

# Demonetisation

## India Starts Its Journey Towards Digital India

Vinay Kumar Goguru

PhD Research Scholar, Osmania University, Hyderabad- India

**Abstract:** The arrival of Digital technologies and the growth of e-commerce have started the development of cashless transactions. The starter of electronic money, particularly in the form of debit/credit cards and e-wallets have boosted the confidence for a rapid passageway to a cashless, even a less cash culture. This article studies the knowledge of a cashless society which grew through Digital India programme. It describes several methods of cashless transactions. The study highlights the role of demonetization the pathway to a cashless society. It discourses several actions taken by central and state governments to inspire cashless dealings. It presents the policies made by the central government for boosting cashless transactions in India.

**Keywords:** Digital India, Demonetization, electronic money, cashless economy

### Introduction:

The uprise in information and communication technologies simplified the growth of the electronic payment systems and the beginning of new kinds of payment instruments. Communications became not only quicker, more comfortable and benign but also significantly inexpensive. Much more efficient fund transfers systems arisen and as a consequence, direct debits and credit transfers extended significantly. Cards payments must be emerging by if added value services to consumers that rely on the application of novel network technologies. Electronic methods of receipts and payments are the easing factors of e-commerce trade in India. It is of significant implication for supervisory the use of money, and it has stayed advised that it could lay basis pebbles for a cashless economy. A cashless economy can be manifest as an economy in which the flow of cash is non-existent, and all the dealings happen through automated modes such as debit cards, credit cards, net banking, Unified payments Interface (UPI) systems and e-wallets.

The development of technical knowledge and financial sector revolution has changed banks operative system and has hugely reformed. The Digital innovative products for making payment has developed after 1991's financial reforms of privatisation and globalisation. The banking procedure has reformed over a period, and clients need to be indifferent in their preference towards virtual currency. Plastic money is rising, the credit cards or the debit cards that we use to make purchases are increasingly becoming handy. The technical devices upon which electronic money is jumble-sale and through which it operates are either card based or software based products. Software-based electronic money is frequently functioned by e-wallets, while banking sector offers e-money. Card-based systems usually systematised in a national level. There is a massive development in present infrastructure of the banking system (ATMs, Electronic Fund Transfer, Point of Sale, inter-bank networks and so forth). Software-based products require only a fraction of the initial investment, and a software platform is sufficient for their use. They can remain used through the internet, and so they are not controlled by national borders.

## Digital India- Era of Digital Learning

With the primary objective of linking rural regions with high-speed Internet systems and educating digital literacy, prime minister of India Narendra Modi on 1 July 2015 propelled the Digital India platform. The Government of India entity Bharat Broadband Network Limited (BBNL) which performs the National Optical Fibre Network project will be the guardian of Digital India (DI) project. BBNL had well-ordered United Telecoms Limited to connect 250,000 villages through broadband this was the first step towards the creation of Digital India.

Top CEO's from abroad and India have dedicated to investing ₹224.5 lakh crore in Digital India program. This investment gets utilized towards the production of smartphones and internet devices in India at a reasonable price. It would further help in creating employment in India and decrease the problem of introducing smartphones from overseas.

Front-runners from Silicon Valley, San Jose, California spoke their funding for Digital India with Prime Minister Narendra Modi's in September 2015.

In the upkeep of Digital India movement Facebook's promoter and CEO, Mark Zuckerberg, transformed his Facebook picture in support of Digital India and started a series chain on Facebook. He assured to deliver Wi-Fi Hotspots in rural parts of India. Alternatively, Google, the top search engine company dedicated to providing broadband connections to 500 railway stations in India. Microsoft Company announced a commitment to provide broadband connections to five hundred thousand villages and make India its Cloud hub through Indian Data centres.

The government's determination to structure such ambitious program can be understood in the **JAM** trinity solution – **Jan Dhan** Yojana for financial inclusion and direct benefit transfers based on **Aadhaar** structure and **Mobile edge** for banking. To Digitize India large-scale digitisation programs will be applied such as Smart cities, e-sign, Digital Locker System, e-Hospital and Tele-medicines. This project will help in linking the entire nation and bring to light the hidden talents and businesspersons who will form our nation's future. It would help in achieving the goal line of Universal Digital Literacy and would decide the subjects of public accountability and increase clarity through a unique ID and e-Praamaan based on government authentic standard applications. Online services will benefit from this undertaking. A steadfast committee headed by the prime minister as chairman will supervise the board achievement of this project.

## CASHLESS MODES

### Mobile wallet:

Mobile wallets are computer-generated wallets on mobile devices. Mobile wallets remain operated through mobile wallet apps. Once it has downloaded the app on the phone, it will allow to input cash into a wallet using Net banking, Unified payment Interface, debit/credit card information. In its place of carrying substantial money or cheques or plastic money, you can carry smartphones or tablets, or smartwatch uses mobile wallets apps to receive payments and make payments through mobile wallets.

