



INDIA MOVES TOWARDS DIGITAL ECONOMY AFTER DEMONETISATION PROCESS

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ABSTRACT In present era the integration of technological aspect with socio-economic platform is necessary for sustainable development. Now a day the information communication technology is the central part of development process. It assists the common man to solve their various types of problems. It contributes to strengthen of productivity of the people in relative fields. For the purpose the technology should have reliability and effectiveness in the sense of speed, accuracy, transparency, and auto-easy operational features. So the success and real usefulness of ICT is depending on acceptability and good feelings towards get desired benefit or appropriate solution of problems.

Demonetisation has certainly paved the way to cashless but it will take a much longer time to be total cashless. If the government will exercise quality control and speed on infrastructure and services with best practices use of taxpayers money in the white economy all Indian's will benefit.

KEYWORDS : ICT, Demonetisation, Digital Economy, Cashless, Payment,

1. Introduction

In present era the integration of technological aspect with socio-economic platform is necessary for sustainable development. Now a day the information communication technology is the central part of development process. It assists the common man to solve their various types of problems. It contributes to strengthen of productivity of the people in relative fields.

ICT is such technological system that fulfils the deficiency of communication between people and formal system or structure of development. It is able to meet the gap of formal communication system and help to people as it supports to bring creative environment to run well the development process that ultimately affects the level of living standard.

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2. Demonetisation

Indian government decided to demonetize the 500 and 1000 rupee notes, these notes accounted for 86% of the country's cash supply. Demonetisation process and its impact on Indian economy has been expected in incoming year.

1. Demonetisation is the process of
 - To divest of value.
 - To withdraw money from use.
 - To deprive of validity by legal methods and without marking the stamps themselves.
2. The demonetisation move by the India would reduce the black money and will country towards a digital economy with cashless system will take some period.
3. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy.
4. Build up a cashless society in which purchases of goods or services are made by electronic platform rather than with cash.

3. Digital India Programme

Digital India – A programme to transform India into digital empowered society and knowledge economy

- Government launched Digital India programme which is transformational in nature and would ensure that Government services are available to citizens electronically. It would also bring in public accountability through mandated delivery of government's services electronically with Unique ID basis

specially AADHAR.

- Digital infrastructure, providing digital services, implementing e-governance in an accessible manner and using technology as a driver of change and growth in all sector including private and public-private partnership.
- Government already prepared a gateway of an Aadhar, Jan Dhan Yojana, Make in India and direct benefit transfer has boost digital economy and cashless transaction.
- The government of India has stepped up in promoting and upgrading several projects that are specifically aimed at moving towards a cashless transaction space in India as per requirement for transparency.
- The National Payments Corporation of India (NPCI) is also taking steps to promote the common UPI platform which involves direct transfer of money between two accounts through a mobile application. Best practises for developing a common platform for all as BHIM interface which will be boosted a digital economy in nearest platform,
- 4. **Scope of digital economy**
 - Unique Identification Number later renamed as Aadhaar number, an initiative of Unique Identification Authority of India of the Indian government to create a unique ID for every Indian resident as centric part of economical transaction.

Aadhar status as on 30 April 2017

	Total Population (Projected 2015)	Numbers of Aadhaar assigned	% Aadhaar
India (All State/UT)	1,278,229,800	1,140,800,331	89.2%
0 < 5 Years Age	119,160,296	40,930,571	34.3%
5 < 18 Years Age	350,025,759	258,709,658	73.9%
>18 years Age	804,431,255	841,160,102	104.6%

- Aadhar was working on a common platform that could be used to conduct transactions across banks. Even as a merchant would need a smart phone, a customer can make payments with just the Aadhar card number and one of his two biometrics–fingerprint.” Aadhar Bank Linkage with account is almost 45 crore account ready with fingerprint database and it will be expand nearest future.
- Use of the debit and credit cards and mobile or electronic wallets are being pushed by government and private sectors, as part of the move towards a cashless economy. E-commerce, m-commerce portals and digital wallets have seen an unprecedented surge in usage and the opening of new accounts. Their target this time is not just the citizen but also the small merchant.
- The more important thing is when the economy becomes formal,

when everybody's financial transactions are digitised. India is going to go from data poor to data rich and that will make it more and more difficult for people to do dishonest things or to be outside the system.

