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**EPRA International Journal of
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DEMONETIZATION: A PATH TOWARDS CASHLESS ECONOMY

Mr Tarun¹

¹Student,
Department of Commerce,
Kurukshetra University, Kurukshetra,
Haryana, India

Ms Nishi Malik²

²Student,
Department of Commerce,
Kurukshetra University, Kurukshetra,
Haryana, India

ABSTRACT

A Cashless Economy is an economy in which all types of transactions are carried out through digital means. The paper under study tries to throw light on demonetization and its contribution in cashless economy. As the people of India are showing amazing response towards move of digitalization, it is the big indicator of prosperous future for India to be cashless India but the low literacy rates in rural India, along with the lack of infrastructure like internet access and power make things extremely difficult for people to adopt e-transaction route. The financial technology industry would be unwise to ignore the rise of mobile transaction services, person-to-person networks and the whole range of digital disruption in the payments arena from the likes of Bit coin, Apple Pay and PayPal that undoubtedly is putting pressure on cash. To overcome from the problem of cashless services providing in rural India.

KEYWORDS: *Cashless Economy, e-transaction route, Cash, digital transactions*

INTRODUCTION

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of the professed roles of Digital India. As part of promoting cashless transactions and converting India into a less-cash society, various modes of digital payments are available. But demonetization was a move taken by the government on 8th November 2016 that could have brought the Indian economy towards a cashless economy. Demonetization created endless queues outside banks and created lots of difficulties in spending cash at shops and stalls. But the decision to demonetize the currency was just one in a series of

moves that will push India towards a cashless economy. Now the question arises [1] **What is cashless economy:** cashless economy is one in which physical currency is minimum and all the transactions are done through electronic channels such as debit and credit cards, real time gross settlements, electronic fund transfer etc. Cash is like water now days without which survival is nearly impossible. Until recently, cash was used for more than two-thirds of transactions in India. However, just over a month into the demonetization and the country had already started to see the benefits of digital transactions. Government figures show a 268% increase in year-on-year tax collection from 47 Indian cities for November 2016.

Prime Minister Narendra Modi introduced two schemes - Lucky Grahak Digi and Dhan Vyapaar Yojna to promote habit of e-payments and mobile banking among traders and customers to strengthen the cashless economy. Cashless economy is in favors of everyone and it also helpful in controlling counterfeit notes that are contributing to terrorism. It also helpful in curbing the web of Black Money

Modes of Digital Payments Are:

For making India cashless, these are the various modes available in form of digital transactions which are being considerably implemented and which clearly indicate that cashless transactions are being actively used by people in India. These can be highlighted as under:

- **Payment Banks:** Payment bank is a new model of banks introduced by RBI. Payment can issue services like ATM Cards, mobile banking, net banking, and debit cards etc. These payment banks offer amazing competition to traditional banks in terms of services. **Two such prominent licensees are Airtel (founded in 1995, in 2016 reaching at revenue of \$14.5 billion) and PayTM (founded in 2010 and valued at \$1 billion presently)**
- **Electronic Fund Transfer Systems:** Two popular methods RTGS and NEFT are increasingly used by people at a large scale for making funds transfer from one bank to another leading to less time and economy in operations.
- **Mobile Wallets:** Option to open a zero KYC or a full KYC wallet along with your mobile number and the application to be downloaded to your smart phone.
- **Internet Banking:** For this type of digital service to take benefit of, the individual must hold a bank account and opt for the online service same.
- **Banking Cards:** Banking cards are available by the bank by providing the KYC (know you customer) information to the bank. Applying for a card and getting a pin for the same. Credit and Debit cards are plastic cards that are used as method of payment.
- **Banks Pre-Paid Cards:** For this service, a bank account is there with wallet or a pre-paid card and a smart phone to generate the MPIIN.
- **Point of Sale:** A handheld device with the biometric reader along with a merchant bank account and internet connectivity. POS machines facilitate acceptance of payment from customers by swiping of their debit/credit/prepaid cards on POS terminals. Number of POS terminals in India has increased from 5 Lakh in year 2010 to 14.62