**Plastic money:**

Plastic money is substantial money in the form of plastic cards. It is used instead of actual bank notes and currency coins. Banks or non-banks issue plastic money this includes credit cards, debit cards, store cards, charge cards and gift cards. It is convenient to carry and use.

**Net banking:**

Net banking is banking at easiness with online banking/e-banking/internet banking. It enables a client of the bank to function financial dealings through banks website. Banks client can log in to computer or mobile phone into a bank account and perform financial dealings. These include procurement of account balances, list of recent transactions, bill payments, funds transfers, bank statements. Additionally, customers can order chequebooks, report loss of credit cards, update change of address, and perform more activities can without visiting the bank branch office.

With demonetization of Rs. 500 and Rs 1,000 notes and with a shortage of Rs 100 notes and lesser denomination notes such as Rs 50 notes, Rs 20 notes and Rs 10 notes lesser in circulation. People have started using online transactions, and India has seen an upsurge in card payments, mobile wallets, e-payments in handling day to day expenses. Point of Sale (PoS) transactions has jumped 95% after demonetization.

Mobiles have a unique set of capabilities that can create comfortable and a safe way for banking services. Improvements made in telecom infrastructure; smartphones offered at low cost, access to internet connectivity was all in line growth.

The encouraging effect of demonetization was a class of startup companies offering online wallets and digital disbursements. There was a massive rise in mobile wallets app downloads. Paytm is e-payment and e-commerce brand company which has seen the massive traffic of 435% and it is downloads increased by 200%. Paytm praised prime minister for taking the bold decision of demonetization in the financial history of Independent India.

**Prospect of mobile wallets in India**

India is one of the fastest growing markets for smartphones; its projected that by the year 2018 mobile wallet market in India will grow at 140% of compound annual growth rate (CAGR). By the year 2020 global mobile wallet market will register a CAGR of 34%.

According to Capgemini's World Payment Report 2017 mobile wallets market is predicted to grow 150% in next five years. India's drive to develop a less-cash economy or cashless economy will benefit the e-wallet industry grow to \$4.4 billion by 2022.

**Below measures were taken by central and state governments towards a cashless economy**

- In December 2016, Government of India has launched two schemes to incentivise digital payments in country one each for customer and merchant. The two schemes are called as Lucky Grahak Yojna and Digi Dhan Vyapari Yojna, to encourage sellers and buyers towards cashless transactions.
- On purchase of petrol/diesel if payment is made by digital means a discount rate at 0.75% of sale price to customers will be provided by central government.
- With the aid of National Bank for Agriculture and Rural Development, the central government will extend financial support to eligible banks for distribution of 2 Point of sale devices each in 1 lakh villages with total population less than 10,000.00. These machines will be deployed in primary

cooperative societies/milk societies/agricultural input dealers to facilitate agri-related transactions digitally.

- The Central Government with the help of NABARD will also fund Rural Regional Banks and Cooperative Banks to distribute "Rupay Kisan Cards" to 4.32 crore Kisan Credit Card holders to make them do digital transactions at Micro ATMs/ATMs/ POS machines.
- Indian Railways shall provide a discount if payment is made through digital means up to 0.5% to customers for monthly or seasonal tickets from January 1, 2017.
- Free accidental insurance treatment of up to Rs. 10 lakh is provided to all railway passengers buying online tickets.

✓ **Cabinet Clears Ordinance to make Salaries payments in digital mode.**

To allow employers to pay remuneration to employees through cheques or electronic fund transfer. An amendment to section(6) of Payment of wages act got cleared. It will facilitate to make cashless salary payments.

✓ **Rajasthan schools syllabus to include demonetization and cashless economy in Class 12<sup>th</sup> Economics subject.**

Rajasthan's school Board of Secondary Education decided to add a chapter on Demonetisation and cashless economy in Economics subject of Class 12 textbook. It will enable the next generation to recognise the significance of cashless economy.

✓ **Assam Government takes initiatives to promote a cashless economy**

- If fuel transaction done by electronic means the central government has offered 0.75% discount on the price of diesel and petrol to its customers, along with that Assam state government will offer additional 0.75% discount if payment made through digital means.
- In Hospitals, patients whose charges are Rs 500 and above if payment gets done by digital means, 10% of discount offered to patients. If hospitals or medical colleges incur any financial loss, the state government will compensate the Hospital Management.
- If digital payments made for property tax and trade license, a discount of 10% will provide to citizens. If any Urban Local Body incurs a loss on such account, Assam state government will compensate them.
- For 100% digital payments from 1st January to 30th June 2017, General Purpose Simulation System will get a cash award of Rs 25,000. Likewise, Fair Price Shops which makes dealings 100% digitally will get cash prize of Rs 10,000 from 1st January to 30th June 2017.
- If a farmer does all dealings digitally from the purchase of fertilisers to seeds between 1st January 2017 and 15th July 2017, such first ten agriculturalists in each particular district will be awarded 'CM's Award for Digital Krishak Shiromoni and a cash prize of Rs 5,000 along with a citation.
- For all digital payments made, an encouragement of Rs 5 per ticket gets awarded to cinema hall proprietors for the online sale of tickets during the period of 1st January 2017 to 31st March 2017, and such amount will get deducted from entertainment tax payable to the government.
- Top ten colleges will be provided with a cash prize of Rs 5 lakhs each if government/ provincialised colleges from 1st January 2017 to 15th July 2017 do transactions digitally. If there are more than ten applicants, ten winners get selected by lottery.