5. Cashless Payment methods

There are some old and new techniques for cashless transaction already exist and some are emerging with new concept and consulates form.

a. Cheque: The cheque is a known and oldest methods of cashless payment. The entire transaction done through cheque gets recorded and there is a proof of payment. The clearance of cheque takes additional time.

b. Demand Draft: Demand draft is another safest option to receive payment from anyone as a cashless transaction. The clearance of DD takes additional time.

c. Banking Cards: Credit card or debit card is another cashless payment method. The usage of credit card and debit card is worldwide now. The limitation of this payment method is an availability of swipe card facility (PoS) at merchant end. After registering for E-wallet you need to link your credit card or debit card with your E-wallet id. You can use e-wallet for fund transfer or online shopping. It is a simplest cashless method.

d. Aadhaar Enabled Payment System (AEPS): AEPS is one of the best cashless payment methods. AEPS is like Micro ATM it uses smartphone and a finger-print scanner for the transaction. In order to use this facility, it is mandatory to link your Aadhaar card to your bank account. You can use AEPS in order to perform transaction like Aadhaar to Aadhaar fund transfer, Cash withdrawal, Cash deposit etc.

e. Mobile wallets: The next cashless payment method is a mobile wallet. You do not need a debit card, credit card or internet banking password for making payment using a mobile wallet. Just load money in your wallet via IMPS and use it on the move. You can download mobile wallet app from play store. Few examples of mobile wallets are Paytm, PayUmoney, Oxigen, Lime, MobiKwik etc.

f. Prepaid Card: The next cashless payment method is a gift card. Gift Card is a readymade card and can be purchased from a merchant or from the bank. The gift card is loaded with a fix cash amount you can purchase any item from the specific vendor by using a gift card.

g. Internet & Mobile Banking: The third simplest method for the cashless transaction is online transfer using NEFT or RTGS. In order to do online money transfer, you need internet banking facility. Online transfer using NEFT or RTGS is comparatively faster than cheque or DD. Online transfer can be done from anywhere using internet facility on desktop and mobile apps.

h. UPI: UPI is a mobile payment system which allows you to do various financial transactions on your smartphone. UPI allows you to send or receive money using virtual payment address without entering bank information. Merchants can enroll with banks to accept payments using UPI. Like in the case of a PoS machine, the merchant would require a current account with a bank to accept UPI payments. The examples of few UPI Apps are SBI Pay, ICICI Pocket, Axis Pay, Union UPI, PNB UPI, etc.

i. Government of India launched a BHIM UPI application which is integrated solution of inclusive all bank together in one platform. BHIM application developed by NPCI with currently linkage with more than 30 banks and will towards holistic solution of above all types of payments mode will be inclusive in one roof and centric with Aadhaar based finger print solution in future.

6. Statistics and Indicators

The move to electronic banking—through debit and credit cards, bank transfers, Internet and mobile banking—will indeed accelerate. While the use of cash for retail transactions was 95%, according to this 2013 report from McKinsey, a consultancy, it was 68% in 2016 is world scenario, the Business Standard reported, quoting CLSA, a brokerage group. That means it hopeful scenario seen in terms of positive indicator for digital payment and towards digital economy. I think India has to face a four indicators of expansion in India's

cashless economy and the barriers they face

1. Growth in electronic bank transfers:

According to RBI data, October 2016 Reserve Bank of India data stated that Bank transfers made through NEFT and RTGS system as under over the same period.

RBI Data as on Oct-16		2011	2012	2013	2014	2015	2016
NEFT	Transaction	199	339	572	873	1611	1191
	Amount	15377	25888	39920	55340	75986	85758
RTGS	Transaction	54	65	78	90	97	86
	Amount	5194	6447	7260	7440	7996	7812

(Transaction in million and Amount in billion)

2. ATMs and Point-of-sales (POS):

According to RBI data, October 2016 Reserve Bank of India data stated that 1.4 million POS terminals used to swipe debit and credit cards and around 200,000 ATMs in October 2016.

RBI Data as on Oct-16	2011	2012	2013	2014	2015	2016
ATM	87355	105784	141516	176410	193768	202801
Point of Sale (POS)	618756	799702	1025732	1058642	1245477	1461974

3. Debit cards and credit cards rise over five year :

According to RBI data, Credit cards increased from 17.7 million in 2011 to 26.4 million in August 2016, Debit cards rose from 263 million to 712 million over the same period.

- Debit cards rise 170%
- credit cards rise 50%

	2011	2012	2013	2014	2015	2016
Debit Card	263796762	314436803	372506779	500080855	643191224	712465787
Credit Card	17672337	18851341	18686136	20362859	22748760	26378940

Debit cards are mainly used for cash withdrawals from ATMs in India; only in urban areas are they used for cashless payments, as March 2016 government data confirm. Rs 25 lakh crore was withdrawn through ATMs during the financial year 2015-16 – 5.4 times more than PoS transactions.

4. Mobile banking transactions :

Mobile payment refer to payment services operated under financial regulation and performed from or via a mobile device. Mobile payment is being adopted all over the world in different ways. There are five primary models for mobile payments.