Lakh in year 2016. (Source: www.indianexpress.com)

BENEFITS OF CASHLESS ECONOMY

- Cashless India is important because it will decrease the tax avoidance and the money laundering cases subsequently resulting in the benefits for the customers.
- A cashless economy is required to make the transactions more convenient for the layman rather than carrying the bulk of cash in the wallet along with plastic money.
- You will no longer need to carry wads of cash, plastic cards, or even queue up for ATM withdrawals. It's also a safer and easier spending option when you are travelling.
- The recent waiver of service tax on card transactions up to Rs 2,000 is one of the incentives provided by the government to promote digital transactions.
- If everything is on record it is easy to maintain budget and track spending for the people.
- If a credit card or debit card are stolen it is easy to block it very easily even from remote place, but if cash is stolen it will impossible to get cash back.

GO DIGITAL, GET DISCOUNTS

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.

CHALLENGES FOR CASHLESS ECONOMY

- **MINDSET OF KEEPING AND SAVING CASH** is the most dominating factor in our country which will give challenges to go cashless.
- Internet connection is needed for settling the transactions digitally, but in India, there is poor connectivity of internet in rural areas so its impossible to perform electronic transaction from rural places.
- In addition to this, a lower literacy level in poor and rural parts of the country, create problems in making payments electronically. 90% of workforce works in rural sector and it will not be easy for them become cashless by making cash payments there is no record left

so merchants prefer to make payments by cash to avoid tax

- The graph of cyber crime is also high in India that's why people lack of faith in electronic transactions.

METHODOLOGY

The present is mainly based on secondary data which is available in the papers, articles, journals and internet etc. A large informal economy that supports a major

part of Indian population and their livelihoods also runs in cash. This is why Cash is yet King. But after demonetization the place of cash is somewhat taken by electronic transactions. The ground reality reveals that majority of transactions through electronic media such as debit cards, credit cards, electronic fund transfers etc. increased after demonetization.

People said no to cash and made digital payments part of their lives: Value (Rupee Billion) of transactions

	Cheque Transactions	IMPS	Credit Cards	Debit Cards	Mobile Banking
Oct-16	5,974.14	343.57	302.42	2,767.23	1,135.64
Nov-16	5,419.22	324.81	264.32	1,569.14	1,372.78
Dec-16	6,811.91	431.92	312.37	1,429.65	1,498.18
Jan-17	6,618.44	491.25	328.62	2,006.48	1,383.01
Feb-17	5,993.95	482.21	286.31	2,286.81	1,279.93
Mar-17	8,062.77	564.68	336.2	2,616.45	1,730.88
Apr-17	6,990.65	562.06	333.76	2,543.41	1,612.17
May-17	6,745.89	585.59	364.02	2,539.00	2,133.07
Jun-17	6,409.95	596.55	357.5	2,632.17	1,807.65
Jul-17	6,342.50	604.76	342.15	2,614.11	801.36
Aug-17	6,224.34	651.49	366.03	2,706.09	799.13

In November 2016, a total of 523.23 million cashless transactions took place worth Rs 93.63 lakh crore and by March it was 682.45 million transactions amounting to Rs 150.24 lakh crore. Now, coming to cash, as on October 2017, the total cash in circulation was a whopping total Rs 1, 31, 81, 190 crore and the total currency with the public was Rs 15, 32, 850 crore. All of us together have put in money worth Rs 1,03, 65, 840 crore in time deposits with banks.

CONCLUSION

Once Demonetization increases the electronic transactions that we can see in the graph but now the situation is different. The value of digital transactions nationwide declined marginally (1.5%) to Rs 92.6 lakh crore in February 2017 from Rs 94 lakh crore in November 2016 according to representative data (provisional) on electronic payments released by the Reserve Bank of India (RBI). It happen because

lack of initiation by people so there is a need to create awareness regarding benefits of cashless economy . The future of the Cashless India will definitely good if government take same necessary steps and support transparency in the economy through the e-commerce transactions and the digital payment gateways.

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