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A road map to cashless economy in India

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The cashless economy should be achieved in the phased manner and step by step process instead of forcing it on people overnight without expanding/providing banking infrastructure to every nook and corner of the country, internet connectivity with high speed at cheap rate and unbroken power supply.

The demonetisation of higher valued notes and cashless economy are Siamese twins and they cannot be separately achieved.

The primary requirements to achieve demonetisation and cashless economy are as follows

For demonetisation

1. Fully expanded banking system
2. New monetary system
3. New money supply system
4. Uninterrupted power supply for the entire country.

For cashless economy

1. Internet connectivity with high speed at cheap rates
2. More bandwidth availability
3. High cyber security supported by strong and powerful laws against cybercrimes, cyber trespassers and hackers.
4. High literacy rates
5. Simplified tax system
6. Restrictions on holding and carrying physical currency notes

7. Simplified and easy inter and intra bank money transfers
8. New banking system

The government should take the following measure step by step to take the country towards cashless economy up to 80% value of GDP and leave the remaining 20% of GDP value to cash economy. The economy can push through cashless transactions up to maximum of 80% of GDP. The remaining 20% of GDP should be through cash transaction only. 100% Cashless economy is both inimical and injurious to employment and healthy development. 100% cashless economy will deprive 2 crore people of their self-employment. Street vendors, vegetable, fruits and flower sellers will be hard hit with 100% cashless economy. Besides that cashless life will become listless. Cash is a beauty of modern life

The government should continue the demonetisation program of high valued notes one by one along with making the cashless transactions step by step and from top to bottom i.e; from the super-rich to rich; from the rich to middle class; from high valued goods to low valued goods; from luxury items to essential commodities

Cashless transactions

1. My suggestions for cashless economy are to be implemented from top level to middle level while leaving bottom level to cash economy without putting common man to hardship.
2. It should be made compulsory for all jewelry shops located anywhere in the country to have swiping machines. The government should give 30 days to all jewelry shops to have swiping machines. There after The government should make it mandatory for all gold and jewelry shops in all cities and towns above the population of over 1 lakh population not to take cash from customers. It should be made mandatory to use only debit cards, credit cards, cheque or online transfers for buying gold or

jewelry in those shops. But people can buy gold or jewelry either by cash or debit card/credit card/cheque in shops located in villages/towns with population of below one lakh population.

3. It should be made mandatory to buy any vehicle - cars/autos/trucks/vans/bus etc, by paying through debit card/credit card/cheque/online transfers only at any shop located anywhere in the country. Cash usage for buying vehicles should be banned.
4. All wine shops, bars and restaurants located anywhere in the country should use swiping machines for selling wines or liquor. Cash transactions should be banned in these shops.
5. Any single article/commodity/packet/container/machine/instrument, which is worth more than 10,000 and sold in the shops located in cities/towns with population of more than 1 lakh, should be bought through debit card/credit card/cheque/online transfers only.
6. All properties like flats, plots, houses, commercial establishments located in cities with population of more than 5 lakhs should be bought through cheque/DD/online transfers only.
7. It should be made mandatory for all private/government managements of universities and colleges located in the cities of more 5 lakh population to take educational fee through debit card/credit card/cheque/online transfers only.
8. All rental payments of houses and commercial establishments, which are more than 20,000 per month, should be made through debit card/credit card/cheque/online transfers only.
9. All distributors of products/commodities/goods, whose net sales are more than 1 crore per annum, should be banned from cash transactions. They should take money from retailers through debit card/credit card/cheque/online transfers only.

10. Similarly all goods manufactures should be banned from cash transactions. They should take money from their products distributors through debit card/credit card/cheque/online transfers only.
11. All film producers from all languages should not be allowed cash transactions during the making of films. For making films the film produces should open a bank account for each film production and pay to all artists, technicians, contractors and spend everything through debit card/credit card/cheque/online transfers only during entire period of film making. They should take all loans or their investment into their film making bank accounts first and then spend everything towards film making through this account only by using debit card/cheque/online transfers. They should take all proceeds [audio rights, satellite rights, exhibition rights inside and outside the country] of the completed film into this account through debit card/credit card/cheque/online transfers only.
12. Air tickets should be bought through debit card/credit card/cheque/online transfers only.
13. All five star and above rank hotels should be banned from taking cash from customers. The five and above rank star hotels should take payments through debit card/credit card/cheque/online transfers only.
14. The political parties should be allowed to take party funds from individuals, industries and organisations through debit cards/credit cards/cheques and online money transfers only.
15. The political parties should not be allowed from accepting party funds in cash form from individuals, industries or organisations. It should be made mandatory for political parties to put their party fund bank accounts on websites. The daily incoming funds and party expenditure should be updated daily on their party websites with net available party fund on each day.

