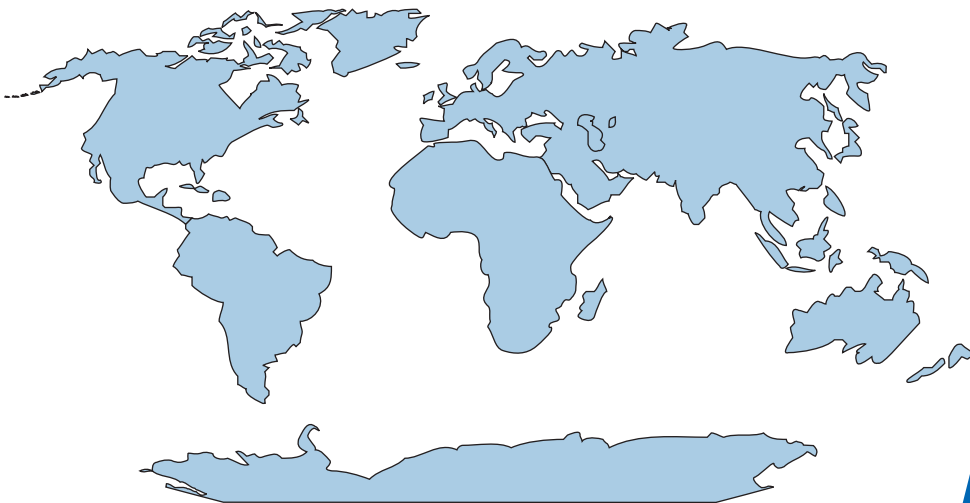


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October - December 2017

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on  
“ Opportunities and Challenges in Demonetisation  
&  
Re-monetisation on Indian Economy”

Organized by  
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# **The Byramjee Jeejeebhoy College of Commerce**

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After the introduction of New Economic Policy 1991, India has witnessed tremendous growth and development. After 26 years of landmark structural transformation, India is again in the process of another significant change vis-à-vis 'GST' – Goods and Services Tax. Preceding year also witnessed structural change of similar stature i.e. demonetization as on 8 November 2016, the Government of India withdrew the legal tender status of INR 500 and INR 1,000 denominations, with the stated objectives of reducing black money stashed in cash, stifle counterfeit currency and to curb terror funding. In addition to these objectives, cashless and digital methods of transactions are encouraged. But will India's sudden demonetization of 86% of its currency change this? Will it curb the black economy and bring people and businesses into formal banking? Will it pave way to digitalization? This conference intends to answer these unanswered questions. Conference also aims to sensitize the participants to the challenges of demonetization and re-monetization also relate it to digitalization and its impact on Indian Economy.

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## CONTENTS

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### *Research Papers*

<b>ANTI-PROFITEERING MEASURE IN GST: A GENERAL UNDERSTANDING</b>	1 – 3
Iyer Parmeswaran Vythilingam and Mohsin Pathan	
<b>OPPORTUNITIES AND CHALLENGES IN DEMONETIZATION &amp; RE-MONETIZATION ON INDIAN ECONOMY: WITH SPECIAL REFERENCE TO ECONOMIC GROWTH AND DEVELOPMENT</b>	4 – 7
Jonnala Hemanth Kumar	
<b>EMERGENCE OF DIGITAL WALLET AS A SERVICE IN INDIA</b>	8 – 11
Dr. Pooja Ramchandani	
<b>CASHLESS ECONOMY IN INDIA: BENEFITS AND CHALLENGE'S</b>	12 – 15
Prakash H. Sahare	
<b>IMPACT OF DEMONETISATION ON BANKING SECTOR</b>	16 – 19
Manjula D. Vyas and Chandrashekhar D. Deore	
<b>A STUDY OF FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH IN INDIA</b>	20 – 26
Raj A. Soshte	
<b>CUSTOMER RELATIONSHIP MANAGEMENT IN DIGITAL ENVIRONMENT</b>	27 – 29
Nazneen G. D. Momin	
<b>A STUDY ON IMPACT OF GST ON COMMON PEOPLE AFTER ITS IMPLEMENTATION</b>	30 – 34
Priya Parasnath Jaiswal	
<b>A STUDY ON DEMONETIZATION AS A TOOL FOR PROMOTION OF CASHLESS ECONOMY IN INDIA</b>	35 – 38
Umadevi Lalit Kokku	
<b>A RESEARCH STUDY TO UNDERSTAND THE DIGITAL DIVIDE: AN ANALYSIS OF THE GROWTH AND THE GAPS</b>	39 – 42
Kulvinder Kaur Batth	
<b>IMPACT OF DEMONETISATION 2016 ON MSME SECTOR</b>	43 – 47
Vikas Singh	
<b>A STUDY ON EFFECT OF DEMONITISATION ON THE BUSINESS OF STREET VENDORS W.R.T. MUMBAI SUBURBAN AREA</b>	48 – 50
Dr. Mehul C. Chhatbar	
<b>CASHLESS TRANSACTION AND ITS BENEFITS IN MUMBAI</b>	51 – 56
Dr. Mangesh Vasudeo Nirmala Panchal	

<b>DEMONETISATION AND THE PROBLEMS OF HAWKERS IN MUMBAI</b>	57 – 62
Kanchan S. Fulmali	
<b>DEMONETISATION</b>	63 – 68
Aansh Arora	
<b>DEMONETIZATION : IMPACT ON INDIAN ECONOMY</b>	69 – 70
Hemant H. Bhatti	
<b>DIGITAL INDIA</b>	71 – 74
Dr. Nishikantjha, Devika, Manal Saheb and Mansi Dwivedi	
<b>GST AND IT'S IMPLICATIONS</b>	75 – 77
Nishikant Jha, Divya Jain, Raj Thakkar and Ashish Varma	
<b>IMPACT OF DEMONETISATION ON BANKING SECTOR</b>	78 – 81
Shehnaaz Nazkani	
<b>IMPACT OF DEMONETISATION ON BANKS IN INDIA WITH REFERENCE TO JAN DHAN ACCOUNTS</b>	82 – 83
Dr. Kuldeep Sharma & Dr. Khyati Vora	
<b>MOBILE MARKETING: IMPACT OF DEMONETISATION ON SMARTPHONE TECHNOLOGY</b>	84 – 87
Khan Suhana Begum Sanaulla Shabina and Dr. Shaukat Ali	
<b>DIGITAL INDIA INITIATIVE – IMPACT ON CONSUMERS, OPPORTUNITIES AND CHALLENGES</b>	88 – 94
Saharsh Bharadwaj	
<b>A STUDY ON EFFECTS OF DEMONETIZATION ON CONSUMER SPENDING</b>	95 – 101
Ashutosh Ganatra	
<b>RECENT TRENDS IN COMMERCE AND MANAGEMENT IN THE WAKE OF DEMONETIZATION AND DIGITALIZATION</b>	102 – 105
Vatsal U. Parekh	
<b>CASHLESS ECONOMY IN INDIA</b>	106 – 109
Dhawal R. Goshar	
<b>COMPARATIVE STUDY OF GOOD AND SERVICES TAX (GST) IN INDIA AND OTHER ASIAN COUNTRIES</b>	110 – 113
CA Baijul Anand Mehta	
<b>A PROGRAMME TO TRANSFORM INDIA INTO A DIGITALLY EMPOWERED SOCIETY AND KNOWLEDGE ECONOMY</b>	114 – 118
Pratik Mehta	
<b>A STUDY ON ISSUES RELATED TO RE-MONETIZATION</b>	119 – 122
Mohammed Badami	
<b>DEMONETIZATION OF CURRENCY AND ITS IMPACT ON INDIAN ECONOMY VIA BLACK MONEY</b>	123 – 127
Shantaram V. Sonawane	

<b>STUDY ON INTRODUCTION OF CASHLESS ECONOMY IN INDIA 2016 AND YOUTH</b>	128 – 131
Pravin Kamble	
<b>GST AND ITS IMPLICATIONS</b>	132 – 135
Dr. Nishikant Jha and Arpita Shah	
<b>OPPORTUNITIES AND CHALLENGES IN DEMONETISATION AND RE-MONETIZATION ON INDIAN ECONOMY</b>	136 – 140
Dr. Nishikant Jha, Divya Jain, Divyesh Bajaj and Shashank Dwivedi	
<b>DEMONETISATION: A CATALYST FOR PAYMENT BANKS</b>	141 – 144
Naik Sameer	
<b>DEMONETISATION- A BITTER PILL TO CURE LONG TERM ILL A LEAP FORWARD FROM A CASH-BASED TO A CASHLESS ECONOMY: INDIAN EXPERIENCE</b>	145 – 147
Dahele Simaranjeet Kaur and Medha Tapiawala	
<b>DEMONETIZATION: IMPACT ON THE INDIAN ECONOMY</b>	148 – 150
Shiva Motiram Padme	
<b>OPPORTUNITIES AND CHALLENGES IN DEMONETIZATION AND RE-MONETIZATION ON INDIAN ECONOMY</b>	151 – 156
Dr. Nishikant Jha, Arpita Shah and Devika Ghuwalewala	
<b>DIGITAL INDIA</b>	157 – 160
Dr. Nishikant Jha, Divya Jain, Divya Amare and Neelam Dutta	
<b>DIGITAL MARKETING</b>	161 – 163
Dr. Nishikant Jha, Arpita Shah and Divya Jain	
<b>GST AND ITS IMPLICATIONS</b>	164 – 167
Dr. Nishikant Jha, Devika Ghuwalewala, Shreya Dawada and Kunjan Sanchresa	
<b>GST AND IT'S IMPLICATION ON INDIAN ECONOMY</b>	168 – 170
Prity P. Abhang	
<b>IMPACT OF DEMONETISATION ON FINANCE SECTOR</b>	171 – 174
Dr. Nishikant Jha, Devika Ghuwalewala, Divya Pujari and Ankush Jain	
<b>IMPACT OF GST ON INDIAN ECONOMY</b>	175 – 179
Dr. Balram Gowda	
<b>GST: A GAME CHANGER FOR INDIAN ECONOMY: ASPECTS AND BENEFITS FOR INDIA</b>	180 – 182
Manjusha Mathapati	
<b>IMPACT OF GST ON SMALL MEDIUM ENTERPRISES (SME) SECTOR</b>	183 – 185
Dr. Sumita Shankar	
<b>DEMONETIZATION AND GST LED STAGFLATION AND INDIAN ECONOMY</b>	186 – 188
Dr. Rajesh H. Bhoite	
<b>DEMONETIZATION AND CASHLESS ECONOMY</b>	189 – 192
Kirti Hemant Menghani	

<b>CUSTOMER PERCEPTION TOWARDS E-BANKING IN MUMBAI SUBURB AREAS</b>	193 – 194
CA. Atul A Thatte	
<b>DEMONITIZATION: A PATHWAY TO DIGITAL CASHLESS TRANSACTION</b>	195 – 200
Florence Noah Christian	
<b>TAXABILITY OF UNORGANIZED RETAILERS</b>	201 – 203
Rucha Prajakt Khavanekar	



## ANTI-PROFITEERING MEASURE IN GST: A GENERAL UNDERSTANDING

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### ABSTRACT

*With the implementation of GST India has witnessed a biggest reform in the Indirect Direct tax structure. India being a price sensitive market requires check on inflationary conditions. The CAG Released a Study Report 'Lessons for transition to Goods and services Tax' in June 2010. In line with the recommendation and exercise of powers conferred by section 164 and 171 of Central Goods and Services Tax Act, 2017 Central Government enacted the Anti-Profiteering Rules, 2017. This Article is an Humble attempt to Understand the impact of Anti-Profiteering rules on the Business enterprises in India and consumers generally.*

*Keywords: Anti-Profiteering, CAG, Constitution, Economics, Issues and Challenges*

### INTRODUCTION

"No power on earth can stop an Idea whose time has come. India is now wide awake. We shall prevail. We shall overcome." - Dr. Manmohan Singh (1991-92, Budget Speech). Proving true to the words of Dr. Manmohan Singh the then Finance Minister, NDA Government implemented the GST. GST-Goods and Services Tax is a major reform in the Indirect Tax structure in India it can also be termed as revolution in the Indian taxation system.

GST is a comprehensive, multipoint, destination based taxation system levied on supply of Goods and Services.

### ADVANTAGES

1. **Removal of cascading effect:** One of the major disadvantage of the present tax system was cascading effect i.e Tax on Tax which is removed by GST.
2. **Seamless flow of credit:** GST allows seamless flow of credit even GST paid on inter-state transaction is also allowed as setoff. As a result One Nation One Market stands true.

### Disadvantages

1. **Sovereignty of States:** Article 246A gives power to legislature of every state to make laws with respect to goods and services, as a consequence GST law in various states may or may not be uniform
2. **Compliance burden:** Being fully automated system of tax administration GST shall definitely increase the compliance burden on part of Traders and Tax practitioners.

### OBJECTIVE

The Objective of this paper is to understand Anti-Profiteering under GST and its Study from Constitutional, Economics and Administrative point of view.

### Anti-Profiteering

Implementation of GST may lead to inflationary conditions in short to medium term economy. Indian economy is highly price sensitive market, hence may require checking whether implementation of GST will lead to inflationary conditions or otherwise.

The GST rates declared by the council based on effective industry rate. The basic question which needs to be addressed is why there shall be inflation inspite of reduction in effective Tax rate, the reason for the same lies in the fact that effective rate of tax at consumer level gets changed immediately but industry takes time to pass on the benefit which accrues to it. The Comptroller and Auditor General of India released Study Report titled '**Lessons for transition to Goods and Services Tax**' after conducting a national study on '**Implementation of Value Added Tax in India**'. The extracts from the report are as follows:

#### **"Impact of VAT on prices**

2.43 The white paper was sanguine that implementation of VAT will bring down the prices of goods due to rationalization of tax rates and abolition of cascading tax effects in the legacy systems. But there was no system to monitor this impact and ensure that the benefits were indeed being passed on to the common man.

2.44 We selected a basket of goods and checked the records of 13 manufacturers in a state in three initial months of implementation of VAT, to check its impact on prices. We found that manufacturers did not reduce the maximum retail prices (MRP) after introduction of VAT though there was substantial reduction of tax rates. The benefit of Rs. 40 Crore which should have been passed on to the consumer was consumed by the

manufacturer and the dealers across the VAT chain. The dealers have undoubtedly enriched themselves at the cost of the common man.”

Let us understand the above phenomenon with an Comparative cost sheets:

Particulars	Cost Sheet (Existing Tax System)	Particulars	Cost Sheet Under GST(With Profiteering)	Cost Sheet Under GST(Without Profiteering)
Purchase Price	Rs.50,000	Purchase Price	Rs.50,000	Rs.50,000
Excise Duty (12.5%)	Rs.6,250	SGST (9%)	Rs.4,500	Rs.4,500
Value Added Tax (5.5%)	Rs.3,094	CGST (9%)	Rs.4,500	Rs.4,500
Total Cash Outflow	Rs.59,344	Total Cash Outflow	Rs.59,000	Rs.59,000
Sale price of Goods	Rs.70,000	Sale price Goods	Rs.70,000	<b>Rs.63,750</b> <b>(Cost+Profit(Existing))</b>
Value Added Tax (5.5%)	Rs.3,850	GST (18%)	Rs.12,600	Rs.11,475
Profit to Dealer	Rs.13,750	Profit to Dealer	Rs.20,000	Rs.13,750
Tax Received by The Government	Rs.10,100	Tax Received by the Government	Rs.12,600	Rs.11,475

On analyzing the three different scenarios it can be concluded that if there is no measure to check whether the benefits accrued to the dealers are passed on to the consumer then the dealers shall be at an advantage of earning exorbitant profits.

## LEGAL PROVISIONS

Sec. 171 of the CGST Act;

“1. Any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.”

“2. The Central Government may, on recommendations of the Council, by notification, constitute an Authority, or empower an existing Authority constituted under any law for the time being in force, to examine whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him.”

“3. The Authority referred to in sub-section (2) shall exercise such powers and discharge such functions as may be prescribed”

Sec 171(1) of the CGST can be analysed into two parts 1) Reduction in rate of tax 2.)Benefit of Input tax credit.

## REDUCTION IN RATE OF TAX

This part mainly casts responsibility on the dealers of Packaged goods selling goods on MRP basis to reduce price as a result of reduction in effective tax rate, this may require revision of MRP of the product to pass on the benefit to the ultimate consumer.

## BENEFIT OF INPUT TAX CREDIT

This part of the provision shall affect almost all business enterprise in the economy as result better flow of Input Tax credit the effective cost of a product is reduced which requires commensurate reduction in price of the goods.

The Government of India in exercise of power enacted the Anti-Profiteering Rules, 2017 Which contains the provision to constitute an Authority and powers and duties conferred on the authority. The rules however does not contain the procedure to determine commensurate reduction in prices or whether there has been a profiteering as a result of implementation of GST.

## ANALYSIS OF ANTI-PROFITEERING MECHANISM UNDER DIFFERENT SUBJECTS

### 1. Constitution of India

Part IV of the Constitution of India(Article 36-51) Deals with the ‘ Directive Principles of State Policies’ which is skewed towards socialism in nature. India being a welfare state as stressed in the part IV of the constitution the Government can take steps to ensure equal distribution of wealth. The Anti-Profiteering Measures of the Government can be justified on the basis of this socialistic approach. Article 301 of the Constitution of India provides for free trade, commerce and intercourse throughout the territory of India however Article 302 impose restriction on free trade, commerce and intercourse

Whether the Anti-profiteering mechanism is a violation of fundamental right can be judged only after a judicial review.

## **2. Economics**

As per the Free market concept in Economics product prices must be allowed to adjust as signal to producers and consumers as result there shall be adjustment of demand and supply, hence willing and able buyers shall get the goods and services at market clearing prices.

In case of free market economy perfect information and knowledge about prices any attempt by business to raise price would be at a risk of losing market share.

Artificially regulating the prices may also result in short supply of goods and services and demand not being fully satisfied this may in long run have serious implication on the welfare of the economy. Price control also results in hoarding and shortages, driving prices higher.

On this basis the Anti-profiteering mechanism should be implemented with little caution as it may in long run have a serious impact on welfare.

## **ISSUES AND CHALLENGES**

**1.) Price Determination:** Price of a product or services depend upon number of factors such as:

Cost of factors of production

Reputation of the seller

Government policy

Economic Conditions

Taxes

Competition

Tax is only a component of price, hence to determine whether price rise post GST implementation is wholly as a result of profiteering without passing on the benefits to the consumer is a difficult and cumbersome exercise.

**2.) Administrative compliance:** As a result of Anti-profiteering mechanism the business enterprises shall be overburdened with administrative compliance in addition to regular tax compliance which shall further add to the cost.

## **CONCLUSION**

The Anti-Profiteering measure of the Government on one hand may be justified that it intend to pass on the benefit to the consumer but on the other hand in the long run they will eventually lose out. The notion that the Anti-profiteering Mechanism may lead to lowering of prices may not hold good as it may lead to rise in compliance burden among the businessmen and increase the direct and hidden costs which would eventually again lead to higher prices. The Anti-Profiteering regulation can again lead to harassment of taxpayers by the authorities if no detailed rules prescribing the method for determining what constitutes an excessive price or profit margin which again is a complex task.

The Anti-Profiteering regulation if not implemented with caution may turn into a draconian law which shall severely affect the supply by the business enterprises which in turn shall affect the overall welfare of the economy.

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**OPPORTUNITIES AND CHALLENGES IN DEMONETIZATION & RE-MONETIZATION  
ON INDIAN ECONOMY: WITH SPECIAL REFERENCE TO ECONOMIC GROWTH AND  
DEVELOPMENT**

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**ABSTRACT**

*Indian economy is one of the oldest economies of the world dating back to the Indus Valley civilization. It has been exchanging its agricultural & other surplus production for procuring industrial & other goods traditionally. From being an agro based economy, India has transformed itself into an industrially developing nation and a major IT hub.*

*Demonetization is basically cancellation of an existing currency, also known as “Stripping of Existing Currency of its Legal status as Legal Tender”. Demonetization has become a topic of discussion since 2016, when the Indian government decided to demonetize 86% of its currency in circulation, consisting of 500 & 1000 rupee notes at a very short notice.*

*This paper attempts to show the effects of demonetization on Indian Economy and the opportunities available and challenges for the present Government to sustain the economic growth of our country achieved prior to demonetization.*

*Keywords: Demonetization, Economic Growth, Digital Economy, Financial Inclusion & Digital Inclusion*

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**BRIEF HISTORY OF DEMONETIZATION IN INDIA**

India had witnessed demonetization first in 1946, prior to independence, when Rs. 1000 and Rs. 10,000 notes were removed from circulation. It hardly had any effect on general public, as they had little access to such high value currency notes. These notes were again reintroduced in 1954 with an additional introduction of Rs 5,000 currency.

The second demonetization was witnessed in 1978, when the Govt announced the currency ban taking Rs 1000, Rs 5000 and Rs 10,000 out of circulation. The main reason for this demonetization was to curb black money generation in the country.

On 8 November 2016, the Government of India announced the demonetization of all 500 and 1,000 rupee banknotes with immediate effect. The government claimed that this action is necessary to curtail the shadow economy and crack down on the use of illicit and counterfeit cash which was used to fund illegal activities and terrorism. The sudden nature of the announcement and the prolonged cash shortages in the weeks that followed created significant disruption throughout the economy, effecting output and growth.

**DEMONETIZATION & RE-MONETIZATION - 2016**

In Nov 2016, the government declared that all 500 and 1000 banknotes of the Mahatma Gandhi Series illegal and would be invalid past midnight. The Government also announced the introduction of new 500 and 2000 banknotes of the Mahatma Gandhi New Series and allowed people to exchange these new notes for the old banknotes. It is also understood that other smaller denomination currency notes like Rs 50 and Rs 100 will also be replaced by the notes designed with new features and design. Unlike the early 70s, when there were rumors of withdrawing Rs 100 note from circulation, was followed by hoards of people rushing to banks to exchange their old Rs 10 and Rs 20 currencies, the government has also started introducing gradually, new 200, & 50 rupee notes into the economy. As per the RBI data, on 28 October 2016, the total banknotes in circulation in India was 17.77 trillion out of which 15.22 trillion which is nearly 86% banknotes has already been re - monetized and in circulation as on July 2017.

**BASIC OBJECTIVES OF DEMONETIZATION -2016**

Demonetization of the old stock of Rs.1000 and Rs.500 notes is intended to have the following effects on the Indian Economy:

- It is believed that demonetization will bring out cash accumulated illegally over a number of years from the system. It is also believed that it will reduce inflation.
  - It will eliminate counterfeit currency circulating in the country for a long period.
  - It is believed that by eliminating 86% currency at one shot, corruption and terrorism can be controlled as the existing black money became invalid.
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- It is also believed that demonetization would bring lot of cash back into the official financial system. This can help financial institutions for lending for commercial activities.
- Banks which are in a very miserable state, due to NPA's would benefit and increase their profitability. It can also help in reduction of interest rates and partly address the problem of NPAs.
- It will help cleansing the process of election funding, thereby bringing more transparency and fairness in the manner of conduct of elections.
- It would significantly help in improving tax collections as cash collected illegally is brought back into official channel, paving the way for proper assessment of income and income tax.
- It is also believed that demonetization would be profitable to the Central bank as it will generate additional resources for the Government for being used for public purpose in phases without impacting inflation.
- Demonetization, which is expected to flush out black money, would also reduce real estate prices thus making housing more affordable for public at large.
- Last, but not the least, it would improve India's image in the global arena as the country which respects the rule of law and where businesses can flourish through legitimate means paving way for FDI in large scale and igniting economic growth and development of our country.

### IMPACT OF DEMONETIZATION – 2016

Some of the worst fears or predictions post Demonetization seems to be coming true especially in case of economic slowdown. Indian economy which was regarded as one of the fastest growing economies in the world, is presently reeling under the negative effects of demonetization.

The following table shows the growth of India's GDP from 2011-12 onwards.

**Statement of Growth in India's GDP**

Year	GDP Growth %
2011-12	6.69
2012-13	4.47
2013-14	4.74
2014-15	7.20
2015-16	7.93
2016-17	7.10

India's GDP growth for the quarter Jan-Mar '17 post demonetization was 6.1% as against a forecast of 7.1% by economists. The GDP growth for the entire fiscal year was 7.1%, a reduction from the 8% of the previous year. GDP growth rate for the first quarter April - June 2017 further dropped to 5.7%, in comparison to 7.9% for the same quarter in the previous year. This drop in GDP growth was attributed to demonetization

Industrial output was badly hit by the cash crunch due to demonetization. The Purchasing Managers' Index (PMI) fell to 46.7 in November from 54.5 in October, recording its sharpest reduction in three years. Reading above 50 indicates growth and a reading below shows contraction. This clearly indicates a slowdown in both, manufacturing and services industries. The PMI report also showed that the reduction in inflation in November was due to shortage in money supply.

The growth in eight core sectors such as cement, steel and refinery products, which constitute 38% of the Index of Industrial Production (IIP), was only to 4.9 percent in November as compared with 6.6 percent in October.

### SOME OF THE REASONS FOR REDUCTION IN AGRICULTURAL, INDUSTRIAL, SERVICE SECTOR OUTPUT & GDP POST DEMONETIZATION

- Too much of dependence on Cash Transactions by the organized as well unorganized sector. Both organized and unorganized sectors depended heavily on cash transactions during their day to day operations.
- Severe Cash Crunch was felt across all segments as 86% of total currency was taken out of circulation overnight leading to inability to pay for the goods & services in all sectors
- Large number of people are engaged in unorganized sectors either on daily wages workers, or earn livelihood as hawkers, handicrafts, artisans, tailors, cobblers, vegetable & fruit growers and dealers and service providers in unorganized sector, which contributes indirectly to GDP and Economic growth.



- Lack of awareness of Digital methods of cash transactions. Majority of population is based in rural India which lacks access to basic facilities like continuous supply of electricity, health, education & basic banking facilities. This clubbed with severe cash crunch lead to almost entire activities of these people coming to abrupt halt.

### **CHALLENGES AHEAD & STEPS / MEASURES TO BE TAKEN FOR SUSTAINING INDIAN ECONOMIC GROWTH & DEVELOPMENT**

#### **a) Focus on Financial Inclusion along with Digital Inclusion**

Though, India's economic growth rate was higher than most of the countries in recent years, a majority of the country's population both in Urban and Rural India remain unbanked, either intentionally or because of non availability of the services. This was more so in informal and unorganized sector, and contributed indirectly to the GDP numbers. One of the positives of demonetization was that many new bank accounts were opened immediately after demonetization for depositing and exchanging the banned currency notes. This is a good opportunity for the government to promote banking & financial literacy among the general population and bring them into the banking system.

Financial Inclusion is basically aimed at providing financial services at affordable costs to the underprivileged as they are otherwise not aware of or able to afford these services. Inclusive development and growth of any nation is possible only if financial services are made available to all sections of the society. As a whole, financial inclusion in the rural as well as backward sections in cities is a win-win opportunity for everybody involved with the banks, and the left-out urban and rural population.

From too much of dependence on cash transactions to moving towards a less cash economy or Digital Economy, it was observed that during the first few months post demonetization, there was an increase in digital payments, as more and more people used Paytm and other mobile valets for making their payment. This however declined steadily as more and more cash started flowing back into the system, leading to cash transactions. An excellent opportunity was lost as the country did not have the necessary digital infrastructure and literacy. India is still far behind in the use of electronic funds transfer, and the newer forms of payments like:

- (i) Unified Payments Interface (UPI), in which payments can be made to any other persons registered on UPI through mobile phone connected to internet;
- (ii) Use of Digital wallets, such as SBI Buddy, Paytm, BHIM etc in which payments or transfers can be made to any other person using mobile numbers or bank details;
- (iii) Pre-paid, Debit or Credit Cards which can be used at ATMs, Point of Sales (PoS) machines by swiping the cards;
- (iv) Aadhaar Enabled Payment Systems (AEPS) through which funds can be transferred using Aadhaar numbers linked with bank accounts; and
- (v) Unstructured Supplementary Service Data (USSD) in which payments can be from mobile phones without requiring access to internet connection by dialing \*99#.

Since, a large number of people in India are in rural areas and are digital illiterates, there is a need to spread basic knowledge of availability of such digital payment methods and remove the fear amongst the public to use these facilities. Government of India has already initiated a major drive for sensitizing public to make maximum use of these avenues, through electronic and print media.

Digital push needs creation of desired infrastructure at all levels, especially rural India. Though efforts are made to educate public about use of digital methods of making payments, making available basic infrastructure like electricity, etc in rural India is a major challenge to the government in converting our country into a digital economy.

On the other hand, efforts are also being made to address issues like connectivity, security and ease of transactions, data protection and user charges by the government. Financial literacy is a must for bringing more and more people to the digital platform. Digital payment or payment through banks, instead of paying cash should be encouraged.

More and more money will come to the banking system in the form of either current or savings accounts, which in turn will lead to capital formation in the economy. In the long run, this would provide a significant boost to the economy as more and more transactions migrate to the formal sector paving way for greater transparency, financial inclusion (both on deposits and credit side) and better tax compliance.

**b) Bringing Informal & Unorganized sector into Tax Base**

Opening of new bank accounts immediately post demonetization for exchanging banned currency notes is also an opportunity for the government to bring more and more people under the tax base.

Implementation of Goods and Services Tax is another good opportunity which encourages businesses to shun black money transactions. These measures, along with use of advanced Information Technology and stricter vigilance will help the government to bring all those from informal and unorganized sectors into the tax net, which in turn would reduce income disparities and help realize the dream of inclusive growth. Efforts are being made to create infrastructure for implementation of GST, educate the public at large about the benefits of GST and make the migration from VAT to GST smoother.

An increase in tax base is expected to reduce the present tax rates. This would further enable the government to reduce the tax rates in our country, which is one of the major expectations of the service class and the middle class.

**c) More thrust to already introduced Make in India Programme**

Make in India program is an excellent programme which is expected to facilitate FDI. Post demonetization due to temporary adverse business conditions, business activities and economy on the whole grew at a slow pace.

It is a great opportunity for the government to promote the Make in India programme once again. Further Incentives like tax concessions, subsidies, etc may be offered to all those who are willing to participate in this programme. More and more NRI's and other entrepreneurs abroad and in India should be encouraged to participate in Make in India programme. This would give a big boost to our economic growth & development.

**CONCLUSION**

Demonetization 2016 is history now, and we can only learn from history. The best way to go ahead is to exploit the opportunities out of demonetization. Demonetization 2016 has provided the Government a very good opportunity to modernize the entire economic setup which would create conducive environment for achieving Inclusive Economic Growth & Development, by focusing on the following key areas:

- Financial Inclusion
- Digital Inclusion
- Tax Inclusion & Discipline

The contents of this paper are original work and are not published earlier. For the purpose of understanding the concepts and extracting the relevant data the following websites have been referred / used.

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## **EMERGENCE OF DIGITAL WALLET AS A SERVICE IN INDIA**

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### **ABSTRACT**

*In today's world, a Smartphone has become essential part of daily life. There was a time when transactions happened through barter system. Thereafter was the emergence of notes and coins. And presently, the world is moving towards the "Digital Wallet". Due to technology, mobile users can use their Smartphone to make money transactions or payments by using applications installed in their phone. Digital wallet system is an essential part of electronic commerce. E-commerce provides the capability of trading on the internet. A digital wallet is a virtual service used as a substitute for physical cash. The present study tries to study the various factors that can affect a consumer's decision to adopt digital wallet as a mode of online payment. Apart from this, the study also attempt to find out the various risks and challenges faced by users of digital wallet. Since last decades the numbers of internet users are growing so this is an opportunity for digital wallet to grow rapidly. After demonetization in India, people have adapted to digital wallets to meet their needs.*

*Keywords: electronic commerce, digital wallet, virtual service, online payments*

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### **INTRODUCTION**

Today, the numbers of Smartphone users are increasing radically. "India will exceed 200 million smartphone users, topping the US as the world's second largest smartphone market by the end of 2016 due to increasing penetration of affordable smart mobile devices in the country," the US-based research firm said in a report. According to TechSci Research's latest report, India's mobile wallet market could reach \$6.6 billion by 2020.

After India's Prime Minister, Shri Narendra Modi announced Demonetisation in India in November 2016, cashless transaction is nearing technology that has a lot of growth in India. In earlier times people mostly relied only on liquid cash but with time the trend of plastic money (ATM Cards) became popular and at the same time it is really secure and more comfortable. But, it doesn't end here. Now, one hears the trend of digital money or as famously called "Digital Wallets. A Digital wallet refers to an electronic device that allows an individual to make transactions over product or product class. An individual bank account can also be linked to the digital wallet so that a transaction can be carried out hassle free. A digital wallet is a system that securely stores users' payment information and password for various payments methods and websites. A digital payment can also be made through an application on one's Smartphone.

India moving towards becoming a 'cashless economy', electronic payments as this was crucial to curb black money in the country. Digital wallet enables the users to make transaction at their finger tip.

Along with smartphone production, a number of services have been generated to utilize the possible functions of smartphones. Smartphones are used as communication devices, as socialized tool, entertainment tool, internet access tool, and even payment tool. Besides payment, people can also store receipts, coupons, business cards, bills and much more in their smartphones.

However, the idea of a digital wallet is not new. Indeed, Japan, America, Sweden and South Korea have already rolled out cell phone- based digital wallet solutions. Consumers in those countries can use their cell phones to pay for groceries, order drinks from a vending machine, and even identify themselves at airline ticketing counters.

### **OBJECTIVES**

1. To understand how consumers perceive new technological service i.e. Digital Wallet
2. To understand the significance of digital wallet in India and the advantages offered
3. To study the factors that influence consumers to utilize digital wallet
4. To study challenges faced by consumers in use of digital wallet
5. To show increases in internet users

### **RESEARCH METHODOLOGY**

**Nature of Study:** The study is mainly descriptive in nature. Secondary data are used for the purpose of the study

**Secondary Data:** Secondary data was collected from websites, various articles and journals

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**LIMITATION OF THE STUDY**

- As the research mainly depends on secondary data, it may not be hundred percent accurate.

The study is limited to India only

**THE TOP 5 COMMONLY USED DIGITAL WALLETS IN INDIA** - On a global perspective, mobile wallets are enabling economies to transition to a cashless society. The major tech giants all have solutions of their own - there's Apple Pay, Google Wallet, and Samsung Pay, to name a few. The popular digital wallet in India includes:

**1. Paytm**

Paytm started out with mobile recharges, DTH plans, and bill payments, and then launched an e-commerce marketplace in February 2014. Its wallet partners include Uber, Book-my-show, and Make-my-trip, along with others in categories such as shopping, travel, entertainment, and food. It also has a license from RBI to set up a payments bank, enabling it to offer current and savings account deposits, issuing debit cards and offering Internet banking services.

**2. FreeCharge**

FreeCharge lets one recharge any prepaid mobile phone, postpaid mobile, electricity bill payments, DTH and data card in India. It recently added metro card recharging as a feature on its platform. The wallet can be topped up with debit cards, credit cards and net banking, and can be managed via an app or from the Web browser.

**3. MobiKwik**

MobiKwik can also be used to recharge mobiles and pay bills, but it's also accepted across merchants such as Book-My-Show, Make-My-Trip, Domino's Pizza, eBay, among others. MobiKwik has also tied up with Big Bazaar and SagarRatna franchises enabling mobile payments. It has a section with cash backs offers listed on its website with include both online and offline players. Top ups can be done using net banking, debit cards, and credit cards. The app is also used to send and request money between friends and family members by using a mobile number or email ID. There is no additional charge for such remittances.

**4. Vodafone M-pesa**

Vodafone M-pesa claims to be India's largest cash out network, with over 85,000 M-pesa agents spread across the country. The service lets you send money to anyone, to recharge prepaid numbers, DTH connections, postpaid Vodafone numbers, utility bills and online shopping. Money can be transferred to bank via its inbuilt IMPS service or to a mobile number. DTH and prepaid recharges can be done through m-pesa for free.

**5. Citrus**

Citrus Pay is a popular e-wallet app for cash storage, payment and money transfers. Besides tying up with online service providers from varied sectors, they are now collaborating with Woohoo, a gifting and shopping portal to let its customers shop at more than 5000 offline stores listed with them.

**ADVANTAGES OFFERED BY THE USE OF DIGITAL WALLET** - Digital wallet is a revenue generating stream for all the stakeholders of the mobile ecosystem like - customers, banks, mobile-operators, financial institutions.

**Advantages to Customers**

- Anywhere, anytime payment experience
- No dial-up, no configuration or booting requirement to ensure instant connectivity through wireless route
- Substituting voice communication through texts & images for deaf or mute users.
- State of the art security platform

**Advantages to Bank**

- Additional income stream through innovative user-friendly services
- Enhanced brand image through alternate sales channel in mobile payment space, thus leading to loyalty development
- Extending value-added services through 24x7 branchless banking experience

**Advantages to Financial Institutions**

- Ensuring enhanced customer satisfaction & their retention by offering direct marketing promos with tailored offerings for specific clients

- Generating new business leads by one on one bank-client relationship
- Enables Financial Institutions (FIs) to keep constant connection with clients through 24x7 formats to serve their diverse needs everywhere, all the time
- Increased reach to more customers, specially the unbanked segment due to increasing mobile usage rate and thereby reduced operating costs out of fewer direct teller interactions happened physical branches.

#### **Advantages to Mobile Operators**

- Expanded service portfolio & increased brand promotion to create a differentiating factor to generate new leads
- Lucrative route to strengthen client loyalty vis-à-vis lessened churn & attrition rates
- FIs gain increased revenue by high mobile traffic build up
- It enable users to check bank account status & recharge prepaid mobile account instantly using mobile payment gateway (IMPS)

#### **FINDINGS**

Moving the wallet to a mobile device offers more than portability. In addition to basic functions like payments and identification, mobile wallet create interactive shopping experiences. The study was conducted on various digital wallet users: male and female population from different age groups and occupations. It was found in the study that there is no significant difference between male and female users.

#### **The other major findings of the research are as follow**

1. The three major factors which play an important role in consumer adoption are convenience in buying products online, brand loyalty and usefulness of digital wallet.
2. It was found that digital wallet can be an alternate choice for online payments.
3. Users of digital wallet are satisfied with the services provided to them.
4. Security and safety of the funds is the most challenging issue for the users.
5. Dependency on internet connection to make payment is one of the major reasons for less adoption of digital wallet.
6. The most adored feature of digital wallet is that it is a hassle free mode of making an online payment.

