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Cashless Economy Leads to Knowledge Economy through Knowledge Management

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Abstract- Knowledge management is simply defined as changing human efforts into machines. In the cashless economy the paper money are converted to digital money. At first we have a doubt that what is the relationship between cashless economy and knowledge economy and it have the ability to lead to knowledge management. Of course the cashless economy leads way for digital transactions in India. Even a common man also know about the transactions of banks and make a speedy and secured transactions. It improve the way of thinking and use of their intellectual capital rights in a proper way. Cashless economy is the basic way to eradicate black money, but it also used to create awareness about the knowledge economy among the common people.

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I. KNOWLEDGE ECONOMY

The Knowledge economy is the use of knowledge to generate tangible and intangible values. Technology and in particular knowledge technology help to transform a part of human knowledge to machines. This knowledge can be used by decision support systems in various fields and generate economic value. Knowledge economy is also possible without technology.

The knowledge economy is a system of consumption and production that is based on intellectual capital. The knowledge economy commonly make up large share of all economic activity in developed countries.

The knowledge economy addresses how education and knowledge—generally called “human capital” — can serve as a productive asset or a business product since innovative and intellectual services and products can be sold and exported and can yield profits for the individual, the business and the economy. This component of the economy relies greatly on intellectual capabilities instead of natural resources or physical contributions.

In the knowledge economy, the production of services and products that are knowledge based provides rapid acceleration in the technical and scientific fields, making way for more innovation in the economy as a whole.

II. CASHLESS ECONOMY

Cash really is skill king, but a few countries are a step ahead of the rest in toppling its throne. Given that the cost of handling cash is high, it is in the interest of governments, banks and business to push for the change towards cashless. In some countries, effective policies have made difference, whereas in others, it is thanks to consumers being more open to using mobile or plastic payments. Here's a look at some countries that are really making a move toward becoming cashless.

A cashless society describes an economic state where by financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of information between transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bitcoin. However this article discusses and focuses on the term “cashless society” in the sense of a move towards, and implications of, a society where cash is replaced by its digital equivalent — in other words, legal tender (money) exists, is recorded, and is exchanged only in electronic digital form.

Such a concept has been discussed widely, particularly because the world is experiencing a rapid and increasing use of digital methods of recording, managing, and exchanging money in commerce, investment and daily life in many parts of the world, and transactions which would historically have been undertaken with cash are often now undertaken electronically. Some countries now set limits on transactions and transaction values for which non-electronic payment may be legally used.

The trend towards use of non-cash transactions and settlement began in daily life during the 1990s, when electronic banking became popular. By the 2010s digital payment methods were widespread in many countries, with examples including intermediaries such as Paypal, digital wallet systems operated by companies like Apple, contactless and NFC payments by electronic card or smart phone, and electronic bills and banking, all in widespread use. By the 2010s cash had become actively disfavored in some kinds of transaction which would historically have been very ordinary to pay with physical tender, and larger cash

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amounts were in some situations treated with suspicion, due to its versatility and ease of use in money laundering and financing of terrorism, and actively prohibited by some suppliers and retailers, to the point of coining the expression of a "war on cash". By 2016 in the UK it is now reported that 1 in 7 people no longer carries or use cash.

It has also been described as a highly controversial and at times a "sinister" or "creepy" move, since such a move would be both potentially useful and potentially socially dangerous, with widespread implications for society. It has potential to be very helpful for central governments and economies, in the context of global negative inflation and quantitative easing, and central control of the money supply. However a loss of cash also transfers complete control of transactions, interest, and individual use of money, and information about these, to the nation state and third party providers, since the individual cannot avoid their money being held in an external system capable of regulation and control. While helpful to the global economy and to the fight against crime and terrorism, many concerns have been raised over "dangerous" unintended consequences. It would mean that negative interest rates can be fully enforced, and money could be controlled in great detail. For example, some kinds of money might be set to "expire" and be worthless if not spent in specific ways or by specific times, or to devalue gradually. It also makes individual savings, and information about individual incomes and transactions, accessible to any party able to access the records - either legitimately (police and tax related) or not (hackers and persons with access to the relevant data), and in this way, it facilitates population surveillance. It also means that groups, individuals and causes could be deprived of cash by the simple expedient of preventing their access to cashless transaction media.

a) *What is a cashless economy and where does India stand?*

- 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
- 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.