- In total 75% land revenue is collected through digital means from 1st January 2017 to 15th July 2017, first top ten Mauzadars will get cash benefit of Rs 25,000 each. If there are more than ten applicants, ten winners will be nominated by lottery.
- Entry Tax for POS Machines, mobile wifi and Very Small Aperture Terminal (VSAT) Dish antennae was exempted up to 31st March 2017.
- If tax amount is Rs 10,000 or more, all Commissionerate taxes shall be deposited only through the digital mode
- In addition to Rs 10 already announced by NITI Aayog to Designated consumer (DC) for transiting to digital payment, Rs 5 gets paid for every DC.

✓ **Lucknow- HDFC Bank pushes for Digital Economy**

HDFC Bank has initiated digital awareness camps in Uttar Pradesh so that people will get adapted to cashless transactions. Bank officials will train people on mobile banking, net banking Point of sale terminal and other applications.

✓ **Haryana- Rs 5 will be given for each e-transaction by Haryana government.**

Rs 5 as a token of appreciation is paid to every individual doing digital transaction by Haryana government. Transactions should be done through e-wallets, Unstructured Supplementary Service Data (USSD), Unified Payment Interface (UPI) and Aadhaar enabled payment system.

✓ **Goa- Goa Tourism Development Corporation (GTDC) is Goa's first Government organisation to adopt 100% cashless transactions**

Goa Tourism has taken the lead bringing all tourism business under the sphere of cashless transactions. It includes package tours, hotel reservations, cruise rides or any other tourism service. GTDC has facilitated cashless transactions, both on and off-line systems for cashless payments through Point of Sale machines, wire transfers etc.

✓ **Madhya Pradesh government starts training camps for farmers on cashless transactions**

For Farmers visiting Mandis (agriculture produce markets), Madhya Pradesh government provides training facilities on cashless transactions. Madhya Pradesh government is encouraging cashless transactions at Mandis.

✓ **Telangana and Andhra Pradesh governments initiatives on digital transactions**

Chief Minister of Telangana K Chandrasekhar Rao (KCR) and N Chandrababu Naidu, Chief Minister of AP have designed strategies individually for digital transactions. Chandrababu Naidu has launched 'AP Purse'. It is a government-sponsored payment platform with 13 mobile banking and ten mobile wallets.

Chandrababu Naidu introduced Marpu Nestam (Friend for a change), to educate people on digital financial literacy. Andhra Pradesh state government will pay incentives to agents who train people in digital financial literacy.

In Telangana state, K Chandrasekhar Rao has introduced the e-wallet in partnership with ICICI Bank to address complaints of traders, farmers and Jan Dhan account holders. KCR said that Telangana state was geared to go digital at all levels. From stamps and registrations, civil supplies, excise to all government payments, including salaries to govt employees, would be on a cashless platform. In Rythu Bazaars (farmer markets) Telangana government has introduced a cashless

transaction model for the benefit of vegetable vendors in Hyderabad and Siddipet in partnership with HDFC Bank.

### Findings

In the new era of digital society, cashless transactions are more convenient rather than carrying the bulk of cash and plastic money in the wallet. A cashless economy is needed to reduce the burden of taxes on the people; the government charges taxes due to the lack of funds in the government bodies. With the help of digital business, transactions that are left unrecorded will now come in to picture contributing to India's growth and make India one of the fastest-growing economies in the world. A cashless society is important because it will reduce the burden of tax avoidance and money laundering cases resulting in the benefits to the society. People must be educated on the benefits of the digital transactions. Corporates should be encouraged for CSR (Corporate Social Responsibility) activities for organising education camps in rural and semi-urban areas for spreading awareness about digital transactions.

### Conclusion

The Digital India program connected internet in rural areas with urban areas. There are various initiatives announced in Union budget 2017 by the government encouraging cashless transactions. It has increased cashless transactions and mobile wallets in the country. With these latest developments banks instead of focusing on ATMs are now focusing on mobile apps, online transactions and Aadhar-based payment system. Our prime minister's move on digital payments will help our country jump from cash generation to digital generation. The steps taken by central & state governments will help people in understanding and use digital transactions. It will help to overcome the issues of dealing with cash transactions and an essential step towards a cashless economy. It is a long journey, and we need patience and belief in the system and do our best to make our country- Digital India.

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