16. Every political party should be allowed to manage their party funds from only one account in any commercial bank. All donations and party funds should be taken only through this account and through debit cards/credit cards/cheque or online money transfers. The list of donors should be displayed on respective party websites. No political party should be allowed to collect party funds from foreign countries. Party funds should be collected only from within the country.
17. The party funds should be spent through cheques and online money transfers only. The political parties should not be allowed to withdraw money in cash form from their accounts. That means there should be only one bank account for one party to accept and spend party funds.
18. All political parties should submit their party assets [party offices, buildings, plots, flats, and building area], that are situated in the entire country, should be submitted to the Election Commission of India. All the party assets in all forms should be displayed on their websites. Any new addition of party assets in any form should be updated daily on websites.
19. If any party takes party funds in cash form from individuals/industries/ organisations or spends money in cash form, then the Election Commission of India should have the absolute right to de-recognise that political party and seize that party's fund and confiscate and auction all its assets within one month.
20. It should be made mandatory for any individual or professional, whose annual income is more than 10 lakhs per annum, to take his/her earnings/salaries/service charges/remunerations/fees, into his/her bank account through online transfers/cheques/DDs.

The political parties should be in the forefront and lead this marathon exercise towards cashless economy.

Reference -

<https://www.researchgate.net/publication/267626679> Electoral and political reforms

20. All Non-Government Organisations, trusts, Boards should accept donations through debit cards/ credit cards/cheques/online transfers only. Similarly they should spend the collected donations through debit cards/ credit cards/cheques/online transfers only.

21. The newspapers and all television channels should accept private or government advertisement fees through debit cards/ credit cards/cheques/online transfers only.

22. Government should make it compulsory for fuel filling stations to have swiping machines by giving them 30 days' time. All truck owners should open bank account and give debit cards/credit cards to truck drivers to use them at filling stations for fuels.

23. All hospitals, diagnostic centers, medical labs and medical shops should be exempted from cashless transactions. These can take cash payments for all charges. But it should be made mandatory for all hospitals, diagnostic centers, medical labs and medical shops to have swiping machines for those who want to pay through debit cards/credit cards.

It should be made mandatory to all individuals and professionals whose annual income is more than 10 lakhs per annum to take all their incomes/remunerations/service charges/fees etc., through online transfers/cheques/DDs into their bank accounts.

Restrictions on holding cash and carrying cash from one place to one place.

The primary requisite to make demonetisation and cashless economy a stupendous success is imposing restrictions on holding and carrying cash in physical form. The cash crunch problem can be solved only if

government imposes strict restrictions on holding and carrying of cash to minimum necessary level by individuals/companies under different categories as mentioned below.

These are my suggestions to study, pursue and implement if they are found to be practicable.

1. All individuals, who are not mentioned in the list below, should be allowed to hold up to maximum 10 lakhs only in cash at home. All individuals, who are not mentioned in the list below, should be allowed to carry cash up to maximum 10 lakhs only from one place to one place. Farmers come into this category and they can hold and carry cash up to 10 lakhs. Farmers mean those who do not have other sources of income, as mentioned in the below list, other than the income from agriculture.
2. All elected political representatives to assembly, parliament and municipal corporations should not be allowed from holding more than 50,000 Rupees in cash form at home. They should not carry more than 50,000 Rupees in cash from one place to another place,
3. All central and state government employees should not be allowed from holding more than 50,000 Rupees in cash form at home. They should not carry more than 50,000 Rupees in cash from one place to another place,
4. All private employees, professionals, artists whose annual income is more than 10 lakhs per annum, should not be allowed from holding more than 50,000 Rupees in cash form at home. They should not carry more than 50,000 Rupees in cash from one place to another place.
5. All political parties should be debarred from holding cash in their offices and carrying cash from one place to another place. They should spend money through debit card/credit card/cheque/online transfers only.
6. All industrialists, businessmen, contractors, whose annual income is more than 10 lakhs per annum, should not be allowed from holding more than 50,000 Rupees in cash form at home. They should not carry more than 50,000 Rupees in cash from one place to another place. But they

can carry cash up to 10 lakhs from their shop/office/workplace to the bank branch, where they have current accounts, to deposit daily sales amount. How to deposit money in the bank after day's business is explained in the new banking system designed for cashless economy. A new banking system is really needed to make cashless transactions a stupendous success. Here are my suggestions for new banking system to depend less on physical currency.

