Study on the impact of ‘Cashless Initiative’ of government on farming activities & Rural development: - A case study of Bhagalpur city of Bihar
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ABSTRACT
Merely 26% of India has internet access, and there are only 200 million users of digital payment services. A report by Google India and Boston Consulting Group showed that last year around 75 percent of transactions in India were cash-based while in developed countries like the US, Japan, France, Germany etc it was around 20-25 percent. In this paper, a complete analysis has been done on farmers community, during the period of ‘Demonitization’. Being ‘Cashless’ is a concrete step, but a regular campaigns and demonstration are required to enhance financial literacy among farmers and labourers. Co-operatives such as IFFCO, KRIBCHO has done well in enhancing ‘financial literacy’ among farmers. Even the RBI has also recently unveiled a document — “Payments and Settlement Systems in India: Vision 2018” — setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term. Another major benefit is erosion of corruption. From a credible source, Only 24 lakh people of India declare their income more than 10 lakh /per year. Being Cashless Motto of Government would bring all black cashes and black money together, under the eye of Government.

OBJECTIVES OF THE STUDY
“Study on the impact of Cashless Transactions on farming activities in Bhagalpur”.

Sub-Objectives:
- Study on the feasibility of Cashless instruments used by farmers.
- Study on the scopes and challenges of Cashless instruments in farming activity.

Hypothesis:
- To find out the various resourceful reasons to upgrade living standard of farmers after cashless Initiative.
- Study on the various effects on economic, social and behavioral pattern of farmer’s life, as a ‘cashless Mission’ of government.

Cashless System: Introduction and Benefits:
A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal. India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world—12.42% in 2014, compared with 9.47% in China or 4% in Brazil. Less than 5% of all payments happen electronically in India. The number of currency notes in circulation is also far higher than in other large economies. India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US. Some studies show that cash dominates even in malls, which are visited by people who are likely to have credit cards, so it is no surprise that cash dominates in other markets as well.

Benefits of Cashless economy:
- Reduced instances of tax avoidance because it is financial institutions based economy where transaction trails are left.
- It will curb generation of black money.
- Will reduce real estate prices because of curbs on black money as most of black money is invested in real estate prices which inflates the prices of Real estate markets.
- In financial year 2015, RBI spent Rs 27 billion on just the activity of currency issuance and management. This could be avoided if we become cashless society.
- It will pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital.
- There will be greater efficiency in welfare programmes as money is wired directly into the accounts of...
recipients. Thus once money is transferred directly into a beneficiary’s bank account, the entire process becomes transparent. Payments can be easily traced and collected, and corruption will automatically drop, so people will no longer have to pay to collect what is rightfully theirs.

- Go Digital, Get Discount Offer:

  **Service tax:** Waiver of service tax of 15% on digital transactions up to ‘2,000.

  **Fuel:** 0.75% discount on digital purchase of fuel through credit/debit cards, e-wallets or mobile wallets.

  **Rail tickets:** 0.5% discount on monthly and seasonal suburban railway tickets from 1 January 2017. Online rail ticket buyers get up to ‘10 lakh free accident insurance too.

  **Rail catering:** 5% discount on digital payments for railway catering, accommodation, retiring rooms, etc.

  **Highway toll:** 10% discount on NH toll payment via RFID or fast-tags in 2016-17.

  **Insurance:** 10% discount by government general insurers on premium paid online via their portals. 8% discount on new LIC policies bought online via its site. POS: Rs 100 a month is the maximum rent that PSU banks can charge for Post.

**Rural Development: Financial measures and control**

As of last week, there were 256 million no-frills ‘Jan Dhan’ accounts, roughly one for every household, under the Pradhan Mantri Jan-Dhan Yojana (PMJDY). The scheme also promised to provide every new account holder with RuPay debit cards, with 195 million cards being issued so far. While the finance ministry must be given due credit, the Modi administration appears to have conflated outputs with outcomes.

Just as building more schools does not improve literacy rates, opening accounts does not empower citizens to make digital financial transactions. Key demand and supply-side gaps remain: 23% of PMJDY accounts lie empty. A recent investigation from September found that 10 million accounts held only Re. 1, as bank officials took matters into their own hands to reduce their branch’s share of zero-balance accounts. A survey of PMJDY customers conducted by a financial inclusion consultancy found that only 33% of all beneficiaries were ready to use their RuPay cards. The others were bewildered by the complicated PIN and activation procedures. Inconsistent electricity and sporadic internet access further eroded customers’ trust in ATMs and POS machines, with one failed transaction enough to make an entire village swear off formal financial institutions. This is as much a structural constraint as it is logistical. Card acceptance infrastructure struggles to keep pace with India’s growing population: in 2014, there were 18 ATMs and 13 commercial bank branches per 100,000 adults – in comparison, the number in Brazil was 129 and 47 respectively. Between 2013 and 2015, debit cards grew twice as fast as the number of POS machines and one-and-a-half times the number of ATMs, with the majority of new infrastructure taking root in urban centres. India’s modern banking system maps neatly onto social and spatial inequalities. Only 18% of all ATMs are deployed in rural India. The RBI’s own research finds that states with a higher female population and a more rural populace show lower levels of financial inclusion.