Since demonetization took off, digital wallet companies have had lot of opportunities to penetrate into market and make India grow at digital life. The digital wallet company also expanded its merchant network by more than 1, 50,000. The company also added over 5 Million new users since demonetization started on November 8, 2016. This is the time, for Digital Wallet Companies to grow further and be the next way of growth because people are moving towards digital life by accessing internet facility to their life. Internet is dynamic in nature because it helps modernize the environment. The users of internet are increasing in India, so the digital wallet companies take an opportunity of demonetization and increase in internet users to grow further.

**INCREASE IN INTERNET USERS IN INDIA TO ACCESS DIGITAL WALLET:-**To operate digital wallet, the user must have internet facility. The following shows the increase in the internet users in India:

<b>Year</b>	<b>Internet Users (Numbers in Millions)</b>	<b>Increase in percentage of internet users</b>
2014	226.30	Base Year
2015	277.40	22.58
2016	321.80	16.01
2017	365.10	13.45
2018	411.10	12.60
2019	458.00	11.41

Source: [www.statistia.com](http://www.statistia.com)

The above table expresses the percentage in internet users is increasing at diminishing rate. This will assist the digital service provider to take an opportunity to grow further with the development of internet users in India

#### **RECOMMENDATIONS**

Here are a few ideas to consider for encouraging mobile wallet usage

1. Marketing and promotion programs should be conducted to create awareness among non- users.



2. Discount offers and reward points on making payment through digital wallet can increase its popularity and adoption as well.
3. To increase the use of digital wallet, it is required to educate consumers about the benefits of a digital wallet in simplifying and streamlining their purchasing experience.
4. Provide high level of security, coverage and convenience to the end consumers.

**CONCLUSION**

Digital wallets are quickly becoming mainstream mode of online payment. Shoppers are adopting digital wallets at an incredibly rapid pace, largely due to convenience and ease of use. Tech -savvy shoppers are increasingly demanding seamless, Omni-channel retail experiences and looking for solutions that deliver this. There's no question 2017 will be a pivotal year as digital wallets gain more widespread acceptance.

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## CASHLESS ECONOMY IN INDIA: BENEFITS AND CHALLENGE'S

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### ABSTRACT

*After demonetization initiatives, most of the people in India started electronic payments for their transactions. Everyone from the small merchant is embracing digital payment solutions. Slowly India is moving from cash to cashless economy. A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal in cashless economy. The benefits of Cashless economy are many. The increased use of credit cards will definitely reduce the amount of cash that people have to carry which reduces the risk and the cost associated with that. in this paper studied the view of people on introduction of cashless economy benefits and Major challenges that can hinder the implementation of the policy & efficiency in digital payment system. The study shows that the introduction of cashless economy in India can be seen as a step in right direction. Its helps in growth and development of economy in India*

*Keywords: Cashless Transactions, Perception, Digital Payments, Convenience,*

### INTRODUCTION

The government has implemented a major change in economic environment by demonetizing the high value currency notes of – Rs 500 and Rs 1000 from 8th November 2016 and push India towards cashless future. What is cashless economy: A cashless economy is one in which all the transactions are done through electronic channels such as debit/credit cards, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS). The circulation of physical currency is minimum. The Indian economy continues to be driven by the use of cashless than 5% of all payments happen electronically. Electronic based transaction seeks to drive the development and modernization of India's payment system. The essence of the policy is to shift the economy from a cash based economy to a cashless one. Efficient and modern payment system is a key enabler for driving growth and development. The government is working at various levels to reduce the dependence on cash. PM-Narendra Modi unveiled two schemes – Lucky Grahak Yojna, Digi Dhan Vyapaar Yojna for customers and traders like to promote mobile banking and e-payments. To encourage and strengthen cashless economy it's important to inculcate the habit of making e-payments. Government encourages cashless transactions like mobile banking, Ru-pay cards, UPI, USSD these are means and methods of digital payments. The recently launched Unified Payments Interface by National Payments Corporation of India makes digital transactions simple. Even the RBI has also recently unveiled a document, "Payments and Settlement Systems in India: Vision 2018", setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term.

### REVIEW OF LITERATURE

The reviews of some of the important studies are presented below. Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media.

1. **Jain, P.M (2006)**, in the article —"E-payments and e-banking" opined that e- payments will be able to check black —An Analysis of Growth Pattern of Cashless Transaction System. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.
2. **Srinivas, N. (2006)**, in his study —"An analysis of the defaults in credit card payments", has tried to analysis the socio-economic profile of the defaulters of credit cards, to identify the set of factors which contributed to such defaults and suggest relevant measures to minimize the default cases.
3. **Alvares, Clifford, (2009)**, in their reports —"The problem regarding fake currency in India." It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes
4. **Roth (2010)**, observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy (Moses- Ashike, 2011).

5. **Piyanka Joshi (2017)**, in his research paper “Cashless Economy: A Swot Analysis “ Government should give enough incentives to people to move to cashless Transaction, ensure small vendors are equipped with point of sale terminals of E-wallets to take payments, government departments should make cashless transaction compulsory digital divide-should be ended, E-payments should be available in local languages.
6. **Mr. Sukhvinder kaur, Dr. Pragya Madan (2017)**, “Digitalization in India: Cashless, paperless & Faceless” in his research different trajectories need to be planned for the migration to cashless India. We require a surge of digital inclusion to make all the mentioned efforts more efficient and better targeted toward the envisioned beneficiaries.
7. **Bappaditya Mukhopadhyay (2017)** , in his study ”Moving from Cash to Cashless: Challenges and Opportunities for India “has tried to analysis the need to move a Cashless economy in india is immense. One, it will save a huge amount of money that is spend annually in printing and maintaining currency. Most importantly it will help the government achieve its objective of inclusive growth (through financial inclusion 0 and make the public utilities more efficient

## OBJECTIVES

Objectives of present study are as follows:

1. To study the benefits of cashless economy
2. To know the need for cash and challenges to go to digital

## RESEARCH METHODOLOGY

The study is based on secondary sources of data/ information. books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one. The study attempts to examine the Cashless economy in India /Benefits & Challenge

## DIGITAL IMPLEMENTATION

1. **Banking Cards (Debit / Credit / Cash / Travel / Others)** |: Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available – including credit, debit and prepaid – offers enormous flexibility, as well. These cards provide 2 factor authentications for secure payments e.g secure PIN and OTP. RuPay, Visa, MasterCard are some of the example of card payment systems. Payment cards give people the power to purchase items in stores, on the Internet, through mail-order catalogues and over the telephone. They save both customers and merchants’ time and money, and thus enable them for ease of transaction.
2. **Unstructured Supplementary Service Data (USSD)** : The innovative payment service \*99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of under banked society in the mainstream banking services
3. **Aadhaar Enabled Payment System (AEPS)**: AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.
4. **Unified Payments Interface (UPI)**: Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and IOS mobile platforms.
5. **Mobile Wallet** : A mobile wallet is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, Most banks have their e-wallets and some private companies. e.g. Paytm, Free charge, Mobikwik, Oxygen, m-Rupee, Airtel Money, Jio Money, SBI Buddy, itz Cash, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, Speed Pay etc.
6. **Point Of Sale (PoS)** : A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

7. **Internet Banking** : Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.
8. **Mobile Banking** : Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platform(s).
9. **Micro ATMS** : Micro ATM meant to be a device that is used by a million Business Correspondents (BC) to deliver basic banking services. The platform will enable Business Correspondents (who could be a local kirana shop owner and will act as 'micro ATM') to conduct instant transactions. The micro platform will enable function through low cost devices (micro ATMs) that will be connected to banks across the country.

#### DIFFERENT TYPES OF ONLINE FINANCIAL TRANSACTIONS ARE

- **National Electronic Fund Transfer (NEFT)**: National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporate can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. Individuals, firms or corporate maintaining accounts with a bank branch can transfer funds using NEFT.
- **Real Time Gross Settlement (RTGS)**: RTGS is defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.
- **Electronic Clearing System (ECS)** : ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as telephone bills, electricity bills, insurance premium, card payments and loan repayments, etc., which would obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service by banks / companies / corporations / government departments, etc., collecting / receiving
- **Immediate Payment Service (IMPS)**: An IMP offers an instant, 24X7, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM which is not only safe but also economical both in financial and non-financial perspectives.

#### BENEFITS OF CASHLESS ECONOMY

- Reduced instances of tax avoidance.
- Curb generation of black money.
- Security and convenience.
- Expenditure incurred in printing and transportation of currency notes is reduced.
- Reduced costs of operating ATMs.
- Less cash decreases crimes.
- Greater efficiency in welfare programmes as money is wired directly into the accounts of recipients.

#### CHALLENGES IN MAKING INDIA A CASHLESS ECONOMY

Large part of the population is still outside the scope of Net banking like use of credit or debit cards, making transactions using mobile phones, and using the internet to pay bills they are not in a position to reduce its dependence on cash.

- Second, about 90% of the workforce, which produces nearly half of the output in the country, works in rural sector It will not be easy for this sector to become cashless.
- There is a general preference for cash transactions in India. Merchants prefer not to keep records in order to avoid paying taxes and buyers find cash payments more convenient. Although cashless transactions have

gone up in recent times, a meaningful transition will depend on a number of things such as awareness, technological developments and government intervention. For instance, mobile wallets have seen notable traction, and it is possible that a large number of Indians will move straight from cash to mobile wallets.

- The availability and quality of telecom network will play an important role. People face difficulties in making electronic payments even in metro cities because of poor network. Service providers will have to constantly invest in technology in order to improve security and ease of transaction.
- People will only shift when it's easier, certain and safe to make cashless transactions. The government will also need to play its part. It will have to find ways to incentivize cashless transactions and discourage cash payments.
- Difficulties in changing attitudes and perception of people towards moving digital payments. India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure

## CONCLUSION

From the above analysis it also appears that many people actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India is cybercrime and illegal access to primary data. Therefore it's important to strengthen Internet Security from protection against online fraud. Large number of population is still below literacy rate living in rural areas. For smooth implementation of cashless system in India, the following measures are recommended. Government has to bring transparency and efficiency in e-payment system, strategies used by government and RBI to encourage cashless transactions by licensing payment banks, promoting mobile wallets and withdrawing service charge on cards and digital payments. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments.

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## **IMPACT OF DEMONETISATION ON BANKING SECTOR**

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### **ABSTRACT**

*The decision to demonetize the higher denomination currency is a major decision which has impacted a majority of the industries in the past few months. Banking Sector is one such sector which has been at the centre of the activity since demonetization has been introduced. The objective of this study is to find out the impact of the demonetization on the banking sector. The study is based on the secondary data. Data was in relation to Demonetisation which covered e-banking, cashless economy, counterfeit money, net banking, mobile banking, consumer awareness, RBI contribution to demonetization as well as the personal view of bank officer about Demonetizations. Banks play an important role in managing cash and therefore the effect of demonetization on banking sector assumes great significance. Banks have received huge amount of cash inflows and hence have been the biggest beneficiaries as far as liquidity is concerned.*

*Keywords: Demonetisation, higher denomination currency, Impact on Banking sector, Counterfeit Currency.*

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### **INTRODUCTION**

Demonetisation in a common language is the act of replacing the old currency/notes with the new currency/notes. As per Oxford Dictionary, Demonetize means to deprive (a coin or precious metal) of its status as money. In other words it means opening door for the new currency. The goal of demonetisation is to encourage cashless system, online banking system, counterfeit currency and to eradicate corruption/black money. After 1946 and 1978, the government announced the third demonetisation on 8 November, 2016. Reserve bank of India has withdrawn the legal identity of ₹500 & ₹1,000 and introduced new ₹2,000 currency notes on the same date.

### **OBJECTIVES OF THE STUDY**

- 1) To study impact of Demonetisation on Banking Sector
- 2) To highlight the major changes into banking operation/system, post demonetisation.

### **DATA COLLECTION**

The study is based on secondary data collected from journal, articles published in journals and information available on relevant websites on internet.

### **REVIEW OF LITERATURE**

Dr. M. Prabhu, Girish V, Mamatha R researched on Demonetization and its effect on Banking Sector and concluded that Demonetization is a useful weapon to fight against corruption and black money and banking are most affected sector of finance. Though it affected badly to major extent of bank operations, it helped the economy to find growth and development of the country through financial institutions like Banks.

J.Anupama (2017) conducted a study on Impact of Demonetisation on Banking. The study was based on secondary data from various publications through internet. She found more merits compared to demerits of demonetisation and she expected that the economy will move forward with less cash holdings by banks.

Lokesh Uke (2017) researched on demonetization and its effects in India with objective to remove black money and corruption. He studied the effectiveness of demonetisation in India and his study was based on secondary data available in newspaper, magazines etc. His research concluded that the demonetization was a correct decision.

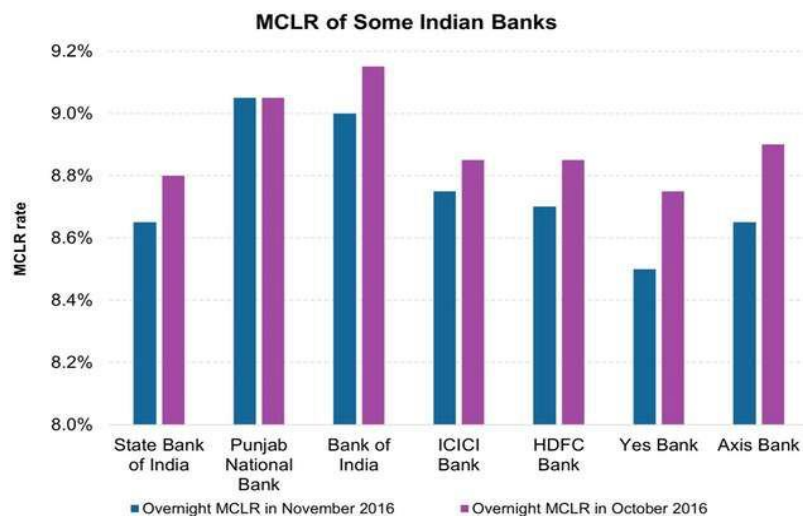
Manpreet Kaur (2017) conducted a conceptual study on demonetization and its impact on Cashless economy and as per his study the cashless system in the economy has many benefits, less cost, paper less transaction etc. and he expected that the future transaction system in all the sectors will be cashless transaction system.

Abhani Dhara (2017) conducted a study on Impact of Demonetisation over the banking sector and concluded that it is a necessary step for any country to shrink corruption, terrorism, black money etc. This demonetisation has proven successful compare to previous two demonetisation.

Dr.G.Uppili Srinivasan, Anandhi Eakamaram and Vincilin Nesamani (2017) researched on Demonetization and its Impact on Banking Sector and concluded that the technology need to be integrated with the change management issues linked to people resisting new concepts and ideas.

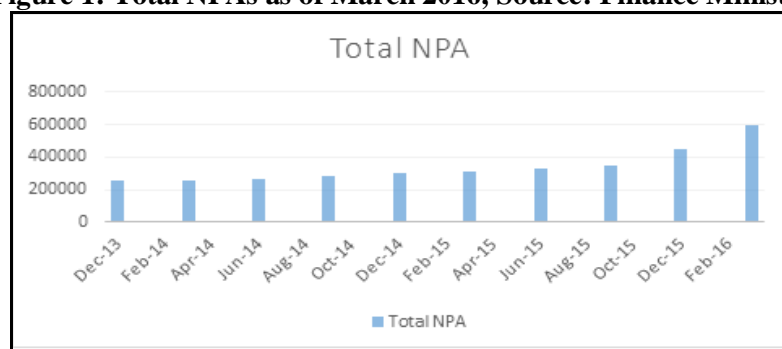
## IMPACTS OF DEMONETISATION ON BANKING SECTOR

- RBI data showed that there is an increase in bank deposits by 16.2 % in fiscal year 2017 as compared to 13.1 % in the previous year (2015-16), reflecting a surge in deposits in the banking system as a result of which many banks reduced their deposit rates. (moneycontrol.com, 2017)
- The number of doubtful transactions reported by banks to the Financial Intelligence Unit in FY2016-2017 has surged to 361,214 from just 61,361 in the previous year FY 2015-2016. (moneycontrol.com, 2017)
- Marginal Cost of Lending Rate has been introduced by RBI and those who are under MCLR scheme may enjoy the benefits of lower lending rate due to demonetisation (Uke, 2017).



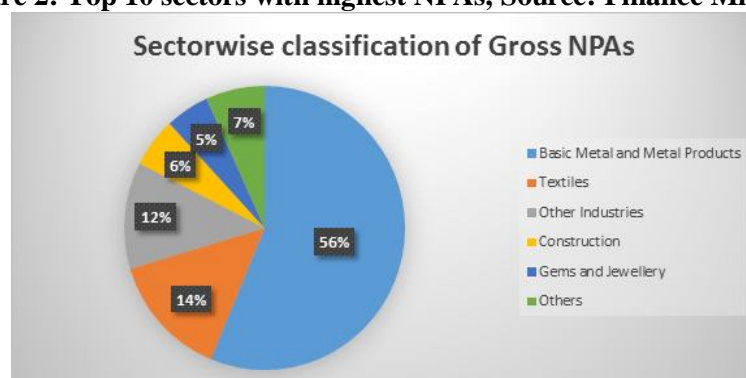
- A recent data provided by the Finance ministry, which has been depicted in Figure 1, shows clearly that there has been an increase in the NPAs from October 2015. This can be credited to the loans which led to the creation of a distorted picture of the banks. As per the asset quality report the NPAs which were previously classified as standard, the NPAs problem existed since the 2008 financial crisis but remained hidden due to the demonetisation.

**Figure 1: Total NPAs as of March 2016, Source: Finance Ministry**



The Finance ministry data also had the top 10 sectors having highest NPAs which have been shown in Figure 2 (Uke, 2017).

**Figure 2: Top 10 sectors with highest NPAs, Source: Finance Ministry.**



- As of December 30, demonetisation made up to 97% of the old bank notes deposited into banks which have received a total of ₹14.97 trillion out of the ₹15.4 trillion that was demonetised (J. & Sarma, 2017).
- Of the ₹15.4 trillion demonetised in the form of ₹500 and ₹1,000 bank notes of the Mahatma Gandhi Series, ₹9.2 trillion in the form of ₹500 and ₹2,000 bank notes have been recirculated as of 10th January, 2017 (J. & Sarma, 2017).
- Cash withdrawals by the customer from their bank accounts were restricted to ₹10,000 per day and ₹20,000 per week per account from 10th to 13th November, 2016. Later on this limit was increased to ₹24,000 per week from 14th November, 2016 (The Hindu Businessline, 2017).
- There was limit on daily withdrawals from ATMs and was changing from ₹2,000 per day till 14 November 2016 and ₹2,500 per day till 31 December 2016. This limit was again changed to ₹4,500 per day from January 1, 2017 and again to ₹10,000 from January 16, 2017. Limits were imposed vide the circulars cited above on cash withdrawals stand withdrawn with immediate effect later on. RBI increased the withdrawal limit from Savings Bank account to Rs 50,000 from the earlier Rs 24,000 on 20th February, 2017 and then it removed all withdrawal limits from Bank Accounts on 13 March, 2017 (The Hindu Businessline, 2017).
- The total expenditure of the Reserve Bank of India has increased by 107.84 % or by Rs 16,165 crore to Rs 31,155 crore in 2016-17 primarily due to an increase in expenditure on printing of new currency notes as part of remonetisation of currency and provisions (moneycontrol.com, 2017).
- As per RBI data (*Financial Express, August 30, 2017*), the increased cost of printing the new currency was ₹ 7,965 crore as against Rs 3,421 crore. This also increased provisions for payables increased by Rs 684 crore to Rs 3917 crore as on June 30, 2017 due to higher provisions on outstanding expenditure for printing of notes.
- Banks are in no way getting much benefit from demonetization because the deposits by people need to be deposited to RBI for destruction and RBI will not pay any interest on such deposit but whereas commercial banks need to pay interest to people for such deposits in their respective saving accounts *Quora.com* (2017).
- During the demonetization, the major problem of the any bank is the infrastructure. There were fewer computers which were fully banking supported system. People who were standing in queue for exchanging the old currency with new currency face the space problem due to space constraint. Banking systems need to be upgraded for digital banking transactions.
- There is need to educate people about the online banking. All banks should arrange the educational programs for banking customers to make them aware about the digitalization banking. Bank should make one separate department for the same in their all branches. Also there is need to educate the bank employees about the same.
- There will be hesitant to change in the customers for adopting the cashless economy. But bank employees were to face such challenges. The bank requires their customers to make them using the cash substitute as a medium of exchange for making payments and receiving payments.
- Income Tax department (IT) official revealed that since November 9, 2016 more than Rs 10,700 crore cash was deposited in different bank accounts in North Eastern states. IT official said that more than Rs 2,00,000/- as deposited in over 60 lakh bank accounts, post demonetisation.
- The loss of income has severely busted the loan repayment ability of small borrowers. After demonetisation, many of those bankers who were deployed for loan recovery were put on the job of managing a sudden rush forward in activity at branches. The combined effect will be a rise in stressed loans by at least 100 basis points, said Abhishek Bhattacharya, director and co-head (financial institutions) at India Ratings (*Business Standard, December 26, 2017*).
- ICRA (*Business Standard, December 26, 2017*) estimates that 80-85 % of retail credit of finance and housing finance companies is in the below Rs 1-crore loan size category. The most affected companies due to demonetisation are Non-banking financial companies and housing finance companies as they operate largely in the self-employed borrower segment, which conducts business mostly through cash transactions.
- As per the statement of Finance Minister Arun Jaitley (*Business Standard, September 11, 2017*) demonetisation had decelerated economic activity and put the common man at much problem, was aimed at flushing out black money, removing fake currency, changing non-formal economy into formal one to

expand tax base and employment and giving a big upturn to digitisation of payments to make India a less-cash economy.

- As per BJP president statement (*Business Standard*, September 7, 2017), the demonetisation has not had any negative impact on economic growth. Fall in GDP is due to some other technical reason and not because of demonetisation.

## CONCLUSION

The decision to demonetize the higher denomination currency has had mixed results and has had a major impact on the banking sector. The cash liquidity in banks has increased in the form of more deposits resulting in more lending power for banks. The banks, with the support of the government, can channelize this additional liquidity into the priority sectors like education, small and medium scale businesses thereby resulting in employment generation. The demonetization also has posed a new challenge in front of the banking sector as it may lead to increased interest cost if the banks are not able to disburse the additional cash generated in the form of loans. Also, this pressure to increase the lending may result in additional NPAs resulting in huge losses. Therefore, it can be said that the demonetization has had a major impact on the banking sector.

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## **A STUDY OF FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH IN INDIA**

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### **ABSTRACT**

*Economic growth is an extremely complex phenomenon and is influenced by basic factors of a physical, technological and psychological nature. It is not possible to isolate these factors and determine the contributions of each factor. Moreover, the influence of forces like financial intermediaries cannot be easily measured. The nature of credit practices of these institutions act as an inhibition in this field in all countries. Economic growth being a real phenomenon is naturally dependent on real factors. It is only the increase in real resources, their effective mobilization and their efficient investment that can be expected to maximize the rate of economic expansion. Money by itself cannot purchase growth in real output. One of the primary tasks in the process of development is to mobilize productive investment. Further, a free flow of finance among all the arteries of the body - economic is absolutely necessary to ensure the growth of the economy to its full stature. The main objectives of this paper are to examine the relationship between financial development and economic growth and to study the financial development indicators for India.*

*Keywords: Financial developments, Economic growth, Gross Domestic Products etc.*

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### **INTRODUCTION**

The Economic development of India was dominated by socialist-influenced policies, state-owned sectors, and red tape & extensive regulations, collectively known as "License Raj". It led the country and its economy isolated from the world economy. However the scenario started changing from the mid-1980s, when India began opening up its market slowly through economic liberalization. The policy played a huge impact on the economic development of India. The Indian economic development got a boost through its economic reform in 1991 and again through its renewal in the 2000s. Since then, the face of economic development of India has changed completely.

The economic reform of 1991 played a pivotal role in the economic development of India. Reaping its benefit, the growth of the country reached around 7.5 per cent in the late 2000s. It is also expected to double the average income within a decade. India is world's 12<sup>th</sup> largest economy and also the 4th largest in terms of purchasing power parity adjusted exchange rates (PPP). It is the 128th largest in the world on per capita basis and 118th by PPP. However, states have a major role to play in the economic development of India. There are few states which have higher annualized 1999-2008 growth rates comparing to others. The growth rates for the states like Gujarat (8.8%), Haryana (8.7%) and Delhi (7.4%) are considerably higher than other states like Bihar (5.1%), Uttar Pradesh (4.4%) and Madhya Pradesh (3.5%).

The economic development of India largely depends upon a few factors, which prove to be decisive. According to the World Bank, for a better economic development, India needs to give due priorities in various issues like infrastructure, public sector reform, agricultural and rural development, reforms in lagging states, removal of labor regulations. Agriculture, along with other allied sectors like fishing, forestry, and logging play a major role in the economic development in India. In India, a steady growth has been observed in the yields per unit area of all the crops since 1950. And the reason behind this is the fact that, special emphasis was given on agriculture in the five-year plans. In 1965, the country saw green revolution. Improvements came in the various areas like irrigation, technology, provision of agricultural credit, application of modern agricultural practice and subsidies.

India has done considerably well in agriculture and allied sectors. The country is the world's largest producer of tea, coconut, cashew nuts, black pepper, turmeric, ginger and milk. India also has the largest cattle population in the world. It is world's second largest producer of sugar, rice, wheat and inland fish. It is in the third position in the list of tobacco producers in the world. India also produces 10 per cent of the overall fruit production in the world, holding the first position in banana and sapota production. India occupies 14th position in the world in industrial output. The manufacturing sector along with gas, electricity, quarrying and mining account for 27.5 per cent of the country's GDP. It also employs 17 per cent of total workers. The economic reforms of 1991 brought a number of foreign companies to the Indian market. In services output, India occupies 15th spot in the world. With a substantial growth in IT sector, a number of foreign consumers showing interests in India's service exports as India has got low cost, educated, highly skilled workers in abundance. Besides this, ITES-BPO sector has also become a big source of employment for a number of youths.

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**OBJECTIVE OF THE STUDY**

The study based on the following objectives:

1. To study the Financial Development and Economic Growth in India
2. To study the financial development Indicators for India
3. To examine the relationship between Financial Development and Economic Growth, and analyze the causality between them in India.

**RELATED WORK**

In [1] author evaluated the relationship between financial sector development and economic growth for eight Asian countries. A main feature of the study is used much longer time series data set and performed multivariate causality test. The variables used in this study are growth rate of money supply as ratio of GDP, growth rate of real per capita income, growth rate of quasi money as a ratio of GDP, growth rate of domestic credit as a ratio of GDP, growth rate of real GDP, growth rate of real investment as a ratio of GDP, growth rate of population, growth rate of real money supply, growth rate of real domestic credit, growth rate of real broad money.

In [2] author made an attempt to find out whether financial development results in higher investment and output growth in the long run. The variables considered for the study were weighted average annual interest rate on lending by banks, domestic credit to the private sector as a percent of GDP, total deposits as a percent of GDP, broad money as a percent of GDP, gross fixed capital formation as a percent of GDP and GDP per capita. VAR model was used to analyses the data. The result proved the existence of co-movement between financial development on investment and per capita income in the long run.

In [3] author examined the relationship between financial development and economic growth in Pakistan. He also examined the structural stability of finance growth relationship in the presence of financial sector reforms. The variables used for the study were financial depth, logarithm of real GDP measured as a ratio of GDP to consumer price index, share of investment proxy by the gross fixed capital formation to nominal GDP and real deposit rate.

In [4] author investigated the relationship between financial development and economic growth in India and it measures financial development in terms of financial ratios that is financial interrelations ratio and new issue ratio and economic growth in terms of per capita real gross domestic product. For analysis co-integration is used. The empirical result shows that the financial development and economic growth are characterized by the presence of long run equilibrium relationship. Finally the study concluded that, liberalization and development of financial sector helped in achieving high economic growth in India.

In[5] authors made an attempt to find out the link between financial development and economic growth in Island economies. The variable such as the country's investment divided by its GDP, total of export and import divided by GDP, employment level, secondary enrolment ratio, liquid liabilities to the country's GDP, value of credits by financial intermediaries to the private sector divided by GDP were used. Data for a period of 22 years (1980-2002) were used for analysis.

In [6] author examined the causal relation between financial development, economic growth and poverty reduction. Variables such as broad money supply to GDP, per capita GDP and people below poverty line were used. The data were analyzed by using co-integration and causality test. The policy implication of the study was economic growth can be taken as the policy variable to accelerate financial development and both could be used as the policy variable for poverty reduction.

In [7] author examined the inter relationship among economic growth, stock of foreign investment and stock of domestic capital in Malaysia. The variables such as GDP, real domestic capital stock, stock of foreign investment, stock of foreign capital, number of workers employed, total factor productivity were used in their study. The result showed that the level of financial development in Malaysia significantly affects its stock of domestic capital which contributes to economic growth.

**METHODOLOGY OF THE STUDY**

The study is based on secondary source of data collected through various books, articles, Reports, working papers and research papers published in various national, international journals, websites.

**FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH IN INDIA**

India's gross domestic product (GDP) grew by 7 per cent year-on-year in October-December 2016 quarter, which is the strongest among G-20 countries, as per Organization for Economic Co-operation and Development

(OECD) Economic Survey of India, 2017. According to IMF World Economic Outlook Update (January 2017), Indian economy is expected to grow at 7.2 per cent during FY 2016-17 and further accelerate to 7.7 per cent during FY 2017-18. The tax collection figures between April 2016 and January 2017 show an increase in Net Indirect taxes by 16.9 per cent and an increase in Net Direct Taxes by 10.79 per cent year-on-year, indicating a steady trend of healthy growth. The total number of e-filed Income Tax Returns rose 21 per cent year-on-year to 42.1 million in 2016-17 (till 28.02.17), whereas the number of e-returns processed during the same period stood at 43 million. Corporate earnings in India are expected to grow by over 20 per cent in FY 2017-18 supported by normalization of profits, especially in sectors like automobiles and banks, while GDP is expected to grow by 7.5 per cent during the same period, according to Bloomberg consensus. India has retained its position as the third largest startup base in the world with over 4,750 technology startups, with about 1,400 new start-ups being founded in 2016, according to a report by NASSCOM.

### FINANCIAL DEVELOPMENT INDICATORS FOR INDIA

There are a number of indicators for measuring the financial development of an economy. Most of them relate to the asset or liability aggregates of different financial institutions. The Reserve Bank of India classifies the financial development indicators as:

#### 1. Broad Based Indicators of Financial Development

The broad based indicators of financial development measure the contribution of finance -related activities in real Gross Domestic Product (GDP). This can be seen by the contribution of banking and insurance in GDP as given in Table-1.1.

**Table-1.1: Share of Real GDP Originating in Banking and Insurance Sector in India (2001-2012)**

Year	Share of Banking and Insurance in the GDP (in per cent)	Share of Banking and Insurance in Services Sector (in per cent)
1970-71 to 1974-75	2.2	5.7
1975-76 to 1979-80	2.7	6.8
1980-81 to 1984-85	3.1	7.5
1985-86 to 1992-93	4.9	11.2
1993-94 to 1998-99	4.7	11.8
1999-2000	5.9	45
2000-2001	5.6	43
2002-2003	5.7	43
2003-2004	5.8	45
2004-2005	5.9	43
2005-2006	6.1	43
2006-2007	6.7	47
2007-2008	7.1	48.5

**Note:** While the shares from 1970-71 through 1992-93 are calculated with respect to the 1980-81 GDP as base, the same from 1993-94 through 1998-99 are with respect to 1993-94 as a base.

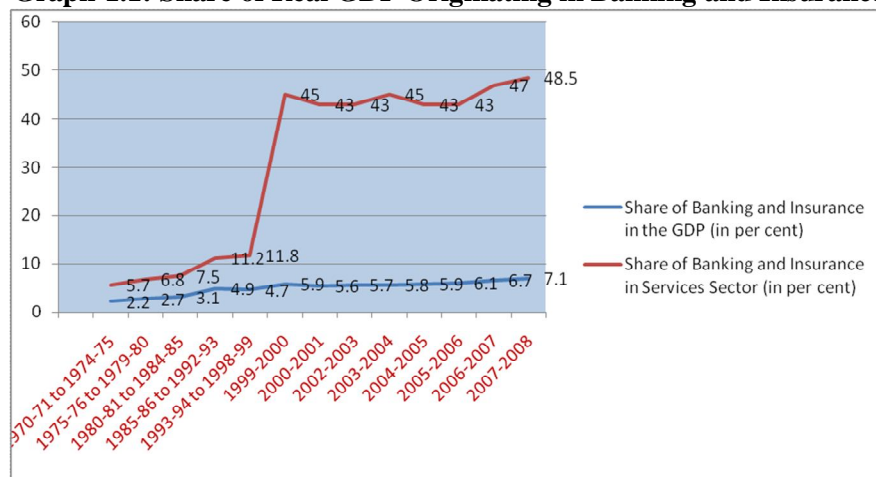
**Actual Source:** RBI, Report on Currency and Finance, pp.III-2, 1999-2000. 2003-2004 and 2007-2008.

**Source:** Bharati V. Pathak (2012), The Indian Financial System: Markets, Institutions and Services, Third Edition, Pearson Publication, Delhi, p.19.

The share of real GDP originating from finance related activities experienced a steady increase from 2.2 per cent during the first half of the seventies to 4.7 per cent during 1993-94 to 1998-99. However, during 2000-01 the share was 5.9 and it witnessed an increasing trend and was 7.1 per cent during 2007-08. This was on account of financial deepening and financial broadening of the financial sector in India which was also reaping the benefits of liberalization. Within the service sector, the share of finance worked out to little over 11 per cent during the nineties but its share was tremendously large (45 per cent in 1999-2000 to 48.5 per cent in 2007-08). The increased contribution of banking and finance in the real GDP and service sector reflects the importance of financial intermediation activities in the economy. This is also presented in Graph-1.1



**Graph-1.1: Share of Real GDP Originating in Banking and Insurance**



## 2. Liquidity and Credit-Based Indicators of Financial Development

There are various monetary aggregates in relation to GDP that are regarded as important proxies for measuring the extent of financial development. These aggregates highlight the role of intermediation played by banks in economic development. These are given in Table-1.2.

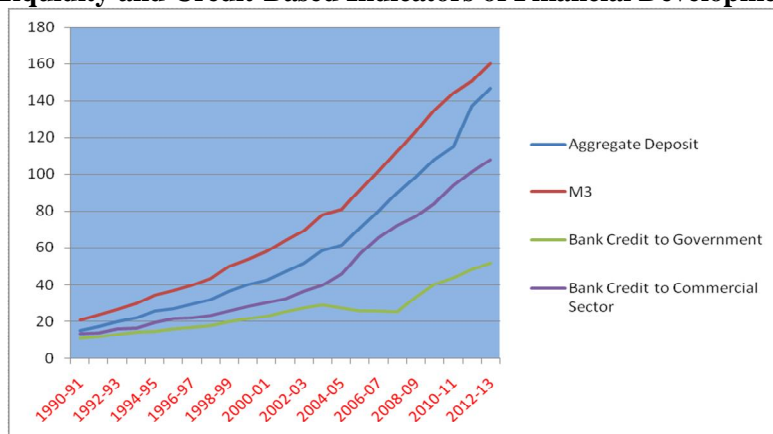
**Table 1.2 : Trends in Liquidity and Credit-Based Indicators of Financial Development in India**

Year	Aggregate Deposit	M3	Bank Credit to Government	Bank Credit to Commercial Sector
1990-91	15.03	20.76	10.95	13.41
1991-92	17.11	23.52	11.74	13.94
1992-93	19.64	26.62	12.89	16.10
1993-94	21.87	29.92	14.15	16.50
1994-95	25.41	34.65	14.61	19.22
1995-96	26.78	36.99	15.91	21.27
1996-97	29.09	40.05	16.60	21.65
1997-98	31.89	43.77	17.61	23.09
1998-99	36.48	50.12	19.75	25.34
1999-00	39.95	53.84	21.14	28.09
2000-01	42.68	58.23	22.70	30.12
2001-02	46.98	63.80	25.10	32.34
2002-03	51.75	69.41	27.33	36.32
2003-04	58.51	78.01	28.89	39.52
2004-05	61.25	80.90	27.10	45.96
2005-06	70.97	91.52	25.55	56.82
2006-07	80.29	101.75	25.44	65.44
2007-08	89.69	112.72	25.23	72.35
2008-09	98.39	123.04	32.78	77.37
2009-10	108.03	134.72	40.13	83.95
2010-11	115.32	144.02	43.92	93.81
2011-12	137.24	150.14	48.26	101.50
2012-13	146.84	159.88	51.62	108.01

Source: Handbook of Statistics on Indian Economy, Various issues.

As far as the credit components are concerned i.e. to the government and to the commercial sector, there has been a steady increase in them since the beginning of the 90s due to substantial pressures on liquidity. The aggregate deposits of the bank comprising of time deposits and demand deposits also increased, they moved from 15 per cent in 1990-91 to 146.8 per cent in 2012-13 as a percentage of GDP. The money supply component M3 which is considered to be broad money and liquid money has also witnessed a steady increase again due to the liquidity pressures from the surges in capital flows. It has increased from 20.7 per cent in 1990-91 to 159.8 per cent in 2012-13. The trends in the liquidity and credit-based indicators of financial development are depicted in Graph-1.2

**Graph 1.2 : Trends in Liquidity and Credit-Based Indicators of Financial Development in India**



### 3. Banking-Based Indicators of Financial Development

The banking system in India is dominant in terms of deposits, advances and investments. The commercial banks form and manage a major chunk of Indian banking. They include foreign banks operating in India in addition to Indian banks in the public and private sectors.

#### RELATIONSHIP BETWEEN FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH

Though the relationship between financial development and economic growth received considerable attention over the last five decades, the theoretical foundation of the relationship between them dates back to Adam Smith (1776). Adam Smith stated that, "the trade of the city of Glasgow, doubled in about fifteen years after the first erection of the banks there; and the trade of Scotland has more than quadrupled since the first erection of the two public banks at Edinburgh".

The Financial Development Report of 2009 defines Financial Development as "the factors, policies and institutions that lead to effective financial intermediation and markets, as well as deep and broad access to capital and financial services". In accordance with this definition, measures of financial development are captured across seven important pillars viz (i) Institutional Environment, (ii) Business Environment, (iii) Financial Stability, (iv) Banking Financial Services, (v) Financial Markets and (vi) Financial Access.

