



## DEMONETIZATION A STEP TOWARDS MODERN FINANCIAL INCLUSION

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### **Abstract:**

India creating a high expectation for the world to become economic leader. From quite a while Indian took Financial Inclusion as serious course of Business as a development tool and encouraging result are been observed. In order to have strong financial inclusion serious action are required. In this era of technology with largest youth population in India, this is the best time to strike the chords of modern financial inclusion. This paper will take up the issues related to demonetization and linkage of modern financial inclusion. This paper also Discuss about the after math of demonetization old high denomination currency notes in India.

**Key Words:** Complete Financial Inclusion, Demonetization, Economy & India

### **Introduction:**

For prerequisite uniform economic development and for achieving successful economic with social equity but possibility of success is becoming impossible due to presence of unaccounted money and unmatched parallel economy. It becomes important for economic growth to bring entire money within the jurisdiction of law. Due to lack of Economic surveillance and financial illiteracy, India was not able to achieve the complete financial inclusion as planned. Matter of Black Money was always been a great concern for the Indian economy and that why government are taking very serious steps are been taken. Strict and radical actions are required for complete inclusion. Demonetization announcement on November 8<sup>th</sup> 2016 has been seen as the major prospective of inclusion as Digital India Initiative.

### **Need for Financial Inclusion:**

A very small section of Indian population using Financial services and they are deprived of this services due to illiteracy and other major reason. Rural, Poor, regions and those who are living in harsh climatic condition are difficult to provide financial services. Financial Exclusion leads to non-availability, non-accessibility, non-affordability financial product and services. Limited Access to funds in a financial system which is underdeveloped leads to non-availability of its own funds to individual also lead to informal Sources of finance from money lender who provide credit at higher cost. Due to limitation of remittance facilities and banking services resulted in lack of basic financial services which result in individual paying high charges even to avail basic financial Requirement. Major population is still deprive of basic bank account facility which in result leads to loss of interest by holding cash as well as leads to security threat. Persistent and prolonged deprivation of banking services to a majority of the population leads to low investment and has the potential to gear up social tension causing social exclusion. To accelerate economic growth of the country financial inclusion is essential

### **Financial Inclusion Right Now:**

India's financial service coverage is abysmally low in comparison of other developed countries. As per information given by Reserve bank of India, almost 5.89 crores no-frill account, with and without value added features, have been opened till November 23, 2016 out of which about two-third are with public sector and one third with the private sector bank. No-frill saving bank account under Jan Dhan Yojana is been promoted by RBI as it is having potential to revolutionize Rural Agricultural Economy of the India, as well as to promote habit of using banking services by less privileged population. Number of accounts opened but it not found to be the cause of complete financial inclusion. In respect of Currency shortage during current demonetization, Financial Inclusion drive was been promoted in the form electronic banking services and digital platforms.

### **Facts of Demonetization:**

It was been a herculean task for 1.3 lakh bank branches to replace more than 22 billion currency of Rs. 500 and Rs.1000 for 1.3 billion citizens after demonetization announcement as on November 8, 2016. Digitization of banking services, efforts done by the banks with considerable amount of investment. New and alternative form of digital banking services are been encouraged like Debit and Credit Cards, internet banking, Mobile Banking, POS terminal – gained pace after demonetization announcement. India encountering prevailing economic scenario a surge in Digital transaction and mobile transaction. The development in digital banking lead to an instrument in achieving complete financial inclusion

### **Digitalization and Financial Inclusion:**

Technological intervention is required to improve status of Indian in Financial Inclusion as:

- ✓ Due to Localised constraints, distribution channel face a major draw back

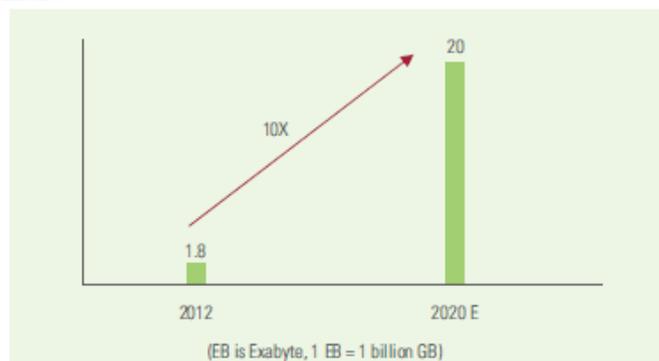
- ✓ For low ticket size transaction, loan, deposits etc., conventional model of banking is not feasible.
- ✓ Many of Accounts are no frill in nature
- ✓ Lack of financial Product awareness
- ✓ High requirement of skilled and trained manpower