**Indian demographics and Cashless endeavor: An analysis**

According to a 2015 report by Pricewaterhouse Coopers, India’s unbanked population was at 233 million. First, a large part of the population is still outside the banking net and not in a position to reduce its dependence on cash. Even for people with access to banking, the ability to use their debit or credit card is limited because there are only about 1.46 million points of sale which accept payments through cards.

Second, about 90% of the workforce, which produces nearly half of the output in the country, works in the unorganized sector? It will not be easy for the informal sector to become cashless, and this part of the economy is likely to be affected the most because of the ongoing currency swap. Third, there is a general preference for cash transactions in India. Merchants prefer not to keep records in order to avoid paying taxes and buyers find cash payments more convenient. Although cashless transactions have gone up in recent times, a meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. For instance, mobile wallets have seen notable traction, and it is possible that a large number of Indians will move straight from cash to mobile wallets. A study by Boston Consulting Group and Google in July noted that wallet users have already surpassed the number of mobile banking users and are three times the number of credit card users.

However, as noted above, a material transition to a cashless economy will depend on a number of factors. First, the availability and quality of telecom network will play an important role. Presently, people face difficulties in making electronic payments even in metro cities because of poor network. Second, as one of the biggest beneficiaries of this
transition, banks and related service providers will have to constantly invest in technology in order to improve security and ease of transaction. People will only shift when it’s easier, certain and safe to make cashless transactions. Third, the government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments. Implementation of the goods and services tax, for example, should encourage businesses to go cashless. Government should also use this opportunity to revamp the tax administration, as more than taxes, small businesses fear tax inspectors. First, a large part of the population is still outside the banking net and not in a position to reduce its dependence on cash.

Bihar: Penetration towards Cashless platform

With the Centre planning to introduce Aadhaar-related monetary transaction facilities, including transfers of funds, Bihar stands a fair chance of becoming the forerunner of cashless. For, it ranks third in the country with regard to Aadhaar enrolments. Aadhaar numbers have been generated for 7.9 crore of the state’s over 10 crore population, according to sources in the Unique Identification Authority of India (UIDAI), which is mandated to generate the identity numbers. Urban population apart, at least 82.16% of people in Bihar’s countryside also use mobile phone, according to the provisional SECC (socio-economic and caste census) data released by the Centre on July 4, 2016.

Mobile phone is an important tool for making app-based transactions. That not all the cell phones in use in Bihar are smart phones is a cause of concern though. “Not more than 20% people in Bihar use smart phones as on date,” a mobile service firm executive said on Friday, adding, however, that the use of smart or android phones, which support net connectivity, is increasing by 15-20% every year. Aadhaar is a 12-digit individual identification number, which can be utilised for an array of services, including opening bank accounts and obtaining a PAN or sim card.

TheUIDAI is now developing a mobile app that can be used by shopkeepers, merchants or individuals for receiving payments.

Bhagalpur: Demographics structure & Facts:

Bhagalpur is known as silk city as it is famous worldwide for its silk production. The silk industry in this city is hundreds of years old and a whole clan exists that has been producing silk for generations. There is a Silk Institute and Agricultural college here, as well as a University, and Engineering, Medical and Homeopath colleges. According to the 2011 census Bhagalpur district has a population of 3,032,226, roughly equal to the nation of Oman or the US state of Iowa. This gives it a ranking of 120th in India (out of a total of 640). The district has a population density of 1,180 inhabitants per square kilometre (3,100/sq mi). Its population growth rate over the decade 2001-2011 was 25.13%. Bhagalpur has a sex ratio of 879 females for every 1000 males, and a literacy rate of 64.96%.

Research Methodology & Analysis:

<table>
<thead>
<tr>
<th>In this research, a primary collection of data has been</th>
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<tr>
<td>Actual Population</td>
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<tr>
<td>Male</td>
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<tr>
<td>Female</td>
</tr>
<tr>
<td>Population Growth</td>
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<tr>
<td>Area Sq. Km</td>
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<tr>
<td>Density/km2</td>
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<tr>
<td>Proportion to Bihar Population</td>
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<tr>
<td>Sex Ratio (Per 1000)</td>
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<tr>
<td>Child Sex Ratio (0-6 Age)</td>
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<tr>
<td>Average Literacy</td>
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<tr>
<td>Male Literacy</td>
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<td>Female Literacy</td>
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<tr>
<td>Total Child Population (0-6 Age)</td>
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<tr>
<td>Male Population (0-6 Age)</td>
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<tr>
<td>Girls Proportion (0-6 Age)</td>
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done by surveys. An analysis has been done on 150 sample size of various age groups. This analysis has been done to farmers residing in various villages of Bhagalpur. Various Survey techniques and in-depth interview had been done based on Cashless Mission of existing government. M.S Excel and SPSS techniques applied for getting wholesome output in effective manner.

