

## 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 transactions for 2017-18 through UPI, USSD, Adhar Pay, IMPS and debit cards.

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### 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.

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# Capital Structure Decisions



*Under*  
**Multiple Objectives**  
A STUDY OF INDIAN CORPORATES

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