- Mobile wallets
- Card-based payments
- Carrier billing
- Contactless payments (Near Field Communication)
- Direct transfers between payer and payee bank accounts

Here some statistics of India in terms of Mobile internet and total Internet user mention below.

RBI Data as on Oct-16	2012	2013	2014	2015	2016
Mobile internet User	48	91	137	238	371
Internet User (Total)	137	190	243	354	449

Finally, at the end of march-2017 RBI released a data on electronic payment accordance with transaction values and volume as mention below.

Month	Cards @ POS (4 Banks Data)		Mobile Banking (5 Banks Data)		UPI (8 non-banks issuers Data)		Prepaid Payment Instruments	
Unit*	Volume	Values	Volume	Values	Volume	Values	Volume	Values
Nov-16	205.5	35236	72.3	124485	.3	91	59	1321

Dec-16	311	52224	70.2	136588	2	700	87.8	2125
Jan-17	265.5	48124	64.9	120666	4.2	1659	87.3	2099
Feb-17	212.3	39147	56.2	108000	4.2	1902	78.4	1874
Mar-17	225.7	41062	60.5	149923	6.2	2391	90	2148

* Volume in million and values in crore, RBI

7. Need to improve a system

- A. In urban India, 58% of people have access to Internet while Only 13% Indians in rural areas have Internet access. As many as 73% of Indians cannot access the Internet reported India Spend on December 3, 2016.
- B. As on March 2016 Telecom Regulatory Authority of India India has 342 million Internet users.
- C. 154 million Indians have broadband, speeds slower than Bangladesh, China.
- D. Another hurdle is the average time to load a page on a mobile phone takes 5.5 seconds in India, compared to 2.6 seconds in China, 4.5 in Sri Lanka, 4.9 in Bangladesh, according to this 2016 report by Akamai Technologies, a global content delivery network services provider.
- E. For a majority of banking applications, a smartphone is a prerequisite.
- F. In a cashless country, the complete control of transactions, individual use of money, information about public monetary assets, and interest rates are with the nation state and third party providers.
- G. Increase financial inclusion of consumers, merchants and traders.
- H. Remove mental barriers and change payment habits of consumers, enterprises and public institutions towards greater use of digital payments.
- I. Better utilization of payment infrastructure and acceptance network.
- J. Mandate standards for security and effectiveness of digital payments, expansion of availability and promote innovation.
- K. Ensure payment neutrality through a free market and competition in payments.

8. SWOT ANALYSIS

Cashless or Digital India interpreted on SWOT. We need to analyzed the project based on SWOT is given below.

Strengths

- General Awareness on eGovernance
- Basic IT Infrastructure available
- Significant increase in political support
- Catalyzed movement towards citizen
- Right on time bound delivery of services
- Supplemented various eGov projects
- Adhar based Unique identity

Weaknesses

- Lack of attainment in impact
- Weak and delayed released Standards and interoperability
- Low process of re-engineering
- Lack of approach on implementation
- Weak monitoring and evaluation system
- last mile connectivity
- Sub optimal use of Core IT Infrastructure

Opportunities

- Huge advancements in the Technology
- Advent of the Cloud
- New business models
- Capacity Building
- Radical process re-engineering
- Strong international presence

Threats

- Losing appeal for Transformation
- Obsolete or inefficient eGov Projects
- A large number of islands of IT activity
- Competition from other countries
- India could lose the opportunity to leapfrog in the quality and nature of citizen services offered through eGov

9. Conclusion

Demonetisation has certainly paved the way to cashless but it will take a much longer time to be total cashless. If the government will exercise quality control and speed on infrastructure and services with best practices use of taxpayers money in the white economy all Indian's will benefit.

A cashless society is a society where currency notes or cash money are not used in monetary transactions. It is a hypothetical move or situation in favour of alternative means of exchange. The present concept of a cashless society or country is a completely new thing. Here cashless transactions are made with the help of digital currencies like the bitcoin. In a truly cashless society, legal tender (money) is exchanged and recorded only in the electronic digital forms.

National Payments Corporation of India is the umbrella organisation for all retail payment systems in India, which aims to allow all Indian citizens to have unrestricted access to e-payment services. Through cooperative efforts among consumers, businesses and the government, the Indian society as a whole will gain tremendously by the increased adoption of digital payments.

Central governments would also benefit from such cashless transactions as it would allow central control of money supply. It would be easier for government to monitor income tax paid by individuals and proper payment of tax would strengthen the nation's economy. Cashless transactions would be helpful in the context of negative global inflation and quantitative easing. Going cashless would also reduce the levels of corruption prevalent in the country. Finally, moving towards Cashless Economy advantage gain are Cost of handling cash reduces, Brings transparency, Help curb the creation of black money and will increase the tax base and add to tax revenues.

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