

Acceptability of Cashless Economy after Demonetization in India

Dr. O.P. Pathak¹ and Dr. Bhuwan Gupta²

¹Associate Professor, Department of Management Studies, Sangam University, Bhilwara, Rajasthan, INDIA

²Associate Professor, Department of Management Studies, MITRC, Alwar, Rajasthan, INDIA

²Corresponding Author: bhuwanalw@rediffmail.com

ABSTRACT

Demonetization is the demonstration of stripping a cash unit of its status as legitimate delicate. Demonetisation is fundamental at whatever point there is an adjustment in national money. The old unit of cash must be resigned and supplanted with another money unit.

November the eighth, 2016 - the date has become a milestone for the Indian economy. It was a customary day for any Indian, yet then the clock struck 8:15 p.m. also, there was our Prime Minister tending to the compatriots. In a 25-minute long discourse, the Prime Minister had pursued a war against dark cash by pulling back legitimate delicate character of Rupees 500 and Rupees 1000 notes with impact from 12 PM, and giving new Rupees 500 and Rupees 2000 set up.

The flooding hazard of phony cash, particularly in high division, can't be focused on enough. This thus, is stored as dark cash and is abused by fear based oppressors for against national and criminal operations. India is as yet known as a money based economy.

Keywords-- Demonetization, Black Money, Cashless Transactions, GDP

The paper is based on the secondary data. The secondary data was collected from various published sources like reports, magazines, journals, newspapers and the like

II. NEEDS OF DEMONETIZATION

1. To eliminate black money from the markets
2. To Stop terror funding
3. To Reduce corruption
4. To Eject the counterfeit currency out of the system

The cashless transactions take place through digital currencies like digital payment channels like mobile wallets. In a really cashless society, legitimate delicate for example cash is traded and recorded uniquely in the electronic and computerized structures.

Such a situation is generally viewed as speculative as most specialists accept that some physical money will consistently remain available for use. In this manner, the significance of a cashless economy in prominent utilization is an economy where exchanges in real money are insignificant and not really nil. So the more proper term would be-'less-money' society.

Money is the best yet its position of authority is being toppled, and not many nations are driving the way. The table beneath shows the best ten cashless nations based on estimation of non-money exchange.

I. INTRODUCTION

Data Collection

Rank	Country	Non-cash payments' share of total value of consumer payments (Percentage)
1	Belgium	93
2	France	92
3	Canada	90
4	United Kingdom	89

(Figures: worldatlas.com)

Here, the percentage of cash transactions on basis of value in Belgium is 7%, in Canada it is 8% in Canada it is 10% and in UK it is 11%. In India, this figure is almost 96% but it is reducing day-by-day.

The Need of Cash less Economy

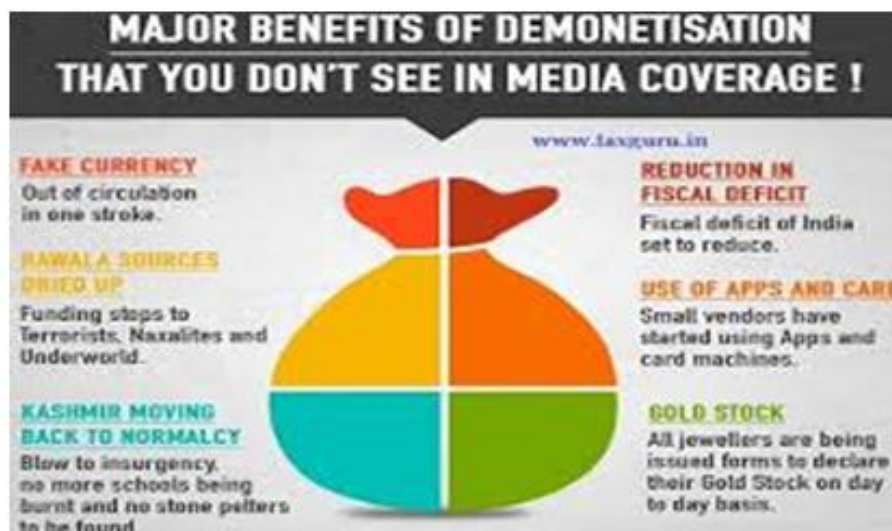
It's been just about quite a while since paper money got recognized as authentic fragile. While much has changed about how we make, sell, and buy stock, cash has

