offices accounted for Rs 21,625 crore. This meant a total of 9.2 crore individual and joint, bank and post office accounts, with banks alone accounting for 5.0 crore accounts. This has drastically reduced the leakages in the scheme and to a great extent enabled the rural economy to grow at a faster pace. Given the volume of transaction and number of beneficiaries, linking cashless instruments (through specific cards issued by the bank) will have a significant impact on enabling cashless transaction in rural parts. However, the initiative would require that the government invests in POS at various outlets in rural India which will accept these payments. Inducing MNREGS beneficiaries to undertake cashless transactions would immediately mean that around 52 million households from rural India will be part of the cashless network. A modest amount (10%) spent on cashless expenditure from the MNREGS payment would immediately mean that close to INR 3000 Crores will be the additional cashless transaction leading to an annual savings of INR 25 Crores on printing and managing currency.

The role of the Government towards promoting cashless is briefly summarized below

- Government has two roles. One, that of directly promoting cashless in the sectors it is present and two, through policy initiatives that will create the necessary platforms
- A micropayment structure based on UID will attain financial inclusion as well as cashless economy.
- Government departments should be able to disburse benefits by simply generating a list that contains a UID in one column and making payments against it.
- It can mandate payment through non cash means for many of the sectors where it is the sole recipient. For example, taxes, passport fees, collection of fees etc.
- Payments based on UID can be made for MNREGS.
- It can also mandate payments through cashless for households availing PDS or other government programs
- As a policy maker, its main job is to ensure the network size. One way to do that would be to lower/remove all transactions costs (MDR and other fees) involved with cashless
- Another initiative would be to announce tax incentives to households who manage to make payments to some unorganized sector through cashless (e.g., domestic servants, cooks, sweepers, drivers, plumbers etc). Appropriate tax benefits (say a deduction of taxable income with a ceiling) given to amounts paid by cheque

# Benefits of Cashless :

Although it is easy to yield to the temptation of allowing the internet to replace expensive branch personnel and overhead many banks have found that a customer service staff ready at any hour is well



worth the expenses. This can be especially true as customer's transition to online banking and need help learing the features. Offereing telephone and email contacts are a basic of service. Offering live chat assistance is the exceptional level.

(a) Time saving - Online banking, undoubtedly, saves time by allowing direct transaction from office, home or any place. The medium relieves from visiting the bank and waiting in a queue and provides a mental and physical relief from the unwanted rushes in the bank.

**(b) Convenience**: The biggest advantage that online banking brings to the table is its convenience. We can pay phone and electricity bills via online banking without rushing to the utility company's bill collection outlets. It helps you avoid delayed payments.

(c) 24x7 services: Online banking transactions can be performed at any time and from anywhere.

(d) Eco-friendly Process: Online banking is an eco-friendly process as it does not consume volumes of paper like conventional banking modes and hence helps protect the environment.

(e) Easy Access: To perform online banking tasks, all you need is a basic computer system connected to the Web.

(f) Faster Banking: Online banking is a faster way of performing banking functions. Whether you buy goods online, pay bills or transfer money, it gets done in real time and within moments.

(g) Cost Saving: The process is very cost-effective. It rids businesses of the practice of deputing people to specially pay company bills, who waste hours making the rounds of the banks to perform all the firm's banking-related functions.

(h)Other Benefits: Online banking has several other benefits. Users can shop online, buy tickets, make advanced bookings, Cashless Banking includes Bill payment service, Fund transfers, Querying the account balance, Credit card customers, Applying for/claiming Insurance, Investment through Internet Banking, Shopping, Automated Teller Machines, Credit Cards, Debit Cards, Smart Cards, National Electronic Funds Transfer (NEFT) System, Mobile Banking, Internet Banking, Telephone Banking.

## **Challenges In Cashless:**

The information technology in itself is not a solution and it has to be effectively utilized. The concept of ebanking cannot work unless and until have a centralized body or institution, which can formulate guidelines, regulate, and monitor effectively the functioning of Internet banking. The most important requirement for the successful working of Internet banking is the adoption of the best security methods. This presupposes the existence of a uniform and the best available technological devices and methods to protect electronic banking transactions. In order for computerization to take care of the emerging needs, the recommendations of the Committee on Technology Upgradation in the Banking Sector (1999) may be considered. These are:

- (a) Need for infra facility like standardization of hardware, operating systems, system software, and application software to facilitate internet connectivity for public.
- (b) Technologically support for improve the internet servers to prevent for server down.
- (c) Need for high levels of security.
- (d) Poverty
- (e) Fear of Cyber Crime

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- (f) Illiteracy towards computer and technology in Rural Sectors.
- (g) Service charges levied by Banking industries.
- (h) Communication and networking use of networks which would facilitate centralized databases and distributed processing.
- (i) Technology plan with periodical up gradation.
- (j) Business process re-engineering.
- (k) Address the issue of human relations in a computerized environment.
- (l) Sharing of technology experiences.
- (m) Technology and security issues.
- (n) Legal issues
- (o) Regulatory and supervisory issues

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