Potentials of Digital technology is been tapped by unbanked economies, particularly in the mobile space, to ascertain the Positive impact of technology-driven inclusion. In Kenya of all adults two third of the population are active customers of a mobile based payment services and money transfer, over 20 percent of adult population use mobile Financial services in Bangladesh and approx. 50 percent mobile users in Tanzania actively utilizing the mobile money System, In comparison of India .Only 3 to 4 percent mobile subscribers using digital banking services out of 900 million mobile subscriber base which is almost 47 percent mobile users of the country. However, emerging digital ecosystem in the country promoting Financial Inclusion using digital channel

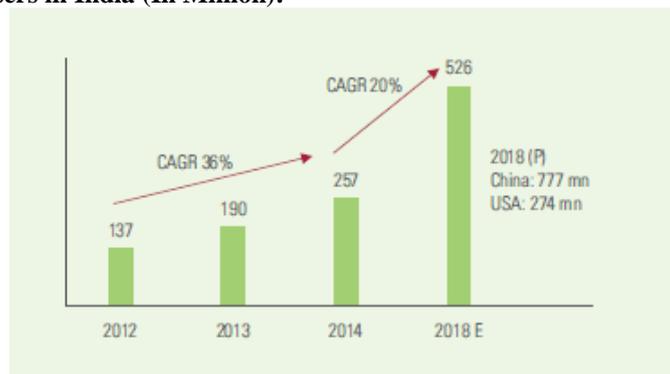
The impact of ‘Digital India’ by 2019, as envisaged in the vision document published by GoI, has so far led to: 05

- ✓ An investment of USD18.4 billion for providing last mile internet connectivity, better approach of government services, and developing of IT skills
- ✓ Implementing of a pan India fibre-optic network by June 2016
- ✓ Donation of Wi-Fi services in towns with a citizenry of more than one million, as well as major sightseer attractions.
- ✓ Allocation of broadband internet connectivity to 250,000 village mass by 2019 at a cost of approx...USD5.9 billion
- ✓ Accessibility, of ‘digital lockers’ to each citizen, permitting them to store all their original identification documents and records
- ✓ Buildout of 100 smart cities in India, for which USD1.2 billion being assigned.
- ✓ Universal phone connectivity
- ✓ Emplacing up of 400,000 wi-fi array.
- ✓ Digital admittance targeting job formation for nearly 1.7 crore individuals trained in IT, telecom and electronics
- ✓ Formation of at least 8.5 crore ancillary jobs related to IT
- ✓ Focus on stepping towards automation in distribution of government services
- ✓ Accomplishment of a leadership primacy in IT towards enhancement of health, education and banking services
- ✓ Widened internet access and an enabled use of shareable private space on a public cloud model in order to empower citizens digitally

**Growth of data Traffic India:**



**Number of Internet Users in India (In Million):**



### **Demonetization and Digitization:**

On 15<sup>th</sup> December, 2016 two schemes two schemes Lucky Grahak Yojana and Digi-Dhan Vyapar Yojana to give cash awards to consumers and merchants who utilize digital payment instruments for personal consumption expenditures, as India's move towards a digital and cashless economy .the scheme not only gave push to cashless transaction but also trying mass to come parallel to new age digital payment system.

The national Payment Corporation of India (NPCI), a not for profit company, which has the mandate to guide Indian towards a cashless society, it's a implementing agency Scheme .The NPCI has been directed to ensure a security and technical audit of the same to ensure the technical integrity of the process can be maintained .

During February 2016 Central government approved a slew of initiatives to encourage digital transaction and payment to achieve the less cash economy in more Strategies manner. In order to facilitate financial inclusion in country from opening Jan Dhan Accounts, Direct Benefit transaction provided to create a statutory base for the Adhar, Introduction of RuPay cards and Voluntary disclosure Scheme for unaccounted money. Demonetization of 500 and 1000 Rs. Notes on 8<sup>th</sup> of November was another milestone decision during this endeavour .During Demonetisation, there has been a spurt in digital methods of transaction and payment across the country and both the amount and volume of money transacted through digital methods and there is significant increase has been observed since 9<sup>th</sup> November.

Still in India, Personal Consumption expenditure transaction are cash based which is approx. 95 percent which give rise to large informal economy ,which restrict state to raise and apply taxes .The Card transaction through Ru-pay in India have been risen from 3.85 lakh on 8<sup>th</sup> November to 16 lakh on 7<sup>th</sup> December, transaction through e-wallet increased from 17 lakhs to 63 lakhs; PoS (Point of Sale) transaction increased from 50.28 lakh to 98.1 lakh , UPI transaction from 3721 to 78238 ; the USSD from 97 to 1263.