remained. So for what reason would we say we are endeavoring to discard it now? The most obvious clarification is that cash trails are hard to pursue, leaving portals open for cheats, debasement and burglary. As cash licenses mystery in trades, it invites charge evasion and even dread based oppressor financing. Another clarification is the critical cost of dealing with cash similar to money just as far as time. RBI and business banks in India spend Rs 22,000 Crores consistently in such way. An assessment for Harvard Business Review gave the going with figure-"New Delhi's 11 million inhabitants everything considered experience precisely 72 million hours out of every year seeking after cash." It isn't simply India-about the whole of

the Indian subcontinent encounters noteworthy cost of dealing with cash. Some portion of cash accessible for use also allows gathering and dim money. There is a notable saying-"If you have to clear out dim money, crash money." All of these reasons set forth a persuading barrier for development towards a cashless economy

The Success Story So Far:-

In spite of the torment caused, demonetization has all the earmarks of being promising at its presumptive worth. The plan gets some truly necessary changes for the economy. Here is means by which it can realize a progressive change-



- ✓ All the money kept in financial balances, is creating information that is being utilized by the Income Tax Department for mapping exchanges. Therefore, the Income Tax Department has done 586 inquiries the nation over and seized ' 300crores money, and got unaccounted salary of ' 2600 crores, as announced by The Economic Times on sixteenth December, 2016.
- ✓ It is evident that the duty net is set to extend and the administration hopes to record a significant money inflow as far as money and punishments in FY 2017. On the off chance that that occurs, it will positively affect monetary deficiency moreover.
- ✓ The abrupt move has hit the criminal operations like psychological oppressor financing, atleast for the time being.
- ✓ It has likewise been said that the new ' 500 and ' 2,000 notes are less powerless to being faked, as they have propelled security highlights suggesting that it will be almost unthinkable for fake notes to crawl into the business sectors.
- ✓ Although the GDP development rate has declined temporarily, confinements on money economy and increment in government income are relied upon to improve the GDP over the long haul.
- ✓ Demonetisation has dropped down the swelling, a lot to the help of the basic man. Till the business sectors are implanted with enough liquidity, the costs are required to stay level for quite a while.
- ✓ More assesseees and duty dodgers are required to draw near the expense net, further extending the expense base.
- ✓ The government had vowed to make strides against dark cash, and it has done recently that. The move has imparted a feeling of certainty towards the administration among the individuals, and in this manner, they are willing to co-work, regardless of the hardships. It seems impossible for demonetisation to scoop out black money completely. It is because those who receive it the illicit way do not keep it in cash-form for long. It is either converted to investments in precious metals like gold, or in real estate or stashed away

in countries considered to be tax havens. Demonetisation will hardly make any difference to them.

III. IMPACT OF DEMONETIZATION ON INDIAN ECONOMY

1) *Black Money and Corruption*

By demonetization, Black cash will be removed from the Indian framework. As anticipated by ICICI Securities Primary Dealership the administration's arrangement to expel INR 500 and INR 1,000 notes from flow will unveil up to INR 4.6 lakh crore in dark cash. Debasement will likewise be consequently decreased by expelling dark cash from the economy.

2) *Funding*

Subsidizing for sneaking and fear mongering will take a blow since all the cash will return to the bank and from that point it is anything but difficult to distinguish the phony money. Demonetization consequently influences the financing of fear organizes in Jammu and Kashmir, North-eastern states and different zones

3) *Real Bequest*

Another effect of the demonetization would be a decrease in real money exchanges in land. This is probably going to lessen land costs and make it moderate. For the time being, costs of land would descend for a similar explanation above. There will be less bags moving.

4) *Elections*

Demonetization hosts stunned political gatherings. Numerous states like Punjab and Uttar Pradesh.