- 7. All Individuals should be allowed to deposit cash in their accounts without any upper limit and without imposing Income tax on this amount deposited. Give one year time period to spend/invest this amount through debit card/cheque/DD/online transfers to avoid Income tax. This one leeway will make cash crunch disappear overnight and will surely help Indian economy bounce back into top gear and remove unemployment.**

Simplified inter and intra bank money transfers

The government should make inter and intra bank money transfers easy and simple to achieve cashless economy in India.

There should be uniform charges/commissions for inter or intra bank money transfers through RTGS/NEFT/IMPS for all private and government banks as fixed by Reserve Bank of India from time to time.

There should be no commissions/service charges for depositing cash at home branches and non-home branches.

The customers should be allowed to deposit cash into his/her bank account from any bank branch anywhere in India without any commission/services charges for the deposited amount

There should be uniform service charges for encashment of cheques at non home branches for all private and government banks as fixed by the Reserve Bank of India

The Reserve Bank of India should regulate and fix uniform service charges/commissions for all online money transfers and encashment of cheques/DDs for all private and government banks.

The service charges should not vary from bank to bank.

All the commission charges including service tax if any, should be in whole numbers denoting monetary value in rupees leaving paisa value

The service charges/commissions should be rounded off to nearest rupee value ignoring paisa values

The online money transfer process for customers at bank branches should be simplified and made easy.

In the present system the customer is finding it very difficult to make an inter-bank money transfer at a bank branch. For this he/has to fill two forms, withdrawal form and money transfer form.

For the withdrawal form he/she has to calculate the amount to be transferred and the commission he/she has to pay for money transfer. For example if he/she has to transfer 10,000 from his/her account to another account in another bank he/she has to write down the total amount $10,000 + 2.87 = 10002.87$ figures and words like- ten thousand and two rupees and eighty seven paisa. For the amount 100 000 to be transferred he has to write down like this 100005.75 in figures, one lakh and five rupees and seventy five paisa only. He/she should be a mathematics genius to write down these figures. [Note - The commission figures included the 14% service tax as on 2-5-2017. These may vary from bank to bank]

To make online payments easy I suggest the following steps

Do away with the need for withdrawal form for online money transfers

Make filling of money transfer form is enough for online transfers

Only the amount to be transferred is required to be written in words and figures without bothering about the commission charges

The commission charges for the amount to be transferred should be deducted automatically from the transferor account upon the transfer of amount.

All the commission charges including service tax if any, should be in whole number denoting rupees ignoring paisa values.

The service charges/commissions should be rounded off to nearest rupee value ignoring paisa value

Make all banking accounts transform into single monetary values i.e. integers denoting rupees while ignoring decimal values for paisa. The value of rupees should be in integers without decimals. Decimal values denoting paisa should be removed from all accounts in banking system.

Recalibrate banking software so that banking accounts come into single unit monetary value with numerical system containing only integers denoting Rupees by eliminating decimal values for Paisa. The numerical value accrued in calculations should be automatically rounded off to the nearest [integer [rupee value. For example from rupees 10.01 to rupees 10.49 it should be rounded off to rupees 10 and from rupees 10.50 to 10.99 the value should be rounded off to rupees 11.

Two layer monetary system was introduced long back ago when paisa has huge value. Now the value of paisa has reached its nadir and 25 paisa coin is no more a legal tender from 2011. So it is not prudent to continue

with paisa in the accounting systems and it is better to remove the paisa from currency system and continue with rupee only.