The above definition thus spans the inputs or foundational support of a financial system, such as the institutional and business environments, the financial intermediaries and markets through which efficient risk diversification and capital allocation occur, and the 'outputs' of the financial intermediation process, which include the availability of and access to capital.

The World Economic Forum in the Financial Development Reports published since 2008 defined Financial Development and also captured it through a composite index called the 'Financial Development Index'. The seven pillars across which the measures of financial development are captured have been elaborated as follows:

1. *Institutional Environment*: It encompasses financial sector liberalisation, corporate governance, legal and regulatory issues, and contract enforcement.
2. *Business Environment*: It considers human capital, taxes, infrastructure, and costs of doing business.
3. *Financial Stability*: It captures the risk of currency crises, system banking crises and sovereign debt crises.
4. *Banking Financial Services*: It measures size, efficiency, and financial disclosure.
5. *Non-Banking Financial Services*: It includes Initial Public Offering (IPO) and Mergers and Acquisitions (M&A) activity, insurance and securitisation.
6. *Financial Markets*: It contains foreign exchange and derivative markets, and equity and bond market development.
7. *Financial Access*: It evaluates commercial and retail access.

Thus, financial development connotes many qualitative changes viz. change in the nature and functioning of the financial intermediaries, introduction of new innovative instruments, and measures to develop the financial markets which may be necessary due to various factors such as, technology and change in the market preferences. With the emergence of new type of financial institutions or instruments or markets, the structure of the financial system undergoes a rapid transformation from a An attempt is made to find out the nature of

relationship between financial development and economic growth in India and the direction of relationship between financial development and economic growth. The study gets a wider acceptance because financial development is considered as an important factor for economic growth. Financial development index was constructed by taking in to account the important financial development proxies. Financial sector reforms carried out in the year 1991 has made drastic changes in the economy, both in the stock market and in financial intermediaries and structural break was found out in the data and divided the study period accordingly.

As far as financial development is concerned the relationship and the direction of relationship are important. While talking about the relationship, most of the studies showed a positive relationship between financial development and economic growth. Whereas, china is considered as a counter example for the existing theory because, it showed a negative relationship between financial development and economic growth. There are countries which do not have any relationship between financial development and economic growth. So it was important to see whether the relation between financial development and economic growth in India is positive or negative with the constructed index. Based on the theoretical background, the researcher divided the study period in to pre and post liberalization period. Like other countries India also has gone for economic reforms since 1991. The existing study proved that stock markets and financial intermediaries have changed because of the economic reforms carried out during that time. With important proxies from financial sector, index was constructed to represent financial development of India. For identifying the importance of each variable, principle component analysis is applied and appropriate weights for each variable are identified and constructed the index.

### CONCLUSION

The Government of India announced demonetization of high denomination bank notes of Rs 1000 and Rs 500, with effect on November 8, 2016, in order to eliminate black money and the growing menace of fake Indian currency notes, thereby creating opportunities for improvement in economic growth. In the Union Budget 2017-18, the Finance Minister, Mr Arun Jaitley, verified that the major push of the budget proposals is on growth stimulation, providing relief to the middle class, providing affordable housing, curbing black money, digitalization of the economy, enhancing transparency in political funding and simplifying the tax administration in the country. India's unemployment rate has declined to 4.8 per cent in February 2017 compared to 9.5 per cent in August 2016, as a result of the Government's increased focus towards rural jobs and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme. The Government of Maharashtra has set a target to double farm income by 2022 through measures like large scale micro irrigation, water conservation, expansion of formal cash credit coverage, crop insurance and agriculture diversification, as per Mr Vidyasagar Rao, Governor of Maharashtra. Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr. Narendra Modi, Prime Minister of India, has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

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## **CUSTOMER RELATIONSHIP MANAGEMENT IN DIGITAL ENVIRONMENT**

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### **ABSTRACT**

*Customer relationship management is an integral part of any organization as the relation with customer turned into great impact on business. This is only a relation with customer that leads to business organization to the greater heights. Today world is a world of digitalization every thing to be connect with social media, therefore the business organization also using their digital expertise to be in touch with customer. As customer has a potential to change the market but when business organization keep contact with customer through social media. The company responsibility also increase to provide qualitative product at right time with high price without hurting the customer expectation because whatever information of product being shared with customer the customer get astonished feeling and want that feeling to be satisfy. Getting new customer in relation and maintaining relation with existing and current customer is a problem faced by business organization*

*Keywords: CRM. Social media, business*

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### **INTRODUCTION**

Now a days the world is changing into a technology hub. All the important transaction of business organization taken on digital world. Using all kind of social media to be in touch with customer. As customer has a great potential to take any business to lead success. The success of any business organization depends on the customer satisfaction their relation with company. Therefore the company focus on the CRM with the help of digitalization.

### **OBJECTIVE OF STUDY**

- To study about the CRM.
- To know in detail about digital management.
- To study the problems of customer in case of digital management.

### **METHODOLOGY**

Second hand information is used for preparing their paperlike reference book and websites

### **CUSTOMER RELATIONSHIP MANAGEMENT**

It is a strategy to manage relation with customer using digital world. For improve and enhance profitability. This technologies to customer .CRM is a technique to be used by company for collection of data about their customer preference and same to be analyzed for maintaining relation in long run. This is a time consuming process of business organization to collect information about their customer. It is to create relation with new customer and sustain relation with existing and current customer. It is a systematic process obtained by the business organization for keeping relation with the customer to help and managing their information collection for profitability and corporate image the business organization used social media and digital world for maintaining relation with customers. The company manufacturing many software which is mobile and use friendly apps. This apps frequently used by company to maintain relation with customer once good relation is maintain with the customer by providing them qualitative products at reasonable price. It is possible after providing astonished feeling to consumer. The customer crave the changing taste and reference from time to time easy accessibility of data and information collected from customer could be able to use and share by all the employ of company and management. So they could understand the communication from customer and the demand and expectation of customer could be executed in the product which is offer by the company. As in a telecommunication business whenever the company get call from the customer for their difficulties and queries it has been informed to customer that whatever could be the communication world be recalled for their improvement and training to the employee like wise whenever the company collect data the data could be keep confidential for improvement in quality and performance. Irrespective of the class and social status of the customer Informally.

### **SOCIAL MEDIA**



With the use of following social media the company get in touch with their customer like, "Face book was launched in February 2004 and is operated and owned by facebook Inc."<sup>1</sup> To be in touch with customer it is a great platform for getting and sharing information "Coca-Cola facebook page with were than 38 million fans has an interesting history"<sup>2</sup> The

company has to give importance to all category of customers irrespective of their class and so on. CRM will give the organization clear overview of customer. It is a software which shows the previous history of customer and current like and dislike. Now it is being used for increase of sale and marketing activity. As customers are ultimate user of the product. If the customer is not satisfied with the product of company the customer may use social platform like facebook, twitter, instagram pinterest for their dissatisfaction but the same they might use personal mail for resolve the problem with company. Customer may be contact to company with social media.



“It was started in the living room of co-founder Reid Hoffman in 2002. The site was officially launched on 5 may 2003 and at the 3 end of first month had 4500 members”.<sup>3</sup>It is a business of company to collect different information from different source. Their search history absent the product. Their income and consumption pattern and so on the relation development is an easy task of the company but maintaining relation would be difficult for the company. Digital management is a part of managing social media issue because when anything would be advertise and published on social media and on interval it has been observed and read by entire world when the business organization find all type of customer who is using and observing from internet about our product.



Twitter: “Twitter founded by “Jack Dorsey”, B12 stone & even Williams in March 2006, is a social networking and micro-biology service”<sup>4</sup> The following websites useful for company and business organization for collection of data of customer choice, like preferences their area of interest, product search and so on usually it is being used for touch to rest of people every day the number of user are increasing.

- Amazon.in
- Flipkart.com
- Snapdeal.com
- Paytm.com
- e-bay.com
- Jabong.com
- Myntra.com
- Shopclues.com
- Pepperfry.com
- Homeshop18.com
- Croma(by tata)
- Infibeam.com
- Yebhi.com

With the help of digitalization the work of company get reduce. They can be connected with customer on facebook, twitter, skype, instagram. The information like consumer taste, preference, like, dislike, they purchasing habit, consumption pattern, income, saving, age group, price conscious, brand conscious. New scenario has been changed customer are more health conscious also with consideration all aspect of product. The company collect information with the help of different software and be in touch with their customer on internet and different mail and simple text. As and when customer get any kind of information from company feel privilege and important and trust that the company could trust them and give importance for their choice and preference and consumer take immediate decision for purchase of goods and company profitability increases.

#### **PROBLEM FACED BY BUSINESS ORGANISATION**

The problem face by company for information collection. The collected data may be authentic or unauthentic. Authenticity problem faced by many business organization. The company find it easy to collect information through different apps and software and make proper utilization for same. CRM is used for future production and used for increase current production and customer satisfaction. Sometime when data is being shared by other company the customer find it difficult because the customer may be busy for their work and their work get

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disturb at that time the customer may block the media or phone number used by company in that case it would be difficult for them to be in touch with customer.

**CONCLUSION**

CRM is technique for better running of business organization as all activities directly or indirectly connected to customer. It is a responsibility of business organization to keep their customer happy by providing qualitative product at reasonable price. CRM is a detailed activity of marketing, rules, support and service. Relationship with customer has a great value for business enhancement. Now it would be more easy with the help of social media for using customer relation management. CRM if managed by digital method. The answer produced by customer on different aspects by the company. Sometimes the answer may not be correct if answered by customer. The CRM is an important to run effective and smooth conduct of business. CRM has a potential to increase profitability. CRM collected by the organization may be useful by other business organization. Effect use of CRM make connected with customer for better running of business. All kind of strategy, marketing, sales order. Service and support done online or on effective use of social media.

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**A STUDY ON IMPACT OF GST ON COMMON PEOPLE AFTER ITS IMPLEMENTATION**

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**ABSTRACT**

*GST is termed as biggest tax reform In Indian Tax Structure. It is considered as biggest tax reform since 1947. GST also known as Goods and service tax. Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that levied on every value addition. More than 150 country implemented GST so far. It will include many state and central level indirect taxes. The aim of GST is thus to simplify tax hurdles for the entire economy. GST is the only indirect tax that directly affects all sectors and sections of our economy. Ignorance of law is no excuse but is liable to penal provisions, hence why not start learning GST and avoid the cost of ignorance. This paper is an analysis the impact of GST (Goods and Services Tax) on common man with the reference to Indian tax Scenario. GST has been discussed in detailed in this paper as the background, silent features, the impact of GST on common man, technical difficulties faced by them while practically working under GST format.*

*Keywords: GST, Common Man*

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**INTRODUCTION**

Most countries have a unified GST system. India is opted for a dual GST system prevalent in Brazil and Canada and it is implemented from 1st July 2017. Under this Model both the center and states have the right to levy and collect tax on the sale of Goods and Service. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. It replaced the current taxes of excise, VAT and service tax, Custom Duty, Countervailing Additional Duty, Special Additional Duty, Securities Transaction Tax, Stamp Duty, Entertainment Tax, Anti-Dumping Duty, Local Body Taxes, Property Tax, Entry Tax, Tax and Duties on electricity, Tax on Goods and Passengers. There are 3 types of GST:

CGST- Collected by Center

SGST- Collected by State

IGST- Applicable on inter-state sales. It will help in smooth transfer between states and the Center.

GST implemented in India from 1ST July 2017. Experts say that GST will help in the long run to the economy to grow in more efficient manner by improving the tax collection , as it will disrupt all the tax barriers between states and integrate country via single tax rate.

**REVIEW OF LITERATURE**

1. Pinki, Supriya Kamma and Richa Verma (July 2014) studied, "Goods and Service Tax- Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

2. Monika Sehrawat, and Upasana Dhanda, (December 2015) studied "GST IN INDIA: A KEY TAX REFORM" and concluded that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational design and timely implementation.

3. Chaurasia et al. (2016) Studied, "Role of Goods and Services Tax in the growth of Indian economy" and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

4. Shefali Dani has proposed that GST regime is a half-hearted attempt to rationalize indirect tax structure. Approximately more than 150 countries have implemented GST concept. It is the need of hour that, the government must make an attempt to insulate the vast poor population of India, against the inflation due to implementation of GST. There is no doubt, GST will simplify its existing indirect tax system and will have to help to remove inefficiencies created by the existing current heterogeneous tax system, only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate.

5. Dr. P Vijayaraghavan and Mr. Muhammed Unais (April 2017) Studied "Impact of GST on Indian Economy and concluded that the implementation of GST will reduce tax burden on manufacturers and thus encourages for the higher production. This process will increase the export of India and it will increase the total GNP.

Avoidance of cascading effect empowers the manufacturers to produce to their optimum capacity and retards growth.

6. Dr. Anita Modi (August 2017) studied that, The movement of goods will now become much simpler across the country and cheaper as the new regime replaces the old system. GST will ensure a comprehensive tax base with minimum exemptions, will help industry, which will be able to reap benefits of common procedures and claim credit for taxes paid. GST, as per government estimates, will boost India's GDP by around 2 per cent.

### OBJECTIVES OF STUDY

The study has following objectives:

- 1) To understand the concept of GST.
- 2) To compare VAT rate with current GST rate.
- 3) To study the positive impact of GST on common man.
- 4) To study the negative impact/ challenges faced by common man after implementation of GST.

### NEED OF THE STUDY

This study will help us to examine the impact of GST after its implementation on common man and the study also focus on positive impact as well as negative impact on common man after implementation of GST. These analyses done with the help of previous tax rate (VAT) and current tax rate (GST) on selected items.

### RESEARCH METHODOLOGY

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines, inter net. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.

### DATA ANALYSIS

**Table 1: Tax before and after implementation of GST**

Products	Tax rate (VAT)	Tax rate(GST)
1.Edible oil, spices, tea, coffee	Up to 9%	5%
2.Soaps, oil, shaving sticks	15-21%	18%
3.Computers, processed food	9-15%	12%
4.Mobile & Credit cards	15%	28%
5.Ready made Garments	4-5%	18%
6.Home appliance	12.5-14.5%	18%
7.Jewelery	3%	18%
8.Luxury goods (luxury cars, tobacco, aerated drinks)	21%	28%

### IMPACT OF GST ON COMMON MAN

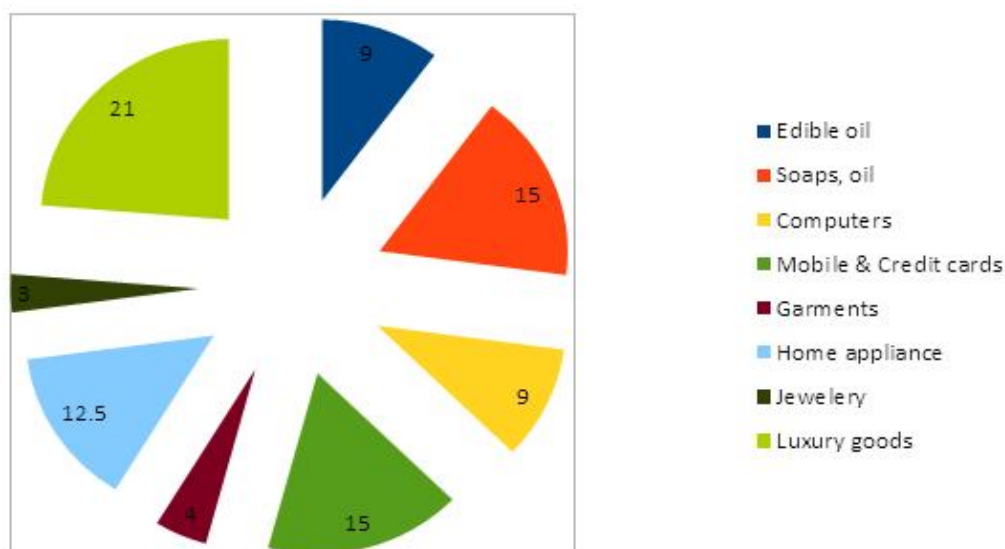


Table 1 and pie-diagram reveals that, the percentage of taxes before and after implementation of GST, on daily necessity like Edible oil, spices, tea, coffee has reduced. Before GST, we used to pay nearly 9% tax but after the implementation of GST it is 3%, which shows that all necessity products would turn cheaper which affect common man in positive manner. After necessity products we see that on ready made garments there is remarkable change as we used pay 4-5% of taxes but after GST it becomes 18% so our ready made garments would also be costly like this jewelery, mobile, credit cards, luxury goods etc (3% to 18% ,15% to 28% ,21% to 28% respectively) would also turn costly but Soaps, oil, shaving sticks , home appliance etc are cheaper.

However, GST or Goods and Services tax is a long term strategy planned by the Government and its positive impact shall be seen in the long run only. The States and the Center government also plays a crucial role in deciding the actual impact of GST on the common man.

### **POSITIVE IMPACT OF GST ON THE COMMON MAN**

1. Experts hope to see a positive impact of GST on Indian economy in the long run. But, this is possible only if the actual benefit of GST is passed on to the final consumers. As GST alone does not determine the final price of goods. There are various other factors also like the sellers profit margin that determine the final price of goods. The anti-profiteering clause has been inserted in the GST Act to protect the interest of the consumers.
2. A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, CAD, SAD, Excise etc. A unified tax regime will lead to less corruption which will indirectly affect the common man.
3. Removes cascading effect of taxes i.e removes tax on tax.
4. Due to lower burden of taxes on the manufacturing sector, the manufacturing costs have reduced, hence prices of consumer goods go down.
5. Due to reduced costs some products like cars, FMCG etc become cheaper. This helps in lowering the burden on the common man i.e one will have to shed less money to buy the same products which were earlier costly.
6. In long run it will curb circulation of black money. This can happen only if the “kacha bill” system, normally followed by traders and shopkeepers is put to check.

### **NEGATIVE IMPACT OF GST ON THE COMMON MAN**

1. All small traders and service providers dealing in interstate supply of goods or services need to get registered, pay GST and file GST returns also irrespective of the sales/income they generate (whether high or low).
2. Businessmen and service providers are still learning about the new laws. Being a new tax, it will take some time for the people to understand it completely. Its actual implications can be seen after a certain period of time.
3. Traders have to file 3 monthly returns, these amounts to total of 36 returns plus 1 annual return. Filing all in total 37 returns in a year. This is excessive work for a small trader or service provider or an on line service provider who has just started working. It is getting a bit complex for them.
4. Proper invoicing and accounting needs to be done to ensure better compliance. However, GST Accounting Software is being developed in this regard by various companies.
5. Although large number of officers is being trained and systematic IT software is being developed for the successful implementation of GST. But, it will take some time for the people including the manufacturers, the wholesalers, the retailers or the final consumers to understand the whole process and apply it correctly.

### **CHALLENGES OF GST**

High Revenue Neutral Rate (RNR) RNR is the rate which neutralize revenue effect of state and central government due to change in tax system, means ,the rate of GST which will give at least the same level of revenue that is currently earned by state and central governments from indirect taxes is known as RNR. As per 13 finance commission the RNR should be 12% whereas state empowered committee demanding 26.68%. Union government is reckoning the rate band should be 15%-20% which is very high as compare to other countries. Hungary implemented GST from 1/4/2014 with 7% rate. Due to high RNR. So, before implementing GST, RNR should be minimized. This can be achieved by inclusion of petrol, liquor, land, electricity within the ambit of GST which will enhance the tax base and increase revenue of government.

**COMPENSATION TO STATES**

Currently, VAT is highest contributor in tax revenue of state governments. But after GST reform this will subsumed alongwith surcharge and cess into GST. Due to which state governments will occur revenue loss for sure and they will be more dependent on finance commission for tax evolution (currently 42%). To neutralize their revenue losses states are demanding compensation from union government. As per 14 finance commission union has to compensate states for maximum of five years with tapering effects. For first three years 100% compensation reduced to 75% and 50% in fourth and fifth year respectively. This compensation by union will lead to fiscal burden and may not fulfill the fiscal deficit target of 3% by March 2017 announced by finance minister in 2015 budget. This fiscal target must be achieved for faster economy growth and full capital account convertibility in future.

Industrialized states will be at loss in GST regime due to its destination based feature. It will demotivate the manufacturing industry and incite states to import more in order to increase their tax revenue. It is not good for manufacturing industry as well as for India because boosted manufacturing sector is the main driver of our economic growth in future. For temporarily relief to industrialized states additional 1% tax for two years on interstate sale and supply of goods is proposed in GST. But with 1% additional tax, the main objective of GST to minimize cascading effect of taxes is fading out. So, to minimize cascading effect this additional tax at least should not be levied on supply of interstate goods.

**REGISTRATION THRESHOLD LIMIT**

At present there are different threshold limits for VAT (5 lacs), service tax (10 lacs) and excise duty (1.5 crore). But for implementation of GST common threshold limit for all indirect taxes is required. It will turn into a conflict between state and center. States want to fix the limit as 10 lacs opposing 25 lacs limit suggested by union. The lower threshold limit will broaden the tax base and increase the revenue of government but it will also require a dandy IT infrastructure, to address the database of increased assess, which is presently missing out in Indian states. IT infrastructure will play a vital role in implementing IGST as union will electronically distribute IGST to states. To grapple the data base a strong network is required which is managed by GSTN (Goods and Service Tax Network) proposed in GST. GSTN has major responsibility to tackle biggest challenge of IT infrastructure in a time bound manner.

**OTHER ISSUES**

- Union government need to coordinate with 30 states for “input credit” due to transfer of credit in SGST.
- State tax officials training and development before implementation of GST.
- Effective credit mechanism is essential for GST. Owing to CENVAT it is not a problem but for states again it is a major challenge.
- Analysts say that real estate market will be cramped by GST and it may result in 12% down turn in demanded of new houses because of increased cost up to 8%. (A study commissioned by Curtin university of technology)

Competitive edge of India in Asian giants will decrease and domestic industry may be wrecking.

Tax evasion and smuggling will increase.

Regressive nature of indirect taxes will badly affect the purchasing power of poor people which will have negative impact on human development index.

**CONCLUSION**

Due to dissident environment of Indian economy, it was demand of time to implement GST. A simplify, user - friendly and transparent tax system is need of time which has been fulfilled by implementing GST. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational application. GST affected the life of a common man as they were the ultimate consumers. Many things become cheaper and many things become costly.

There are various challenges / negative attitude after implementation of GST but with the passage of time and proper understanding of GST could overcome these challenges/negative attitude. A well designed GST Policy can bring a qualitative change in the tax system of India in long run.

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## A STUDY ON DEMONETIZATION AS A TOOL FOR PROMOTION OF CASHLESS ECONOMY IN INDIA

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### ABSTRACT

*Demonetization is India's most radical reform since Independence. On November 8, Prime Minister Narendra Modi announced the government's decision to scrap 500- and 1000-rupee notes. After demonetization, the RBI introduced Rs. 2000 and new Rs.500 notes. However, the limits imposed on withdrawal of cash from banks and ATMs created a cash crunch in the country. The government has been pushing for a cashless economy to overcome the prevailing cash crunch. However, as the government takes the path of moving its people towards a cashless economy, there are many challenges that lie ahead. It is estimated that only five per cent Indians make digital payments, while the rest use cash. However, the unavailability of cash has led an increasing number of people towards digital payments or cashless mode. In a country like India where a majority of people do business in cash, it looks difficult if not impossible to achieve the dream of cashless economy. This paper makes an attempt to study the impact of demonetization on Indian economy and its role in promoting cashless economy.*

*Keywords: Demonetization, Tool, Cashless Economy, India*

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### INTRODUCTION

A cashless economy or an e-payment system is a situation where there is little or very low cash flow in a given society, thus every other purchases and transactions will be made by electronic modes such as direct debit, electronic funds transfer, mobile payments, multi-functional ATMs, internet banking etc. In other words, it simply refers to the widespread application of information technology in the financial system. Payments under this new system will range from a list of options such as cheques, wire transfers, debit and credit cards, online transactions, and mobile banking. India has begun its journey in the direction of becoming a digital cashless economy. India demonetized its currency in the second week of November, 2016 and reiterated its resolve to transform the nation into a cashless economy. After cash crunch following the banning of Rs.500/- & 1000 notes, (85% of the cash in the system) people have switched to online payment platforms such as e-wallets, other app-based transactions and net banking.

### REVIEW OF LITERATURE

**Woodford (2003)**, is of the opinion that Cashless economy is a state in which, how much cash a person has in his wallet is practically irrelevant. One can pay for the purchases by any one of a plethora of credit cards or bank transfer or any other electronic mechanism and thereby reduce the friction that might arise in any transactions through the use of cash in the economy

**Marco and Bandiera (2004)** argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it does conclude that central banks can lose control over monetary policy if the government does not run a responsible fiscal policy.

**Jain, P.M (2006)** in the article "E-payments and e-banking" opined that e- payments will be able to check black"An Analysis of Growth Pattern of Cashless Transaction System.Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.

**Alvares, Clifford (2009)** in their reports "The problem regarding fake currency in India." It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

**Ashish Das, and Rakhi Agarwal, (2010)** in their article "Cashless Payment System in India- A Roadmap" Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.

**Roth (2010)** observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy

### OBJECTIVES OF THE STUDY

- 1) To study the onset of Demonetization(2016) in India
- 2) To review the impact of Demonetization on the Indian Economy
- 3) To analyze Demonetization as an initiative taken by Government of India in promoting Cashless Economy
- 4) To evaluate the progress of cashless economy in the era of Demonetization in India

### RESEARCH METHODOLOGY

The study attempts to examine the role of Demonetization in promoting cashless economy in India. The study is based on secondary sources of data. Books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

**Onset of Demonetization (2016) in India:** On November 8, 2016, India witnessed a few historic announcements from the prime minister with regard to cancellation of high denomination of 500 and 1000 rupee notes with an objective to tackle the black money, access to cash by terrorists, curb tax evasion & encourage cashless transactions. The announcement created confusion across the spectrum, as these high-value notes form around 86% of total legal tender. The sudden nature of the announcement—and the continued cash shortages in the weeks that followed—created significant disruption throughout the economy, threatening economic output. However, the whole exercise of moving from cash-driven economy to cashless economy has somehow been mixed with demonetisation that was aimed to extract liquidity from the system to unearth black money.

### THE IMPACT OF DEMONETIZATION ON THE INDIAN ECONOMY

Demonetization technically was a liquidity shock; a sudden stop in terms of currency availability. It created a situation where lack of currencies blocked consumption, investment, production, employment etc. In this context, the exercise produced following short term/long term/, consumption/investment, welfare/growth impacts on Indian economy. The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks. Following were the main impacts.

1. **Liquidity crunch (short term effect):** liquidity shock means people were not able to get sufficient volume of popular denomination especially Rs 500. It constituted to nearly 49% of the previous currency supply in terms of value. Higher the time required to resupply Rs 500 notes, higher will be the duration of the liquidity crunch. Current reports indicated that all security printing press could print only 2000 million units of RS 500 notes by the end of the year. Nearly 16000 million Rs 500 notes were in circulation as on end March 2016. Some portion of this were filled by the new Rs 2000 notes.
2. **Welfare loss for the currency using population:** Most active segments of the population who constitute the 'base of the pyramid' used currency to meet their transactions. The daily wage earners, other labourers, small traders etc. who reside out of the formal economy used cash frequently. These sections lost income in the absence of liquid cash. Cash stringency compelled firms to reduce labour cost and thus reduces income to the poor working class.
3. **Consumption was hit:** When liquidity shortage strikes, it was consumption that was going to be adversely affected first Consumption ↓→ Production ↓→ Employment ↓→ Growth ↓→ Tax revenue ↓
4. **Loss of Growth momentum-** India risked its position of being the fastest growing largest economy: reduced consumption, income, investment etc. reduced India's GDP growth as the liquidity impact itself lasted three -four months.
5. **Impact on bank deposits:** Deposit in the short term increased, but in the long term, its effect came down. The savings with the banks were actually liquid cash people stored. It was difficult to assume that such ready cash once stored in their hands were put into savings for a long term. They saved this money into banks just to convert the old notes into new notes. These were not voluntary savings aimed to get interest. It got converted into active liquidity by the savers when full-fledged new currency supply took place. This means that new savings with banks was only transitory or short-term deposit.
6. **Impact on black money:** Only a small portion of black money was actually stored in the form of cash. Usually, black income is kept in the form of physical assets like gold, land, buildings etc. Hence the amount



of black money countered by demonetization depend upon the amount of black money held in the form of cash and it was smaller than expected.

7. **Impact on counterfeit currency:** The real impact was to be on counterfeit/fake currency as its circulation was checked after this exercise.

## DEMONETIZATION AS AN INITIATIVE TAKEN BY GOVERNMENT OF INDIA IN PROMOTING CASHLESS ECONOMY

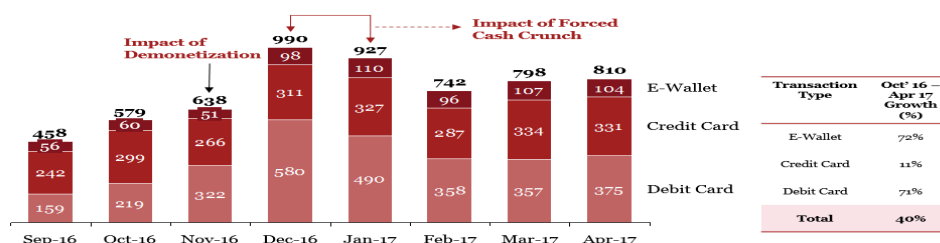
A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal. India uses too much cash for transactions. The number of currency notes in circulation is also far higher than in other large economies. In this context recent trend have been changed, while revolution in the information technology in India. Reducing Indian economy's dependence on cash is desirable for a variety of reasons. India has one of the highest cash to gross domestic product ratios in the world, and lubricating economic activity with paper has costs. According to a 2014 study by Tufts University, The Cost Of Cash In India, cash operations cost the Reserve Bank of India (RBI) and commercial banks about Rs 21, 000 crore annually. Up until this campaign, India was an incredibly cash-centric economy. Cash accounted for upwards of 95% of all transactions, 90% of vendors didn't have card readers or the means of accepting electronic payments, 85% of workers were paid in cash, and almost half of the population didn't even have bank accounts. By temporarily turning off the engines which drove the cash economy, India hoped that more people could be brought into the fold by using track-able — and taxable — digital financing vehicles, like debit cards and e-wallets.

India is currently in the middle of an all-out movement to modernize the way things are paid for. New bank accounts are being opened at a heightened rate, e-payment services are seeing rapid growth, cash-on-delivery in e-commerce has crashed, and digitally-focused sectors like the online grocery business have started booming. Modi's demonetization initiative has been a boon for India's e-payment providers. The lack of cash in the economy combined with the buzz around electronic payments systems has also sparked some very innovative solutions. The Prime Minister's move to incentivize digital payments offered a strong support to the ongoing efforts in helping the country leap from the cash generation to digital payment solutions

## THE PROGRESS OF CASHLESS ECONOMY IN THE ERA OF DEMONETIZATION IN INDIA

The demonetization decision has been the biggest and most ambitious step ever to crack down on black money and fake currency and to move India towards a 'cashless' economy. With INR 100 and lesser denomination notes in circulation, India has suddenly started seeing an upsurge in online transactions, card payments and mobile wallets to handle their daily expenses. But unlike rest of the economies where card payments have been the main source of paperless or plastic cash used for daily use, card payments have struggled to scale-up due to the fragmented nature of the retail sector – with its long tail of mom and pop stores – perception of it being expensive for small merchants, high cost of card payments hardware and lack of underwriting data for credit card issuance and merchant on boarding. In such a scenario, mobile as a platform has a unique set of capabilities that can overcome the challenges posed by the Indian payments landscape. Mobiles offer a low-cost means to create financial access and payments. It can extend the last-mile reach of banking services either through business correspondents or directly to the end consumers. Improvements in the telecom infrastructure, access to internet connectivity and low-cost smartphones will eliminate the need for hardware based on fixed line connections. Mobile can be a platform that uniquely combines digital identity, digital value and digital authentication to create low-cost access to financial services. In fact, since demonetization has come into effect, if there is a clear winner, it is the class of start-ups offering online wallets and digital payments. Mobile wallets have witnessed a massive rise in app downloads. Paytm's traffic, for instance, increased by 435% and its downloads by 200%. Paytm is India's leading mobile wallet start up – it allows users to make transactions "at 850,000 places across 1,200 Indian cities, including mom and pop shops, branded retail outlets, and petrol pumps.

*E Wallet, Credit Card and Debit Card Transaction Value in India (INR billion)*



According to a recent report by Growth Praxis, the market for mobile-enabled payments in India grew more than fifteen times between 2012 and 2015 to reach its current size of \$1.4bn. Interestingly, nearly 60% of users accessed the internet for the first time on their mobile phones – in marked contrast to many other countries, where desktop and laptop are the first web-enabled devices that people use. Earlier, most people used mobile internet for social networking sites, but that's changing now – as increasing numbers of people are using it to make mobile payments.” Service providers are looking to make money by taking a cut from vendors, as the apps are free for customers. They are also flooding the market with cashback offers and discounts to get more traffic.

### **CONCLUSION**

The cashless operation system is growing steadily, as soon as the market becomes globalised and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today's society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction system. Demonetizing is progressive shift to a cashless economy with a greater focus on electronic transactions. Rising use of credit/debit cards, net banking and other online payment mechanisms will be another positive effect of demonetization, as these would not only lower transaction costs but many other benefits as well.

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## A RESEARCH STUDY TO UNDERSTAND THE DIGITAL DIVIDE: AN ANALYSIS OF THE GROWTH AND THE GAPS

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### ABSTRACT

*The research paper aims to understand the digital revolution within the country. A lots of things have changed astonishing each one of us. The correlation between the digital revolution and infrastructural development is also magnificently prevalent to us. Digital revolution has brought along with it digital divide between the development and the gaps inherent in the development. The research paper critically analyses the digital revolution with the developments as the positive side and the gaps as the negative side. The sprawling software giants with large amount of international projects in their kitty at one side and unmatched profits derived by the BPOs. And a large number of area in our country which is still lagging behind waiting for a proper electricity supply. The education, poverty, unemployment and many such issues still holding us back within the sea of development. The big leaps in terms of digitizing every other sector, document, process and the functioning with the sole and sincere objective of making things easier, transparent and quick. The relationship was studied with the help of correlation to understand the association among the two independent and dependent variables in the two stages. After the correlation results, regression analysis was undertaken with the help of R software. R software was used since it is open source and a free software. In R software the researcher analysed the data with the help of R studio, the latest version of R software.*

*Keywords: Digital Divide, Geographic factors, Demographic factors etc.*

### 1. INTRODUCTION

Digitisation has been the current trend in foray transforming our businesses, education, culture, agriculture, governance, employment, trade and every other area of our lives. Digital India is the term we have been hearing around with the advent and introduction of a large number of policies to provide technological advantages and the updated knowledge within a fraction of seconds. The age of information is reaching to us with the development of touch screen technology in the fraction of seconds. Anything happening in any part of the world is now accessible and the information is shared. Media is truly transformed with the usage of new trends the way companies have been selling themselves, their products as well as services. The age of social media marketing has crossed boundaries and is borderless. Digitisation has been a major participant in bringing revolutions in the financial world. The banking and insurance services have witnessed remarkable revolution due to Digitisation. The conduct of financial transactions has enormously changed with the digital world taking the online and technology intensive route in process of carrying on our financial transactions. The online mode has been time saving, cost effective, energy efficient and more transparent. It is also a subject of continuous security breaches due to hacking, and various other risk factors inherent in it. The world of E-commerce is purely based on the strong foundation of Digitisation. Buying and selling of products and services in the form of B2B, B2C, C2C and C2B (business to business, business to consumer, consumer to consumer and consumer to business) have been influenced due to Digitisation of the marketing transactions. Digital divide is the gap existing within the growth segments. The ironies and the vast discrepancies existing within the framework. On one hand side is enormous development taking place and on the other the sectors or the people who are still far away from the anatomy of growth and development story.

### 2. REVIEW OF LITERATURE

(Rao 2005) discusses about the latest technological interventions and innovations have not succeeded in curing the basic problems faced by the nation since independence. The problems of poverty, unemployment, illiteracy and many others are still troubling the development projects. The infrastructural bottlenecks such as sanitation, hygiene, roads, telecommunication, schools, colleges, electricity are the core of any nation's development. The author have tried to explain the concept with the help of perspective form USA. The model have been presented in the forefront to capture the problems and cure the problems inherent in the system.

(Norris 2001) opines that a large number of disparities will exist in terms of digital revolution among developed and developing nations. The developing nations will take a long time to catch up with the digital revolution due to reasons such as debt, diseases and ignorance. A large number of developed nations have efficiently worked towards ensuring digital revolution reaching out to all the members of the society for this purpose European countries have emphasized on the social inclusion concept so as to make sure that the digital

revolution reaches out to the poor. USA has also emphasized on the digital revolution by lowering the rates of internet penetration especially to the poor.

**(Ragnedda & Muschert, 2013)** analyses that digital divide is driven by sociological perspective. Digital divide has been construed as the difference between the class of the people who have access to the web and those who do not have access to the web. In social perspective the digital divide should be understood with respect to social stratification. Social stratification is nothing but social hierarchies such as political power, social class and economic class.

**(Singh.N 2007)** highlights the different initiatives which have been taken to access the digital revolution within the country and the factors which have contributed to the digital divide. The technology and IT reforms which have emphasized on the agricultural and rural development so as to reduce the digital divide. The some of the project initiated by the government are Grameen Sanchar Sewak, Gyandoot, the Card, E-Sewa services etc.

**(Singh.S 2010)** presents the existence of digital divide at three levels, global level, regional level and national level. The problem of digital divide is inherent at the national level. At the national level there are multiple divides, in the form of gender, age, income, and most importantly and prominently among the population living in rural and urban areas. The barriers to entry for the digital revolution has been lack of skills, infrastructure and investment which has been hampering the growth of digital revolution in the rural areas. If these problems are handled well then ICT would lead to utilisation of economic opportunities.

**(Hawkins & Obling 2006)** state that though the computer ownership is not hundred percent but there has been consistent efforts to reduce digital divide. The digital divide could be reduced if genuine efforts are initiated by the leaders of the colleges and universities. At college and university level the efforts could be undertaken to understand the ownership of the computers, level of skills, the usage of computer, the opportunities associated with online skills and so on.

