Demonetisation : Move towards
Cash Less Economy

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Abstract
An attempt has been made to highlight the impact of
demonetization on the growth of digital payments in India. This move
is expected to cleanse the economic system from the evil of black
money. The attempt has also been made to lower the circulation of cash
in the economy and encourage the use of digital payment methods
which will lead to increase in revenue of the Government. India is on
cusp of financial revolution as large number of measures is being taken
to move from cash dependent economy to cash less economy. At
present only 5% personal consumption expenditure in India is digital.
After demonetization, mobile wallets saw the highest percentage increase
in the value of transactions among the digital payment methods.
Transactions using the newly introduced UPI have increased from ₹ 90
crore in November 2016 to ₹ 1,659 crore in January. 125 lakh people
have adopted the BHIM app so far. Government has a Mission to achieve
target of 2,500 crore digital transctions for 2017-18 through UPI, USSD,
Adhar Pay, IMPS and debit cards.

I. Introduction
DEMONETIZATION IS THE act of stripping of old legal tender and
replacing with the new currency unit. In an important move, the
Government of India declared that the five hundred and one thousand
rupee notes will no longer be legal tender from midnight, 8th November
2016. The RBI will issue Two thousand rupee notes and new notes of Five
hundred rupees which will be placed in circulation from 10th November
2016. The government scrapped 86% of the currency in circulation. The
demonetization will nudge a larger number of individuals to lessen their
dependence on cash transactions and resort to digital payment.

Demonetization is intended to tackle the menace of black money and
encourage a move to a cashless (or less cash-based) state and bring the
parallel sector into the mainstream economy. The move by the government

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— *Incentives for booking travel tickets online:* Government has already provided incentives by way of discount up to 0.5 per cent to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means. Similar schemes could be launched for normal railway tickets. However, checks need to be put in place for preventing misuse of this scheme.

— *Strengthening Customer Grievance redressal mechanism:* Necessary guidelines should be framed to ensure enhanced customer grievance redressal mechanism.

— *Robust fraud and risk monitoring systems* should be developed.

— *Frame work to reduce customer liability* for unauthorised electronic transactions should be built.

— *Enhancing safety and security* by strengthening the safety and security of infrastructure.

— To enhance the speed and level of internet penetration.

— A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is also under consideration.

**VI. Conclusion**

In the aftermath of the cancellation of the legal tender character of old ₹ 500 and ₹ 1,000 notes, there has been a surge in the digital transactions through use of credit/debit cards and mobile phone applications/e-wallets etc. Growth of UPI and USSD post demonetization is phenomenal. But in the month of February as the liquidity situation improved, there is a plunge in the volume of transactions. In order to increase the usage of the digital payments, they should be made more secure and simple and speed and level of internet penetration should also be improved and people must be educated on the benefits of cashless transactions. There are numerous benefits of cashless transactions for the country as well as the customers. It will lower the costs of storing and processing physical currency and increased tax collection for the government and for people convenience and reduced risk in payments and settlements which will fuel the growth of economy.

**References**


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Capital Structure Decisions

Under Multiple Objectives
A Study of Indian Corporates

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