The present NEFT/RTGS/ECS charges as on 2-5-2017. These charges may vary from bank to bank

	NEFT/RTGS/ECS charges	Including service tax	My suggested charges
1—10,000	2.50	2.87	3
10,000 – 100,000	5.00	5.75	6
100,000 – 200,000	15.00	17.25	17
Above 200,000	25.00	28.75	29

New banking system

1. The government should first liberalise the banking sector to ultimate level so that there would be a bank branch for every 2,000 people. That means India need 6,00,000 bank branches
2. The government should give a compulsory portable bank account for every citizen above the age of 18 years.
3. The 6, 00, 000 branches should be divided into 7 groups so that one group of banks will have weekly holiday on Sunday and another group of banks on Monday and so on so that the banking services are available on all days throughout the year except on 10 national holidays.
4. Half of these banks should work from morning 6 A.M. to 2 P.M. and remaining banks should work from 2 P.M. to 10 P.M. so that the banking services are available to people from 6 A.M. to 10 P.M. on all days throughout the year except on 10 national holidays.
3. After establishing bank branches at every village at the rate of one bank branch for 2000 people and giving one pan India portable bank

savings account to every citizen then only government should demonetize Rs 1000, Rs 500, Rs 100 and Rs 50 notes and ask the people to deposit these notes, available with them, in their accounts at the nearest branches within stipulated period of 30 days.

4. As each branch will have only 1500 accounts [average] to handle then the exchange of notes will become a smooth affair and will be completed within 4 days assuming that 350 customers exchange notes on each day. The black money holders will have little time to exchange their black money in other illegal means. The entire operation will be completed within 2 to 4 days.

5. Only Rs 20 and Rs 10 currency notes, and 10, 5 rupees coins should be in circulation.

6. There after each citizen would be allowed to withdraw only Rs 10,000 per month maximum in cash from the available amount in his/her account either through ATM or from the bank branch. This amount can be used to buy low valued article like milk, vegetables, fruits, groceries etc. All other high valued articles should be bought through DD, cheque, online transfers, debit cards and credit cards

7. Replacing old 500 and 1000 rupees notes with new notes will not eliminate black money permanently. Once the new notes are out in full circulation black money will once again start accumulating. Most of the money gets transformed into real estate and gold. So, to eliminate black money permanently multi- purpose, multi-dimensional pan India portable bank account is needed for every citizen to record and handle his/her money, vehicles, gold, shares and all immovable properties. With these multi-dimensional portable bank accounts there will be no hiding place for black money in any form. Study this account module from this link- https://www.researchgate.net/publication/310553802_Portable_bank_account

8. All ATMs should be located at bank branch premises only so that the money deposited in the banks can be put back in the ATMs by the bank staff only without assigning this job to third party agencies. There should be an ATM at each branch for withdrawing cash. That means there would be 6,00,000 ATMs throughout the country.

9. The cash withdrawal limit should be Rs 10,000 per month per person if money is available in his/her portable pan India savings account. Each person will have only one Pan India portable bank account. A person can have as many number of current accounts as he/she wants for running business or industries. But cash can be withdrawn only from his/her pan India portable bank account. Cash cannot be withdrawn from current accounts. Only digital transfer of money should be allowed from current accounts through online transfers, debit cards, checks and credit cards for business or industry purposes.

10. There should be a mini bank branch for every 2000 people. That means each bank branch will handle an average of 1500 accounts. These branches are meant for only depositing money and cash withdrawals through ATMs. Cash withdrawals should be only through ATMs. Each bank branch will have only two regular employees. One will take deposits from the customers and the other employee will handle ATM and help elderly and other people who cannot withdraw money from ATM on their own. The money deposited in the bank should be deposited in the ATM at the bank branch. People will have to withdraw cash from ATMs only. All bank branches [private or government] and ATMs are linked through internet and monitored by Reserve Bank of India. The total money deposited in all bank branches and total money withdrawn from all ATMs will be known every day.

11. For every 10 bank branches there should be a lead bank which gives loans for agriculture, business, education, industries etc.

12. The bank profitability will increase with the multi-dimensional, multi-purpose pan India portable bank account as all government services will be carried through this account.

Reference-

https://www.researchgate.net/publication/273441709_Pan-India_portable_bank_account

13. The economy can push through cashless transactions up to maximum of 80% of GDP. The remaining 20% of GDP should be through cash transaction only. 100% Cashless economy is both inimical and injurious to employment and healthy development.

14. Government should allow citizens to deposit cash without any upper limit and remove Income tax on all earnings of an individual.

15. My suggestion for the government is it should introduce Profit Tax in place of Income tax and should be applied on unused money for more than one year.

Read about this profit tax that is illustrated in the account module from this link -

https://www.researchgate.net/publication/310600023_Involuntary_tax_paying_account

Disclaimer – All the suggestions mentioned in this article are for the betterment of Indian economy according to my perspective and not intended to disturb anyone or institution.

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