### **3. RATIONALE OF THE PAPER**

The flagship schemes of the government incorporating Pradhan Mantri Jan Dhan Yojana, MUDRA Yojana, Make in India, Smart City Programme, Startup India, Atal Pension Yojana, NITI AAYOG, Pradhan Mantri Krishi Sinchayee Yojana, Pradhan Mantri Fasal Bhima Yojana, BHIM and so on have all being initiated with the objective of financial inclusion. BHIM is the digital payment mode initiated by the government for all different types of transactions. Digital growth and developments have been already on the runway but the difference lies between the areas covered by it. Pradhan Mantri Krishi Sinchayee Yojana, Fasal Bhima Yojana, NREGA and many other flagship schemes have been targeted at the rural population with their sole dependence on agriculture. But the irony is that the majority of farmers in agriculture are landless. The land holdings on which they have been doing agriculture no longer belongs to them. They are the tenant farmers, farming for themselves as well as to pay the dues to the land owners. And the farmers with the land holdings have been no longer doing farming, in fact they have been involved in non-agricultural activities.

Technological interventions have been initiated to provide information and awareness through mobile phones. Innovative agricultural strategies could be imparted with respect to variety of seeds, the processes, irrigational facilities, techniques for better quality output and so on to sustain agricultural returns in the long term. Digital divide pertains to the contradictions where in on one hand the latest applications have been introduced to foster updated information, and on the other hand, the farmers are either incapable of buying smart phones, or the usage gets restricted due to lack of electricity supply or lack of internet services. The landless farmers are apparently keen in having their children succeed in non-agricultural activities by moving towards nearest towns and cities rather than struggling to meet the ends in agricultural setting.

Consequently the broader factors hampering the adequate growth and development saga can be largely attributed to the lack of infrastructural development. Inadequate roads, electricity, schools, colleges, markets, telecommunication, networks and so on. Digital divide is restricted to not only the unequal access to digital technology and information but also relates to ability of the people to make use of the device by engaging in meaningful social practices. Digital divide is inherent across the genders especially in developing countries. Digital equity is used to provide equal infrastructure and services across demographical, geographical, sociological, psychographic factors. The access to information and knowledge will lead to building confidence, independent personalities, better equipped citizens and a greater scope for growth and development. The developing nations have been faced with social and psychological barriers creating a gender divide with respect to digital revolution. (Singh, 2017)

#### 4. OBJECTIVES OF THE STUDY

- To understand the relationship between the digital divide and the factors responsible for digital divide
- To analyse the correlation between digital divide and the factors responsible for digital divide
- To assess the impact of the dependent variables on the digital divide.

#### 5. RESEARCH HYPOTHESES OF THE STUDY

- **H1:** There is a significant association between the digital divide and the geographical factors responsible for digital divide
- **H2:** There is a significant association between digital divide and the demographical factors responsible for digital divide

#### 6. METHODS OF DATA COLLECTION

Data was collected with the help of secondary data. Secondary data was collected from Telephone Regulatory Authority of India Report (TRAI) and the Statistical Year Book Reports. The secondary data was then analysed using the statistical tests to arrive at conclusions.

#### 7. DATA ANALYSIS AND INTERPRETATION

Data analysis and interpretation was undertaken with the help of statistical tests. The statistical analysis and the descriptive statistical tests were all conducted with the help of latest R software. R software was run with the two variables considering digital divide and the two factors of demographic and geographical factors.

**Table 1: Geographical factors and the Digital Divide**

Particulars	Wireless	Wire line
Total (MN)	1049.74	24.49
Urban	603.80	20.57
Rural	445.94	3.92
Overall	82.17	1.92
Share of Urban	57.52%	83.99%
Share of Rural	42.48%	16.01%

Source: TRAI Subscription Data as on 30<sup>th</sup> September, 2016

**Table 2: Demographic Factors and Digital Divide (Income Pattern)**

Region	Fixed Telephone	Cellular User	Internet User	Broadband User
Low Income Group	14	15.5	5.8	2.8
Middle Income Group	38.5	61.8	34.4	4
High Income Group	68.5	155.3	98.2	27.8

Source: Statistical Year Book 2014

#### 8. CONCLUSION

The millennium Development Goals Report (MDG), 2010, highlights the role of online networks in the development of people. In the developing nations the major challenge in bringing the people online is the limited availability of broadband networks. A large amount of people in these countries are still struggling with the low and slow speed of the broadband connection. Whereas the reality is that a large number of applications cannot properly function with a poor broadband connection. The geographic factors represent the digital divide existing between the rural and urban population. Income as a demographic factor has also shown a large amount of discrepancy in terms of digital divide among the population belonging to low income, middle income and high income group.

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## IMPACT OF DEMONETISATION 2016 ON MSME SECTOR

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### INTRODUCTION

**MSME:** Micro, small and medium enterprises as per MSME Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. The present ceilings on investment for enterprises to be classified as micro, small and medium enterprises are as follows

Classification	Manufacturing Enterprises*.	Service Enterprises**
Micro	Rs. 2.5 million / Rs. 25 lakh	Rs. 1 million / Rs. 10 lakh
Small	Rs. 50 million / Rs. 5 crore	Rs. 20 million / Rs 2 crore
Medium	Rs 100 million / Rs 10 crore	Rs. 50 million / Rs 5 crore

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country.

### DEMONETISATION

Revoking a currency's status as a legal tender is known as Demonetisation. Demonetisation can be undertaken for many purposes like replacing old currency notes with new series of currency notes, introducing new denomination notes with new security features, or tackling the issue hawala system and issue of black money in an economy. From the Indian perspective demonetisation has been done more than once.

On 8<sup>th</sup> November 20.00 hours IST, the prime minister of India Shri Narendra Modi announced through a televised address the demonetisation of ₹500 and ₹1000 bank notes which took many by surprise. Apart from announcing the demonetisation drive benefits he also declared that new notes of ₹500 and ₹1000 of Mahatma Gandhi new series will be introduced in the market through banks.

### DISCUSSION

With the Indian economy expected to emerge as one of the leading economies in the world and likely to become a \$5 trillion economy by 2025, major impetus is being given to strengthen the backbone of our economy - the SME sector. Cash-dependent micro, small and medium enterprises (MSMEs) across the country have borne the brunt of the recent demonetisation exercise.

With about 86 per cent of the currency (high denomination ₹500 and ₹1,000 bank notes) in circulation being scrapped with effect from November 9, and the replacements in the form of ₹2,000 and new ₹500 bank notes proving to be grossly inadequate, MSMEs' businesses, especially those in the unorganised space, took a hard knock due to slump in demand. This led to many micro and small units being temporarily shuttered, leading to job losses. Demonetisation of high value currency notes would leave quite a negative impact on small and medium enterprises, rural consumption and job creation in the immediate run while the large and well organised sectors of the corporate India stand to benefit in the long term horizon, the latest ASSOCHAM Bizcon Survey pointed out.

The contrast in perception brought out by the survey is quite stark. While 81.5 per cent of the respondents felt the SMEs have been hit and would still suffer the lingering effect for one more quarter, an equal number said for large enterprises, the unprecedented measure of note ban the impact would be positive. However, at a holistic level, a large number of respondents felt that the impact could be seen in sales volume declining in the last quarter of the current financial year. Same holds good for the order book position with investment graph not showing much of an uptick for the January-March quarter, retaining almost similar stance as in the previous quarter. The survey does throw some paradox as well. While it said the note ban would lead to better outlook in the long run, over 66 per cent of the responses pointed towards negative on investment, linked to issues like subdued consumer confidence and demand, particularly in the rural landscape.



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**NEGATIVE IMPACT****1. Liquidity**

The immediate impact will be on liquidity as most small manufacturers keep 50 per cent of their working capital in cash though their current accounts are maintained in banks. Businesses dealing with large amount of cash can no longer use the currency to drive business. The lopsided rural-urban spread of ATMs and bank branches has snuffed out economic activity in rural India, with micro, tiny and small enterprises finding it impossible to get cash in 100-rupee notes for their daily operations.

**2. Jobs**

An Equirus Securities report on the impact of demonetisation on MSMEs says that these businesses are facing issues related to salary payments to employees/factory workers, which are usually made in cash. In the first 34 days since demonetisation, micro-small scale industries suffered 35 per cent jobs losses and a 50 per cent dip in revenue, according to a study conducted by India's largest organisation of manufacturers. The study, conducted by the All India Manufacturers' Organisation (AIMO), has also projected a drop in employment of 60 per cent and loss in revenue of 55 per cent before March 2017. The AIMO represents over 3 lakh micro, small scale, and medium and large scale industries engaged in manufacturing and export activities

**3. Demand & Supply**

The demonetisation phase saw a major decline in rural consumption and sales volume.

**a. Demand**

Unlike metros, rural areas do not have adequate numbers of ATMs or digital payment options. Given the cash dependence, and the fact that even small-denomination notes are not in active circulation, the demand recovery in rural areas has been badly affected.

"The agriculture sector will bear the brunt of demonetisation," said Dharmakirti Joshi, Crisil Chief Economist. "Farmers are finding it tough to sell their produce in the APMC markets. Therefore, despite a good harvest, there is unlikely to be a commensurate improvement in rural demand.

The consumer durables segment, which normally sees good demand from rural areas, is also bearing the brunt of the currency crunch. Storeking, an assisted e-commerce player focussed on rural areas, has seen a dip in demand for brown goods

**b. Supply**

Replacement of currency not only takes time, it also slows down the spending process as everyone tries to protect the newly acquired currency to secure themselves from the uncertain future. In case of SMEs, most will be unsure of payments coming from customers for some time; this as liquidity in the form of unaccounted currency has dried up. If customers don't pay, SMEs will protect what they have and that will mean they purchase less and produce less.

The Bizcon Survey found that at a holistic level, a large number of respondents felt that the impact could be seen in sales volume declining in the last quarter of the current financial year.

**4. Investment and Loans**

The poor performance of the sector after demonetisation would reduce the confidence of investors and further affect the financial position of a firm. To fill up the gap and run business smoothly the demand of loans or funding from bank and other financial institutions will increase. Businesses dealing with cash will have difficulty in getting funding as the Balance sheet will give a different story, making them unqualified for loans. Moreover Banks will be reluctant and extremely cautious as they would want to avoid NPA's.

According to a survey by CRISIL, At least 9 percent of those surveyed, accounting for 6 percent of outstanding debt of the sample, said they will face issues in debt repayment. Most of these are micro enterprises with revenues below Rs 2 crore. "Every fifth MSME surveyed planned to raise additional funding in the coming months, half of it for working capital. Interestingly, with unsecured loans from friends and associates drying up, 3 out of 4 respondents plan to approach banks for loans, while the rest will rely on internal accrual. That opens up a massive opportunity to banks currently awash in liquidity," Manish Jaiswal, Head-SME Ratings, Crisil said. In a report, Motilal Oswal cautioned that if the liquidity crunch at the system level continues then there could be a spike in SME bad loans (for the financial sector), which remains a key risk.

**5. GDP and Revenue**

The demonetisation announcement has come as a bolt from the blue for the unorganised MSMEs, which reportedly account for almost 55 per cent of the total enterprises in the MSME segment.



Diversified financial services firm Edelweiss, in its research report Edel Pulse, said business in the case of SMEs in the unorganised sector was severely impacted in the first week (more than 70 per cent decline in business activity). But it is gradually improving.

There was a visible decline in GDP growth rate of India due to demonetisation. Former Prime Minister Dr Manmohan Singh said that the demonetisation and 'hasty' implementation of GST have adversely impacted India's economic growth. Dr Singh's statement has come in the backdrop of India's slowest economic growth in last three years. The country recorded 5.7 per cent GDP growth during April-June 2017 period.

On the revenue side an expert committee formed by All India Manufacturers' Organisation (AIMO), a body of 3,000 direct members and 70,000 indirect members, in its survey concluded that as of now, these industries has face the losses of 20-50 per cent and are expecting further losses of 45-55 per cent by March 31, 2017.

## **POSITIVE IMPACT**

### **1. Cashless Economy**

According to report published by CRISIL in January 2017 as many as 41 percent of MSMEs said their clients have shifted to cheque or electronic payment since demonetisation. However, the gain has not come without its share of pain. Demonetisation, said those surveyed, will lead to lower growth, mostly on account of its impact on day-to-day operations.

### **2. Inflation**

Even as easing of prices in vegetables and some other crops is also attributed to incidents of distress sale in the backdrop of cash scarcity, the Bizcon Survey found that 92 per cent of the respondents said the demonetization would have a positive impact on inflation.

As there was less cash available with the public during the process of demonetisation, it acted like a speed breaker for inflation. The inflation rate during November 2016 was 3.63% whereas in January 2017 it came down to 3.17%. (According to Ministry of Statistics and Program Implementation). In august 2017 wholesale inflation stood at 3.24%.

### **3. Black money**

Black money is assumed to be a pronounced hindrance in the development of the nation and simply has harsh, damaging effects on the economy of the motherland. Taking the latter scenario into account, it is studied as the root cause for social disparity, income inequality and not to forget, the ever growing terrorism. The money that is not regulated bound to create havoc in the economy and fear of uncertainty. Black money is a hitch which does not affect persons who amass 'black dough' but it affects the common man in the populace.

The demonetisation move effectively tackled the issue of black money. Demonetised currency worth Rs 1.44 lakh crores were not deposited with banks and were considered out of circulation.

### **4. SOPs in Budget 2017 for MSME**

Reeling under the pressure of demonetisation, which has weeded out 86% of the country's bank notes, Arun Jaitley, while presenting his Budget focused on start-ups, and the small and medium enterprises. It meant several tax SOPs for the sector. Jaitley said that corporate tax has been reduced from 30% to 25% for those with an annual turnover for less than Rs 50 crore.

For SMEs with turnover up to Rs 2 crore, Jaitley said that the presumptive tax will be lowered from 8% to 6%, lowered the financial burden, and boosting small merchants. For start-ups, who have been clamouring for tax incentives, the finance minister announced that they will have to pay taxes for three out of seven years (up from five last year), only if they make profits. With the reduced rate for the MSME sector, 96% of India's companies will benefit from lower taxation.

### **5. Cheaper Loans**

The future agenda of the government, as stated by Prime Minister Narendra Modi in his speech on New Year's eve, is to channel the wealth that was previously being hoarded as black money into cheaper capital for affordable housing, women's health, the agriculture sector, and medium and small enterprises.

Finance Minister Arun Jaitley said demonetisation would mean cheaper loans for the MSMEs, and therefore cheaper capital and the transfer of this wealth which was being hoarded as black money. And obviously it will mean the more lending capacity of the banks and the cost of capital will come down.

### **6. Shift to Organised Sector**

With policies like Make in India, Smart Cities, Digital India, etc. determining the new growth path, demonetisation will open a new window of opportunity for SME businesses. It will force businesses to move from a relatively 'informal' economy to a 'formal' economy.

It will not allow SMEs to easily leak 'cash' through the system. That will result in higher declared profits and will translate to investments into capacity expansion/ augmentation, marketing etc. More jobs will get created. SMEs will have to clean up their operations and introduce more technology into manufacturing, financial transaction management and also customer development.

### **7. Compete with Large & Foreign Players**

Due to the significant sop to MSME sector, which will benefit around 6.5 lakh businesses that account for 96% of companies in India. Hopefully, this will make SMEs more competitive as compared to their larger counterparts and give some relief from the negative impact of demonetisation. Without factoring in exemptions, the reduction in the tax rate of MSMEs provides them a level playing field with foreign companies,” said Kaushik Mukerjee, a partner at PwC.

### **CONCLUSION**

The short-term consequences of demonetisation are clearly visible. SMEs do need cash at a transactional level. For examples, salaries of workers and contractors are primarily paid in cash. However, it is imperative on SMEs to change. SMEs that do not take aggressive and well calibrated steps towards change will lose revenues and possibly their credit rating. Companies with high working capital cycles and high operating leverage are especially vulnerable if they do not change.

Demonetisation will influence SMEs to secure themselves from shocks of all kinds. The best proven method to do that is to imbibe industry best practices. Invest in technology and processes that connect supply chains, drive right through operations and reach customers. Collapse time between transactions by adapting the digital medium.

The MSMEs should get ready for GST as it is going to be a big game changer – and starting small and digital, investing in the right accounting software and keeping a good discipline to record the transactions shall get the sector tremendous benefit in terms of getting back TDS and GST Payments in the GSTN linkages. Become a player to win the coming days.

There are more opportunities than challenges for SMEs from demonetisation. For once the short term pain and long term gain slogan reverberates positively.

There are loads of positive and negative impacts of the current move. No one currently can be sure of the future and this uncertain environment is certainly not good. Outcomes in uncertainty depend on the mindset and, currently, whilst people are taking it positively, they definitely are starting to realise possible pitfalls too if measures are not taken at the right time.

To conclude, 2017 is going to be a year of progressive changes in the Indian MSME sector based on the above-mentioned impacts of demonetisation. Several policy interventions along with technology and innovation will continue to play a pivotal role in creating a business-friendly atmosphere for the MSMEs.

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## A STUDY ON EFFECT OF DEMONITISATION ON THE BUSINESS OF STREET VENDORS W.R.T. MUMBAI SUBURBAN AREA

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### ABSTRACT

*This study aimed to determine the effect of Demonetisation (2016) on the business of street in Mumbai Suburban areas. Respondents were 50 street vendors; male and female of different ages. The researchers employed a descriptive-quantitative design and developed a validated, self-construct questionnaire as instrument. The sampling technique used was random. Data were gathered through survey and personal interview. The statistical treatments used were frequency and percentage. The study found out that there was a significant effect on the business of street vendors when analyzed according to profile. The study is an academic effort to study the effect of Demonetisation on the business of the street vendors.*

*Keywords: Street Vendors, Demonetisation.*

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### 1. INTRODUCTION

Today, vending is an important source of employment for a large number of urban poor as it requires low skills and small financial inputs. Broadly defined, a street vendor is a person who offers goods or services for sale to the public without having a permanent built-up structure but with a temporary static structure or mobile stall (or head-load). Street vendors could be stationary and occupy space on the pavements or other public/private areas, or could be mobile, and move from place to place carrying their wares on push carts or in cycles or baskets on their heads, or could sell their wares in moving buses. The Government of India has used the term 'urban vendor' as inclusive of traders and service providers, stationary as well as mobile, and incorporates all other local/region specific terms used to describe them.

The total number of street vendors in the country is estimated at around 10 million. Some studies estimate that street vendors constitute approximately 2 per cent of the population of a metropolis. Mumbai has roughly 2,50,000 street vendors and Kolkata has nearly 2,00,000. The street vendors market many goods, such as clothes and hosiery, household goods and food items, manufactured by home based workers, who have no other channels of marketing the products that they produce. They also ensure the availability of goods and services at cheaper rates to people.

### 2. STATEMENT OF PROBLEM

As this days accounting, payment of tax, Demonetisation is in the news, researcher was intuitive to explore the effect of Demonetisation on the business of street vendors in Mumbai suburban region. They are mostly illiterate or with lesser education so researcher attempted to explore the effect of Demonetisation on their business. Thus the present study is initiated to study "A STUDY ON EFFECT OF DEMONITISATION ON THE BUSINESS OF STREET VENDORS W.R.T. MUMBAI SUBURBAN AREA"

### 3. OBJECTIVES OF THE STUDY

- To study to profile of street vendors in Western Mumbai Suburban region
- To study the effect of Demonetisation on the business of street vendors

### 4. RESEARCH METHODOLOGY

For the purpose of the above study and to achieve the objectives, the researcher has focus on primary and secondary data as a source of information.

- **Primary data** has been collected from the **sample size 50 respondents** (Street vendors) in **Western Mumbai city Suburban area from Malad east areas** which has been selected on **Random Sampling Method**.

- **Questionnaire Method**

The survey is based on the structured questionnaire to be designed for the same. However, personal interviews will be conducted if needed.

- **Secondary Data**

The secondary data in the form of archival information (Articles, Annual Reports, Books, Journals, Dissertations, and Thesis) necessary for this investigation will be collected mainly from the various libraries (academic), archives and Government published sources as well as the Internet (Web Sites relating to the Study Topic) has been used.

- **Data Analysis and Interpretations**

For drawing the conclusions, data analysis will be used where objectives will be achieved using descriptive analysis using frequency and percentage method.

## 5. REVIEW OF LITERATURE

Dr. M. Chelladurai, Dr. V.Sornaganesh (2016), studied '**Demonitisation Of Indian Currency And Its Impact On Business Environment**' and found that impact of demonization on society due to shortage of cash, no chance for accumulation of cash, affecting livelihood of common people, volatile trading market and adverse effect on cash business. It concluded that on various challenges faced by citizens and businessman due to demonetisation, it was a good move which will reduce black money and have a large impact on India.

## 6. LIMITATIONS OF THE STUDY

The present study has limitations with the number of respondents, area of the study limited to Malad East area of Mumbai Suburban area and biasness and fear of answering the survey questions.

## 7. DEMONETISATION AND MODES OF PAYMENTS

The payments system plays a very crucial role in any economy, being the channel through which financial resources flow from one segment of the economy to the other. Therefore, it represents the major foundation of the modern market economy. Essentially, there are three pivotal roles for the payments system namely; the Monetary Policy role, the financial stability role and the overall economic role in the economy.

Demonetisation has created the need for an alternative to cash. There is various payment method in cashless economy which are Payment by cheque, RTGS/NEFT transfer, Point of Sale, Debit Card/Credit card, Mobile money transfer through app and many more. This gives an opportunity for India to become a cashless economy. Transferring funds through cashless methods would essentially entail the use of plastic money i.e. credit/debit cards, mobile wallets, net banking and more. This shift towards a cashless economy is desirable for the economy for various reasons such as Improving GDP, Security, Corruption free India and removing Black Money from the Indian Society.

## 8. FINDINGS AND DISCUSSION

### 8.1. Profile of Respondents

The Profile of respondent were collected through the introductory part of survey instrument which included the details of Gender of the respondents, Age wise classification of respondents as 16 years to 25 years, 26 years to 35 years, 36 years to 45 years and 46 years and above, educational attainment of respondents ranging from illiterate to secondary level and years in the business from less than one year upto more than five years. Table number 01 describes the profile of respondents.

**Table No.1: Profile of Respondents**

Heads	Sub-heads	Frequency	Percentage
Gender	Male	43	86
	Female	07	14
	<b>Total</b>	<b>50</b>	<b>100</b>
Age	16-25	19	38
	26-35	08	15
	36-45	10	20
	46 and above	12	24
	<b>Total</b>	<b>50</b>	<b>100</b>
Education	Illiterate	34	68
	Primary (or less)	11	22
	Secondary (or less)	05	10
	<b>Total</b>	<b>50</b>	<b>100</b>
Years in the Business	Less than 1 year	09	18
	More than 1 year but less than 5 years	14	28
	More than 5 years	27	54
	<b>Total</b>	<b>50</b>	<b>100</b>

Source: Compiled from Primary Data

It has found through the primary data that out of 50 respondents 86 percent were Males and rest were female street vendors. Thus, there is a majority of male street vendors. With respect to age wise classification, 38 percent were from the age group of 16 to 25 years, 16 percent from the age group of 26 to 35 years, 20 percent

from the age group of 35 to 45 years and 24 percent fall from the age group of 46 years and above. Majority of the respondents were from the age group of 16 to 25 years. As per the educational level attainment, 68 percent were illiterate, 22 percent had done primary education or even less than that and only 10 percent had done secondary education or little less than that. Thus majority of the street vendors were uneducated. With respect to number of years into business, there were 18 percent of the street vendors were into business since less than one year, 28 percent were into business more than one year but less than five years and 54 percent were engaged into street vending since more than five years. Thus it has been found that majority of the street vendors are doing business since more than 5 years.

### 8.2. Effect of Demonetisation on the business of Street Vendors

Despite of small business every business person is interested to calculate profit and loss from their business. In the present study, table No. 02 describes whether street vendor's business was affected during the demonetisation period or not.

**Table No. 02: Effect of Demonetisation on business of Street Vendors**

Heads	Yes	No	Total
During demonitisation, business was severely affected.	44	06	50

Source: Compiled from Primary Data

It has been found through Table No. 02 that around 88 percent of the respondents records their daily business transactions (Expenses and Receipt) during demonetisation period and found that their business was severely affected due to demonetisation. Thus it has been concluded that Street Vendors business was severely affected by the Demonetisation.

### 9. CONCLUSION OF THE STUDY

It has been concluded from the study that small street vendors business was severely affected during Demonetisation period (2016).

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## CASHLESS TRANSACTION AND ITS BENEFITS IN MUMBAI

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### ABSTRACT

*The researcher has studied the views of people in respect benefits of cashless transaction. The study was conducted in Mumbai region. The data was collected from the respondents with the help of structured questionnaire and analyzed using simple percentage method, Mean, Median, Mode and One Sample Test. Responses from respondents show that there are benefits of cashless transaction such as no need to carry huge money in hands.*

*Keywords: Cash Economy, Cashless Economy, NEFT, RTGS, Debit / Credit Card*

### I. INTRODUCTION

Cashless economy means more and more use of digital mode and less use of cash in day to day transactions. Cashless transaction means there will not be physical flow of cash among the people. In cashless transaction, payment is made by means other than physical cash. Every cashless transaction will be through Debit / Credit Cards, Cheques, National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) or electronic transfers through services like Paytm, PayUMoney Airtel, Jio etc.

Cashless societies are free from the corruption, has considerable less amount of black money in circulation, increase in employment opportunities, high standard of living.

### II. SIGNIFICANCE OF THE STUDY

The study will help to understand the benefits of cashless transaction.

### III. OBJECTIVES OF THE RESEARCH PAPER

The objective of the present study is as follows:

1. To study the benefits of cashless transactions in Mumbai.

### IV. HYPOTHESIS OF THE RESEARCH PAPER

The Hypothesis of the present study is as follows:

H0: There are not significant benefits of cashless transactions in Mumbai.

H1: There are significant benefits of cashless transactions in Mumbai.

### V. RESEARCH METHODOLOGY

The study is conducted to obtain data on benefits of the cashless transaction. In the present study, the research has used both methods primary methods and secondary method of data collection. The study is conducted in Mumbai region.

**Primary Method of Data Collection:** In primary method, researcher has collected data from 100 respondents. A sample size of 100 was selected using the convenience sampling method. The samples are included both literate and illiterate population.

Survey method is used for collection of data from the sample. The structured questionnaire was designed for the same to collect data (responses) from the sample. However, the discussion, observation and personal interviews have been conducted to collect responses from the sample of the study.

**Secondary Method of Data Collection:** The secondary data are those which have already been collected and passed through statistical process. The secondary data for the study were based on Annual reports, Newspapers, Journals, Published and Unpublished Books, Dissertation, mimeographed, official reports, research papers and other sources. The articles in magazines, Internet, Video has also been considered for the purpose of secondary data collection.

### VI. LIMITATIONS OF THE STUDY

The study was confined only in Mumbai region and limited to only 100 respondents.

### VII. DATA ANALYSIS AND INTERPRETATION

Data were collected from 100 respondents from Mumbai region. Data collected by respondents were coded and tabulated. This data further used for drawing findings and conclusions based on the objectives and hypotheses of the study. Analysis particularly in case of surveys involves estimating the values of unknown parameters of the population and testing of hypothesis for drawing inferences. Analysis therefore categorized as descriptive

analysis and inferential analysis which is often known as statistical analysis. The data collected from the 100 respondents were analyzed using simple percentage method, Mean, Median, Mode and One Sample T-Test.

### **SAMPLE PROFILE**

In the present study samples are selected using simple random sampling. In the Table no. 2.1, researcher has presented details the respondents according to their gender wise distribution.

**Table No. 1.1: Gender wise distribution of respondents**

<b>. Gender</b>	<b>Frequency</b>	<b>Percent</b>
Female	57	57.0
Male	43	43.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

Sources: Compiled from Primary Data

Table No. 1.1 reveals the number of respondents with respect to gender. For the present study, 57 Males and 43 Females were deliberately and randomly selected for the response to questionnaire.

In the table no. 1.2, the researcher has presented details of the respondents according to their age.

**Table No. 1.2: Age (Years)**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>
Below 18	23	23.0
18 -25	28	28.0
26-33	23	23.0
34-41	14	14.0
42 and above	12	12.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

Sources: Primary Data

Table No. 1.2 reveals about age wise distribution of respondents. Out of 100 respondents 23 respondents were below 18 years, 28 respondents were between 18 -25 years, 23 respondents were between 34 - 41 years to 45 and 12 respondents were between 42 years and above.

In the Table No. 1.3, researcher has presented details of respondents about their marital status.

**Table No. 1.3: Marital Status**

<b>Marital Status</b>	<b>Frequency</b>	<b>Percent</b>
Married	43	43.0
Unmarried	57	57.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

Sources: Compiled from Primary Data

Table No. 1.3 reveals marital status of the respondents. Out 100 respondents, 43 respondents were married whereas 57 respondents were unmarried.

In the Table No. 1.4, researcher has presented details of the respondents about their education level.

**Table No. 1.4: Qualification**

<b>Qualification</b>	<b>Frequency</b>	<b>Percent</b>
None	10	10
Below 8th std.	14	14
8 <sup>th</sup> Std. - 10 <sup>th</sup> std.	15	15
H.S.C.	21	21
Graduate	15	15
Post Graduate	13	13
Professional	12	12
<b>TOTAL</b>	<b>100</b>	<b>100</b>

Sources: Compiled from Primary Data



Table No. 1.4 reveals educational level of respondents. 10 respondents do not have any any qualification, 14 respondents were below 8<sup>th</sup> std., 15 respondents were between 8<sup>th</sup> Std. - 10<sup>th</sup> std., 21 respondents were H.S.C., 15 respondents were Graduate, 13 respondents were Post Graduate, 12 respondents were Professional.

In the Table No. 1.5, researcher has presented details of the respondents according to their occupation.

**Table No. 1.5: Occupation wise distribution of respondents**

Occupation	Frequency	Percent
Student	18	18
Housewife	17	17
Salaried	26	26
Business	09	9
Profession	26	26
Retired	04	4
<b>Total</b>	<b>100</b>	<b>100</b>

Sources: Compiled from Primary Data

Table No. 1.5 reveals occupation wise distribution of the respondents. Out of 100 respondents, 18 respondents were students, 17 respondents were housewives, 26 respondents were salaried, 9 respondents were (Self-employed) Business, 26 respondents were professional and 4 respondents were retired.

In the next table researcher has presented details of the respondents according to their monthly income in (₹).

**Table No. 1.7: Monthly Income (₹)**

Income in ₹	Frequency	Percent
Up to 25,000	52	52.0
25,001 - 50,000	22	22.0
50,001 - 75,000	16	16.0
75,001 - 1,00,000	2	2.0
1,00,001 and above	8	8.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

Sources: Compiled from Primary Data

Above table no. 1.7 reveals monthly income of respondents per month (in ₹). 52 respondents were earning up-to Rs. 25,000, 22 respondents were earning between ₹ 25,001 to ₹ 50,000, 16 respondents were earning between ₹ 50,001 to ₹ 75,000 and 2 respondents were earning between ₹ 75,001 to ₹ 1,00,000 and 8 respondents were earning between ₹ 1,00,001 and above.

#### ANALYSIS OF DATA OF THE PRESENT STUDY

To study the benefits of cashless transaction, the respondents were asked to express their views on the five point benefits scale. The codes for which are given below.

- SA = Strongly Agree = 5
- Agree = 4
- Neutral = 3
- Disagree = 2
- SD = Strongly Disagree - 1

The details of responses are given in the following table.

**Table No. 1.8: Advantages of Cashless Transaction (in Frequency)**

Sr. No.	Advantages of Cashless Transaction	SA		Agree		Neutral		Disagree		SD	
		F	%	F	%	F	%	F	%	F	%
1.	No more bulky wallets (No need to carry huge amount in hands)	22	22	33	33	6	6	39	39	-	-

2.	Easy and Faster Transactions	25	25	38	38	37	37	-	-	-	-
3.	Many Freebies, Discounts and Lucky draws	38	38	48	48	14	14	-	-	-	-
4.	Easy way to track spending	63	63	28	28	1	1	8	8	-	-
5.	Stay within your budget	34	34	12	12	22	22	31	31	1	1
6.	No hassles of odd change ( No need to carry Change)	76	76	16	16	2	2	4	4	2	2
7.	Less Risky ( Loss of hard earned money can be avoided)	11	11	54	54	21	21	7	7	7	7
8.	Cleaner and Greener	17	17	39	39	1	1	22	22	21	21
9.	Increase Revenue to Government	21	21	20	20	30	30	8	8	21	21
10.	Reduces the cost of printing and transportation	22	22	34	34	28	28	15	15	1	1
11.	You can pay bills, recharges and other payment 24*7*365	34	34	28	28	21	21	15	15	2	2
12.	No need to go to Bank every day to deposit cash to your saving or current	21	21	59	59	-	-	20	20	-	-
13.	No need to rely on bank branches	38	38	27	27	21	21	8	8	6	6

Sources: Compiled from Primary Data

Above table no. 1.8 shows responses of the respondents in frequency and percentage. From the above table, it can be concluded that there are various benefits of cashless transaction such as No need to carry huge amount in hands, Easy and Faster Transactions, Many Freebies, More discounts and lucky draws, Easy way to track spending, Expenditure within budget, No hassles of odd change ( No need to carry Change), Less Risky as Loss of hard earned money can be avoided, Cleaner and Greener, Increase Revenue to Government, Reduces the cost of printing and transportation, You can pay bills, recharges and other payment 24\*7\*365, No need to go to Bank every day to deposit cash to your saving or current, No need to rely on bank branches

**Table No. 1.9: Descriptive parameters related to Benefits of Cashless Transaction**

Sr. No.	Benefits of Cashless Transaction	Mean	Median	Mode
1.	No more bulky wallets (No need to carry huge amount in hands)	3.38	4.00	4
2.	Easy and Faster Transactions	3.88	4.00	4
3.	Many Freebies, Discounts and Lucky draws	4.10	4.00	4
4.	Easy way to track spending	4.46	5.00	5
5.	Stay within your budget	3.47	3.00	5
6.	No hassles of odd change ( No need to carry Change)	3.48	4.00	4
7.	Less Risky ( Loss of hard earned money can be avoided)	3.55	4.00	4
8.	Cleaner and Greener	3.09	4.00	4
9.	Increase Revenue to Government	2.92	3.00	4
10.	Reduces the cost of printing and transportation	3.40	3.00	4
11.	You can pay bills, recharges and other payment 24*7*365	3.77	4.00	5
12.	No need to go to Bank every day to deposit cash to your saving or current	3.81	4.00	4
13.	No need to rely on bank branches	3.83	4.00	5

Sources: Compiled from Primary Data

## INTERPRETATION

Above table no. 1.9 shows descriptive parameters such as Mean, Median and Mode related to benefits of Cashless transactions. From the above table, it can be concluded that the Mean of Benefits of Cashless transaction is closed to 4. Median and mode of benefits of cashless transaction is also closed to 4.

## HYPOTHESES TESTING OF THE STUDY

### HYPOTHESIS 1

H0: There are not significant benefits of cashless transactions in Mumbai.

H1: There are significant benefits of cashless transactions in Mumbai.

For testing above hypotheses, researcher has used **One-Sample Test**

**Table No. 1.10: One-Sample Test**

One-Sample Test						
Test Value = 3						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Benefits of Cashless Transaction	5.489	12	.000	.62615	.3776	.8747

Sources: Compiled from Primary Data

## OBSERVATION

From above table no. 1.10 it is observed that  $t(12) = 5.489$ ,  $P=0.000$ .

## INTERPRETATION

P-value is 0.000 which is less than 0.05. Therefore, we reject null hypothesis and accept alternative hypothesis.

## VIII. FINDINGS OF THE STUDY

Null hypothesis has been rejected and alternative hypothesis has been accepted i.e. there are significant benefits of Cashless transaction in Mumbai.

## IX. CONCLUSIONS

From the above table no. 1.8, 1.9, and 1.10, it can be concluded that there significant benefits of cashless transaction such as No need to carry huge amount in hands, Easy and Faster Transactions, Many Freebies, More discounts and lucky draws, Easy way to track spending, Expenditure within budget, No hassles of odd change (No need to carry Change), Less Risky as Loss of hard earned money can be avoided, Cleaner and Greener, Increase Revenue to Government, Reduces the cost of printing and transportation, can pay bills, recharges and other payment 24\*7\*365, No need to go to Bank every day to deposit cash to your saving or current, and No need to rely on bank branches

## X. SUGGESTIONS AND RECOMMENDATION

1. There should be strengthen Internet Security to protect online fraud.
2. A financial literacy campaign should be conducted by the Government, Banks and other financial institutions from time to time to make population aware regarding benefits of cashless transactions.
3. Internet facilities should be available at reasonable rate and high speed.

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## **DEMONETISATION AND THE PROBLEMS OF HAWKERS IN MUMBAI**

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### **ABSTRACT**

*A Hawker most popular entity amongst the Indian customers those who want to purchase their products in cheap cost. There are roughly 5 lakhs hawkers, doing their business with licenses or without licenses. At the time of demonetization their businesses were in muddle. They were in trouble and try to cope up with the digitization of money through e-wallet, Pay-tm and so on. Now it is set for them but still they have the problems of new currencies, location tax and various rumors. Demonetization, which is one of the necessary steps of the government for reducing corruption, money for terrorism, black money etc; but this step, has taken without pre-plan. Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. This act of the government was created trouble for many people including hawkers. The research paper is highlighted the trouble of the hawkers in Mumbai after demonetization.*

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### **INTRODUCTION**

A hawker is a vendor of merchandise that can be easily transported; the term is roughly synonymous with peddler or costermonger. In most places where the term is used, a hawker sells items or foods that are native to the area. Hawker means one who sells goods aggressively and especially by calling out. This is fact that the Brihanmumbai Municipal Corporation (BMC) still does not know the exact number of hawkers in Mumbai and it is difficult for them to find out as every day new person or new zone of the hawkers taken place in Mumbai. It shows that in Mumbai hawker's number is increasing drastically but the research shows still it is lesser than the population. Other-side their businesses came into danger as demonetisation announced by the Government without pre-plan. The main reasons of demonetisation are to tackle black money in the economy, to lower the cash circulation in the country which "is directly related to corruption and terrorism in our country and to eliminate fake currency and unreliable funds etc;

Businesses of the Hawkers are the back-bone of our Indian economy. Unfortunately this demonetisation announcement broke their easy income dreams, their development and even their daily bread hence many of them committed suicide (Saumitra Mohan: 2017). This research paper is tried to find out the various problems of the hawkers after demonetisation.

