

CREATING  
**RISK**  
INTELLIGENT  
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**GRMI**

**GLOBAL RISK  
MANAGEMENT  
INSTITUTE**

*Cashless economy risk and rewards*

PROGRAMME  
ENDORSED BY



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Cashless economy means an economic system where digital transactions like net banking, mobile banking, digital wallets, payment through debit cards and credit cards are used to replace the traditional method of payments made via cash or coins.



# Why cashless ?

- 1.Reduction in risk of carrying cash
- 2.Increase transparency
- 3.Cost reduction
- 4.Efficient and convenient

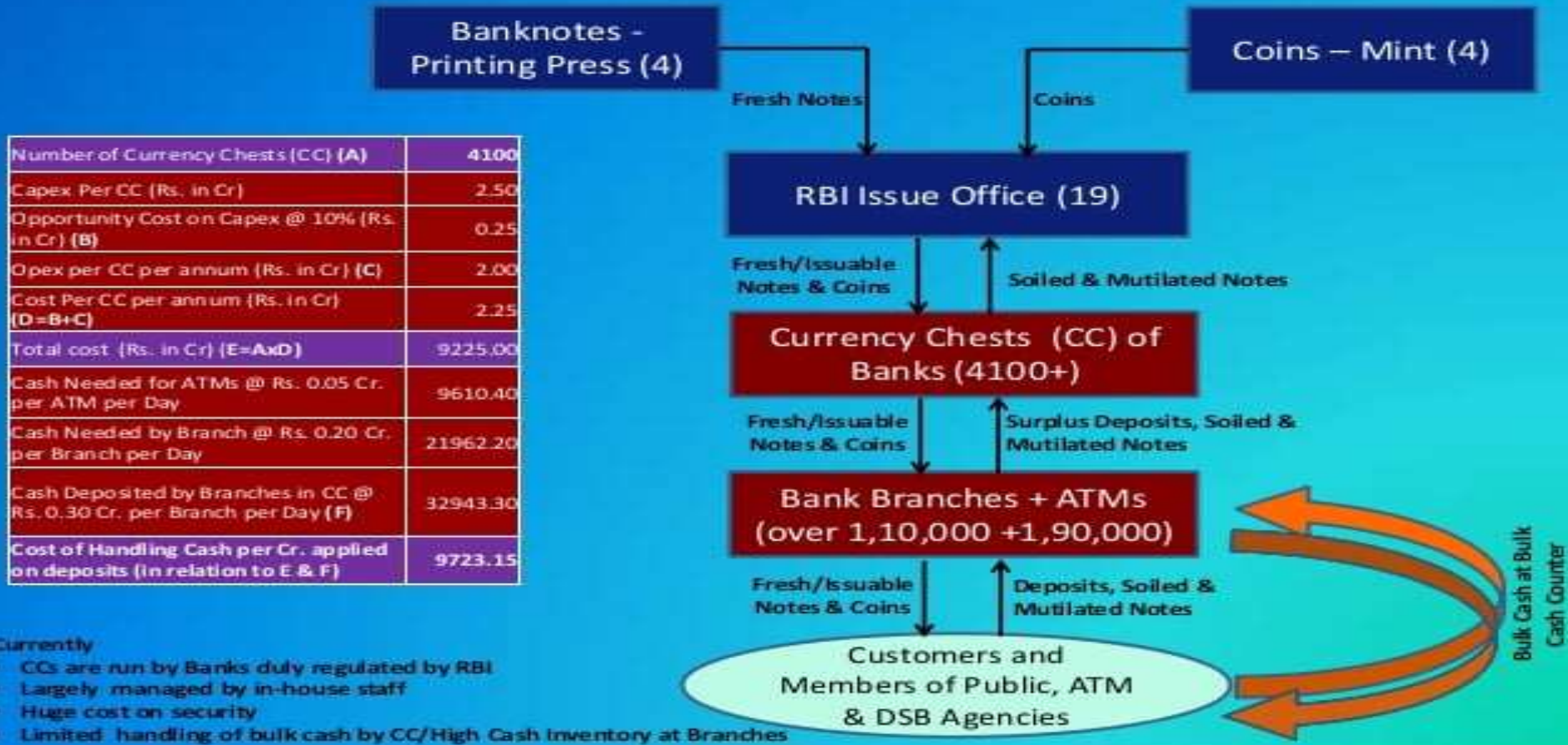
# Categorising Cashless Alternatives

1. Wrappers :- these are the general mobile applications that are use to transfer money through mobile number or a user code eg. Gpay , paytm etc
2. Mobile money :- Mobile Money as new payment systems, with money stored as credits on a smart card or a system-provider's books, but continue to use national currencies. Eg M-pesa
3. Credits and local currency :- Credits are schemes in which private companies accept money in exchange for an alternative unit of account, which can be spent on a particular platform (such as within an online game).
4. Digital currencies :- Digital currency is any currency, money, or money-like asset that is primarily managed, stored or exchanged on digital computer systems, especially over the internet

