

## **India can save Rs 70,000 crore by reducing cash transactions: Visa**

India can save up to Rs 70,000 crore in the next five years by taking measures to reduce cash handling by widening digital transactions base, global payments gateway Visa said today.

The Indian economy has a high cost of cash because of significant cost of time, effort and resources, operating and maintaining cash infrastructure, high cost of cash withdrawals, moving and managing cost, Visa said.

India would benefit by providing fiscal incentive to consumers and merchants, new regulations, digitisation of government payments, new technology adoption, open-loop systems for mass transit, inter-ministerial collaboration to transit to a less-cash society, it said.

"Our analysis suggests that implementation of the proposed measures by the government and banks would increase the numbers of acceptance points three-fold to about 4 million from 1.3 million today and add about 40.9 million households to the financial system.

"These actions would enable India to significantly increase the adoption of digital payments. Further it could result in savings of about Rs 70,000 crores (USD 10.4 billion) over the next five years," Visa study on 'Accelerating the Growth of Digital Payments in India: A five-year outlook' said.

According to a Visa estimate, net cost of cash borne by four stakeholders -- households, businesses, banks and central bank stood at 1.7 per cent of GDP in 2014-15. Besides, foregone tax revenues from shadow economy, estimated to be 19 per cent of Gross Domestic Product (GDP), account for 3.2 per cent of the economy.

Micro enterprises bear the highest cost of cash at 1.4 per cent of GDP, business to consumer organisations 0.6 per cent, households 0.9 per cent, banks 0.4 per cent and the RBI 0.04 per cent, Visa said.

"Such a huge burden on the economy offers the Government a clear rationale for accelerating shift from cash to digital payments...However, India has the opportunity to reduce its cost of cash from 1.7 per cent of GDP to 1.3 per cent of GDP," it said.

India could save up to an additional Rs 4 lakh crore (USD 59.4 billion) by 2024-25 if it could sustain a reduced cost of cash of 1.3 per cent of GDP until 2025, as per the study.

"In summary, the total savings by 2025 could be Rs 4.7 lakh crores (about USD 70 billion) with the appropriate policy initiatives in place and followed by effective execution," it added. Various other studies have shown that countries could benefit by moving from cash to digital payments.

"An analysis shows that in the area of electronic payments India's performance lags behind Brazil, China, and Russia. India trails because of its limited progress on financial inclusion," said the Visa study.

*(Economic Times)*