5) *Gold/Silver and Jewelry*

After demonetization, the interest for gold and different valuable metals rise significantly. Since individuals are attempting to put their dark cash in gold to make it white in brief period. However, request diamonds and gems to decrease in the following a few quarters.

6) *Digital installments*

Individuals receiving on the web installments framework, for example, Paytm and so forth after boycott for high division money in India. Computerized exchange frameworks, E-wallets and applications, online exchanges utilizing E-banking, utilization of Plastic cash (Debit and Credit Cards), and so forth will see generous increments popular. This social change could be a distinct advantage for India soon.

7) *Fake Currency*

The effect on the phony money would be increasingly huge. Numerous vendors with the current fake notes would be caught as they would need to count on the notes and have better odds of getting their racket uncovered. Along these lines, they have the main choice to decimate their notes and acquire misfortunes.

8) *GDP*

The unexpected decrease in cash supply and increment in bank stores is going to unfavorably affect utilization request in the economy for the time being. This, combined with the unfriendly effect on land and casual parts may prompt a bringing down of GDP development.

9) *Markets*

There will be sure move in business sectors over the long haul that could get certainty to abroad speculators Indian securities exchanges. The market goes somewhat down in the short and medium-term. India is as yet an appealing goal on a long haul premise. It isn't the best market in the following three months.

10) *Decease in Interest Rates*

We will see bringing down financing costs for training credits, home advances, and medicinal advances very soon. It will make advanced education and medicinal offices increasingly available. This change is difficult to fix supposing that any resulting government expands credit it will endure an immense backfire.

11) *Lower Inflation*

As the dark cash leaves the framework the cash supply will therapist somewhat. This will lessen swelling rate without any open market mediations by the Reserve Bank of India.

IV. RECENT DEVELOPMENTS

Not long after the declaration of the plan, the administration had proposed a 'window' for the individuals who need to proclaim their unaccounted pay post conclusion of Income Declaration Scheme on 30th September.

The administration told the Pradhan Mantri Garib Kalyan Deposit Scheme, 2016 on sixteenth December, 2016 to be compelling from seventeenth December and stay open till 31st March, 2017, for individuals to proclaim their undisclosed salary and departure arraignment. Here are the key highlights of the plan

- ✓ Any individual can make an announcement of pay in regard of money or stores in his record.
- ✓ This undisclosed pay will be chargeable at the pace of 30%. This measure of expense will be expanded by an additional charge at the pace of 33%, called the Pradhan Mantri Garib Kalyan Cess. What's more, the declarant will be obligated to take care of a punishment of 10%. In this way, the assessment, additional charge and punishment summarizes to around half of the absolute undisclosed pay.
- ✓ No reasoning of any consumption, or set-off of misfortunes will be permitted.
- ✓ The declarant will put aside a sum equivalent to 25% of the undisclosed pay as a non-enthusiasm

bearing store, which will be refundable following four years from the date of store.

- ✓ The installment of duty, additional charge, punishment, and the store ought to be made before documenting the affirmation, which will be went with the evidence of installment and the verification of store.
- ✓ The sum so announced won't be includible in the salary of any appraisal year.
- ✓ The expense, extra charge and punishment so paid will be nonrefundable.

The Challenges of Cashless Economy

This implies there are two significant economies inside the national economy-Rural and Urban. Despite the fact that shoppers in the metros are progressively utilizing credit and platinum cards for business exchanges, things outside the metros come up short. The rustic zones are as yet not a vital piece of the money related or computerized standard.

Regardless of whether it is the corner shop or buyer hardware showroom, a clothing store or a medical clinic, exchanges in communities are still in real money. In the metros, as well, money exchanges are colossally famous in shopping centers. In an investigation of retail locations in shopping centers, the board counseling firm A.T. Kearney found that lone 10% of the deal by esteem happened by means of cards; 90% occurred in cash.(Figures: livemint.com)

Most purchasers purchasing extravagance brands at extravagance shopping centers or outside additionally make money installments. A large portion of the gems is likewise bought in real money. Indeed, even online business brands permit CoD (Cash on conveyance) to draw in more clients.