# The Cost of Handling Cash

1. The cost of accepting cash as a method of payment for businesses. This includes cost of transporting cash. Cash in transit companies have varying charging structures.
2. The cost of using cash for the public. For example, paying to withdraw money from an ATM machine which includes the costs associated with the ATM network. Differs from country to country
3. The cost of cash to banks including production and issuing notes and coin

# Existing Currency Management Model in India



## RBI spending

RBI expenditure on currency management was 49.12 billion in year 2017-2018

# GOVERNMENT INITIATIVE

DIGITAL INDIA  
campaign was  
launched by PM  
Modi in year  
2015

Launch of BHIM UPI  
application in year  
2016 to initiate  
digital transactions

Linkage of e-wallets  
to pan cards and  
No service charge on  
digital transactions

One UPI for all  
digital transaction  
platforms

# Going cashless as risk mitigant



1. Going cashless is one way to effecting compulsory banking
2. Compulsory electronic banking may be seen as a risk management tactic for banks facing the myriad risks arising from NIRP
3. the profit margin on incremental deposits is the product of the interest margin between deposits and assets, the increase in deposits, the effective re-lending multiplier



# Risk in E-payment

1. **Threat to financial information** :- there are many cases of leakage of financial information such as card details , internet banking passwords and UPI pin. This leads to theft of money form your bank accounts
2. **Crash of e-wallets** :- there are many applications such as swiggy, zomato, uber ,ola and many others that provide us the benefit of e wallets but there is a potential risk of wallet crash or and govt. regulation that stops the use of e wallet

**3. Phishing attack** :- many time it happen that you make a online payments and suddenly a mail or a message has been received saying click on this link for availing offers or cash back . through this hackers hack your banking details and empty your accounts .

**4. Excessive reliance on technology**:- its not a king of threat but a potential operational risk as many time we all have faced some issue in online payments saying bank servers are down or payment is taking time these are the issues due to server of bank or digital payment platform

**5. Lack of infrastructure** :- Infrastructure makes global commerce possible. But while some countries are upgrading their physical infrastructure. But if we specifically talk about India then rural parts are lacking far behind.

**6. End to the right of a private life** :- we slowly accept a trade off between convenience and privacy. Are we aware of this?

One argument is that only people who have something to hide would want anonymity. There needs to be a strong legal and regulatory framework to accompany a cashless society and is probably necessary anyway

**Swot**

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**Analysis**

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## The Public

### Strengths

- Convenience: Integration of wallet into digital devices/ services,
- Consumer and political power,
- End of cash making/ handling costs on taxpayer,
- Perceived social fairness if tax,
- Compliance may improve, and frauds may reduce.

### Weaknesses

- Financial exclusion, some will have difficulties with transition,
- Potential unreliable access to infrastructure and technology (physical and cognitive),
- Financial and technological literacy, Inc. budget management,
- Hidden agendas (suspicion),
- Mistrust in banks,
- Attachment to social value of cash.

### Opportunities

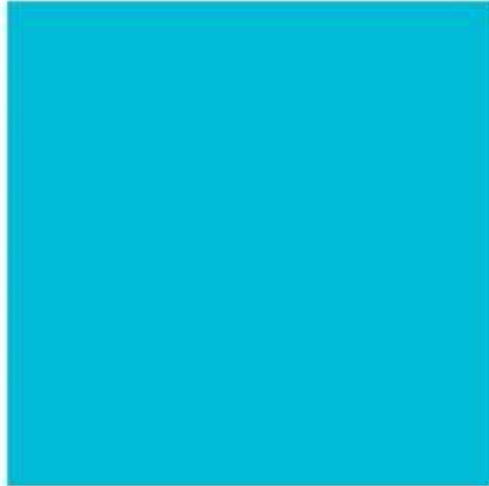
- Financial inclusion,
- Financial and technological literacy,
- Bank competition may mean lower consumer costs,
- More payment choices, inc digital currencies,
- New payment methods may dis-intermediate banks.

### Threats

- Financial exclusion / unaffordable technology,
- Loss of freedom, digital enslavement, dystopian world,
- Loss of free means of payment/ Forced consumption of private services,
- Hidden agendas (repression),
- Change won't live up to promises,
- Mistrust in banks,
- Negative Interest Rates and wallet erosion through fees,
- Money loss through collapsing schemes,
- Security of transactions and data (Inc. biometrics),
- Increased debt,
- Lack of interoperability, inconvenience,
- Loss of sovereignty.

# Reference

1. <https://www.actuaries.org.uk/system/files/field/document/A%20Cashless%20Society-%20Benefits%2C%20Risks%20and%20Issues%20%28Interim%20Paper%29%20-%20disclaimer.pdf>
2. <https://economictimes.indiatimes.com/here-are-the-advantages-of-cashless-payments-and-the-pitfalls-you-should-beware-of/tomorrowmakersshow/55956343.cms>



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# Thank you!

