

# Strengthen the Indian economy through Cashless transactions and Dream to cashless society

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**Abstract:** The Prime Minister of India Sri. Narendra Modi announced Demonetization policy on 8<sup>th</sup> November, 2016, ceasing Rs.500 and Rs. 1000 currency notes as a part of legal tender in India. Up to now 2 years completed form 2016-2018. In the middle of the years physical changing of Rs.200 notes, Rs.50 notes and 10 notes also implemented. All for this RBI prepared Commercial banks for such an eventuality. The researcher expresses the positive sign in the present and future benefits regarding Demonetization in India. This move viable for a nation like India where a quarter of its population, after the JAM [JanDhan, Aadhar and Mobile Technology] passed successfully. Most of the Business persons realize the positive impact on their business they will continue to sell against cards and not for cash.

Presently, the Government of India is attributing Demonetization to encourage Digital Transactions, which is very difficult to create cashless society as nearly 70% of Indian population is not inculcating into their daily life. Some of the problems like illiteracy fear of cybercrimes and so on.

**Keywords:** Physical changing, future benefits, Illiteracy,

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## Introduction

In India's case, the move has been taking to curb the menace of black money and fake notes by reducing the amount of cash available in the system. It is also interesting to note that this was not the first time the government India has gone for the demonetization of high –value currency. It was first implemented in 1946 when the RBI demonetized circulated Rs 1000 and Rs 10000 notes. Then government introduced higher denomination bank notes in Rs 1000, Rs 5000 and Rs 10000 in afresh avatar 8 years later in 1954 before the morarjidesai gov't demonetized there note in 1978. The Government again certainly has taken a historic step to address several issues.

## Several Issues

- a. Reduce terror financing
- b. Arms Smuggling
- c. Corruption
- d. Drug financing

#### e. Black Money

In implementation process having many loopholes influencing different sectors like agriculture, problem of migrant labour, rural sector people, small business, purchasing power, Tourism, exchanging currency etc.

#### Objective of the study

- To analyze the challenges of cashless society in India
- Suggest possible ways to mitigate above problems

#### Research Methodology

The study is theoretical in nature and the required materials for the study are collected through secondary sources like books, Journals, reports and different websites.

#### Objective of Demonetization

- To track fake currency
- To cut off the supply line money, arms and ammunitions to terror funding
- To transform Indian economy into a cashless economy
- To bring tax evasion to halt
- To unearth and curb the black money
- To curb illegal and unethical business activities such as the black marketing, food adulteration, marketing of spurious goods, human trafficking, smuggling of gold and drugs etc.

#### Black money

According to Dr. Bibek Debroy, member NITI Aayog categorized the black money into two Single black and Double black.

##### a. Single black

When the activity is not illegal but the persons using this type of money have not paid taxes.

##### b. Double black

This type of money which is used to generate income through illegal activities crimes, trafficking, extortions etc.

#### Sources of black money

- Bribe and gifts to Bureaucrats and politicians
- Extortions by Terrorists mafia dons
- Tax evasion
- Illegal commissions in government contracts
- Cross boarder funding to terrorists and other unlawful organizations
- Un accounted stock market profit
- Interest earned from unorganized credit markets
- Hawala trading in share market

#### India position in the world in black money [statistical analysis]

Ranks	Countries	Outflow/inflow	\$ Billion per annum
1	China	Outflow	139
2	Russia	Outflow	104
3	Mexico	Outflow	52.8
4	India	Outflow	51

**Source:** Global financial integrity [GFI] washing ten-based Research and Advisories Report [2004-2013]

#### Terror Financing

The police and paramilitary forces in left wing Terrorism affected states believe that a substantial sum of money mostly in denominations of 500 and 1000 was kept at safe dumps buried under the soil in forest areas of Chhattisgarh, Jharkhand, Andhra Pradesh, Telangana, Maharashtra and Odisha.

The expenditure incurred by the Maoists on intelligence gathering weapons and ammunition and medical emergencies it is not clear how much they would be putting for safekeeping in the forests. Police sources say Maoists are also reported to pay a monthly remuneration to their cadre in the range of 2000 to 5000 depending on their ranks.

Fake notes are another issue 400 crores worth fake notes was in circulation in the economy. According to Indian Statistical Institution Kolkata in 2015. In 2015 178022 pieces of 1000 fake notes seized in 2015 299524 pieces of 500 fake notes seized. According to [NCRB] National crime records bureau 2015 express that 70 crores fake notes was dumped into the economy every year.

### Corruption

It is one of the evil in India and the world by this only poor becoming poorer and rich becoming richer. All discriminations occurring by corruption only. According to the Global Corruption India 2015 Berlin based corruption watchdog transparency international. India's rank in corruption is 76<sup>th</sup> out of 168 countries.

### Cash Alternatives

- Cards
- POSM [Point of Sales Machine]
- Electronic Wallets
- UPI [Unified Payments interface]
- USSD [Unstructured supplementary Service Data]
- AEPS [Aadhar Enabled payment system]

### Cards

For swiping of cards one of the complimentary product is ATM's. According to data provided by the RBI there were around 75 crore debit and credit cards in the country and almost 72 crore of these are debit cards. Nearly in India having 2.2 lakh ATMs are there, it could take easy to access by the public because it is a timeless process.

### POSM [Point of Sales Machine]

Most basic payments can be made via debit and credit cards to merchant that have a pos machine. Banks provide a POS terminal free of cost to their account holders but they charge a Merchant discount rate [MDR] as prescribed by RBI.

### Electronic Wallets

Prepaid payment instruments like Paytm, Mobikwik, Freecharge, Oxigen etc. Primarily be used for making payments for Mobile recharges, Utility bills, Toll plazas, Metro train tickets, petrol pumps etc. To use these wallets all over needs is a smartphone with an active Internet connection several banks also launched wallets like SBI BUDDY, ICICI Pockets etc.

### UPI [Unified Payments interface]

Merchants can also enroll with banks to collect payments via UPI and just like a POS Machine. At present around 30 banks have joined the UPI platform, with around 20 UPI Apps available on android platform. Creating virtual payment address like e-mail ID generate an MMID [mobile money identifier]. It can also be generate by sending a simple SMS to a number stipulated by the bank.

### USSD [Unstructured supplementary Service Data]

This method works on the voice network, and can work on a feature phone without an Internet connection as well. The service which works only if a mobile phone number is registered with one or multiple bank accounts works upon dialing \*99# from the phone key pad.

### AEPS [Aadhar Enabled payment system]

It is a tool that can be used by 36 crore Aadhar card holders that have linked their unique identification numbers to their respective bank accounts. The payment system uses a simple finger print reader which available at a retail price ranging from Rs 2000 to 4000. At present 118 banks was on board with the AEPS.

### Challenges to Achieve

- To look after the inadequate acceptance infrastructure in terms of ATMs as well as POS terminals
- To improve activation of cards on all the channels
- The current business model of card payment systems is under stress to overcome it
- Customer awareness because 40% of the Indian population are illiterates.
- Cyber-attacks, customer believing on banks need credibility.

## Conclusion

During the present scenario inculcate this technological advancement it is good to the society and Indian business, Industry, employment and other sectors are rapidly changing due to competition because of Fourth Industrial Revolution came into force in the world. The interplay between fields like nanotechnology, Brain research, 3Dprinting, Mobile networks and cloud computing etc. influence the world.

So, all the reports from across the country suggest that every sector and region has been adversely affected common man suffers a lot GDP will also come down, Growth rate also affected but the world economy and the markets linking to digitalization. To achieve these highest peaks need a revolutionary steps leads to the dream of a cashless society a modernization.

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