### **NEED OF THE STUDY**

In Mumbai the maximum numbers of unorganised hawkers are depending on their daily income, but their daily income as well their daily bread is difficult after the announcement of demonetisation and their hurdles are snowballing. The research paper is trying to throw light on problems of hawkers after demonetisation. The research study is important as survival of hawkers' businesses in Mumbai are crucial because of many reasons like cut-throat competition, maximum tax structure, costly location and place, frequent changes in customer's choices, rules of BMC, oppositions from pedestrian, they are not disciplined, their poor management, dissolute language and so on. Their survival is not just important for them but also important for the lower income group customers, working women, passer-by etc;

### **STATEMENT OF THE PROBLEM**

In Mumbai, the future of 5 lakhs hawkers more or less is depending on the various policies announced by the BMC or State Government. Hence their survival is difficult after the announcement of demonetisation. The hawkers' businesses are the backbone of our economy. It is must for policy makers to consider their survival for the development of our economy and give boost them for the self –employment. The research paper is throwing light on the various problems of the hawkers after demonetisation.

### **LITERATURE REVIEW**

In 1974, the Government published Janata vol 29 and mentioned about the demonetisation and the death of a Malayali *hawker* on January 28 when the Maharashtra police brutally lathi- charged the *hawkers* . (Janata vol 29:103)

Robin D. Tribhuwan, Ragnhild Andereassen (2003) penned down about hawkers number in Mumbai which is not clear yet as BMC stated that it was supposed to be 45,000 genuine *hawkers in Mumbai* while *Bombay Hawkers Union* claimed that about 500,000 *hawkers* would have to be granted licence. Since many people were afraid that the hawking zones would have to be granted license.

After demonetisation many of the authors have written books and here researcher is mention few which are basically published in the year of 2017

Jayati Ghosh and others (2017: 51) preached that, the hawkers and small vendors chain is completely disturb due to immediate announcement of demonetisation. Further they added that, the decline in trade even if temporary had a knock-on effect on production, and thereby generated further negative multiplier effects in local economies.

Khushboo Jain (2017: 82) also orated about the electronic payment method that adopted by small vendors, like vegetable *hawkers*, laundry washers, and rickshaw drivers with no options and they are the backbone of Indian economy.

According to Dr. Saumitra Mohan (2017) demonetization is negative fallout hence there have been many reports of suicides or deaths which includes workers, small traders, artisans, vendors, *hawkers*, marginal farmers and so on.

### **OBJECTIVES OF THE STUDY**

Following objectives are taken into consideration for the findings:

1. To find out the basic information of the hawkers in Mumbai
2. To examine the concept of demonetization in India
3. To scrutinise the problems of the hawkers in Mumbai after demonetization
4. To find out solution for the same

### **HYPOTHESIS**

H<sub>0</sub>: There is no significant relation between demonetization and problems of the hawkers

H<sub>1</sub>: There is no significant relation between demonetization and problems of the hawkers

### **RESEARCH METHODOLOGY**

**Data Collection:** Primary data collected through questionnaire to the hawkers, also take their interviews. Secondary data collected through various Newspaper, Articles, Blogs and websites,

**Sample size:** Primary data collected through 100 hawkers from various areas like Dadar 30, Bandra Linking-30, Santacruz-20, Vile parle- 10, Andheri- 10

**Statistical tool:** For justification of hypothesis, Percentage method is apply

**Limitation of the study:** Hawkers were not given true information, inability to understand the questions and less coverage of numbers of hawkers.

### **FACTS AND FINDINGS**

On 8<sup>th</sup> November 2016, The BSE SENSEX and NIFTY 50 stock indices fell over 6% after the announcement of demonetisation. This indicates the fallout of our economy and here the research paper finds out that the hawkers are the backbone of the Indian economy. One of the NGO from Mumbai “KARMYOG” was finding the fact that in 1961, 65% of Mumbai's workforce was employed in the organised sector and the remainder in the unorganised sector; after 30 years the proportion was reversed. By 1991, 65% of employment was in the unorganised sector. Now it is must for the policymakers that eradicate the problems of the hawkers which help the development of strong Indian economy.

Hawkers play an important role in the functioning of the informal economy of Mumbai. They are ever ready to take risk to sell any conceivable product that the formal marketer may hesitate to sell. Agricultural products, products from the home industry, the cottage industry, the small scale industry in and around the slums of Mumbai exist because the hawker plays an important role to distribute their products.

Conferring to the Act, it is mandatory that, the BMC is required to make hawking space for at least 2.5% of the population, according to this in Mumbai 1.25 crore people are leaving hence a total of 3.12 lakh hawkers have to be allowed to do business. BMC has roughly estimated that, Mumbai has 2.50 lakh unlicensed hawkers and 15,159 licenced hawkers. Another research study said that in Mumbai the number of illegal hawkers grew from 1, 03,000 in 1990 to over 4 lakhs in 2010, while only 17,000 vendors hold valid licenses. Interestingly, the BMC has not issued a single new license in the last 20 years, while the number of hawkers continues to grow with every passing year. Since the late 1990s, elite NGOs and residents' associations have been actively promoting, with some success, the idea that hawkers are to be blamed for many of the city's problems. But no

one is considering the problems of our one of the major contributors in economy group. This is a sad part of our policy makers and people. Hence this research paper is finding out the problems of hawkers after demonetisation and trying to give few suggestions.

In July 2014, the civic body had carried out a week-long hawkers' registration drive and distributed 1.2 lakh forms. But in this process existing hawkers left out and more than 4000 hawkers complained to the administration and many zones saw new hawkers setting up small stalls, trying to get themselves registered.

Before demonetisation only 2% of hawkers have e-wallet in Mumbai, customers should buy their products through cash only. But after demonetisation many of the hawkers are carrying Pay-tm or e-Wallet. The mobile wallet market is currently estimated at Rs 160 crore. A study revealed that it is likely to hit Rs 30,000 crore by 2020-2021.

Dinesh Indulkar, a newspaper vendor from Kalyan's Rambaug area, says he decided to use Pay-tm after he found that most of his customers were trying to palm off their Rs 500 and Rs 1,000 notes when he went to collect his monthly dues.

"Post demonetization, our business suffered badly. We had to struggle to convince customers to buy our products. Now, at least, we can provide our customers with an easy and convenient mode of payment," said Muhammad Aslam (52), a cloth vendor at Linking Road.

Manoj Gupta, a street-side vegetable vendor from Kalanagar, also decided to opt for digital transaction after feeling the cash crunch, owing to the currency notes of the two denominations being pulled out of circulation.

Salim Noor (42), who sells accessories at Linking Road, has placed a board near his stall that reads 'Pay-tm accepted'. Noor, who sells products ranging from Rs 20 to Rs 300, says he accepts Pay-tm transactions for all his wares.

These are the stories of hawkers after demonetization. From the following **questions** researcher trying to justify the hypothesis

### WHAT IS YOUR BUSINESS?

Classification of Hawker's businesses in Mumbai

Apparel	Vegetables	Fruit	Fittings	electrics	Food-chain	others
40%	30%	10%	5%	5%	10%	10%

Table 1 Source –Self complied

It is observed that maximum hawkers are interested in garment business just because there is 50% to 300% profit.

### WHAT IS YOUR DAILY INCOME?

Their daily income is approximately:

Apparel	Vegetables	Fruit	Fittings	Electrics	Food-chain	Others
Rs. 500 to 5000	Rs.200 to 2000	Rs.200 to 2000	Rs.50 to 300	Rs.100 to1000	Rs.200to1500	Rs.100 to5000

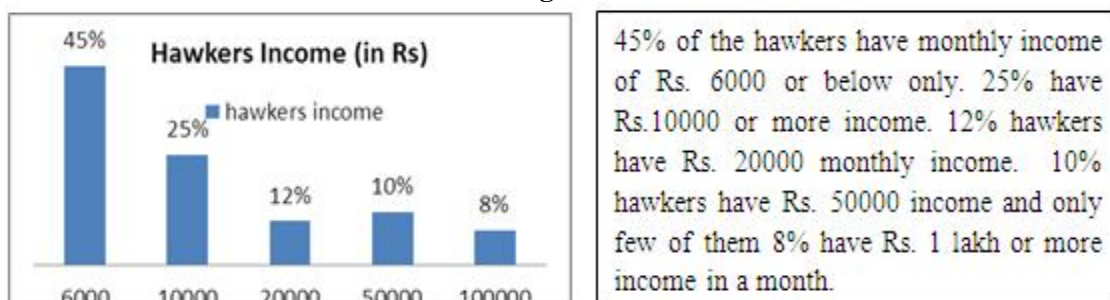
Table 2 Source- Self Complied

Vilas Panchbhai sells tea and snacks from his cart in santacruz (W). "I used to earn Rs. 500-900 every day," the 37-year-old says.

### WHAT IS YOUR MONTHLY INCOME?

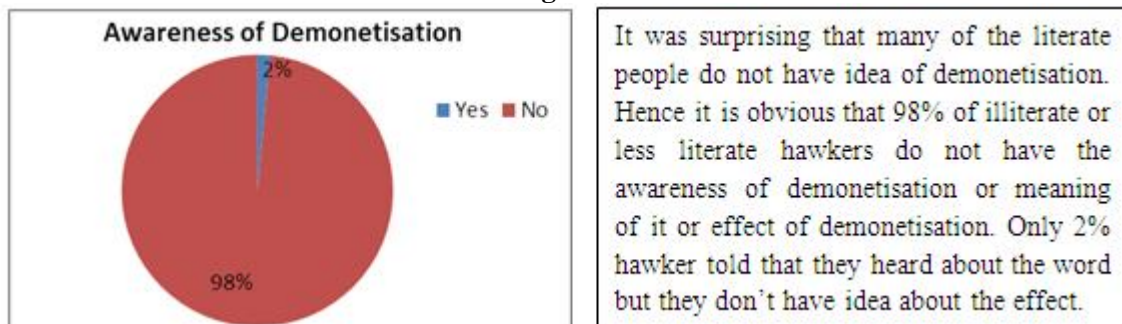
According to self-survey following chart shows the monthly income of the hawkers.

Figure-1



## Do you know the demonetisation?

Figure-2



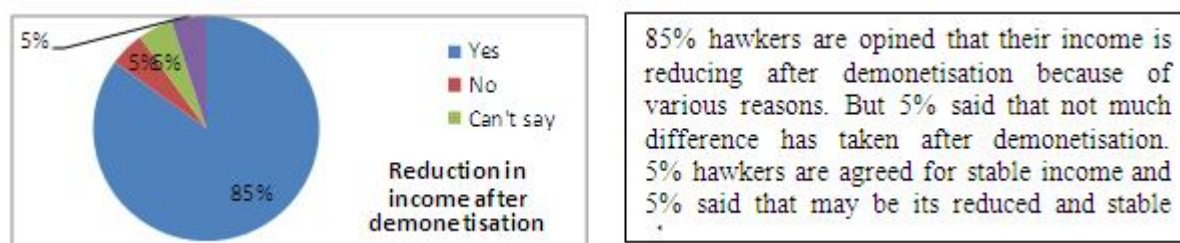
They are facing following general problems:

- ❖ Violent actions against hawkers by police and BMC.
- ❖ Refusals to issue new licenses.
- ❖ The BMC defended their actions, citing sections 312, 313 and 314 of the 1888 BMC Act, which gives BMC the power to remove encroachments on streets and footpaths and to do so without warning.
- ❖ No fixed monthly income, dependency on consumers.
- ❖ No proper and permanent place for business.
- ❖ Maximum part of profit goes in "Hafta"
- ❖ Opposition of NGOs, residents and environmentalists.

According to Sharit Bhowmik, National Fellow of the Indian Council for Social Science Research and an academic who has done extensive research on street vendors, says that if we take into account inflation and growth in the number of hawkers, by now, "the extortion rackets must be worth at least Rs. 1,000 crore in Mumbai and Rs. 600 crore in Delhi."

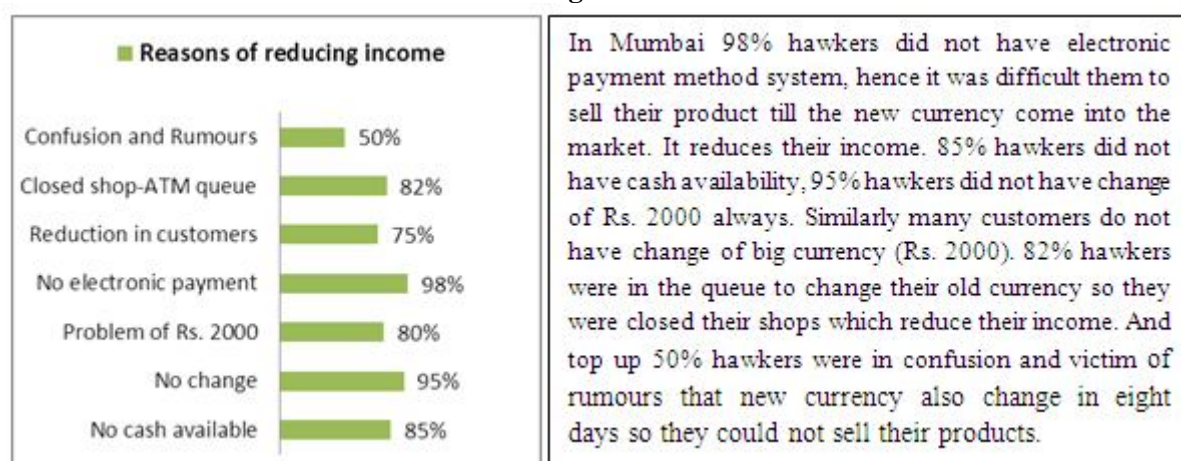
## Is your income reducing after demonetization?

Figure-3



## What are the reasons of reducing income?

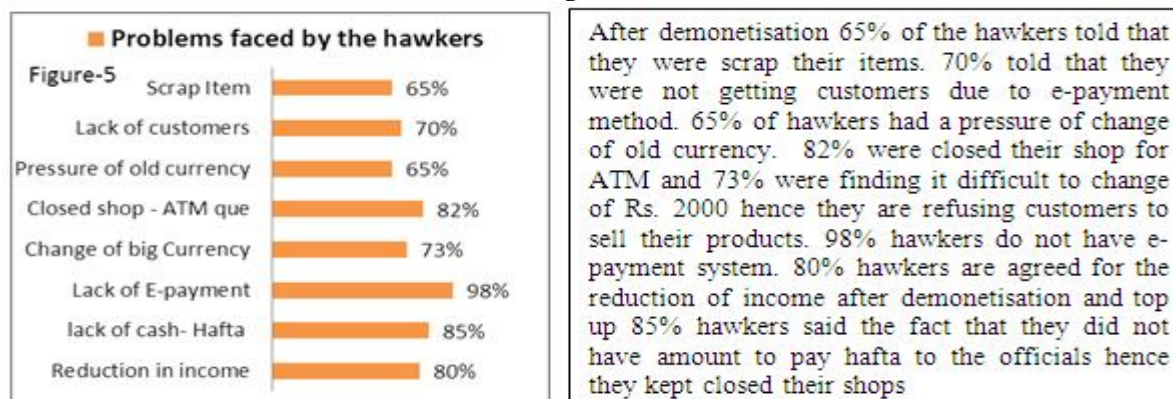
Figure-4





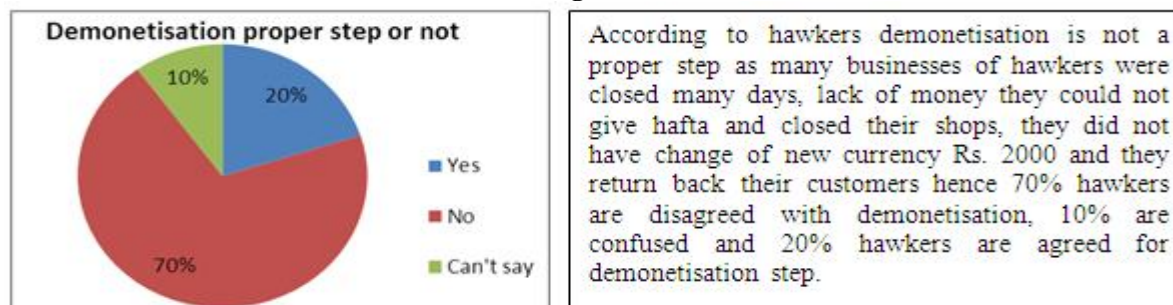
### What are the problems faced by you after demonetization?

Figure - 5



### Is demonetization proper step for businesses?

Figure-6



(Sources of all figures: Self complied (primary data))

The three major general problems of the hawkers are very different and at the time of demonetization it was severe due to the lack of money

1. Mumbai's 5 lakhs street vendors/hawkers face a mix of problems such as high rental fees, which in turn cause their illegal status. The rent-seeking fees, including bribes, collected in Mumbai annually totaled \$20 million. According to Prof. Bhowmik, street vendors pay 10% to 20% of their earnings as such fees.
2. Madhu Kishwar observes "New entrants into street vending, are routinely beaten, humiliated and abused by the police. These constant economic and physical assaults not only depress their incomes, but also destroy their self-esteem and confidence. This routine violation of their fundamental and human rights takes place at the hands of the very same people who ought to be ensuring the safety of their lives and property."
3. The hawkers have daily fear of BMC Officials or Police because they have illegal status hence their stalls and wares are destroyed or confiscated. To get their push-carts/shop and goods released purpose they have to pay Rs. 1,450 for penalty and Rs. 300 for removal charges and Rs. 100 per day as store charges for the number of days their rehdis/store stay in municipal yards. Thus a vendor has to spend a minimum of Rs. 1,900 to get his so called shop (rehdis/store) released from the municipality.

Many hawkers share their stories about all this and said that, it was too difficult for them after demonetisation.

Figure 7



Source: Pic/Pradeep Dhivar (Manoj Gupta of Santlal Gupta vegetable stall accepts e-cash at his Kalanagar stall)

## **SUGGESTIONS**

Following suggestions have to be implemented by the government as well hawkers

1. Pre-planned system of demonetisation not to be disclosed but Government should be ready for every crucial step.
2. Hawkers must have registered themselves and shall take license for the business.
3. BMC or State Government should make easy and cheap process for license.
4. BMC should create awareness among the hawkers.
5. Hawker should avoid illegal activities.

## **CONCLUSION**

Demonetization was happened in India three times for more or less same reason and later the unsuccessful stories came out. In Mumbai many of the hawkers badly suffer due to demonetisation. This research paper shows here the reasons of reduced the hawker's income after demonetisation also highlighted the problems they faced. Hence it justifies that the null hypothesis " $H_0$ : There is no significant relation between demonetization and problems of the hawkers" is rejected and the alternative hypothesis " $H_1$ : There is no significant relation between demonetization and problems of the hawkers" is accepted as maximum percentage has shown about the various problems faced by the hawkers in Mumbai.

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## **DEMONETISATION**

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### **ABSTRACT**

*Demonetization for us means that Reserve Bank of India has withdrawn the old Rs 500 and Rs 1000 notes as an official mode of payment. Demonetization is the act of stripping a currency unit of its status as legal tender. In an important move, the Prime Minister 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 issued Two thousand rupee notes and new notes of Five hundred rupees which were placed in circulation from 10th November 2016. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision. This measure has been taken by the PM in an attempt to address the resolve against corruption, black money and parallel economy. This move is expected to cleanse the formal economic system and discard black money from the same. The reasons of it are as under: This article has made an attempt to assess how the tool of Demonetization can be used to eradicate parallel economy. Demonetization is one of the big steps initiated by Government in addressing the various issues like black money, parallel economy, corruption, terrorism etc.*

*Keywords: Demonetisation, Indian Economy, Parallel Economy*

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### **INTRODUCTION**

On November 8, 2016, Prime Minister Narendra Modi announced that existing INR 500 and INR 1000 banknotes would no longer be accepted as legal tender with a view to curb counterfeiting, tax evasion and the parallel economy. The move was both politically and economically risky, but the government deemed those risks worth taking as a decision like this can help control inflation, recapitalize banks, minimize the interest rates and make the economy vibrant, with capital inflows.

The plan to demonetise the rupee 500 and rupee 1000 bank notes began six to ten months prior, and was kept highly confidential with only about ten people aware of it completely. The logistical processes and preparations for printing the new rupee 500 and rupee 2000 bank notes began in early-May. The cabinet was informed about the demonetisation on 8 November 2016 in a meeting called by the Prime Minister of India Narendra Modi which was followed by Modi's public announcement about the demonetisation in a televised address.

The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the day after the announcement. In the days following the demonetisation, the country faced severe cash shortages with severe detrimental effects across the economy. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the rush to exchange cash.

Initially, the move received support from several bankers as well as from some international commentators. The move has also been criticized as poorly planned and unfair, and was met with protests, litigation, and strikes against the government in several places across India. Debates also took place concerning the move in both houses of parliament. The move is considered to have reduced the country's GDP and industrial production.

### **REVIEW OF LITERATURE**

A number of research papers, journals, and articles provide a detail insight about Demonetisation and its impact on common man of India and the Indian economy. Ayash Yousuf Shah (2017) studied about the impact of demonetisation on Common man, agricultural sector and the farmers. He concluded that Demonetization is one of many steps in fighting corruption, black marketing, and financing insurgency. However preparation for demonetization was lop-sided and its impacts were terrible on Indian public. [1]

Ms.E.Kamatchi Muthulakshmi(2017) studied issues and challenges of the impact of demonetisation and concluded that demonetisation would have a meaningful impact only if money found its way in the economy. [2]

Jai Bansal (2017) studied the impact of demonetisation on different sectors and GDP and concluded that GDP would decrease slightly as the economy slows down but would recover in near future. [3]

### **OBJECTIVES**

- To study the Common Man's perception towards Demonetisation.
  - To study the impact of demonetization on economy of India.
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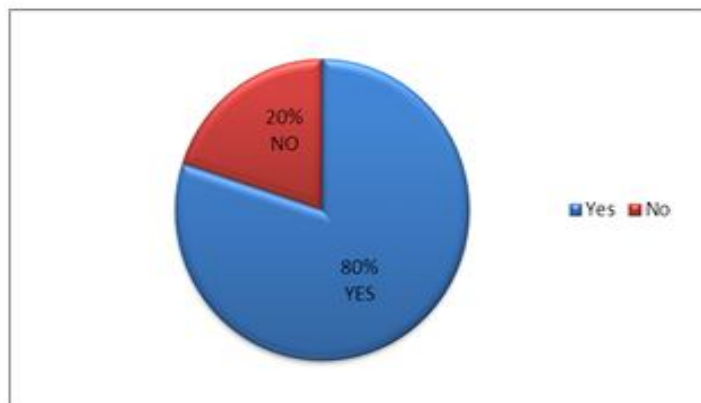
## RESEARCH METHODOLOGY

The paper is based on primary & secondary data. The data for the 1<sup>st</sup> objective has been collected through a questionnaire from students as well as professionals while data for 2<sup>nd</sup> objective has been collected from internet, articles, newspapers etc. Graph and percentile method has been used to analyze the data.

## PERCEPTION OF THE COMMON MAN

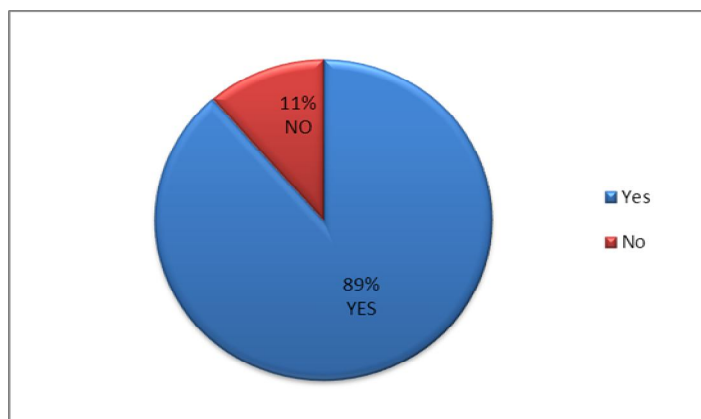
The Sample Size is limited to 35 respondents (19 students, 16 professionals). The observations and analysis of the survey conducted were as follows:-

Q1. Do you think Demonetisation will play an active role in reduction of terrorist activities?



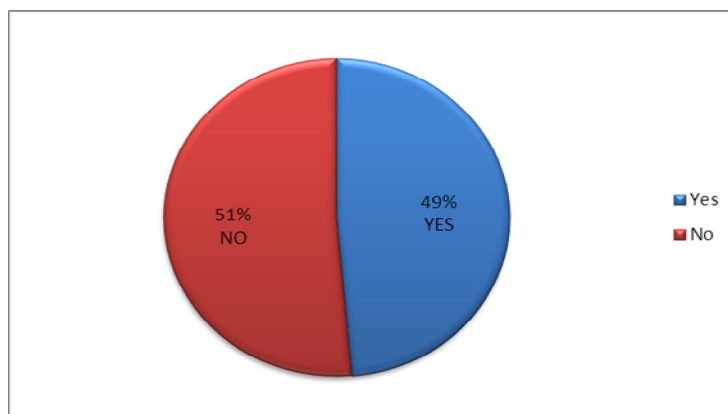
From the above chart it is clear that 80 % of the respondents think Demonetisation has played a huge impact on reduction of terrorist funding.

Q2. Do you think Demonetisation will reduce quantum of black money?



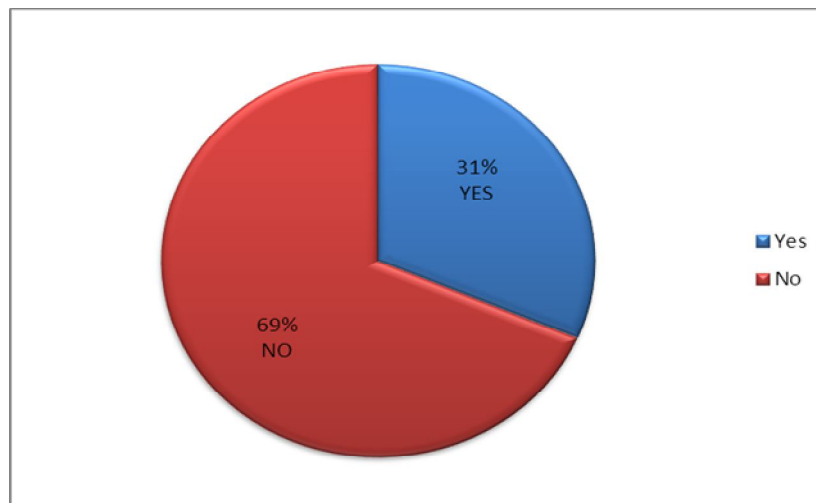
89 % of the respondents think Demonetisation will reduce the amount of black money thus indicating that Demonetisation has achieved one of its objectives.

Q3. Do you think Demonetisation will cease the existence of parallel economy?



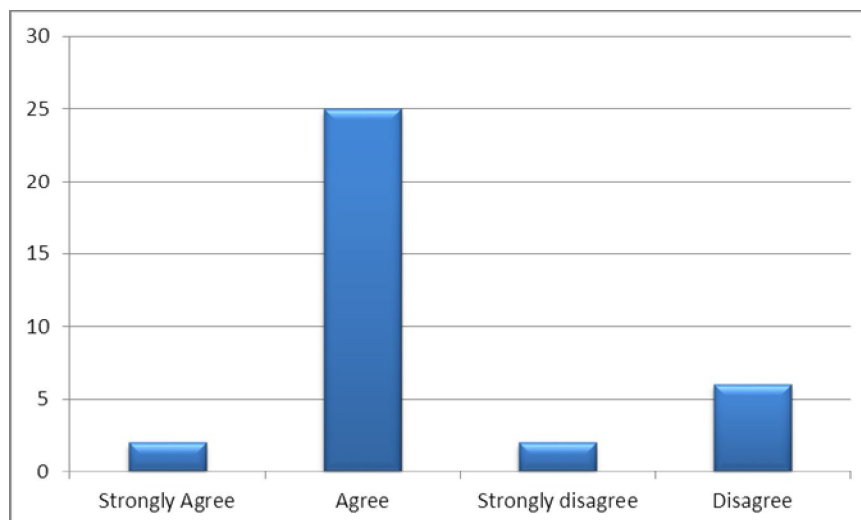
People have a mixed opinion about existence of parallel economy post demonetisation. This could be due to lack of proper knowledge about parallel economy.

Q4. Do you think introduction of Rs. 2000 note is a great move in the right direction?



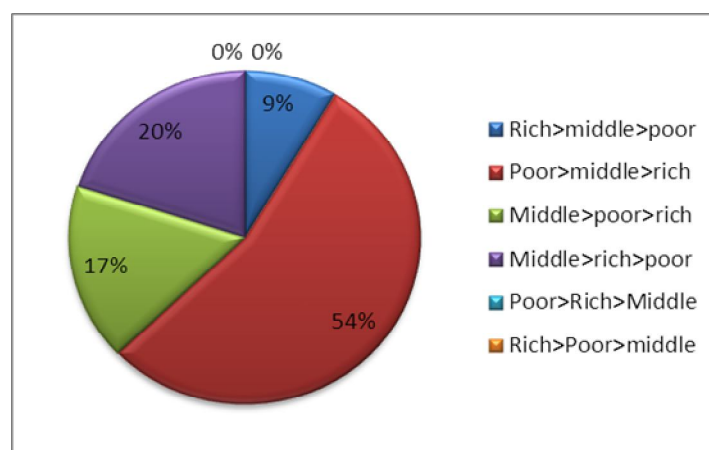
Many are still searching for the actual reason behind the introduction of Rs. 2000 note in the market which is quite evident from the responses of the respondents.

Q5. Demonetisation will bring real estate, higher education, healthcare in the common man's reach:



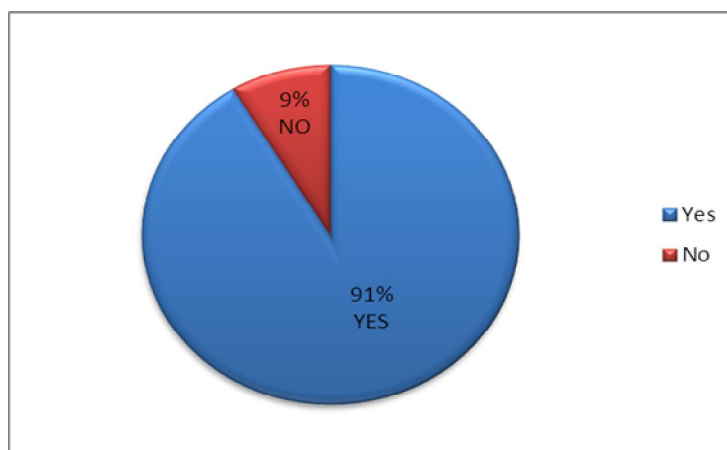
Maximum people agree to the fact that Demonetisation has brought necessities like education, real estate, health care within the reach of common man.

Q6. Whom do you think Demonetisation has affected the most in the hierarchical ladder of India's Economy?



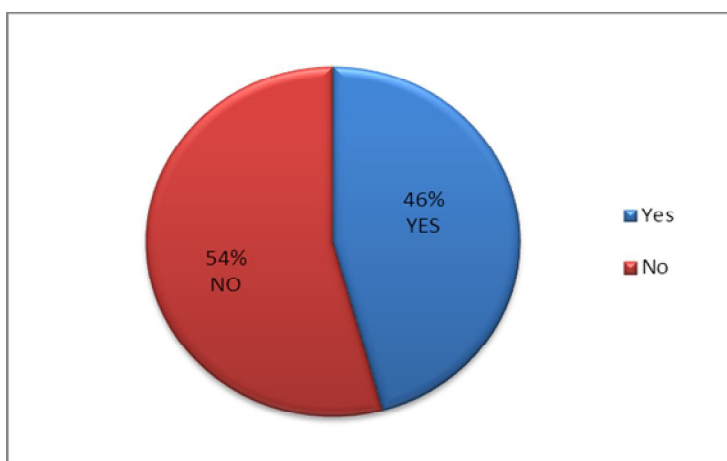
The above diagram shows that the poor people were affected the most by this decision followed by the middle class and rich. This was because not many in rural areas were well versed with digital payments methods and were left helpless due to shortage of cash.

Q7. Do you think Demonetisation is a catalyst for transition towards cashless economy?



91 % of the people agree to the fact that Demonetisation has proved to be a catalyst for transition from physical currency to a cashless economy which is more transparent, clean & secure.

Q8. Did you have to forego any opportunity in your personal life due to currency shortage?



The problems caused by shortage of currency were common to all but not many chose to complain about the same since they thought doing something for the country could never be a problem.

### **IMPACT ON ECONOMY**

The Indian Economy which was billed as the “fastest growing major economy” in the world and the “only bright spot” among Emerging Markets seems to have slowed down even before the latest “shock therapy” of “demonetization”.

India has a mixed economy. The economy of India is the sixth-largest economy in the world measured by nominal G.D.P and also the third-largest by purchasing power parity. The country is known as a newly industrialised country, as one of the G-20 major economies, a member of BRICS and a developing economy with an average growth rate of approximately 7% over the last two decades.

On November 8, Indian Prime Minister Narendra Modi took a historic decision by announcing that the high-denomination notes (Rs 500 and Rs 1,000) then in circulation would cease to be legal tender. It nullified 86% of India's currency.

Cash is the preferred mode of transaction in India and only less than half the population uses banking system for monetary transactions. An immediate public anger appeared against the mismanaged and unprepared banking system. The banks didn't have enough of the newly designed banknotes (Rs 500 and Rs 2000) to distribute in exchange for the canceled notes. The move has also led to a shortage of lower denomination notes such as Rs 100 and Rs 50 that are still legal tender, as people have taken to conserving whatever cash they have in hand. The demonization initiative has caused a sudden breakdown in India's commerce and the unbanked and informal economy is hard hit. Trade across all aspects of the economy has interrupted, and sectors like agriculture, fishing, and the huge informal market were almost shut down during the initial days of announcement. The informal sector in India employs more than a majority of the workers and most transactions



are in cash. Disruption to this system could endanger the employment and livelihood of weaker sections of society. The change disturbed the lives of ordinary people, led to widespread need and major job losses for the poor.

India's GDP which grew at 7.6% in FY 2015-16 is likely to slow down by 0.5% to 1.5% as per reports of various agencies. This is due to less availability of cash in cash-intensive sectors like manufacturing and real estate. Even the automobile industry which was growing rapidly earlier has seen a contraction in the October-December quarter of 2016. Purchasing power of consumers has been negatively affected due to cash not being readily available.

We need to remember that Indian economy is largely cash driven with more than 90% transactions taking place in cash and digital transactions accounting for just the remaining 10 percent.

Banks have also been focusing on the single task of deposit and withdrawals with the result that their core function of issuing loans has been adversely affected. Also current account customers, who are largely business owners, need large amounts of cash at short notice have not been able to access cash and credit owing to restrictions on withdrawals and inability of banks to focus on the task of issuing loans.

Although India's demonetization move was apparently mismanaged in the beginning, the effects at micro level look advantageous. For instance, all sorts of illegal activities, like terrorist financing, etc. have been completely hit after the announcement. The demonetization process has also repaired India's counterfeiting problem for the near to mid-term. The cash-centric black market for the most part ceased to function with the nullification of the bulk of its currency. It has also been reported that the new 500 and 2,000 rupee notes are less vulnerable to counterfeiting, having advanced security features. It is also thought that the drive will wipe out a measure of corruption and tax evasion in India's real estate market. Growth in cash-intensive sectors such as real estate, construction and FMCG is likely to take a hit in the short term as consumers are deferring purchases. The real-estate market is likely to come to a standstill with property prices likely to fall and the possible tax inquiries following demonetization will affect both consumption and investment in the formal and informal sectors. However, there is a positive side to the story, over the medium term; there would be benefits through higher government spending and greater financial inclusion. Also, the movement of household savings from physical to financial will help boost growth, according to Yes Bank BSE 0.90 % report.

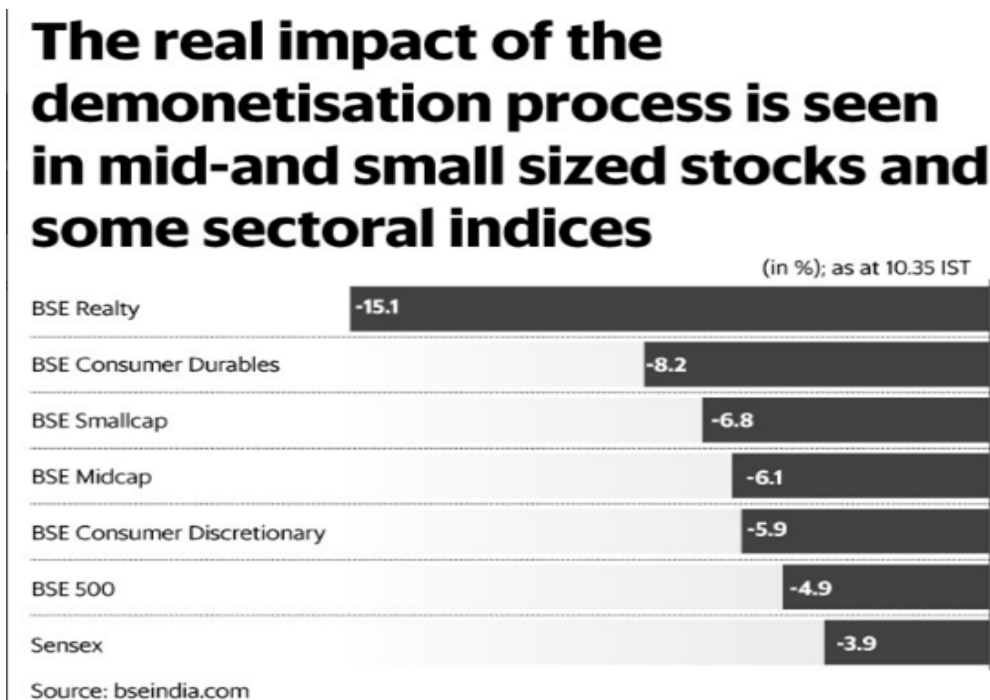


Figure 1: As Accessed on 10th Dec 10:35 IST (Source: <https://qph.ec.quoracdn.net/main-qimg-16b6a24d921f2fa5f68aae3360bd9dec>)

From the above diagram, it is clear that BSE REALITY saw a downfall of 15.1% post demonetisation. There was also reduction in consumption of FMCG products to an extent of 8.2%. BSE small cap recorded a negative percentage of 6.8 % while the midcap industries dragged BSE MIDCAP down by 6.1%. SENSEX went down by -3.95% post demonetisation.