In such a circumstance, to have the option to turn out to be less reliant on money, the rustic economy needs to experience a mammoth change. This can be a significant obstacle as individuals in the communities and towns are typically safe and incredulous when looked with the appropriation of new advances. They are monetarily less educated when contrasted with the individuals from the urban communities and dread being charged more in the event that they use cards for exchanges. Some of the time, individuals have financial balances yet these records wind up lying un-operational. There is likewise the issue of network. Numerous towns, for the most part those in remote zones, are yet to be energized. Individuals in numerous towns and communities don't possess versatile handsets even today. A considerable lot of them don't have web associations. What's more, regardless of whether there is an association, the systems are feeble and inconsistent in various spots.

Likewise being an economy commanded by little retailers and owners, the agents might not have the ability to put resources into electronic installment foundation.

To summarize to have the option to go cashless, instructing the majority and making the overall population mindful of the advantages of going computerized must be given most extreme significance and consideration.

The Benefits of Cashless

The benefits of a cashless economy are numerous.

- ✓ To begin, transparency will increase manifold.
- ✓ When every transaction is routed through the digital payment channels, a permanent trail will be available and this will mean reduced scope for tax evasion, black money, corruption and hoarding. This will also deliver a huge blow to criminal and terrorist activities.
- ✓ With less physical cash and black money in circulation, real estate prices will decline leading to a boom in the infrastructure industry.
- ✓ As tax evasion reduces, the governments will have more money to spend on social and public welfare schemes. Since these payments too will be done digitally, the beneficiaries will conveniently and directly receive their dues
- ✓ The cost of keeping cash in circulation will reduce and lead to more funds for the banks and the governments.
- ✓ The velocity of transactions will increase multiple times leading to more number of transactions in a small period of time. For example, the same amount of money can be circulated throughout the country any number of times through digital payment systems. A buyer in Mumbai will pay the seller in Bengaluru who will pay the dealer in Hyderabad and so on. This will lead to increase in GDP and the country's economy will grow and develop by leaps and bounds.
- ✓ Fake notes and Counterfeit notes will no longer have harmful effects on the economy.
- ✓ Each of these benefits will have a domino effect and this chain will lead to a robust and healthy economy.

The Disadvantages of Cashless

- ✓ As the familiar proverb goes "Each coin has different sides", a less money economy also isn't without bad marks.
- ✓ A model is that of Sweden. The quantity of bank thefts in Sweden dove from 110 out of 2008 to 16 of every 2011 in light of the fact that most Swedish banks essentially don't deal with money any longer yet in the previous decade the instances of electronic extortion have dramatically increased. (Figures: totalpayments.org; theguardian.com)

- ✓ A portion of Sweden's neighbors, in light of EU's expanding guidelines on confining money utilization, are requesting a "protected right to pay in real money" powered by worries around negative financing costs and an apparent loss of security that accompanies advanced cash.
- ✓ There are developing worries about the capacity of open offices to glance through computerized records. Paper cash, they feel, gives them obscurity and opportunity from detectability, the two of which are characteristics that advanced installments don't offer.
- ✓ Money has tenaciously opposed going the method for advanced termination. Paper cash is pervasive. For some, clients, money likens to a feeling that all is well with the world as it is quite often all around satisfactory and for some, it is a feeling of freedom from government oversight.
- ✓ Elderly folks individuals' associations additionally dread that the individuals who incline toward money, out of hesitance to utilize new innovation or basically in light of the fact that they think that its simpler to monitor their spending, will be hindered, while teachers stress that youngsters will be enticed to go through cash they don't have.
- ✓ It might shock you that there are nations which are going inverse to the tide. Germany is one such nation where utilization of money is still famous.
- ✓ Despite the fact that there are disservices, the advantages far exceed them.