b) *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.
- There will be efficiency gains as transaction costs across the economy should also come down.
- *1 in 7 notes is supposed to be fake, which has a huge negative impact on economy, by going cashless, that can be avoided.*
- Hygiene – Soiled, tobacco stained notes full of germs are a norm in India. There are many such incidents in our life where we knowingly or unknowingly give and take germs in the form of rupee notes. This could be avoided if we move towards Cashless economy.
- In a cashless economy there will be no problem of soiled notes or counterfeit currency
- Reduced costs of operating ATMs.
- Speed and satisfaction of operations for customers, no delays and queues, no interactions with bank staff required.
- A Moody's report pegged the impact of electronic transactions to 0.8% increase in GDP for emerging markets and 0.3% increase for developed markets because of increased velocity of money
- An increased use of credit cards instead of cash would primarily enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers.

c) *This will eventually have the following chain effect*

1. Improvement in credit access and financial inclusion, which will benefit the growth of SMEs in the medium/long run.

2. Reduce tax avoidance and money laundering thanks to the higher traceability of all the transactions.
3. The increased use of credit cards will definitely reduce the amount of cash that people will carry and as a consequence, reduce the risk and the cost associated with that.

d) *Challenges in making India a cashless economy*

- Availability of internet connection and financial literacy.
 - Though bank accounts have been opened through Jan Dhan Yojana, most of them are lying unoperational. Unless people start operating bank accounts cashless economy is not possible.
 - There is also vested interest in not moving towards cashless economy.
 - India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure.
 - The perception of consumers also sometimes acts a barrier. The benefit of cashless transactions is not evident to even those who have credit cards. Cash, on the other hand, is perceived to be the fastest way of transacting for 82% of credit card users. It is universally believed that having cash helps you negotiate better.
 - Most card and cash users fear that they will be charged more if they use cards. Further, non-users of credit cards are not aware of the benefits of credit cards.
 - Indian banks are making it difficult for digital wallets issued by private sector companies to be used on the respective bank websites. It could be restrictions on using bank accounts to refill digital wallets or a lack of access to payment gateways. Regulators will have to take a tough stand against such rent-seeking behaviour by the banks.
- e) *Steps taken by RBI and Government to discourage use of cash and promotes a knowledge economy*
- o Licensing of Payment banks
 - o Government is also promoting mobile wallets. Mobile wallet allows users to instantly send money, pay bills, recharge mobiles, book movie tickets, send physical and e-gifts both online and offline. Recently, the RBI had issued certain guidelines that allow the users to increase their limit to Rs 1,00,000 based on a certain KYC verification
 - o Promotion of e-commerce by liberalizing the FDI norms for this sector.
 - o Government has also launched UPI which will make Electronic transaction much simpler and faster.
 - o Government has also withdrawn surcharge, service charge on cards and digital payments.

f) *Suggestions*

- o Open Bank accounts and ensure they are operationalized.
- o Abolishment of government fees on credit card transactions; reduction of interchange fee on card transactions; increase in taxes on ATM withdrawals.
- o Tax rebates for consumers and for merchants who adopt electronic payments.
- o 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.
- o Create a culture of saving and faith in financial system among the rural poor.
- o 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.
- o 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.
- o 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.

In the initial stage its something hard to understand and implement. But after utilizing the uses cashless economy its come into ease of practice.

It creates a great impact on knowledge management even to the common people also. Knowledge management in the digital banking is not a new one for the common people. The intial startup is the ATM cards. Nowadays most of the people have ATM cards.

III. CONCLUSION

Today there is a great challenge before the government that of implementing the cashless economy. Because it deals with the economic status of a man. Every individual is getting fear of their hard earned money to be secured or not when using digital way of transactions. The same type of fear is arise when a new thing is introduced with related to knowledge and intellectual capital. For Example, Typewriter and Ledgers, Written records are replaced by Computers, at the time of introduction of computers in office the employees protest against the introduction but after sometime they realize the help of a computer in all means. Likewise Post cards are replaced by telephones, telephones are replaced by mobile phones. Nowadays everybody used mobile phones, Even a remote village also have the facilities of network sharing for mobile phones. An illiterate person also know how to use

mobile phones. Nowadays mobile phones are a combination of computer, a wallet, music player etc., It takes sometime for implementing the cashless economy but after overcome the hurdles it gives a great success and every individual enjoy the benefit of cashless economy.

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