DEMONITISATION IMPACT *					
IMPACT on	Next 3 Months	3 to 6 months from now	6 - 18 months from now	18 months to 3 years	Next 3 to 5 Years
Indian Economy (GDP Growth rate)	slightly Negative	Negative to Neutral	Positive	Very Positive	Hugely Positive
Real Estate	Hugely Negative	Hugely Negative	Hugely Negative	Negative to Neutral	Neutral to slightly Positive
Bank Fixed Deposits	Negative	Negative	Negative	Negative	cannot say
GOLD	Neutral to Negative	Neutral to Negative	Negative	Negative	Negative
Debt Mutual Funds	Hugely Positive	Very Positive	Very Positive	Very Positive	Very Positive
Hybrid Mutual Funds	Neutral	Neutral to Positive	Very Positive	Hugely Positive	Positive
Stock Markets	Volatile	Volatile	Very Positive	Hugely Positive	cannot say
EQUITY MUTUAL FUNDS	Volatile	Volatile	Very Positive	Hugely Positive	cannot say

Figure 2: Different Modes of Investment (Source: - <https://qph.ec.quoracdn.net/main-qimg-1dbdfbbc4f5cb63bb3af84f694f852e9>)

The above chart shows the impact of Demonetisation on different modes of Investment from a period ranging from 3 months to 5 years

## CONCLUSION

Demonetisation came as a shock to the entire country. It brought discomfort to the people of India, slowed down the economy, proved all projections for growth of GDP wrong. These issues are short term but such a step was necessary to counter the problem of black money, parallel economy, terrorist funding. Demonetisation may not have completely wiped off these problems but has surely provided the impetus to do so. It may have proved to be an unsuccessful move looking at the short term impacts but the decision definitely has a lot of positive impacts if we look at its long term prospects.

Demonetisation made people deposit their old notes into the banks. RBI had declared banks had received deposits worth Rs. 5.12 trillion until 18<sup>th</sup> November. These deposits can boost Indian GDP by 0.5 to 1.5 percent.

The survey indicates that Demonetisation was a short term failure but a long term gain. It has brought a make shift in the mindset of people to move towards a cashless economy from the traditional paper currency. Such a transition would make our economy bigger, cleaner & transparent.

People also believe that demonetisation will bring primary needs of man like healthcare, education, real estate within the reach of common man as interest rate will come down due to huge deposits and people can secure loans at reasonable rates.

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## **DEMONETIZATION : IMPACT ON INDIAN ECONOMY**

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### **INTRODUCTION**

Demonetization refers to withdrawal of a particular form of currency from circulation. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be removed and substituted with a new currency unit. The currency was demonetized first time in 1946 and second time in 1978. On Nov. 2016 the currency is demonetized third time by the present Modi government. This is the bold step taken by the govt. for the betterment of the economy and country.

### **OBJECTIVES OF STUDY**

1. To study the impact of Demonetization on Indian Economy.

### **RESEARCH METHODOLOGY**

Research paper is based on Secondary Data collected from various published sources like reports from Magazines, Journals, Newspapers etc

### **DEMONETIZATION**

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs when there is change of National currency. Process of removing a currency from general usage or circulation is known as Demonetization. As per Economic times, when a currency note of particular denomination ceases to be legal tender is termed as Demonetization. Indian Government is replacing the old Rs 500 notes with newer ones and doing away with Rs 1000 notes, it would be proper to call this is 'Scrapping' or 'Phasing out' of certain currency notes

### **DECISION OF DEMONETIZATION OF CURRENCY**

On 8<sup>th</sup> November 2016, PM of India, Shri Narendra Modi via Television address the nation at 8pm that Rs 500 and Rs 1000 notes will no longer be legal tender. It was decision taken to crackdown on Black money, fake currency and countering terrorism. PM further told there will be hardships for all people of nations for few months but right and interest of honest, hardworking people will be fully protected. Above decision was very bold and upright and most of the people welcome it.

### **IMPACT OF DEMONETIZATION ON INDIAN ECONOMY**

#### **1. Black Money and Corruption**

Demonetization will effect black money the most, As most of the black money as per sources of RBI is in Rs 500 and Rs 1000 notes. This Black Money was main reason for Corruption as it existed in large quantity INR 4.6 lakh crore. So if Black money is removed, corruption will also be curbed.

#### **2. Funding of Terrorist activities**

Funding for Terrorism activity will be stopped as all money will have to deposited in Bank of higher denomination, Thus Fake currency will be identified which will reduce this activities. Specially Nepal and Bangladesh route was totally banned. Demonetization do affected in curbing terrorist activities in Jammu and Kashmir and North East India.

#### **3. Real Estate price reduction**

There was clear cut information that most of the Black money was rotated through Real estate Investment which was safe route to get it white. Demonetization has successfully hit Real estate very hard, bringing the Real estate price reduction of 20-25%.

#### **4. Gold Investment**

After Real Estate, Gold Investment is considered to be safe for Black money route to become white ie legal tender in market. Strict laws curtailing such move was taken by Government which reduce value of Gold Investment on Black Money hoarders.

#### **5. Digital Payments**

People adopting online methods of payment like Pay-tm etc increased. Digital transaction systems, E-wallets and application, Online transactions using E-Banking, usage of Plastic money like Debit and Credit card will increase in demand. This will be beneficial in the long run which surely effect Indian Economy in Positive manner.

**6. Elections Across India**

Demonetization has shocked all political parties .In many states , Cash donation are huge part of Election Management . Political parties cant opposed properly nor support the above demonetization decision. Political party become helpless as Cash hoarding will be treated as undeclared money attracting punishment. Future Election in UP , Punjab etc are expected to be transparent.

**7. GDP**

There was sudden decline in Money supply and increase in Bank deposits adversely affecting business on small scale as well as big scale sector for Short Term period. Limits of with drawl were specified for Saving account as well Current Account holders so that transaction are lowered leading to decline in GDP growth rate.

**8. Share Market**

Markets reacted negative for short period but due to stable Government and good policies it bounce back. Long term was seen by money has good ,encouraging people to buy shares .Overseas Investors also had positive approach towards India and PM Modi for such bold move.

**9. Interest Rates of Bank**

Banks were over loaded with deposits from public which will help in future in lowering down of Interest rate for Education, Home loans and Medical loans.This step will prove beneficial for many people in India .

**10.Lower Inflation**

As the Black money goes out of the system the money supply will shrink to great extent. This will reduce inflation rate in the absence of any open market operation interventions by the Reserve Bank of India .

**11.Impact on Banking Transaction**

Our economy is heavily dependent on cash as only less than half the population uses Banking system for monetary transactions.

**12.Propensity to consume reduced**

Propensity to consume will be reduced because available cash will be used for fulfilling basic needs of Food and to meet day to day requirements.

**CONCLUSION**

Demonetization is a positive decisions for Indians in Long Run. It created so many problems but people say we neglect it for the future better generation..” Currency Ban , This is once lifetime Event “says RBI governor. Note Ban will be beneficial for economic development of the country in the long period but it will adversely effect the economy in short period. Note Ban and Demonetization is a good and bold decision but planning and implementation is not proper .It will effect the growth rate of GDP to 7.6% from 7.8% as per World Bank report.

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## DIGITAL INDIA

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### ABSTRACT

*Digital Technologies which include Cloud Computing and Mobile Applications have emerged as catalysts for rapid economic growth and citizen empowerment across the globe. Digital technologies are being increasingly used by us in everyday lives from retail stores to government offices. They help us to connect with each other and also to share information on issues and concerns faced by us. In some cases they also enable resolution of those issues in near real time.*

*The objective of the Digital India Group is to come out with innovative ideas and practical solutions to realise Hon'ble Prime Minister Narendra Modi's vision of a digital India. Prime Minister Modi envisions transforming our nation and creating opportunities for all citizens by harnessing digital technologies. His vision is to empower every citizen with access to digital services, knowledge and information. This Group will come up with policies and best practices from around the world to make this vision of a digital India a reality.*

*Keywords: Digital technologies, cloud computing, mobile application.*

### INTRODUCTION

Digital India is an initiative of the government of India to ensure that government services are made available to citizens electronically by improving online infrastructure and by increasing internet connectivity.

When politicians and millionaires agree with each other it usually means that you got to get out of your couch, crouch low and sniff around because there is definitely something fishy shoved under the carpet that is starting to rot. Following the Indian prime minister's aggressively documented visit to Silicon Valley the poster boy of Palo Alto and CEO of Facebook Mark Zuckerberg, in a seemingly slick move changed his profile picture to support the filter that has been customised in support of Digital India.

Modi's Digital India initiatives promise to make governance in India accountable, transparent and efficient by cutting down paper work and assuring data privacy and security which basically means that none of your digital information is safe anymore and can be accessed by the government as easy as opening the fridge and reaching for the cake.

Digitization of India will not only increase the efficiency of the government and public sector but also bring about democratization of the economy. With technology taking over almost all of manual labour, and the evident lack of skilled labour in India, it is imperative to have the country's labour force skilled in information technology with this in mind Digital India campaign aims to make technology central to enable change.

A country "DIGITAL INDIA" seems the dream only gimmick. Dreaming of the internet revolution in India, the country's prime minister for the sake so it can dream, but in the country before the poverty, hunger, famine, lack of hospitals and diagnose problems such as lack of education must.

It rises the question whether the goals of connecting to the internet to rural areas Digital India campaign launched in the country really need? According to data of 2012, 21.9% (270 million) are below the poverty line. More than 90 million people every day, only 60 to 70 are able to earn money.

### OBJECTIVES

1. To know the vision of Digital India.
2. To understand the aims of this programme.
3. To analyze challenges of this programme.
4. To understand the overall scope of Digital India.
5. To understand the advantages and disadvantages of Digital India.

### RESEARCH METHODOLOGY

This paper consists of both Primary as well as Secondary data.

**Primary Data:** Primary data has been collected by conducting an online survey as well as physical survey.

**Secondary Data:** Secondary data has been collected through internet and newspaper.

## **HYPOTHESIS**

HO: digital india programme is very usefull in todays world.

H1: digital india is killing the generation.

## **DATA INTERPRETATION**

1. Are you aware about digital india programme?

YES	NO
95%	5%

2. Did you think india is adopting digitalization?

YES	NO
85%	15%

3. Modi's digital india initiative is aimed at accountable, transparent and efficient governance. do you think this comes at the cost of our privacy?

YES	NO
79%	21%

4. Today's youth as well a their family members are having excessive urge to update themselves on social medias, as they are getting towards digitalization. do you think mankind is loosing the essence of life?

YES	NO
98%	2%

5. How often do you access the internet for any purpose (i.e. for work/leisure etc)? this should include access from any device (desktop,laptop,table or mobile) and from any location (home,work,internet cafe or any other location).

SEVERAL TIMES A DAY	ONCE IN A DAY
98%	2%

6. Have you started using debit cards and credit cards or any other digital mode of transaction for making your payments?

YES	NO
89%	11%

7. The boon of digitalization gifted to our era, is it really authentic or is causing hindrance to once mind?

IT IS AUTHENTIC	DON'T KNOW
65%	35%

8. Do you think india has achieved it's peak on digitalization?

YES	NO
88%	12%

## **FINDINGS**

1) It has been seen that 95% of the respondents are aware of digital india programme.

2) 85% of the respondents feel that india is adopting digitalization.

3) 79% of the respondents think that the digital india programmes comes at their cost.

4) 98% of respondents think that mankind is loosing the essence of life.

5) 98% of the respondents use internet several times a day for work or leisure.

6) 89% of the respondents has started using debit cards and credit cards for making payments.

7) 65% of the respondents think that boon of digitalization gifted to our era is authentic.

8) 88% of the respondents think that india has achieved its peak on digitalization.

## **TESTING OF HYPOTHESIS**

Since digital india programmes are very usefull in today world.

Therefore our hypothesis [HO] is aaccepted.

## **ADVANTAGES OF DIGITAL INDIA**

1. Less than 20% of indians have access to internet as of today. it is important to provide internet access to every indians.

2. Internet connectivity is poor in many smaller cities. in villages its almost unavailable. its necessary to connect those people in digital growth.
3. Internet can help people to get better advice on health services. people can analyze health options available.
4. People who cant afford schools/colleges can get chance to online education. it will help to improve literacy rate.
5. There are many government schemes which can be implemented online. it will increase effectiveness & transparency.
6. It can help small businesses. people can use online tools to increase their businesss effectiveness.
7. It can help improve lifestyle right from basic to advance.
8. People can connect through social media. they too can connect to people across the globe with various communities.
9. It will help in inclusive growth. it will also improve the over communication system for communicating various social policies & scheme.
10. It can make the entire system digitally participative. once people are digitally connected they can participate in healthy democratic system.

**DISADVANTAGE OF DIGITAL INDIA**

1. Government employment might reduce which in turn may lead to civil servants unrest.
2. People will use free wifis just for time pass which is current scenario in metros.
3. Digital india after indias biggest concern about cyber crime according to the national crime records bureau from 2011-2013 350% increase in cyber crime cases.
4. Today most of the communal forces and terrorist are using the internet to mislead people who are sorting to social media.
5. Now a days each and everything is done through internet from searching a job to net banking. There is also a risk that hackers are targeting these digital lockers for stealing data.

**SOPE OF DIGITAL INDIA**

1. The digital india initiative was envisaged by the department of electronics & information technology and will be implemented in phases that will culuminate in 2018.
2. The initiative is being implemented as an umbrella program which shall include all departments and ministries within its scope. however the implementation shall be monitored & overseen by a digital india advisory group that will be headed by the ministry of communications.
3. The vision of this programme emcompasses three areas UNIVERSAL ACCESS to digital infrasturcture GOVERNMENT SERVICES AND CITIZEN EMPOWERMENT.
4. The vision is further developed to include electronics manufacturing and job creation as well.
5. The future scope of digital india will be determined by ideas and development that calls further seamless interworking of mediums.
6. Traditional media isnt going anywhere (though there are some real concerns about the future prints) but television and radio are safe and thriving.

**INITIATIVES**

The digitization index and analysis will be an invaluable tool for countries to understand their current level of digitization and how to build on it . in recent years, both developing and developed countries have invested significantly in broadband infrastucture , ensuring that their citizen have high speed access to the internet and communications service, but this investment is not enough it is observed that the countries that have made rapid advances through the four stage of digitization to se what measures and policies contributed to their progress and found that policy makers can play a pivotal role by focusing of five key imperatives. these imperatives are crytical for all countries both the mature economies that have reached the advance stage of digitization and the developing economies that fall primarilly into the constrained emerging and transitional stage of digitizatn they are :

- **Elevate digitization on the national agenda** : ensure that national policy and senior govt stewardship provide the platform for progress: create a plan for digitization i.e tracked and monitored which accountability reciding at senior levels of govt .
- **Evolve sector gvernance**: segregate regulatory and policy roles ; clarify both ownership and accountability for ICT and digitization.
- **Adopt an ecosystem philosophy**: address the convergence of telecommunications, media and information technology; develop a strategy that addresses all stages of the value chain in a holistic way; and consider the local ecosystem as well as export opportunities.
- **Enable sustainable competition**: develop a competitive ICT model that stimulates both innovation and adoption ,while ensuring sector sustainability and investments.
- **Stimulate demand**: invest in boosting digitization usage and service adoption; ensure that public services are available through e-channels..

### **SUGGESTIONS**

1. Digital India program need to take on with pragmatic approach.
2. Make digital products that can work on patchy internet connection. best should be able to work offline.
3. Digital literacy in regional language is the need of hour.
4. In internet penetration we are about seven years behind china. hence, it is suggested to strengthen the internet services in India.
5. Not only IT/ITES telecom, electronics manufacturing sectors would be benefited from DIGITAL INDIA, but we would see positive impact on other industry sectors as well, like power sector and banking and financial services. hence, mobile banking and financial services should be expected.
6. If hospitals are part of the network providing medical advice through telemedicine, quality healthcare can reach people living in remote areas for which DIGITAL INDIA can come in handy. hence, government should plan to use digital india initiative effectively improving medicare.
7. There should be coordination between the state and central bodies, other wise the cost and maintenance of the services will increase.
8. Efficient governance is a necessary step for empowering citizens in a country. the digital india project depends upon the success of broadband highway and mobile penetration.

### **CONCLUSION**

1. Implementation of suitable preservation strategy for digital data and documents is required for our country.
2. Online medical consultation, online cash, loan, relief payment with mobile banking, National Cyber Security Co-ordination Center are the target of DIGITAL INDIA.
3. The Digital India project provides a huge opportunity to use the latest technology to redefine the paradigms of service delivery.
4. A digitally connected India can help in improving social and economic condition of people living in rural areas by providing access to education, health and financial services.
5. Further, Security should be the most important area at all level of operation for the digitally empowered knowledge economy of the country.

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## GST AND IT'S IMPLICATIONS

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### ABSTRACT

*This paper entails the meaning of GST and how important it is to the society. The purpose of this paper is to analysis the Role of GST in the Indian Economy. GST will result in increased collection of taxes as the tax will be directly received by the state and central government. The GST will help in removing the cascading effect of current tax rates. The paper highlights how GST will help in administering the countries economy. The paper includes the rates which are discussed by the state and central government together for charging GST. The paper also include the answer to question of who will gain the control over the tax payers, will the number of taxpayers be affected once the GST is implemented, etc.*

### INTRODUCTION

**Goods and Services Tax (GST)** is the biggest tax reform since 1947 and has the capability to take the economic unification of India forward.

**Goods and Services Tax (GST)** is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122<sup>nd</sup> Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

The GST bill has a 'dual' structure, the central and the state thus giving them both equal powers to administer over their respective taxes. Besides the Central and State it also has another type of tax called the integrated GST to handle the inter-state transactions. Also, taxes such as excise duty, service tax, sales tax, VAT, entry or octroi will all be clubbed into the same heading.

According to Finance Minister, Arun Jaitley the GST will be instrumental in helping the GDP of India to grow by 2 percent.

### AIMS AND OBJECTIVES

- To know the working of GST.
- To understand the problems faced by the common man due to GST implementation
- To learn the long term and short term effects of GST.
- To know whether GST is useful for Indian Economy
- To make people aware of GST.

### HYPOTHESIS

Ho: GST has positive effect on Indian Economy.

H1: GST has negative effect on Indian Economy.

### RESEARCH METHODOLOGY

**Primary Data:** Primary data has been collected by conducting physical survey as well as online survey.

**Secondary Data:** Secondary data has been collected through various websites.

### DATA INTERPRETATION

Q1. Are you aware about the term GST ?

Yes	No	May be
96.6%	3.1%	0%

Q2. Will GST influence consumption behavior?

Yes	No	May be
78.1%	9.4%	12.5%

Q3. How GST will affect your consumption behavior?

Consume goods more	Consume goods less
12.5%	87.5%

Q4. Which kinds of expenditure will be affected most by GST?

Necessary goods	Luxury goods	Entertainment
38.7%	51.6%	9.7%

Q5. Do you support GST?

Yes	No	Maybe
65.6%	9.4%	25%

Q6. What will be the effects of GST on the retail industry in India?

Positive	Negative	No impact
56.3%	28.1%	15.6%

Q7. Why do you support GST?

Broaden India's tax	Provide stable tax income for Indian Government	Retain more government reserve for future use in India	Improve India's Economy in the long run
13.8%	27.6%	13.8%	65.5%

Q8. Do you think GST is easier to comply with in comparison with other type of taxes (eg, income tax, VAT, Cess) india?

Income Tax	GST	Other
12.9%	58.1%	29%

Q9. Do you think the current GST system will be around in 10 years time in much the same form as it is today?

Yes	No	May be
15.6%	40.6%	43.8%

## FINDINGS

1. 96.6% respondents are aware about the term GST.
2. 78.1% respondents think that GST has influenced consumption behavior.
3. 87.5% respondents think that GST has influenced consumption behavior by consuming less goods.
4. 51.6% respondents believe that Luxury goods are much affected by GST.
5. 65.6% people believe and support GST.
6. 56.3% respondents say that GST has affected the retail industry positively.
7. Most of the respondents support GST because it will Improve India's Economy in long run.
8. According to 58.1% respondents GST is easier to comply.
9. 43.8% respondents think that current GST system will be around in 10 years time in much the same as it is today.

## TESTING OF HYPOTHESIS

Through the survey conducted we can say that our hypothesis is accepted.

## ADVANTAGES

1. GST is a transparent tax and also reduce number of indirect taxes.
2. GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower.
3. Benefit people as prices will come down which in turn will help companies as consumption will increase.



4. There is no doubt that in production and distribution of goods, services are increasingly used or consumed and vice versa.
5. Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliances costs.
6. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.
7. GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.
8. GST will also help to build a transparent and corruption free tax administration.
9. Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.
10. GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.

### **DISADVANTAGES**

1. Some Economist say that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
2. Some Experts says that CGST(Central GST), SGST(State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
3. Some retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive.
4. The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.
5. Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem.

### **CONCLUSION**

The government's move on introducing GST has created a massive disruption to the Indian economy. In short, this will lead to reduced inflation and ease out IT talent cost pressures for industry players. With increased liquidity coming from cash deposits, banks are in a better position to lend loans with lower interest rates which has reduced financial burden, and high tax rates to the common citizens. There may be a few temporary fluctuations but on a longer run it is safe to say GST has surely benefitted the Indian economy and create stable economy. This trend of replacing Indirect taxes with alternative tax that is GST has eventually lead to strengthening of Indian Economy and an increase in GDP. This move has brought a positive change in Indian Economy.

### **SUGGESTIONS**

- Government should give more emphasis on such technology led schemes and programs for good economy growth along with GST.
- Government should take few more steps towards the process of GST as this will help to bring the rates down and make products cheaper not only on small scale but also on large scale.
- Government should organize training sessions and encourage people towards cashless transactions so there is no exchange of cash because of the registration for GST which is now mandatory.

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## **IMPACT OF DEMONETISATION ON BANKING SECTOR**

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### **ABSTRACT**

*Demonetisation refers to withdrawal of a particular form of currency from circulation. Demonetisation is necessary whenever there is a change of national currency. The old unit of currency must be removed and substituted with a new currency unit. The currency was demonetised first time in 1946 and second time in 1978. On Nov, 2016 the currency was demonetised for the third time by the present government. This is the bold step taken by the government to tackle the menace of black money, corruption, terror funding and fake currency. As cash gets limited businesses and industry that depend on cash have been directly impacted. Demonetisation affects almost all service sectors of the nation, of which banking sector is the most affected one. The biggest beneficiaries of this policy are Banks. It brings many opportunities as well as threats to the banking sector. This paper is an attempt to highlight positive and negative results of Post Demonetisation on Bank operations.*

*Keywords: Demonetisation, Banks, Beneficiaries*

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### **INTRODUCTION**

#### **DEFINITION of 'Demonetisation'**

Demonetisation is the act of stripping a currency unit of its status as legal tender. Demonetisation is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit. The opposite of demonetisation is remonetisation where a form of payment is restored as legal tender. There are multiple reasons why nations demonetize their local units of currency. Some reasons include combating inflation, to combat corruption, and to discourage a cash system. The process of demonetisation involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

In 2016, the Indian government decided to demonetize the 500 and 1000 rupee notes, the two biggest denomination notes. These notes accounted for 86% of the country's cash supply. The government's aim was to eradicate counterfeit currency, fight tax evasion, eliminate black money acquired from money laundering and terrorist financing activities, and promote a cashless economy. By making the larger denomination notes worthless, individuals and entities with huge sums of black money acquired from parallel cash systems were forced to convert the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200% of the tax owed was imposed.

### **REVIEW OF LITERATURE**

*Sandeep Kaur (2016)* discussed the impact of recent demonetisation on the Indian economy and system. According to him this move would be positive for sectors like Banking and Infrastructure in the medium to long term and negative for sectors like Consumer Durables, Luxury items, Gems and Jewellery, Real Estate and allied sectors, in the near to medium term. *Dr. K Rao et al. (2016)* highlighted the impact of demonetisation on the availability of credit, spending level of activity and government finances. Further, the impact of such a move would vary depending on the extent to which the government decides to remonetise. *Manpreet Kaur (2017)* conducted a study on demonetization and impact on Cashless Payment System. He said that the cashless system in the economy has many fruitful benefits less time-consuming, less cost; paper less transaction etc. and he expected that the future transaction system in all the sectors is cashless transaction system. *Bharat Kumar Meher (2017)* studied the Impact of Demonetization on NPA Position of Indian Banks. He highlighted the Pre & Post Demonetization impact on the Balance Sheet of RBI. Also he studied the positive and negative aspects of demonetization on related to NPAs of Indian Banks and analysed the short term and long term impact of Demonetization on future NPAs position.

### **OBJECTIVES OF THE STUDY**

The principal objective of this paper is to study the impact of demonetisation of Indian currency on 8th Nov, 2016 by the present government on Banking Sector.

### **RESEARCH METHODOLOGY**

The research design for the study is descriptive in nature. This study is based on secondary data only. The secondary data have been gathered from published material in various journals, books, related reports and various websites. Exhaustive literature survey regarding the topic and related concepts has been done.

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**DEMONETISATION AND BANK OPERATIONS**

There are positive and negative results of Post Demonetisation on Bank operations. Both have influenced Banks' liquidity and profitability and employees too. The following are positive results of demonetisation.

1. **Free flow of deposits:** Banks have multiplied deposits significantly after demonetization which they can invest for improving their liquidity and profitability.
2. **Improved digital Interface:** Improvement in digital tools and equipment to execute bank transactions has eluded cash loss for various causes like burglary, dacoits and embezzlements.
3. **People's surplus at Bank:** Cash kept at home will not yield any income to individuals. Demonetisation encouraged people to deposit their surplus money in bank to yield them some sort of income.
4. **Increased number of Customers:** Demonetisation has swayed public to come and execute transactions with banks. It made even a non-income group people to visit bank and have an account. It increased number of account holders in banks while increasing deposit corpus.

Similarly, Demonetisation has brought some operational problems to Banks. It disturbed Banks' Employees, Operational Costs and Profitability. The following are negative influences of Demonetisation.

1. **Cash Reserve Requirement:** 100% CRR on incremental deposits meant that banks did not earn any interest on Rs. 3 Lakh crore of deposits for nearly a fortnight.
2. **Waived off ATM Charges:** ATM charges were waived off during banned note exchange and banks incurred a loss of Rs. 20 in every transaction.
3. **Waived off Merchant Discount Rate:** Banks incurred loss of 1% discount charges from merchants on using of every card transaction.
4. **Non Selling of Loans:** Banks were focused on exchanging currency notes and they were not able to trade any loan products. This made banks to restrain their lending activities.
5. **Reduced SMEs's Sale and influence on NPAs:** During demonetisation, some SME businesses had seen their sales drop by 50-80 percent and could default in their installments to banks. This led the banks to consider it as NPA and affected its level in banks.
6. **Stress on Employees:** Bank employees were under pressure and had to work overtime leading to imbalanced work life.
7. **Increased Cyber Fraud:** As people are not very much versatile with digital operations, they may face various operational risks like cyber fraud.

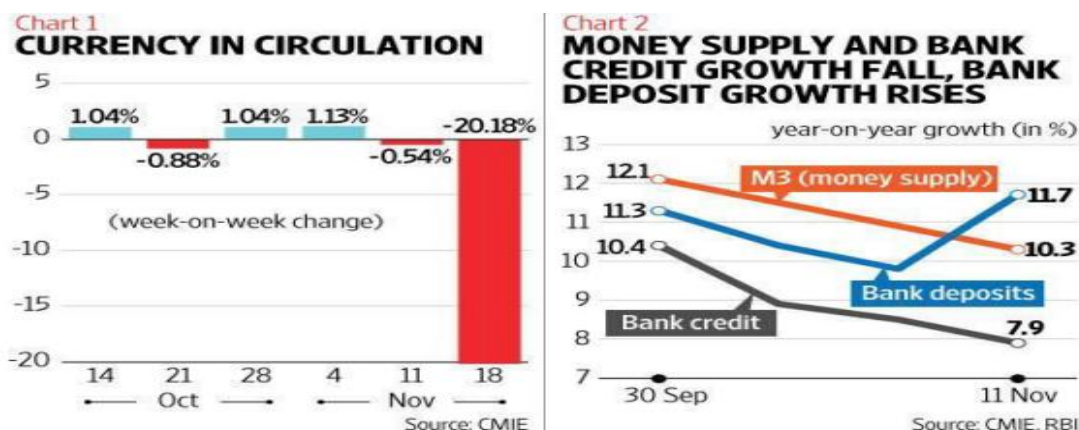
**DEMONETISATION IMPACT ON BANKS**

The biggest beneficiary of this policy will be the banking sector. The reason behind being called the beneficiary is very obvious because as lot of people are depositing cash in the banks; there will be a lot of liquidity with the banks. As the deposits with the banks will rise so will the growth of CASA, which will increase the Net Interest Income and the Net earnings of the banks.

CASA is abbreviation of Current Account Savings Account. It is the ratio which indicates how much of the total deposit with the bank are in the current account and savings account. In a simple language, the deposits lying in the savings and current account are CASA.

Higher deposit in CASA will improve the workings of a bank substantially. Banks do not pay interest on the current account deposits and pays a very low % of interest on savings account deposits. Hence, it is a good measure to get deposits at no or very low cost.

The banks are expected to make a good profit which would eventually benefit the common man: As the banks get a lot of liquidity in their hands, they will lend the money to the people at a lower rate of interest. Hence, the interest rate on borrowing will lower down. RBI data now reflect the initial impact of demonetisation on monetary indicators



**Chart 1** shows that currency in circulation plunged a huge 20.18% in the week to 18 November, after falling marginally in the previous week. This effect is likely to be even higher in the next few weeks.

**Chart 2** shows how year-on-year growth has slowed in money supply (M3) and bank credit in the week to 11 November (the latest date for which data is available), while bank deposit growth has amplified sharply. Note that growth in bank credit and in money supply has been slowing down even before the demonetisation was announced. These trends will be further reinforced in the next few weeks, as the deflationary shock ripples through the economy.

#### MONETARY POLICY TRANSMISSION TO LENDING RATES

- Surplus liquidity conditions have helped facilitate the transmission of monetary policy to market interest rates. Post demonetisation, several banks lowered their domestic term deposit rates and lending rates.
- The 1-year median MCLR has declined by a cumulative 70 bps since November 2016 even when the policy repo rate was not changed. This is significant, considering that the 1-year median MCLR declined by only 15 bps during the preceding seven months

Monetary Transmission: Reduction in Deposit and Lending Rates – Post-demonetisation (up to March 7, 2017) (bps)

Bank Group	MCLR (Median)		Term Deposit Rates (Median)	
	1 year	Up to 1 year	1 to 3 years	All Tenors
Public Sector Banks	85	26	35	28
Private Sector Banks	65	50	48	50
Foreign Banks	40	8	34	6
Scheduled Commercial Banks	70	31	40	38

MCLR: Marginal Cost of Funds based Lending Rate.

Source: RBI

#### CONCLUSION

Demonetization is an instrument used by central government to tackle the menace of black money, corruption, terror funding and fake currency. Demonetisation affects almost all service sectors of the nation, of which banking sector is the most affected one. Though it brings many opportunities for the banking industry, many challenges have also created in front of the banks. The banks should handle these challenges thoughtfully. This strategic step of demonetisation will have a major contribution towards the establishment of a sound and effective banking system in the country.

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## IMPACT OF DEMONETISATION ON BANKS IN INDIA WITH REFERENCE TO JAN DHAN ACCOUNTS

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### ABSTRACT

*Announcement of demonetisation by our Prime Minister Shri Narendra Modi on 8<sup>th</sup> November, 2016 by cancelling ₹ 500 and ₹1000 note as legal tender had a direct impact on financial sector. It is believed that many people deposited the black money in Jan Dhan Account to hide it from the government eyes. This paper is modest attempt to know the relation between demonisation and Jan Dhan Account.*

*Keywords: Demonetisation, Jan Dhan (JD) Account*

### 1. INTRODUCTION

Demonetisation was announced with an intention to curb the black money from the system and to promote the cashless economy in the country. To make country cashless government requires a strong banking system, to keep this thing in mind Jan Dhan Account was introduced under "**Pradhan Mantri Jan-Dhan Yojana (PMJDY)**" on 28<sup>th</sup> August, 2014 by Shri Narendra Modi and Shri Arun Jaitley. The main objective of PMJDY is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. It is a national mission on financial inclusion of the households in the country and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government. But during the demonetisation period the main use of Jan Dhan Account was to deposit the black money and converting same into white money. Therefore, it is necessary to know the importance of these accounts during demonetisation period.

### 2. OBJECTIVE OF THE STUDY

- To study the impact of demonetisation on balance sheet of bank
- To find out the status of Jan Dhan Account pre and post demonetisation.

### 3. HYPOTHESIS OF THE STUDY

H<sub>0</sub>: There is no significant impact of demonetisation on Jan Dhan Account

### 4. RESEARCH METHODOLOGY OF THE STUDY

The study is basically depending on the secondary data which is collected from various government reports and websites, research papers, newspaper reports, published and unpublished work of various institutions.

### 5. RESEARCH WORK

#### 5.1 Impact on Balance Sheet of Banks

Demonetisation has a substantial impact on the balance sheet of scheduled commercial banks (SCBs), both in terms of proportions and structure. Bank deposits overflowed due to demonetisation that reduced the circulation of currency nearby ₹ 8,800 billion in the country. During this period, deposits in the banking system were sharply increased to aggregate ₹ 6,720 billion even after outflows in NRI deposits.

Scheduled Commercial Banks provides data on their major assets and liabilities on a fortnightly basis. As per data obtained on October 28, 2016 (prior to demonetisation) and February 17, 2017, shows a total deposits increased by ₹ 5,549 billion during the period.

**Table 1: Change in Major Assets and Liabilities of SCBs from 28<sup>th</sup> October, 2016 to 17<sup>th</sup> February, 2017**  
(₹ billion)

Liabilities	Amts.	Assets	Amts.
Total Deposits	5,549	Bank Credit	1,008
Borrowings	-56	Investment in Government Securities	4,560
		Net Other Assets	-75
<b>Total</b>	<b>5,493</b>	<b>Total</b>	<b>5,493</b>

Source: RBI

Large amount of deposit have been invested by SCBs in: (i) Reverse Repos with the RBI; and (ii) Cash Management Bills (CMBs) issued under the Market Stabilisation Scheme. Loans and advances extended by banks increased by ₹ 1,008 billion. The incremental credit deposit ratio for the period was only 18.2 per cent.

## 5.2 Impact on Jan Dhan Account

After demonetisation, near about 23.3 million new Jan Dhan Account opened under the scheme of PMJDY and in which maximum account was opened in public sector bank that comes nearly 80 per cent of total Jan Dhan Account opened during the period. The total balance in PMJDY deposit accounts peaked at ₹ 746 billion as on December 7, 2016 from ₹ 456 billion as on November 9, 2016 - an increase of 63.6 per cent.

**Table 2: Number of JD Accounts opened after Demonetisation (Million)**

Bank Group	As on Nov 9, 2016			As on March 1, 2017			Variation		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Public Sector Bank	114.3	89.3	203.6	122.1	100.8	222.9	7.8	11.5	19.3
Regional Rural Bank	37.1	6.0	43.1	40.0	6.4	46.4	2.9	0.4	3.3
Private Sector Bank	5.3	3.1	8.4	5.4	3.6	9.0	0.1	0.5	0.6
SCBs	156.7	98.4	255.1	167.5	110.9	278.4	10.8	12.5	23.3

Source: Pradhan Mantri Jan Dhan Yojana Website

It was reported that JD accounts are used to convert black money into white money after that the Government has imposed a limit of ₹ 50,000 on deposits into JD accounts on November 15, 2016. Even though, deposits in the JD have increased to ₹ 186.5 billion as on March 1, 2017. The total variation in deposits of SCBs till the end of February, 2017 was ₹ 4,098 billion whereas JD account was had ₹ 186.5 billion i.e 4.6 per cent of total variation in deposits of SCBs.

**Table 3: Deposits under PMJDY (₹ billions)**

Bank Group	As on Nov 9, 2016	As on March 1, 2017	Variation	Variation in total deposits of SCBs	Percentage Variation between PMJDY /SCBs
Public Sector Bank	364.0	502.5	138.5	2733.0	5.1
Regional Rural Bank	76.3	118.1	41.8	616.0	6.8
Private Sector Bank	16.0	22.3	6.3	778.0	0.8
SCBs	456.4	642.9	186.5	4098.0	4.6

Source: Pradhan Mantri Jan Dhan Yojana Website

## 6. TESTING OF HYPOTHESIS

From table 2 and 3 it is found that after demonetisation 23.3 million new Jan Dhan account opened and near about ₹ 186.5 billion variation in deposits were noticed. Thus, demonetisation has put positive impact on the Jan Dhan Account in terms of size and proportion. Hence null Hypothesis is **rejected**

## 7. CONCLUSION

The bold step of demonetisation was taken to curtail corruption and black money but it adversely affected the operation of banks and created financial crises in the economy. There is no doubt that demonetisation has made banking structure more effective by adding more people into the banking system. This will help the country to grow and develop through cashless and digital economy.

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## **MOBILE MARKETING: IMPACT OF DEMONETISATION ON SMARTPHONE TECHNOLOGY**

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### **ABSTRACT**

*Mobile marketing the emerging trend in every industry is enabling the overall connectivity behind the marketers and consumers. One of the latest trends moving along with individuals, playing a significant role, Smartphone technology has occupied a vital role in the minds of the consumers. Today survival of every consumer's is largely depending on the usage of their Smartphone. Beyond the role of just using Smartphone as a means of communication, Smartphone has now become a hub, emphasizing the overall connectivity for consumers. Inline parallel news, on the impact of demonetization, yet another latest and booming trend in today's commercial markets. The act of demonetization has a close impact on the buying behavior of the consumers. The article showcases a glance of demonetisation and its impact over Smartphone technology.*

*Keywords: Smartphone Technology, Demonetisation, Mobile Marketing, Consumers.*

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### **INTRODUCTION**

Demonetisation in India through the elimination of 500 and 1,000 rupee notes caused an increased push from the government for digital currency, as well as people becoming more open to using digital payment methods. The rise of digital currency is bringing a new use case for Smartphone, which in turn, is set to trigger higher demands for Smartphone's. This opens the opportunity for service providers to launch mobile wallet solution or even vendors to launch their exclusive mobile payment solutions like Android Pay or Apple Pay to build an ecosystem.

