

Cashless Economy for Developing Countries: A Case in Indian Context

Cashless is a very ambiguous word. It can have two different meanings. One cash-free and the other, less cash. The interpretation of this word in these varied forms has a magnanimous impact when looked over at a national scale. Cash-free economy is not something that is possible. Cash forms one of the most widely used medium of payment. There are tasks where a cash-based payment is much simpler and easier than a mobile wallet or card-based payment. Activities like tipping the restaurant waiter or giving money to a beggar would be troublesome in a cash-free environment. Cash simply acts like a lubricator in our economy. Therefore, in our case study we shall consider the latter meaning for cashless. Developed countries in Europe and North America have already taken drastic measures to move towards a cashless society. Stores and transportation facilities in Sweden and Denmark have already stopped accepting cash. The developed countries have been able to bring out these massive economic changes because they have the necessary resources and support from their citizens. There is no doubt that going cashless has its own set of advantages and disadvantages, but is it the right time for the developing countries to move towards a cashless society?

Recent events like demonetization in India and promotion of fin-tech services have stirred minds of people into thinking about cashless society in developing countries.

In November 2016, the government of India took initiative towards cashless economy by demonetizing old currencies and promoting fin-tech companies. This case study discusses the impact of this step on the different sectors on the economy. Going cashless is a big challenge in India, considering the fact that majority of the transactions are cash based, large chunk of the population are not educated enough to use electronic payment system, still part of country faces network issues. It remains to be seen how the regulators will handle these challenges and bring the desired results.

Questions:

- **How will cashless economy impact on the commercial banks and central bank?**
- **How being cashless will impact the economy of developing countries?**