V. EXAMPLES OF STEPS TAKEN TOWARDS CASHLESS ECONOMY

Few examples of steps taken in various SAFA countries towards reducing dependence on cash bKash is a specialized company in Bangladesh focused on mass market mobile financial services. Launched in July 2011, bKash reached 11 million accounts by the end of 2013, just 30 months after launch. In India, Finance Ministry along with the National Payments Corporation of India (NPCI) and Reserve Bank of India (RBI) is bringing about various initiatives like UPI (Unified Payment Interface) to usher in a cashless economy Haryana, a state in India, has begun training the government officials who in turn will educate the general public about digital transactions. Many banks have conducted camps to impart information about the same. Government offices are also being equipped with PoS (Point of Sale) machines. Prizes have also been announced for those who proactively participate in this movement. Sri Lanka Interbank Payment System (SLIPS) is an online interbank electronic fund transfer system catering

mainly for low-value payments in Sri Lanka, I would like to quote the example of South Korea.

Starting out as a very cash dependent society, the Korean government has successfully put into place policies to encourage cashless behaviour. For example, South Korea introduced a preferential VAT treatment for consumers who pay with cards, moving the share of cash from 40 per cent to 25 percent within four years from 2002 to 2006. (Figures: totalpayments.org)

All the member countries of SAFA have the basic infrastructure and the logistics needed to begin the journey towards an economy with minimum cash. All that is needed is the first step and I can proudly say that almost all member countries have already taken this first step. Therefore it can be safely concluded that the possibility of cashless economy in SAFA countries is high.

Feasibility of the same however will depend on the execution and the implementation of the policies and programs. If everyone is involved in the processes and Incentivization of cashless transactions is adopted, the idea of a less cash economy is definitely feasible in the SAFA countries.

VI. CONCLUSION

By and large, Demonetisation is a decent move. We should bolster Demonetisation, yet continue reminding the administration to resolve the execution issues. Given the degree of dark cash in the nation, and the modest citizen base, something must be finished. It must be exceptional. It has been done at this point. We should now take the necessary steps to cause it to succeed.

The focal points are a lot of ruling and it will be in the long haul enthusiasm of our nation easily exceeding the drawbacks. Government needs to make all the fundamental strides to guarantee that there will be a smooth progression of money trades. It would transform into turmoil if government finds a way to course cash effectively. It will roll out a gigantic improvement in our economy. We compliment the whole government and those concealed cerebrums of our vote based system that brought this choice. I trust the above comprehends Demonetisation better. We should concentrate on making the activity work, which means supporting the thought but requesting better execution.

At long last, to close about agreeableness, I trust I talk for the benefit of the considerable number of residents of all part nations when I state that if a stage improves our nation, we will acknowledge it with great enthusiasm and bolster it entire heartedly. Bothers and hardships are nevertheless little costs to pay for the development of our nation. We are all 'kisans' and 'jawans' of our nations and this is the least that we can accomplish for our country.

REFERENCES

- [1] PTI. (2016, Nov. 9). *Demonetisation will benefit economy in long run: Jaitley*. The Hindu. Available at: <https://www.thehindu.com/>.
- [2] Business Line. Padmini Sivarajah. (2016, Nov. 11). *Demonetisation: Madurai corporation makes record tax collection on a single day*. The Times of India. Available at: <https://timesofindia.indiatimes.com/>.
- [3] Special Correspondent. (2016, Nov. 13). *As ATMs run out of cash, RBI 'encourages' public to go digital*. The Hindu. Available at: <https://www.thehindu.com/>.
- [4] HDFC Bank Investment Advisory Group. (2016 Nov 11). *Demonetization and its impact*. Available at: https://v1.hdfcbank.com/assets/pdf/Event_Update_Demonetization_and_its_impact.pdf.
- [5] Care Ratings Professional Risk Opinion. (2016 Nov 18). *Impact of demonetization on GDP*. Available at: <http://skirec.org/wp-content/uploads/2017/04/APJ7Dec16Diret-1.pdf>.
- [6] [https:// www.worldatlas.com](https://www.worldatlas.com)
- [7] [https:// www.civildaily.com](https://www.civildaily.com)
- [8] <https://www.rbi.org.in/>