Q.No-1. Do you support “Being Cashless “Mission of Government?
Singh

In this graph, a survey was done to 150 respondents, that belongs to primarily agriculture background; Out of that 80 percent farmers supports ‘Being Cashless’. Motive. 20 % people found reluctant towards this change.

Q.No.2. Do you have ATM Card/Credit Card/E-wallet /M-banking /Debit card etc?

![Respondents graph]

At the primary stage, due to excessive rush in queuing for exchanging money. More and more farmer found problem in purchasing fertilizers and seeds. After few days, Problem got relaxation due to availability of cash in ATM’s. Still, 20 percent farmers needs digital training for curbing odds.

Q.No.5 One word to explain the outcome of Demonetization, as per farmer’s views?

<table>
<thead>
<tr>
<th>Age Group</th>
<th>One word for ‘Demonetization’ as in Majority</th>
</tr>
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<tbody>
<tr>
<td>18-25 years</td>
<td>“Right decision, Ready for change”</td>
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<tr>
<td>25-35 Years</td>
<td>“Nice step but Arrangement of cash must be done broadly”</td>
</tr>
<tr>
<td>35-45 Years</td>
<td>“Concrete planning should be done earlier, but nice step”</td>
</tr>
<tr>
<td>45-55 Years</td>
<td>“It affects marriage and laborer class, but it supports nation”</td>
</tr>
<tr>
<td>55 and above</td>
<td>“It will help our upcoming generation to be fair.”</td>
</tr>
</tbody>
</table>

Q.No.3 Have your Aadhar Card connected with Bank?

![Aadhar Card Connectivity with Bank]

Out of 150 respondents, 75 % existing bank counts are connected with Aadhar card. Aadhar cards connectivity facilities them to get the LPG subsidies, pensions, various subsidies etc. It has become mandate as per new norms to connect Aadhar card for availing such facilities.

Q.No.4: Did you find any Cash problem during sowing of Rabi crop this year?

Q.No.6 Are you open for digital mode of transactions in future?

Almost, 90 percent people are open for enhancing digital learning. Co-operative like IFFCO, KRIBHCO has started a campaign to educate farmers on larger scale. Infact, Banking Mitra and bankers also works like catalyst in order to boost E-transaction skills. E-wallet, Net Banking, Credit Cards etc will play a great role in future.

CONCLUSIONS:

India’s current economic moment constitutes a crucial inflection point; if handled correctly, there is a real chance that the unbanked will adopt digital payments en masse. The RBI and finance ministry have made Financial Literacy Centres (FLCs) a cornerstone of the PMJDY. These centres provide tailored financial education programmes to

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introduce adults to banking products and setting financial goals.

Well-publicized literacy activities conducted at the 1,400-odd FLCs will go a long way towards reassuring consumers that bank accounts are a legitimate alternative to a cash-heavy economy. Beyond this interim measure, the government must undertake the Sisyphean task of changing attitudes towards digital payments among customers and merchants. Off-the-shelf policy templates provide a good starting point, such as a RBI report on Indian payment systems and an USAID survey on expanding payment acceptance networks.

India in on verge of embracing technology as a part of integrated development. Aadhar card has brought a revolution to facilitate biometric identity of citizen. Linking of Aadhar card with the bank account has made farmers more confident about subsidies. There are very few chances for leakage and corruption. In such a way, many campaigns has also been done in order to boost financial literacy of farmers. Many aligned benefits such as meteorological forecasting, e-kissan, online information exchange, cashless transactions etc would set a benchmark in field of cashless platform.

Finally, a positive conclusion can be drawn from the whole analysis that India supports technology as a part of their development. They are ready to get changed with the pace of time-business and E-payment are the buzz of hour. A regular training and comprehensive plan need to be executed for bringing digital consciousness in society.

RECOMMENDATIONS:

- Open Bank accounts and ensure they are operationalized.
- Abolishment of government fees on credit card transactions; reduction of interchange fee on card transactions; increase in taxes on ATM withdrawals.
- Tax rebates for consumers and for merchants who adopt electronic payments.
- Making Electronic payment infrastructure completely safe and secure so that incidents of Cyber crimes could be minimized and people develop faith in electronic payment system.
- Create a culture of saving and faith in financial system among the rural poor.
- The Reserve Bank of India too will have to come to terms with a few issues, from figuring out what digital payments across borders means for its capital controls to how the new modes of payment affect key monetary variables such as the velocity of money.
- RBI will also have to shed some of its conservatism, part of which is because it has often seen itself as the protector of banking interests rather than overall financial development.
- The regulators also need to keep a sharp eye on any potential restrictive practices that banks may indulge in to maintain their current dominance over the lucrative payments business.
- Though it will take time for moving towards a complete cashless economy, efforts should be made to convert urban areas as cashless areas. As 70% of India’s GDP comes from urban areas if government can convert that into cashless it will be a huge gain. Therefore different trajectories need to be planned for migration to cashless for those having bank account and for those not having.

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