Demonetisation has impacted the Smartphone market at almost all levels including the customer demand and stock movement in the distribution channels. The impact of demonetisation is that of feature phones and affordable Smartphone's, which are priced under Rs 10,000. Since most of these purchases are made using cash payments even now, the initial impact was as high as 90 per cent.

### **OBJECTIVES**

- 1) To understand the concept of Demonetisation on Smartphone Technology.
- 2) To understand the comparison between Indian, Global and China Vendors.
- 3) To analyze the Indian Smartphone Market pre and post demonetisation.
- 4) To analyze the current Indian Smartphone Market Share.

### **METHODOLOGY**

This research article is based on secondary data, references from journals, books and through online avail information. Data has been collected from various online avail sources and systematically assembled in such a way so that the objectives of this specific article were achieved.

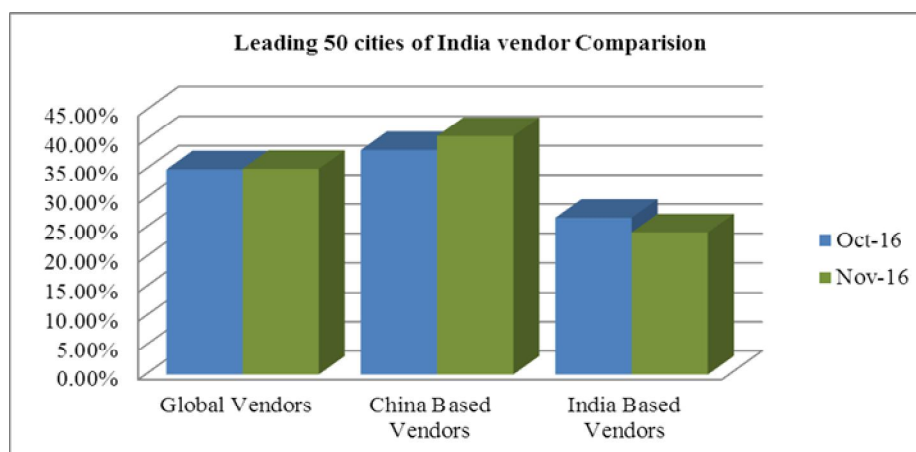
### **THE IMPACT OF DEMONETISATION ON SMARTPHONE TECHNOLOGY**

Indian government's demonetisation move of making old 500 and 1000 Rupees notes invalid as legal tender in the country has led to a slow down across many industries and consumer devices market seems to be no different. Cash is a dominant mode of transaction in the devices market as it enables quick transaction turnaround thus providing much needed liquidity for maintaining the demand and supply mix in the devices business. Government's decision to recall the high-value currency (Rs500 and Rs1000 notes) which accounts for more than two-third of the cash supply had lead to immediate but temporary contraction in the devices market in Q4 2016. However, this year with the demonetisation process underway, the sequential decline is likely to be higher owing to the cash crunch the country has been facing since the second week of November, 2016. This has already resulted in significant slowdown of demand across Personal Computers and Mobile devices; not just in offline retail but in online channel as well, where Cash-On-Delivery (COD) contributes to a substantial portion of the sales.

### **IMPACTED BY DEMONETISATION**

Smartphone sales in the leading 50 cities fell by a whopping 30.5 per cent month-on-month in November, 2016 as compared to October, 2016.





Source: IDC India Monthly City Level Smartphone Tracker

Note: Global Vendors-(Samsung, Apple, HTC, Sony), India Based Vendors-(Intex, Lava, Micromax, Lyf, Karbonn), China Based Vendors-(Xiaomi, Lenovo Group, Gionee, Oppo, Vivo)

India based vendors were hit the most due to demonetization, with a drop of 37.2 percent in Nov 2016 across top 50 Cities of India as compared to China based vendors with 26.5 percent drop and Global vendors with 30.5 percent drop over previous month. Demonetisation was an unexpected and painful twist, but the companies expect the demand drought due to the current cash crunch to be temporary. Top Indian Smartphone makers such as Lava, Intex and Micromax, which have moved a substantial portion of assembling capacities to India from China by investing hundreds of crores here, could be the worst hit if the duty differentials backing local production are discontinued under GST.

Meanwhile, market share of Global vendors changed marginally by 1 percent across tiers but overall their share remained flat. Global vendors especially led by Samsung were able to withstand the aggressive China based vendors due to their good distributor coverage and penetration in the Indian market. They also still enjoy good brand value among the consumers in Tier-II cities and beyond.

### CHINESE VENDORS

Market share of China-based vendors has increased to 42.6 per cent in Tier-I cities, from 38.7 per cent in October, 2016. Also, they extended their market presence in Tier-II and beyond, with a marginal increase in the market share. In addition to seasonal decline and impact of demonetisation, the market share of China-based vendors' improved sequentially, owing of their high decibel marketing, increased credit line to distributors, and efficient channel management. Market share of India-based vendors continues to decline across the tiers in November, 2016. India-based vendors are finding it difficult to compete with the aggressive China-based vendors due to shrinking spends in their marketing and the absence of good product assortment.

In addition to seasonal decline and impact of demonetisation, China-based vendors' market share improved sequentially owing to their high decibel marketing, increased credit line to distributors and efficient channel management.

### INDIAN SMARTPHONE MARKET

Chinese Smartphone vendors ruled the Indian Smartphone market, according to the latest report by Market tracker Canalsys. For the first time, none of the Indian Smartphone vendors made it to the top 5 Smartphone makers list, due to demonetisation of the Indian economy. An earlier report by International Data Corporation had revealed that there has been a drop of 30% in Smartphone sales in the last quarter, due to demonetisation.

Market Shares Q4 2016, Q4 2015

Region	Q4 2016		Q4 2015		Growth Q4'16/Q4'15
	Shipments (m)	% Share	Shipments (m)	% Share	
Total	28.1	100%	27.0	100%	40%
Samsung	6.2	22%	7.0	25%	-11%
Xiaomi	3.0	11%	0.9	3%	232%
Oppo	2.6	9%	0.2	1%	1578%
Lenovo	2.6	9%	3.0	11%	-14%
Vivo	2.1	7%	0.3	1%	647%
Others	11.6	41%	15.6	59%	-25%

Source: Canalsys estimates, Canalsys 2017

Note: Where applicable, a vendor's shipment numbers exclude rebranded products for which they act as an ODM.

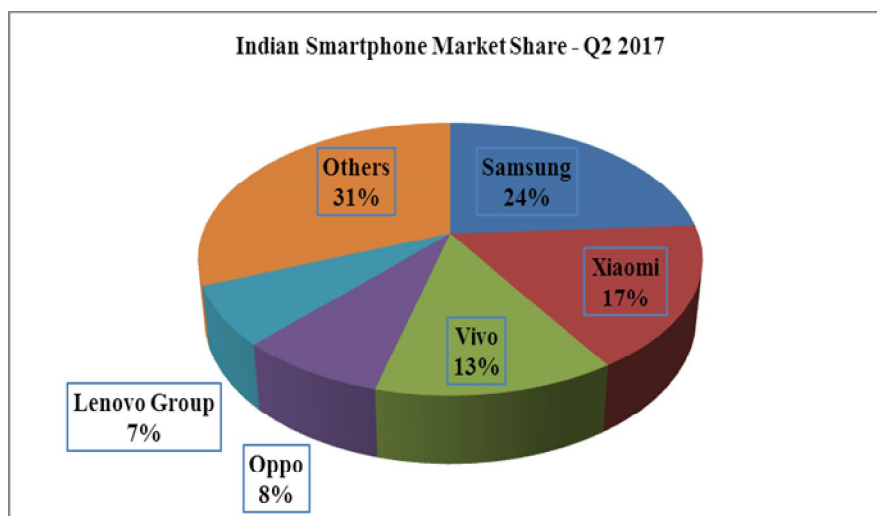
Samsung continued to lead the Indian Smartphone market, due to its established 9 retail network. Samsung shipped 6.2 million devices and captured a 22% share in the Indian market.

China's Xiaomi was on the second place with 3.0-million-units sold, while in the third spot was Oppo who shipped 2.6 million units. Lenovo landed the fourth spot with just under 2.6 million units shipped, and in the fifth place was Vivo which sold 2 million Smartphone's in India.

Local brands' target customers typically buy in cash and from independent retailers. With the short-term liquidity crunch caused by demonetisation, these retailers were suffering a slowdown in consumer spending. Local vendors were losing out as retailers look to shift their stock to fast-moving, current devices. In Q4 2015, Micromax, Intex and Lava took second, third and fifth place, accounting for almost 30% of the market. One year on and all three vendors have dropped out of the top five, with their collective share falling to around 11%. However, Oppo's intensive brand-building has paid off. Oppo has also driven strong channel expansion activities, investing in channel marketing initiatives and securing vital shelf space with local mobile retailers. While this is a capital-intensive approach, the significance of building a brand in India cannot be underestimated.

### INDIAN SMARTPHONE MARKET SHARE - Q2 2017

International Data Corporation has released a new report on Indian Smartphone market share in Q2 2017. As per the report, 28 million Smartphone's were shipped in Q2 2017 which is 3.7% Quarter-on-Quarter growth, whereas the Year-on-Year growth is just 1.6%. The growth is very small and is due to the recovery from demonetisation which was introduced in Q4 2016. Also, the introduction of GST had a huge impact on vendors as everyone tried to sell out their inventory. But, there was a quick-recovery from June as the vendors' adopted the GST in their sales channels.



Source: IDC Report – Q2 2017

The coming quarters will be very profitable for e-commerce websites and offline channels, as they've already made changes to adhere to GST, cleared off the old stock and waiting for the festive season. From the past three-quarters – Q3 2016, Q4 2016, and Q1 2017, the Indian mobile vendors have recorded all-time low sales, but in Q2 2017, there was an 18% Quarter-on-Quarter growth and still, the market share is limited to 15% of overall Smartphone market share. This could be treated as a positive sign as of a slow recovery and the introduction of new 4G Smartphone's under \$150 could further improve the market share of Indian vendors.

On the other side, Since Q4 2016, the Chinese vendors have occupied more than 50% in Indian Smartphone market share, and this time their market share is increased to 54% with a 9% quarter-on-quarter growth. This clearly shows how Chinese mobile vendors are going to rule the Indian Smartphone business in the coming quarters too.

### FEATURE PHONE MARKET SHARE IN INDIA – Q2 2017

After declining for two-quarters continuously, the feature phone shipments in India recorded a 6.5% growth Quarter-on-Quarter. A total of 34 million mobile phones were shipped in Q2 2017 which is 8.9% higher compared to the last quarter but neutral compared to last year in the same quarter.

The growth could further continue as the introduction of Jio Phone has already raised excitement on both channels and customers. Once the sales start in Q3 2017, the feature phone market share could experience a record market share.

Everyone's eyes are on festive season, and it's expected that the overall shipments would increase which will further help Indian mobile vendors gain some market share.

### **CONCLUSION**

Brands are growing stronger than ever. Initially the impact of Demonetisation over Smartphone had a negative impact. However, slowdown in Smartphone sales could potentially slower adoption of mobile broadband subscriber penetration. Smartphone technology though facing a crucial vision is now backing on floor with an expected increase in sales after. The introduction of GST is said to have its impact on Smartphone pricing along with various consumer-facing sectors, but according to Smartphone makers, there will be no impact on pricing. However, consumers can expect new phones models may increase by 4-5 per cent after the GST rate was fixed at 12 per cent. The present tax burden on Smartphone's is more than 13.5%, while the GST rate is 12%. Smartphone shipments in India this year are set to grow at the slowest pace so far due to the after-effects of demonetisation, ambiguity during the transition to the goods and services tax and the upcoming launch of Reliance Industries' 4G feature phones. Counterpoint Research scaled down its shipment expectations from 135 million. However, the Smartphone market's growth will continue to be slow for a few more quarters and expects the high growth to return by the second half of 2018. We can expect things to change in second half of 2018 because about 150 million 2G or 3G phone users will move to 4G.

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## DIGITAL INDIA INITIATIVE – IMPACT ON CONSUMERS, OPPORTUNITIES AND CHALLENGES

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### ABSTRACT

*Digital India is an initiative taken by the Honorable Prime Minister Narendra Modi led government which ensures to reduce the paper work and integrate various government departments and people of India so that various services can be provided to the people electronically. This paper highlights its impact on the general consumers, opportunities and challenges faced by the Digitalization.*

*Keywords: Digital India, Impact on consumers, opportunities, challenges.*

### 1.1 INTRODUCTION

“Our Youth has surprised the world with its IT skills. Our ancestors used to play with snakes, we play with mouse” - Mr. Narendra Modi, Honorable Prime Minister of India.

A remarkable progress has been witnessed in the online platform and the technological grounds so that the country is digitally empowered through internet connectivity. This initiative was launched on 1st of July in 2015 by Prime Minister Narendra Modi. The Digital India scheme aims to connect all the rural areas of the country with prompt internet connections. There are three core cogs that build up the Digital Marketing. They are:

- I. The creation of digital infrastructure
- II. Delivery of services digitally
- III. Digital literacy

According to the Indian Government, the Digital India Initiative would help them create jobs for about 18 lakhs people and will bring an investment of approximately Rs. 4.5 lack crore. Through this two-way platform program, the government will monitor the benefits for both the service providers and the customers. The Digital India Advisory board manages and supervises the scheme and is led by profound IT and India's Ministry of Communications.

**I Digital Infrastructure:** Digital India aims that the availability of high-speed internet will deliver better services to the citizens. The digital identification of every citizen will be unique and will be authentic as long as they live.

**II Delivery of Services Digitally:** This scheme has impeccably incorporated services across departments or jurisdictions in the country. The availability of services in real time has increased from both the online and mobile platforms.

**III Digital Literacy of Citizens:** Digitally transformed India is supposed to be more literate. The resources of Digital India are globally accessible. The availability of the digital services and resources are present in several Indian languages.

### 1.2 DIFFERENT PROGRAMS COVERED UNDER DIGITAL INDIA INITIATIVE

The Various programs under the Initiative are aimed at digital empowerment, improving digital infrastructure and offering on-demand governance and services. From building broadband highways, easing mobile connectivity and mainly promoting e-governance, the Digital India mission's main aim is to bridge the connectivity gap between the rural and urban areas. Some of the services launched by the government under Digital India Initiative are as follows:

**a) DIGILocker** - This initiative looks to minimize the usage of physical documents. It is a dedicated personal storage space for e-documents as well as Uniform Resource Identifier (URI) of e-documents issued by government departments.

**b) Bharat Net** - This initiative will work towards building high-speed digital highways to connect all 2.5 lakh Gram Panchayats of country by next year. This would be the world's largest rural broadband connectivity project using optical fiber.

c) **MyGov app** – The PM also launched the mobile version of the MyGov.in website. This platform encourages citizen engagement in governance, and the app will do the same on mobile.

d) **eSign** – An initiative to eradicate forgery and fraudulent signature, the eSign framework would allow citizens to digitally sign a document online using Aadhaar authentication.

e) **National Scholarships Portal** – This new service is said to be a one-stop-solution for end-to-end scholarship process right from submission of student application, verification, sanction and disbursement to end beneficiary for all the scholarships provided by the Government of India.

f) **Swachh Bharat Mission (SBM) app** - To further the Swachh Bharat mission, the government has launched this app and would be used by people and Government organizations.

g) **E-education** – The program looks to provide high-tech education using technology like smartphones, apps and Internet services. It can also be used to provide education in far-flung areas where it may not be possible for teachers to be present in person. The education can be imparted through virtual means as part of the program.

h) **E-health** – This initiative aims at providing timely, effective and economical healthcare services to all, especially to the ones that have little access to healthcare services. This service too will be linked to Aadhaar numbers, and will make getting lab reports and OPD appointments easier. The Online Registration System (ORS) under the e-Hospital application has also been introduced. This application provides important services such as online registration, payment of fees and appointment, online diagnostic reports, inquiring availability of blood online etc., the government claims.

i) **Next Generation Network (NGN)** – This is a BSNL initiative which looks to replace 30 year old exchanges, with this new IP-based technology to manage all types of services like voice, data, multimedia/ video and other types of communication services.

j) **Wi-Fi hotspots** - BSNL has undertaken large scale deployment of Wi-Fi hotspots throughout the country for Internet access on smartphones while on-the-go. The initiative has already kicked off with the government offering free Wi-Fi at tourist places like Taj Mahal, and spots at Shimla too.

### 1.3 REVIEW OF LITERATURE

A Number of research papers, journals and articles provide a detailed insight about Digital India Initiative, and the impact of this initiative on the Indian Economy. Seema Dua (2017) studied the concept, importance, challenges and practical solutions to accomplish the vision and concluded that the vision of digital India is grand. It is a huge step towards building a truly nation.

Rahul Midha (2016) studied barriers and remedies and concluded that although, Digital India program is facing some barriers, yet it has a great impact on India to make the best future of every citizen.

Himakshi Goswami (2016) concluded that government will do well to take into account the recommendation of the council on Digital Government strategies as entrusted in the OECD 2013 Ministerial Council Meeting while considering the agenda on “trust in Government: evidence, policies and decision making” at this stage of implementation of Digital India programme. The above review shows that no studies have been conducted to find out the impact of digitalization on the consumers and hence, the present research paper focusses on the same.

### 1.4 RESEARCH METHODOLOGY

The paper is based on primary data, to study the impact of digitalization on consumer, in which a survey has been conducted in the form of questionnaire, the analysis of which is presented in the form of diagrams for clear understanding of the subject matter.

Secondary data is also used and the information is collected from books, Research Papers, Journals, Articles, magazines and various websites

### 1.5 OBJECTIVES OF THE STUDY

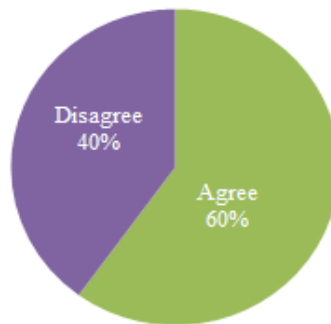
- To study the impact of Digital India Movement on consumers
- To study the different opportunities of the Digital India Program
- To analyze the different challenges and problems of Digital India Movement

### 1.6 ANALYSIS OF THE OBJECTIVES

#### A) To study the impact of Digital India Movement on consumers

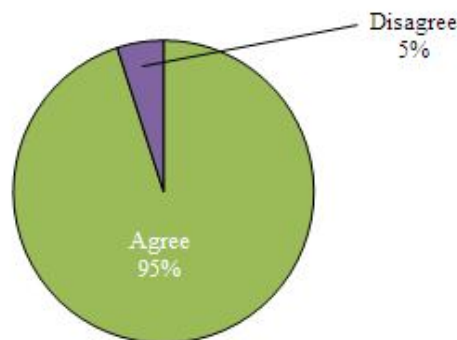
To study the impact of digitalization on consumers a questionnaire of 10 questions were asked from 40 people, the analysis of the responses received is presented in the following diagrams:

**Fig. 1.6.1**  
**Views on Non-Postponement of Purchases**



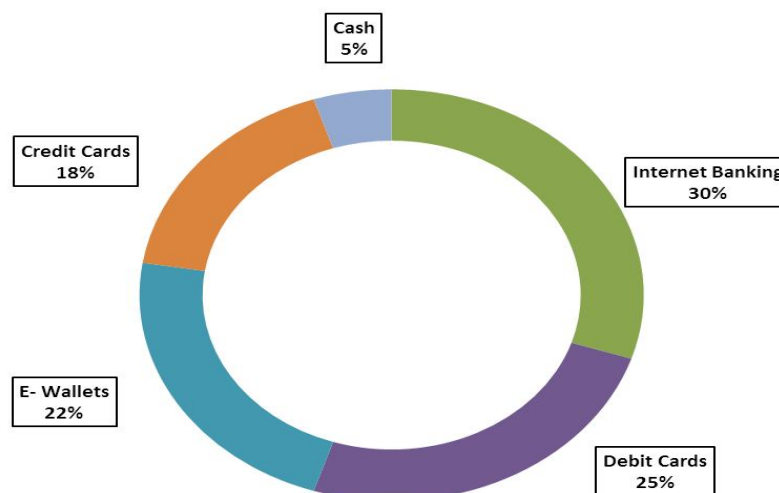
The first question focused on finding consumer view regarding whether they have to postpone their purchases due to digitalization. From the above diagram it can be seen that 60% people feel that after digitalization they do not need to postpone their purchases, on the other hand 40% still postpone their purchases due to various reasons.

**Fig. 1.6.2**  
**Ease in Payments**



The second question was to know their views on the ease of payments process, in which it was found that 95%, is of the view that the payments process which was earlier was quiet time taking has now become easy, but still 5% feel that these processes are not easy and complicated.

**Fig. 1.6.3**  
**Modes of payments generally preferred by consumers**

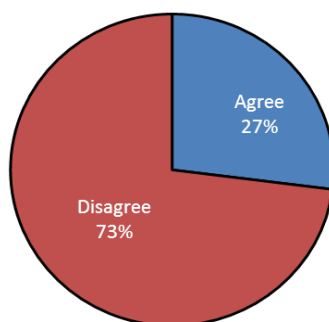


In the third question, consumers were given various modes of payments and they were asked to choose the mode(s) they generally prefer, from the fig.1.6.3 it is clear that after digitalization consumers has shifted their

interest from cash payments to various other modes such as Internet banking, Debit Cards, E – Wallets, Credit Cards to a large extent.

**Fig. 1.6.4**

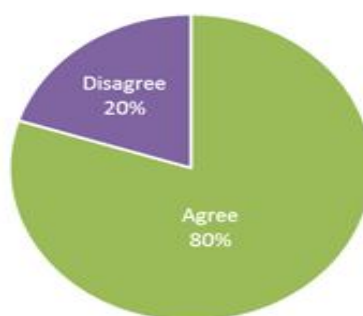
Positive Impact on Savings Level



Fourth question asked about the positive impact of digitalization on their savings level 73% responded that it had a negative impact on their savings level as they do not need to postpone their purchases and 27% feel positive effect as they do not need to keep much cash in hand which amounts to more savings.

**Fig. 1.6.5**

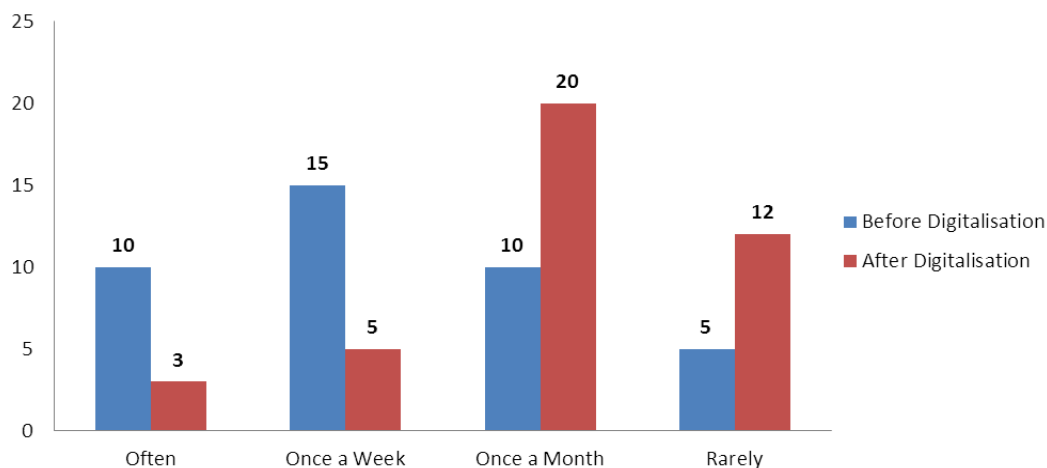
Creation of Credit Bubble



It is often seen that the credit cards issued by banks are misused by people, for example: To clear the old dues often new credit cards are being issued leading to creation of credit bubble. The next question focus on finding out whether such credit cards lead to creation of credit bubble creation. In which we recorded that 80% people agree that more use of credit cards leads to the creation of credit bubble .

**Fig. 1.6.6**

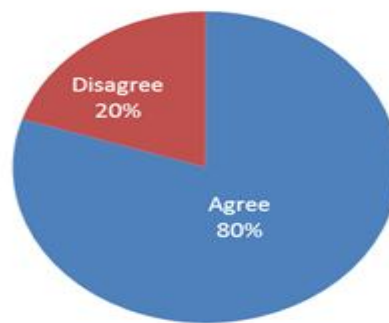
Physical visits to banks Pre and Post Digitalization



To know the actual impact digitalization, there was a need to analyze the condition before and after the digitalization for which we recorded the number of visits to banks before and after digitalization the above figure 1.6.6 clearly shows that after digitalization the number of visits has reduced to a very large extent.

**Fig. 1.6.7**

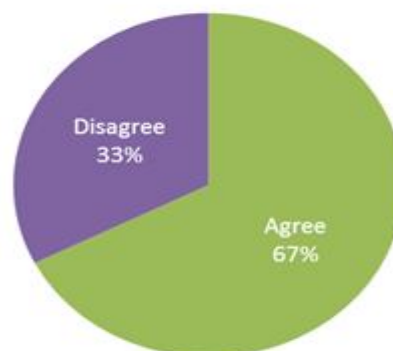
**Reduction of Personal Interaction with consumers**



Next question was on the view that due to digitalization has it reduced the personal interaction with the consumers 80% of the people agree with this because due to digitalization people do not visits bank as almost all the work is done online which has reduced the interaction of business with consumer.

**Fig. 1.6.8**

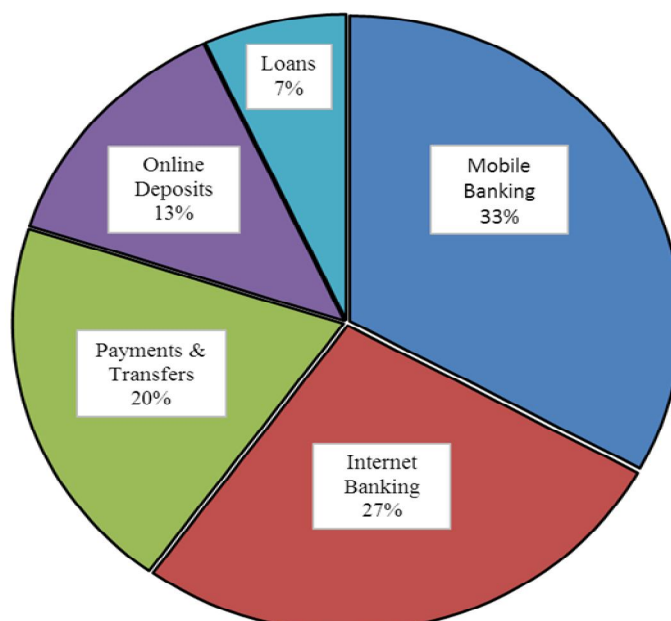
**Security of confidential information**



One of the major concerns in the digitalization is security of Information, as per the survey conducted 67% of the people agreed that the confidential information is secure and has limited access.

**Fig. 1.6.9**

**Popularity of Products After Digitalization**



At last, to check the popularity of various banking services respondents were asked to rank the above mentioned services (in Fig. 1.6.9) in the order of most popular to least popular the following results were recorded:



Rank 1: Mobile Banking

Rank 2: Internet banking

Rank 3: Payments and Transfers

Rank 4: Online Deposits

Rank 5: Loans

#### **B) To study the different opportunities of the Digital India Program**

The Different opportunities of the Digital India initiative are as follows:

- **Skill Building:** A strong skill base is required to support the initiatives and services that are envisaged under the Digital India umbrella. Development of technical skills within ministries and state governments will enable the spread of e-governance services, maintenance and upgradation and decision making on all digital initiatives.
- **Digital Adoption:** For Digital India to be successful, all segments of Indian society need to adopt digital technologies. This will not only create demand for Digital India but also achieve its vision of empowering all citizens.
- **Smartphone penetration:** India is the second largest mobile phone market globally with over 1 billion mobile subscriptions. Of this, smartphone users account for approximately 240 million subscriptions which is expected to grow to 520 million by 2020. Majority of internet users access the internet through mobile networks. Given the rapid growth in smartphones, penetration of digital services is expected to rapidly increase.
- **Job creation:** With an estimated overall cost of INR 1,000 billion in ongoing schemes and INR 130 billion for proposed and new schemes, Digital India aims to create 17 million direct and 85 million indirect jobs by 2019.
- **Increasing profitability:** In India, adoption of advanced business digital technologies can lead to increase in revenues by up to 27%, increase in employment by up to 84% and enhanced access to international markets by up to 65% for small and medium business (SMBs). Digital infrastructure can also help leveraging technologies like telepresence that can reduce the need for business travel and result in cost savings.
- **Ease of doing business:** The government has taken several measures to improve ease of doing business in India. Consequently, India has seen an improvement in the global ranking for ease of doing business<sup>60</sup>. Services such as e-Biz portal, KYC and other e-governance initiatives have started to contribute to the improvement in ease of doing business and this is expected to further improve.

#### **C) To study the different challenges and problems of Digital India Program**

The Challenges of Digitalization are as follows:

- **Cost and affordability:** According to Asian Development Bank, approximately 22% of the population in India lives below the poverty line. Thus, affordability of internet enabled devices along with data services becomes a challenge for a large section of the society. Further, a large section of the population is of the view that the cost of the adoption of technology outweighs the benefits in the current scenario. Similarly, several MSMEs are skeptical of the return on investment of technology adoption.
- **Limited high speed mobile data connectivity:** Most telecom operators so far have not invested significantly in development of high speed access networks in rural areas.
- **Low awareness of benefits of technology:** Amongst the lower strata of society, the awareness of the benefits of adopting technology is low as is the awareness of government schemes and initiatives. Similarly, MSMEs also have low awareness of government and stakeholder schemes that could lead to numerous benefits.
- **Low rate of digital literacy:** A key hindrance to adoption of technology is the low rate of digital literacy in India. Several initiatives undertaken by the government and other organizations are expected to improve the digital literacy rate in the coming years which will in turn result in an increase in adoption of technology and digital services.
- **Limited digital content in regional languages:** While there has been an increase in localized content and applications, content still remains limited in several local and regional languages. Most applications that

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exist have been driven by the government. Private sector involvement remains limited to proof of concepts (PoCs) in limited test environments.

- **Security and privacy:** In India, several apprehensions about security and privacy exist when it comes to technology. While individual users fret about their private and financial data being accessible or stolen, business users worry about storing sensitive data, such as invoices, bills and client documents, on technology platforms without adequate protection.

### **1.7 CONCLUSION**

After the research it can be concluded that Digital India has largely impacted the daily life of the common people and specially consumers, which includes businessmen, servicemen, students etc.

Even after Liberalization and the introduction of NEP 1991 our economy needed a strong boost to compete with the other economies of the world. As per World Bank Indian economy will grow at a growth rate 7.2% in FY18. The Initiative to be successful it has a long way to go because there are certain challenges which are still left to be dealt with. From the responses received, digitalization is expected to lead to a great transformation of the Indian Economy.

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## **A STUDY ON EFFECTS OF DEMONETIZATION ON CONSUMER SPENDING**

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### **ABSTRACT**

*The Demonetization had a great significant and immediate impact on the economy and consumer spending in India. In this paper, an attempt has been made to find impact on consumer's spending pattern. A sample of 100 respondents were randomly taken from the Mumbai Region. It is found that three variables namely gender, monthly income and occupation have significant association with the impact of Demonetization. The move by the government is an attempt to eliminate a reasonable volume of currency notes which is in the circulation because of inflation. The main idea of demonetization was to eliminate the counterfeit currency and the black money prevailing in the country.*

*Keywords: Demonetization, Denominations, Consumer Spending, Black Money, Currency.*

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### **INTRODUCTION**

Demonetization is the most important and necessary when there is a change of national currency. The old unit of currency replaced with new currency. Demonetization is the process where government declares the currently running currency notes illegal to be tender after the declaration is made. There are both pros and cons of demonetization in the Indian economy. The reasons for demonetization are to control counterfeit notes that could be contributing to terrorism, and to undermine or eliminate the "black economy".

### **OBJECTIVES OF THE STUDY**

- To know the increase in use of digital/cashless modes of transaction after demonetization.
- To study the impact of demonetization on consumer spending.
- To know the preferred mode of payments of the general public before and after demonetization.
- To know the consumer spending patterns of different occupations.

### **SCOPE OF THE STUDY**

Demonetization is a financial concept. The scope of this study is spread over the Mumbai region. Mumbai is known as the Financial Capital of India, and so the area was selected to know the effects of demonetization on the consumer spending. This study will be helpful for the citizens of India. Indian government, businessmen and customers or consumers. Through this study government will be able to know about the future conditions of the economy. This study will help to the government for policy making to the betterment of the economy. Any businessman can take wise decision so that he will be able to generate more revenue and can earn the profit in the actual market scenario. This study will also help consumers to know the present and future conditions of the economy and they can take rational decision on their income and expenditure.

### **LIMITATIONS OF THE STUDY**

- The study is restricted to the selected sample of Mumbai Region and hence the result of the study cannot be generalized.
- The statistical methods used to analyze the data have their own limitations.
- All the limitations of primary data are applicable to this study.

### **RESEARCH METHODOLOGY**

Research Methodology used for this study is Primary Data. The methodology for the study was rigorous, questionnaires were made, interview with consumers were held and various book and website were referred for any type of information related to the study.

### **WHAT IS CONSUMER SPENDING?**

Consumer spending is another term for voluntary private consumption, or an exchange of money for goods and services. The measures of consumer spending include all private purchases of durable goods, non-durables and services. Consumer spending, consumer demand, consumption, or consumption expenditure is the purchasing of goods and services by individuals or families.

There are two components of consumption:

- a) Induced Consumption. (which is affected by the level of income)
- b) Autonomous Consumption. (which is not affected due to the level of income)

Consumer spending can be categorized into regular spends and lifestyle spends. Regular spending includes the basic necessities of life, while lifestyle spending includes spending on a computer, internet, car, cell phone, etc. There are a number of factors affecting the consumer spending pattern in India; these include growing income levels resulting in more disposable income with individuals, changing attitudes towards consumption, changes in prices, introduction of new products, availability of credit such as loans, mortgages and credit cards, rising aspiration levels, increased literacy, growing brand consciousness and rapid urbanization.

### WHAT DO INDIANS SPEND THEIR MONEY ON?

- (a) Travelling.
- (b) Fashion Shopping,
- (c) Dining,
- (d) Entertainment.
- (e) Food,
- (f) Shelter
- (g) Online Shopping, etc.

### WHAT IS DEMONETIZATION?

Demonetization is the act of withdrawal of particular denominations of currency from circulation and its status as legal tender. It occurs whenever there is a change of national currency. The prevailing form or forms of money is pulled from circulation, often to be replaced with new notes or coins. Sometimes, the old currency is completely replaced with new currency.

Demonetization is a “monetary step in which a currency unit’s status as a legal tender is declared invalid”. The old unit of currency is to be retired and replaced by the new units of currency. It includes either introducing new notes or coins of the same denomination or completely replacing the old denomination with the new denomination which is often carried out in the economy’s market. The opposite of demonetization is called as remonetization in which a form of payment is restored as legal tender.

Currency is a commonly accepted form of money, including coins and paper notes, which is issued by a government and circulated within the economy. The currency or legal tender is issued by the country’s central bank a monetary authority. The national currency is the main form of currency used for most of the financial transactions in the country. In this study we will see how Demonetization affected the consumer spending with reference to Mumbai Region.

### DEMONETIZATION IN INDIA

Demonetization has happened thrice in India. The first was on the 12th of January 1946 (Saturday), second on 16th of January 1978 (Monday) and the third was on 8th of November 2016 (Tuesday). In the January of 1946, notes of denominations 1,000 and 10,000 rupees were withdrawn from circulation and new notes of denominations 1,000, 5,000 and 10,000 rupees were introduced in 1954. The second time in the January of 1978 the Bhartiya Janata Party again demonetized bank notes of denominations 1,000, 5,000 and 10,000 rupees on 16th of January 1978 with the main aim of curbing counterfeit currency and black money. The highest of all denominations ever printed by the Reserve Bank of India was the Rs 10,000 note in 1938 and was again in 1954. But these notes were demonetized in the January of 1946 and again in the January of 1978.

Apart from these three times demonetization was undertaken one more time, in 2011. In 2011 25 paise coins and less than that were demonetized and the new series of 50 paise coins was introduced.

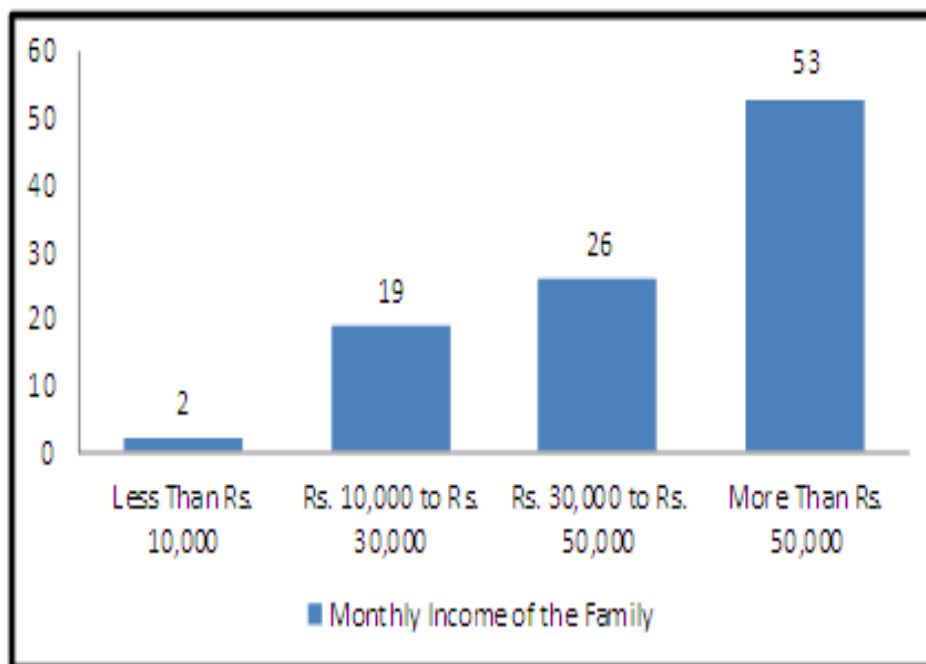
### ANALYSIS AND INTERPRETATION

#### a) Demographic Profile of the People

Table No. 1 describes the demographic profile of the respondents for the study. Out of 100 respondents who were taken for the study: it has been identified that most (59%) of the respondents are female, most (50%) of the respondents are students, (21%) are employed, (15%) are self employed, (53%) having monthly income of the family more than Rs. 50,000.