Further to accelerate the surge in digital transaction, on 8<sup>th</sup> of December an attractive package to promote the use of cash cashless payments through various concessions like on purchasing of petrol or diesel discount of 0.75 percent , if digital means is been used for the payment . to develop digital payment infrastructure in rural areas, through NABARD central government took a step forward for financial support to eligible banks for having two PoS devices each in one lakh villages with population of at least 10,000 or less .These Pos Machines are intended to be deployed at agricultural input dealers, Cooperative society and milk societies to encourage agri related transaction through digital means so that 75 core population can be served.

Upto Rs. 2000 per transaction no service tax will be charged on digital transaction. Railway via its sub urban railway network to provide 0.5 % Discount to customers seasonal or monthly tickets by January 1, 2017, if digital mode of payment is been used. Making payments through credit card, debit card or any other means of payment card, government has waived service tax charges, limiting the waiver to payments up to Rs. 2,000 in a single transaction.

On 6<sup>th</sup> of December Government of India decided to have additional one million new PoS Terminals shell be installed by 31th march 2017 , as part of the pal to expand the digital payment ecosystem and facilitate the move towards new age financial inclusion and cash less transaction with the help of digital banking digital payment mode .Administration organised 2,73,919 camps to open 24.54 lakh bank accounts for unorganised workers , to make them parallel to the new age modern banking and financial system

For Recommending Strategy to promote the growth of digital payments, a committee is been constituted on digital payment by Ministry of Finance on 9<sup>th</sup> of December they submitted their final report to the ministry. How far digitization cover financially and socially excluded group.

As per the Finance Minister Arunjaitely digital transaction is not a substitute, for cash transaction and cash less economy was actually less cash economy as no economy can be cashless, as no economy can be cash less, it is only a parallel mechanism where digitalization meet the demonetization .Indian Government trying to encourage digitization as much as possible because an excessive cash economy had its own social and economic cost and consequences. The incentives given by government to the people had a positive response to encourage digital mode of banking services.

### **Conclusion:**

The purpose of Govt. behind Demonetization was "your money will be yours" .it's a financial reform that will bring massive shifts in our economy. The dream of making India into a digital country by our PM Modi is not possible without Demonetization. It deals with all obstacles currently infestation the economy i.e. a parallel economy, counterfeit currency in circulation and terror financing, hoarding and money laundering. . This mission's accomplishment depends upon when all political parties, all governments, social services organizations, the media and indeed all sections of the society will evolve in this with great gusto and would participate in making the new currency system a success. It encourages E-commerce which will help in building up transparency in all transactions. Government need to take all the necessary steps in order to check that there will be a smooth flow of currency exchanges. Through this in the coming two-three years, refinement in India's position on transparency and corruption in the global stage will lead an added value towards its investor appeal.

Digital transactions with the help of online payments and e-wallets have already added up various things. BHIM (Bharat Interface for Money) is a Mobile App developed by National Payments Corporation of India (NPCI), based on the Unified Payment Interface (UPI). It was started by Narendra Modi, the Prime Minister of India, at a Digi Dhan programme at Talkatora Stadium in New Delhi on 30 December 2016. Currently we have cashless payment systems which include credit/debit cards, e-wallets as Paytm, Unified Payment Interface (UPI), IMPS, USSD, RTGS, and NEFT. The origin of BHIM on Android phones will make the journey of cashless economy to small towns, especially once Aadhaar-enabled money transfers are made possible without the use of even a phone.

Digital technologies are reaching and transforming all areas of the insurance industry including backend operations. Customers can be informed in a much better way through which they may evaluate before making decisions. Customer no longer needs to be depended on the financial advisor or to visit a branch. With the introduction of mobile wallets and banking apps, it has become quite easy for people to go for cashless transactions, replacing cash at most places. Transactions done through a digital mode leaves digital traces. Demonetization has pushed millions of new users onto the country's digital economic platform through virtual mode. The vegetable vendors on the streets have even now made up Paytm wallet account and where they have swiping machine through which someone can scan the bar code and make the payment.

Modi's demonetization initiation has been a boon for India's e-payment providers. Paytm resulted in a three-time surge in new users -- tacking on over 14 million new accounts in November alone. While Oxygen Wallet's daily average users increased by 167% since demonetization evolved. We have suddenly noticed a spike in both app downloads & merchant registrations. Digitization and cash less society will definitely increase the graph of banked population in the economy, and along with, it will result towards a higher banking transaction ratio and refinement of dormant bank accounts in the existing banked population.

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