Factors	Number of Respondents N=100	Percentage
<b>Gender</b>		
Male	41	41%
Female	59	59%

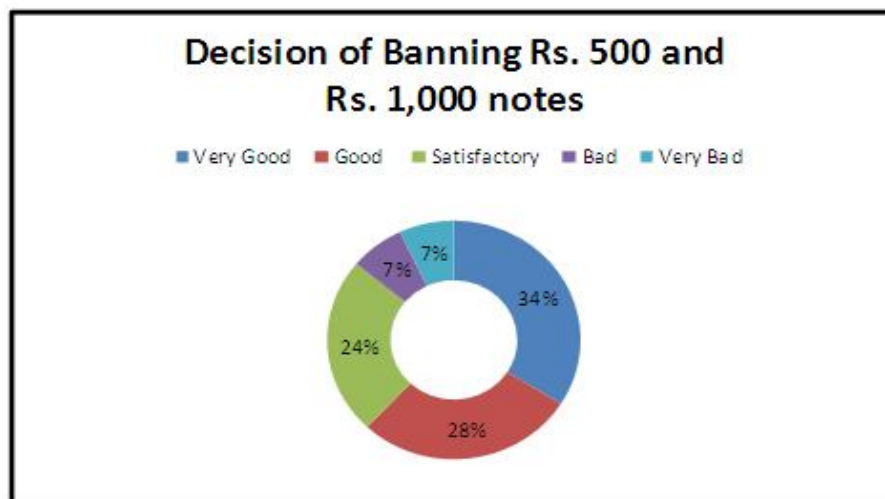
Occupation		
Student	50	50%
Employed	21	21%
Self- Employed	15	15%
Service	14	14%
Monthly Income of the Family		
Less Than Rs. 10,000	2	2%
Rs. 10,000 to Rs. 30,000	19	19%
Rs. 30,000 to Rs. 50,000	26	26%
More Than Rs. 50,000	53	53%



#### b) Thinking of Respondents

Table No. 2 describes the thinking of the people in regard of black money's existence, elimination of it, and the decision of demonetization 2016. Out of 100 respondents who were taken for study: it has been identified that most (98%) of the respondents think that black money exists in India, all (100%) of them think that black money should be eliminated, the decision of banning Rs.500 and Rs. 1,000 notes (34%) was very good, (28%) good, (24%) satisfactory, (7%) bad, (7%) very bad.

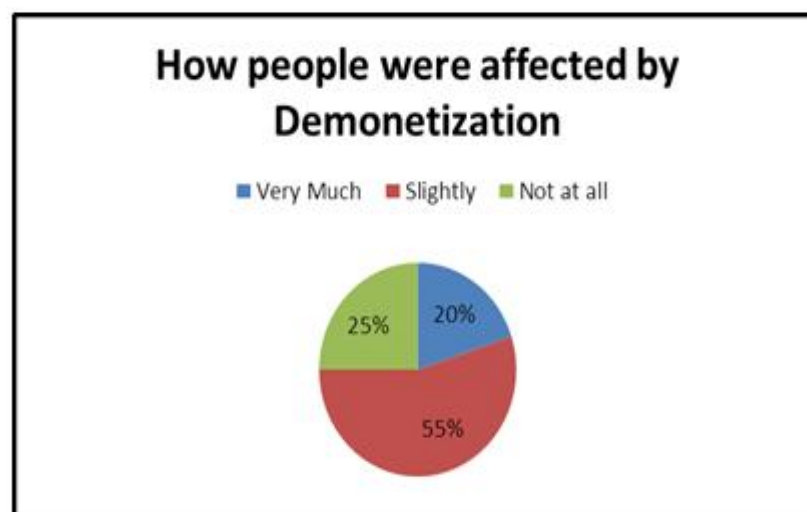
Factors	Number of Respondents N=100	Percentage
<b>Respondents who think Black Money exists in India</b>		
Yes	98	98%
No	2	2%
<b>Respondents who think Black Money must be eliminated</b>		
Yes	100	100%
No	0	0%
<b>Decision of banning Rs. 500 and Rs. 1,000 notes</b>		
Very Good	34	34%
Good	28	28%
Satisfactory	24	24%
Bad	7	7%
Very Bad	7	7%



### c) Impact on people

Table No. 3 describes that how much percentage of respondents had inconvenience, experienced personal or professional crises due to severe cash crunch, had difficulty in using the Rs. 2,000 note in the open market and how it affected their spending pattern. Out of 100 respondents who were taken for study: most (58%) had inconvenience but they do not mind, most (61%) had experienced personal or professional crises due to severe cash crunch, most (76%) faced difficulty in using the new Rs. 2,000 note in the market, demonetization (55%) slightly affected their spending pattern, (20%) majorly affected the spending pattern and (25%) did not affect the spending pattern of the respondents.

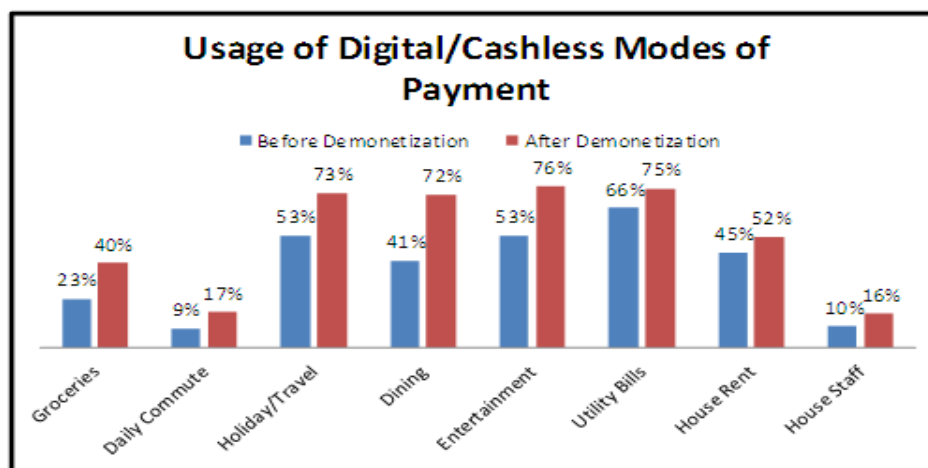
Factors	Number of Respondents N=100	Percentage
<b>Respondents who had inconvenience due to Demonetisation</b>		
Yes	23	23%
Yes, but don't mind	58	58%
No	19	19%
<b>Respondents who had personal or professional crises</b>		
Yes	39	39%
No	61	61%
<b>Faced difficulty in using new Rs. 2,000 note</b>		
Yes	76	76%
No	24	24%
<b>Affected spending pattern</b>		
Very Much	20	20%
Slightly	55	55%
Not at all	25	25%



#### **d) Change in payments mode**

Table No.4 describes how much number of people used cashless modes of payment before demonetization and how much are using cashless modes of payment after demonetization. Out of 100 respondents who were taken into study the expenses of them under certain heads such as groceries, daily commute, holiday/travel, dining, entertainment, etc. are recorded.

Factors	Percentage of Respondents (Out of 100 respondents)	
	Before Demonetization (Cashless)	After Demonetization (Cashless)
Groceries	23%	40%
Daily Commute	9%	17%
Holiday/Travel	53%	73%
Dining	41%	72%
Entertainment	53%	76%
Utility Bills	66%	75%
House Rent	45%	52%
House Staff	10%	16%



#### **CONCLUSION**

After studying demonetization in detail, and its effects on consumer spending by conducting a survey of 100 consumers the following facts can be listed down:

- Majority of the consumers believe that the demonetization can be used for eradicating a huge amount of black money prevailing in the country.
- The consumers were affected by the decision of demonetization but they don't mind if it is done for the betterment and well being of the economy of the country.
- The consumers were affected due to a cash crunch but most of them switched to use cashless or digital transactions to pay for the services used by them.
- Approximately half of the consumers do not mind using the digital mode of payments and do not feel unsecured while using them.
- The main motive of demonetization is to curb the parallel economy which is carried on by the use of black money, and increasing the use of cashless modes of payments so as to keep track on the transaction, and get tax revenues on time to time and get saved from the tax evaders.
- Demonetization hence has been successful in its motive as the consumers have started using cashless modes of transactions, and also black money has been eradicated also curbing the parallel economy.

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## APPENDIX

Questionnaire undertaken for this study

1. Name: \_\_\_\_\_
2. Gender:
 

☐ Male
☐ Female
3. Monthly Income of Family:
 

☐ Less than Rs. 10,000

☐ Rs. 10,000 to Rs. 30,000

☐ Rs. 30,000 to Rs. 50,000

☐ More than Rs. 50,000
4. Occupation:
 

☐ Student

☐ Self Employed

☐ Employed

☐ Tradesman

☐ Service
5. Do you hold an account in any of the Banks?
 

☐ Yes
☐ No
6. Do you think black money exists in India?
 

☐ Yes
☐ No
7. Do you think the evil of corruption and black money needs to be fought and eliminated?
 

☐ Yes
☐ No
8. Rate the decision of Modi Govt. of banning Rs. 500 and Rs. 1,000 notes on a scale of 1 to 5. Where 1 signifies very good and 5 signifies very bad.  
**1 2 3 4 5**
9. Did the move cause any inconvenience to you?
 

☐ Yes
☐ Yes, but I don't mind
☐ No



10. Have you faced any professional or personal crises due to a severe cash crunch?

☐ Yes ☐ No

11. Have you faced any difficulty in using the new Rs. 2,000 note in the market?

☐ Yes ☐ No

12. How has demonetization affected your spending pattern?

☐ Very much – Most of my transactions are in cash

☐ Slightly – But I have started to get a hang of digital payments now

☐ Not at all – Most of my transactions are cashless

13. Have the number of ATM visits changed post demonetization?

☐ Not much, I switched to digital banking

☐ Somewhat, due to basic cash exchange/deposit

☐ Increased a lot, most of my expenses require cash payments

14. What is your view on the ATM presence in your locality?

☐ Easy ATM access ☐ Not adequate access

15. What is your mode of payment? Kindly check the appropriate box for each kind of expense/payment?

Expenses	Before Demonetization		After Demonetization	
	Cash	Cashless	Cash	Cashless
Groceries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Daily Commute	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Holiday/Travel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dining	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Entertainment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Utility Bills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
House Rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
House Staff Salary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. What is the approximate amount of cash you still need to use per month

☐ Up to Rs. 5,000

☐ 5,000 to 10,000

☐ 10,000 to 20,000

☐ 20,000 and above

17. How comfortable are you in using digital mode of payments?

☐ Very Comfortable

☐ Somewhat Comfortable

☐ Doesn't make a difference

☐ Somewhat Uncomfortable

☐ Very Uncomfortable

18. Are there any other ways how demonetization has changed your personal habits/lifestyle? Please Share.

## RECENT TRENDS IN COMMERCE AND MANAGEMENT IN THE WAKE OF DEMONETIZATION AND DIGITALIZATION

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### ABSTRACT

*On november 8, Prime Minister Narendra Modi announced demonetization of high value currency notes of rs.500 and rs.1000 in an attempt to control the black money among other things. Subsequently, as a fallout of this decision, focus also shifted to urging people to go digital and move towards a cashless form of transaction. The importance and changes that have been brought post demonetization and with the advent of digitalization have been explained. The availability of digitization and digitalization and the take up amongst SMEs as well as large enterprises and all tiers of society is now very important. Digitalization should make services faster, cheaper and more accessible to people and business along with making them formal and accountable. Thus diminishing the need for an informal sector. Several questions have been raised such as whether india, where people still do not have access to the internet, is ready for such a drastic change. Demonetization has led to the increased usage of digitalization that includes digital payments, services, trading and transactions.*

*Keywords: Demonetize, digitalize, change, attempt, black money, cashless, enterprise, payments, trading, society.*

### INTRODUCTION

On 8 November 2016, the Government of India announced the demonetisation of all ₹500 (US\$7.80) and ₹1,000 (US\$16) banknotes of the Mahatma Gandhi Series. The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism. The sudden nature of the announcement—and the prolonged cash shortages in the weeks that followed - created significant disruption throughout the economy, threatening economic output. Initially, the move received support from several bankers as well as from some international commentators. The move has also been criticised as poorly planned and unfair, and was met with protests, litigation, and strikes against the government in several places across India. Debates also took place concerning the move in both houses of parliament. The move is considered to have reduced the country's GDP and industrial production.

### OBJECTIVES OF RESEARCH

- 1) To study the role of demonetization.
- 2) To study the recent changes post demonetization.
- 3) To gain knowledge about the digital move post demonetization.
- 4) To know the pros and cons of demonetization.

### CHANGES IN THE COMMERCIAL SECTOR

- **STOCK MARKET:** The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the day after the announcement. In the days following the demonetisation, the country faced severe cash shortages with severe detrimental effects across the economy. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked due to the rush to exchange cash.
- **BUSINESS:** By the second week after demonetisation of ₹500 and ₹1,000 banknotes, cigarette sales across India witnessed a fall of 30–40%, while E-commerce companies saw up to a 30% decline in cash on delivery (COD) orders.
- **DIGITAL TRANSACTIONS:** Several e-commerce companies hailed the demonetisation decision as an impetus to an increase in digital payments, hoping that it would lead to a decline in COD returns which could cut down their costs.

The demand for point of sales (POS) or card swipe machines increased. E-payment options like PayTM and Instamojo Payment Gateway, PayUMoney also saw a rise. According to data of Pine Labs, the demand for its POS machines doubled after the decision. The company stated that the debit card transactions rose by 108% and credit card transactions by 60% on 9 November 2016.

After peaking in December 2016, digital transactions declined from January 2017 onwards, thus thwarting the objective of increasing digital payments through demonetisation.

- **DROP IN INDUSTRIAL OUTPUT:** There was a reduction in industrial output as industries were hit by the cash crisis. The Purchasing Managers' Index (PMI) fell to 46.7 in November from 54.5 in October, recording its sharpest reduction in three years. A reading above 50 indicates growth and a reading below shows contraction. This indicates a slowdown in both, manufacturing and services industries. The PMI report also showed that the reduction in inflation in November was due to shortage in money supply.
- The growth in eight core sectors such as cement, steel and refinery products, which constitute 38% of the Index of Industrial Production (IIP), was only to 4.9 percent in November as compared with 6.6 percent in October.
- **JOB LOSSES:** There was a loss of jobs due to demonetisation, particularly in the unorganised and informal sector and in small enterprises. Labour union jobs were crashed

### **1.1) LET US DISCUSS ABOUT THE CURRENT TRENDS WITH RESPECT TO DEMONETIZATION AND DIGITALIZATION**

Demonetization has hastened digital transactions. The government's demonetization move has deepened digital payments penetration in the country by pushing people to pay for personal consumption items electronically, according to TR Ramachandran, group country manager for India and South Asia at visa consolidated support services.



Non- discretionary categories such as fuel and groceries are also adding to digital transactions, he said.

“India has perhaps leapfrogged three to four years and achieved what otherwise could have happened in 2020,” Ramachandran said.

“There has been a significant increase in digital payments penetration post demonetization. In the overall context, we look at what is known as PCE(personal consumption expenditures). The current penetration of digital payments for these expenses is 7 to 9 percent. “ so this is not a one year or two years, but a multiyear opportunity to convert cash into digital. Consumers are slowly but steadily embracing digital payments. Moving towards cashless economy is a utopian world. Moving less cash is certainly realistic and within the realm of 2017,” he said.

### **1.2) LET US HAVE A LOOK AT SOME OF THE CHANGES WITH RESPECT TO DIGITALIZATION POST DEMONETIZATION**

- 1) Post demonetisation, India witnessed growth in mobile wallets .
- 2) Number of transactions per day through mobile wallets stands as 67 Lakh.
- 3) Number of UPI transactions has increased from 3,721 to 53,648.
- 4) There is an increased growth of 1342% in UPI transaction
- 5) The value of transactions in UPI has increased to Rs 14 Cr/day
- 6) RuPay transactions have increased to 21 Lakhs per day.
- 7) RuPay transactions have increased from 3.85 Lakhs/day to 21 Lakhs per day
- 8) The growth rate of the number of RuPay transaction per day stands out to be 446 percent.
- 9) The growth rate of the value of RuPay transaction per day stands out to be 530 percent.
- 10) USSD financial transactions have increased from 97 transactions/day to 5078 transactions/day.
- 11) The growth rate of number of USSD transaction per day stands out to be 5135%.
- 12) The value of transactions in USSD has increased from Rs 1 Lakhs/day to Rs 46 lakhs per day.

- 13) The growth rate of Value of USSD transaction per day stands out to be 4061%.
- 14) Cards/PoS transactions have increased to 444.3 Million transactions.
- 15) Cards/PoS transactions have increased from 205.5 Million to 444.3 Million transactions.
- 16) Govt to import one million POS machines to enable Digital Payments across India.
- 17) RTGS transactions have increased to 14.8 Million.
- 18) RTGS transactions have increased from 7.9 Million to 14.8 Million.
- 19) NEFT transactions have increased to 253.6 Million.
- 20) NEFT transactions have increased from 123 Million to 253.6 Million.
- 21) In less than a month CSC e-Governance have trained more than 1 Cr citizens in digital payments.
- 22) PM's initiative Digi Dhan Melas organized across nation to promote digital payments.
- 23) India adopting digital payment modes & moving towards more transparent economy.
- 24) DigiDhan Vyapar Yojana & Lucky Grahak Yojana launched to encourage digital payments.
- 25) India witnesses e-commerce upsurge after demonetization.
- 26) No. of transactions on mobile wallets has increased 210% after demonetization.
- 27) India moving towards a safe and secure cashless society using technology.
- 28) State governments offer various incentives to promote digital transactions.
- 29) Various mahila sabhas are organized to train women in making digital payments.
- 30) Youths across the nation participate in events & teach others about digital payments.
- 31) Usage of e-wallets, banking apps increases, more transparent and traceable economy.
- 32) Central govt. & PSUs host events to educate people about digital transactions.
- 33) Thelewala, Dabbawala, Autowalas, Vegetable & fruit sellers go digital.
- 34) Income Tax rebate for small traders adopting digital transactions.
- 35) USSD services a boon for people without smartphones.

The world is going global! Connecting with someone halfway around the world is as easy as taking the early morning stroll in the nearby park for a person. This evolution has also seen a ripple effect in the world of automobiles. Manufacturers are exploring new and exciting ways to market their products as well as engage the aspirational audience. Adding to this, demonetisation of Rs 500 and Rs 1,000 currency notes has encouraged car and two-wheeler makers to accept bookings through digital channels.

One recent example was at the launch event of the Dominar 400 from Bajaj Auto. Moving forward in the digital space, the Indian bike maker announced it will accept booking for their sub-500 cc motorcycle through the official website with a booking amount of Rs 9,000. Customers can later pay the entire amount through digital channels. Similarly, the Maruti Suzuki Ignis compact crossover that was unveiled recently, will be available for booking through the official Nexa website early January. Price of the Ignis will be announced will happen on 13th January 2016.

Taking the engagement digitally forward, apart from on-ground events and customer engagement programmes, carmakers are also adding their digital footprint. After the launch of the Ford Mustang in India at a price tag of Rs 65 lakh, ex-showroom Delhi, the company has initiated a number of online programmes. A recent noteworthy mention goes to the introduction of the 'Pocket Mustang' website, a mobile optimised solution that uses a smartphone's gyro sensor wherein the user is able to play and record moves to gain points. An application like the aforementioned allows admirers to experience the car virtually, creating brand recall in the mind of a car buyer, irrespective of their affordability.

Such digital innovations along with e-commerce payments for automobiles is a leap forward in the Indian automotive industry. With more car and two-wheeler manufacturers adopting digital ideas, it leaves a lasting impression on the user's mind after which word-of-mouth become the major propellant of the brand value and the application itself. Digital is undoubtedly the way forward!

Recently, Mr. Ravi Shankar Prasad declared that digital economy will offer 5 to 7 million job opportunities.



“ We owe  
India  
a digital  
revolution ”  
-Ravi Shankar Prasad

India's burgeoning digital economy is expected to provide job opportunities to about 50 to 70 lakh youth in the country by 2020, Electronics and IT Minister Ravi Shankar Prasad said. Reiterating the centre's commitment towards the country's growth, Prasad said it is important to have affordable and inclusive technology to ensure growth and prosperity for the masses.

### **1.3) LET US MOVE AHEAD TO STUDY SOME MORE CHANGES POST DEMONETIZATION WITH THE HELP OF DIGITALIZATION**

Gross Domestic Product or GDP growth rate has slumped down to 6.1 per cent in the January-March period, lowest in more than two years. This growth rate was unexpected as the Central Statistics Office earlier in January had estimated 7.1 per cent growth as compared to the 7.6 per cent in 2015-16. With this March quarter report, India lost its status as the world's fastest growing major economy.

Last year, when the Prime Minister demonetised old Rs 500 and Rs 1000 currency notes it was feared that the country's economy would be severely hit. The opposition parties expressed their concerns over job loss and slow down in informal sector, but the government agencies maintained that impact would be short-term and marginal. Not only politicians but top-notched economists were also divided over the real effect of the demonetisation.

Now that we know how note ban has brought down India's economic growth rate to 6.1 per cent, it's time to go over and see what the economists had predicted and how accurate they are. However, the real impact could be much more as 'India's statistical machinery does not capture data on the informal economy on a regular basis'.

### **CONCLUSIONS**

From the above data, we can conclude that demonetization is a positive move because it has encouraged digitalization to a great extent as compared to the pre- demonetization period. Cashless economy is a positive move and has to be continued for the upcoming years. The cashless transaction system is reaching its growth day by day , as soon as the market become globalised and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction.

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## **CASHLESS ECONOMY IN INDIA**

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### **ABSTRACT**

*A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bit coin. However this article discusses and focuses on the term "cashless society" in the sense of a move towards, and implications of, a society where cash is replaced by its digital equivalent - in other words, legal tender (money) exists, is recorded, and is exchanged only in electronic digital form.*

*Keywords: Cashless, transactions, money, payment, economy*

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### **INTRODUCTION**

India continues to be driven by the use of cash; less than 5% of all payments happen electronically however the finance minister, in 2016 budget speech, talked about the idea of making India a cashless society, with the aim of curbing the flow of black money.

Even the RBI has also recently unveiled a document — **“Payments and Settlement Systems in India: Vision 2018”** — setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term.

### **OBJECTIVES OF THE STUDY**

The aim behind this Research is

- To know what a Cashless economy
- Benefits and Challenges in making India a cashless economy
- What else to be done to make India cashless

### **WHAT IS A CASHLESS ECONOMY AND WHERE DOES INDIA STAND?**

- A cashless economy is one in which all the transactions are done using cards or digital means. The circulation of physical currency is minimal.
- India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world—12.42% in 2014, compared with 9.47% in China or 4% in Brazil.
- Less than 5% of all payments happen electronically
- The number of currency notes in circulation is also far higher than in other large economies. India had 76.47 billion currency notes in circulation in 2012-13 compared with 34.5 billion in the US.
- Some studies show that cash dominates even in malls, which are visited by people who are likely to have credit cards, so it is no surprise that cash dominates in other markets as well. III.

### **BENEFITS OF CASHLESS ECONOMY**

- Reduced instances of tax avoidance because it is financial institutions based economy where transaction trails are left.
- It will curb generation of black money
- Will reduce real estate prices because of curbs on black money as most of black money is invested in Real estate prices which inflates the prices of Real estate markets
- In Financial year 2015, RBI spent Rs 27 billion on just the activity of currency issuance and management. This could be avoided if we become cashless society.
- It will pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital.
- There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients. Thus once money is transferred directly into a beneficiary's bank account, the entire process

becomes transparent. Payments can be easily traced and collected, and corruption will automatically drop, so people will no longer have to pay to collect what is rightfully theirs.

- There will be efficiency gains as transaction costs across the economy should also come down.
- 1 in 7 notes is supposed to be fake, which has a huge negative impact on economy, by going cashless, that can be avoided.
- **Hygiene** – Soiled, tobacco stained notes full of germs are a norm in India. There are many such incidents in our life where we knowingly or unknowingly give and take germs in the form of rupee notes. This could be avoided if we move towards Cashless economy.
- In a cashless economy there will be no problem of soiled notes or counterfeit currency
- Reduced costs of operating ATMs.
- Speed and satisfaction of operations for customers, no delays and queues, no interactions with bank staff required.
- A Moody's report pegged the impact of electronic transactions to 0.8% increase in GDP for emerging markets and 0.3% increase for developed markets because of increased velocity of money

An increased use of credit cards instead of cash would primarily enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers.

#### **THIS WILL EVENTUALLY HAVE THE FOLLOWING CHAIN EFFECT**

1. **Improvement in credit access and financial inclusion**, which will benefit the growth of SMEs in the medium/long run.
2. **Reduce tax avoidance** and money laundering thanks to the higher traceability of all the transactions.
3. The increased use of credit cards will definitely reduce the amount of cash that people will carry and as a consequence, reduce the risk and the cost associated with that.

#### **CHALLENGES IN MAKING INDIA A CASHLESS ECONOMY**

- Availability of internet connection and financial literacy.
- Though bank accounts have been opened through Jan Dhan Yojana, most of them are lying un operational. Unless people start operating bank accounts cashless economy is not possible.
- There is also vested interest in not moving towards cashless economy.
- India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure.
- The perception of consumers also sometimes acts a barrier. The benefit of cashless transactions is not evident to even those who have credit cards. Cash, on the other hand, is perceived to be the fastest way of transacting for 82% of credit card users. It is universally believed that having cash helps you negotiate better.
- Most card and cash users fear that they will be charged more if they use cards. Further, non-users of credit cards are not aware of the benefits of credit cards.
- Indian banks are making it difficult for digital wallets issued by private sector companies to be used on the respective bank websites. It could be restrictions on using bank accounts to refill digital wallets or a lack of access to payment gateways. Regulators will have to take a tough stand against such rent-seeking behavior by the banks.

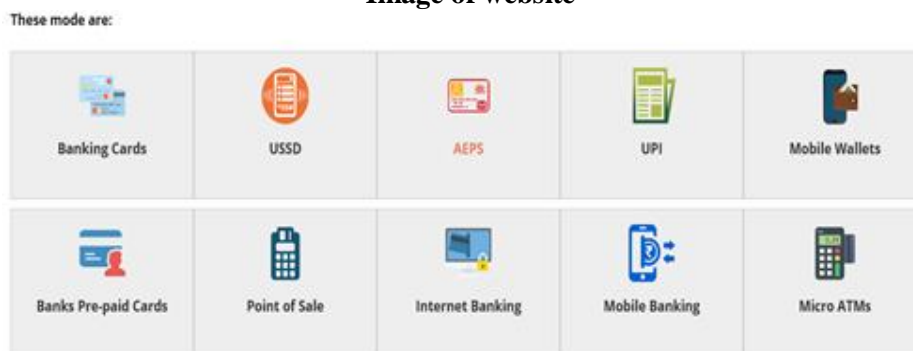
#### **DIGITAL PAYMENT METHODS BY INDIAN GOVERNMENT**

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role of Digital India.

As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

Website: [http://www.cashlessindia.gov.in/digital\\_payment\\_methods.html](http://www.cashlessindia.gov.in/digital_payment_methods.html)

### Image of website



### PAYTM AFTER DEMONETIZATION



Paytm, India's largest mobile wallet company, said on Monday it witnessed a record number of wallet transactions on Friday and Saturday because of wider cashless payments after the government withdrew Rs500 and Rs1, 000 currency notes.

"Paytm has touched a record five million transactions a day (on Friday and Saturday, each) and is on the way to process over Rs24, 000 crore (by March 2017), more than any other payment network in the country," a company statement said.

Since 9 November, the company claims to have registered a 700% increase in overall traffic on the platform and 1000% growth in the value of money added to Paytm accounts. In addition, the average transaction value has increased by 200% and the number of mobile app downloads by 300%.

The Delhi-based company launched payment solutions for offline merchants in 2015. Since then, the company has signed up more than 850,000 entities such as cabs, petrol pumps and restaurants among others across the country to accept digital wallet based payments.

"Owing to the overwhelming response from consumers and merchants alike, we have set bolder targets in merchant acquisition, and are aiming to target five million merchants by the end of the financial year," said Paytm's senior vice-president Kira Vasireddy in a statement. On Friday, One97 Communications Ltd-owned Paytm announced several steps to sign up merchants.

Paytm plans to hire over 10,000 agents to expand its offline merchant network, PTI had reported. Paytm also announced the nearby product feature on its platform that will allow users to find the nearest merchant to load cash on to their Paytm wallets.

### STEPS TAKEN BY RBI AND GOVERNMENT TO DISCOURAGE USE OF CASH

- Licensing of Payment banks
- Government is also promoting mobile wallets. Mobile wallet allows users to instantly send money, pay bills, and recharge mobiles, book movie tickets, and send physical and e-gifts both online and offline. Recently, the RBI had issued certain guidelines that allow the users to increase their limit to Rs 1,00,000 based on a certain KYC verification
- Promotion of e-commerce by liberalizing the FDI norms for this sector.
- Government has also launched UPI which will make Electronic transaction much simpler and faster.
- Government has also withdrawn surcharge, service charge on cards and digital payments

### WHAT ELSE NEEDS TO BE DONE?

- Open Bank accounts and ensure they are operationalized.
- Abolishment of government fees on credit card transactions; reduction of interchange fee on card transactions; increase in taxes on ATM withdrawals.
- Tax rebates for consumers and for merchants who adopt electronic payments.



- Making Electronic payment infrastructure completely safe and secure so that incidents of Cybercrimes could be minimized and people develop faith in electronic payment system.
- Create a culture of saving and faith in financial system among the rural poor.
- The Reserve Bank of India too will have to come to terms with a few issues, from figuring out what digital payments across borders means for its capital controls to how the new modes of payment affect key monetary variables such as the velocity of money.
- RBI will also have to shed some of its conservatism, part of which is because it has often seen itself as the protector of banking interests rather than overall financial development.
- The regulators also need to keep a sharp eye on any potential restrictive practices that banks may indulge in to maintain their current dominance over the lucrative payments business.

Though it will take time for moving towards a complete cashless economy, efforts should be made to convert urban areas as cashless areas. As 70% of India's GDP comes from urban areas if government can convert that into cashless it will be a huge gain. Therefore different trajectories need to be planned for migration to cashless for those having bank account and for those not having.

### **CONCLUSION**

Cashless economy or cashless means all the transactions carried out between two individuals will occur by payment through payment gateways or through the plastic money. It is done with the primary aim of uncovering the non-registered transactions. The Indian government with another aim to promote the economy through non-cash transactions has introduced mediums such as: Banking cards, USSD, AEPS, UPI, Mobile Wallets, Banks Pre-Paid Cards, Point of Sale, Internet Banking, Mobile Banking, Micro ATM's . Reducing the economy's dependence on the cash and making it more deviated towards these mediums would result into the betterment of the country and the economy.

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## **COMPARATIVE STUDY OF GOOD AND SERVICES TAX (GST) IN INDIA AND OTHER ASIAN COUNTRIES**

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### **ABSTRACT**

*The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government.*

*This study examines the problem face by the people due to GST and also give comparative study of India and other Asian Countries.*

*Keywords: GST, Asian Countries*

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### **INTRODUCTION**

The GST embodies the principal of “one country one tax”. GST is the destination based tax levied on the consumption of goods and services across the nation, thus rendering the country one unified common market. GST (Goods and Services Tax) is an indirect tax applicable to whole of India from 1<sup>st</sup> July, 2017. It replace all the cascading effect which were levied by state and central government.

A destination based tax is one which is levied in the state where the goods or services are consumed and not where they are produced. On the other hand, an origin based tax is levied in the state where goods or services are produced. The GST was launched on 30<sup>th</sup> June, 2017 by the prime minster Naredra Modi. It was one of the few midnight session that was held in parliament.

### **TAXATION SCHEME**

GST replace all the taxes like sales tax, Central excise duty, Services Tax, octroi etc.. levied by state and Central government. GST is applicable on all type of transaction like buying, sale, transfer, barter, lease etc.. If a transaction is made with single state that Central GST (GCST) by the central government and State GST (GGST) by State Government will be applicable. Incase of interstate transaction Integrated GST (IGST) levied by central government is applicable. GST is a consumption-based tax, therefore, taxes are paid to the state where the goods or services are consumed not the state in which they were produced. IGST complicates tax collection for State Governments by disabling them from collecting the tax owed to them directly from the Central Government. Under the previous system, a state would only have to deal with a single government in order to collect tax revenue. But in practice, the Indian version is more complex and will be tougher to comply with than is the case in many other countries.

### **IMPORTANCE OF GST**

Due to implementation of GST Tax system has become more simple and easy. It increases the movement of goods and services from one state to another and reduce transaction cost. It can bring more transparency and better compliance. Number of government department will reduce and so the cost and corruption will also reduce. Companies which are not under tax system will also come under GST regime.

### **OBJECTIVE OF THE STUDY**

1. To study the comparative analysis of GST in India and other Asian countries
2. To study the difference of tax rate between India and other Asian countries.
3. To understand the problem faced by the common public due to implementation of GST

### **RESEARCH METHODOLOGY**

To fulfill the above objective secondary data are collected. The secondary data consist of company bulletins, newspapers and various journals like institute of chartered accountant of India. The researcher adopted case study approach for the present thesis in order to gain deeper insights of forensic accounting in India.

### **HYPOTHESIS**

- There is a significant difference of rules between India and other countries.
- There is the significance difference between the problem faced by the India and other countries.

## NEED OF THE STUDY

The research is based on the effect of GST between India and Asian Countries. The research discusses the opinion of the ultimate customer, regarding the modern tax system (GST) in term of benefit compare to old system.

It also analyses the problem faced by the customers due to development of GST. It also take into consideration rate on various good and services compare to Asian countries.

## REVIEW OF LITERATURE

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- Shah (2014) The author has studied the objectives of proposed GST and discussed the possible challenges, threats and opportunities that GST bring before is to strengthen our force marked economy.
- Saravanan Venkadasalam (2014)The author has studied the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries. Philippines and Thailand show significant negative relationship with their nation's development. Meanwhile, Singapore shows a significant positive relationship.

## COMPARATIVE STUDY BETWEEN THE ASIAN COUNTRIES AND INDIA

All around the world GST has the same concept.

Particulars	India	Canada	Singapore	Malaysia
Name of GST in the country	Goods and Service tax	Federal Goods and Service Tax & Hamonized Sales Tax	Goods and Service Tax	Goods and Service Tax
Standard Rate	0% (for food staples), 5%, 12%, 18% and 28%(+cess for luxury items)	GST 5% and HST varies from 0% to 15%	7% Reduced rates- Zero rated, exempt	6%
Threshold exemption Limit	20 lakhs (10 lakhs for NE states)	Canadian \$ 30,000 (Approx Rs. 15.6 lakhs in INR)	Singapore \$ 1 million (Approx Rs. 4.8 crore)	MYR 500,000 (Approx Rs. 75 lakhs)
Liability arises on	Accrual basis: Issue of invoice OR Receipt of payment -earlier	Accrual basis: The date of issue of invoice OR the date of receipt of payment- earlier.	Accrual Basis: Issue of invoice OR Receipt of payment OR Supply - earliest Cash basis:(T/O upto SGD\$1mn): Payment	Accrual Basis: Delivery of goods OR Issue of invoice OR Receipt of payment
Returns and payments	Monthly and 1 annual return	Monthly, quarterly or annually based on turnover	Usually quarterly Business option- Monthly returns.	Large organisations- Monthly
Reverse charge Mechanism	Apply on goods (new) as well as services (currently under Service tax)	Reverse charge applies to importation of services and intangible properties.	Reverse charge applies to supply of services	Reverse charge applies to imported services
Exempt services	Manufacture of exempted goods or Provision of exempted services (to be notified)	Real estate, Financial Services, Rent (Residence), Charities, Health, Education	Real estate, Financial services, Residential rental	Basic food, Health Transportation, Residential property, Agricultural land

## CHALLENGES FACED BY THE PEOPLE DUE TO IMPLEMENTATION OF GST

### 1. Challenges faced by tax & accounting professionals due to GST

- **Lack of clarity on provision of GST:** Various rule, provision and regulation are still vague. Categorization of goods and services in various cases is still unclear. Provisions for anti-profiteering, as well as the now-deferred e-way bill, which tracks consignments across states, are unclear. The new tax regime requires

transporters to generate e-way bills on the GST portals which includes incurring substantial costs to install radio frequency identification devices (RFIDs). Currently there is no clarity on who will bear the bill for the infrastructure. The government has also made the rules related to assessment and audit public, but the absence of actual forms in the public domain challenges the effectiveness of the rule.

- **Increase in compliance, as number of return to be filled increases:** Businesses will need to file multiple returns, a minimum of 37 in most cases for assessees, and this can increase multifold in accordance with business models. Clients will need to ensure timely compliance by registered suppliers to ensure there is no loss of input credit. This will necessitate correct data and reports to fill accurate GST returns.
- **Preparation of IT Systems:** Various businesses are yet to map the accounting software and IT systems in line with the new tax provisions, to create GST invoices, and extract required reports. Tax and accounting professionals jointly need to ensure that their clients' current systems are compatible with their GST Service Provider. With GST demanding compliance, only days after guidelines were issued in their entirety, India Inc is rushed for time to modify the entire IT framework. Seamless implementation will require six million micro, small, and medium enterprises (MSMEs) to adapt their invoicing approaches for which they do not have adequate IT support and systems.
- **Lack of skilled resources and need for re-skilling :** With GST rates and their complexities only recently becoming a part of our policy framework, skilled staff with updated GST subject knowledge and training are not easily available. This has placed an additional work load on personnel across industries, and created an urgent need for additional GST-skilled resources to ensure swift implementation.
- **GST preparedness among clients is missing:** Clients' understanding of GST provisions and its impact on their business is still at a nascent stage, and many are still identifying the locations and places they need to be registered in.

## 2. Challenges faces by traders

- **Filing of return:** The number of return has been raised to 3 per month compare to earlier one, while earlier it was only one return in three month. This has increase pressure and workload among manufacturer. The traders has to file 37 return in a year. There is doubt will the system be able to match billions of credit, provide refund and check the errors and fraud.
- **Online technology:** The filling of return and other demand online infrastructure and also book of accounts depend upon the online format, this issue remain is that traders are not capable of running computer to its optimum level. Online infrastructure increase the cost of small traders and also they required to appoint full time person who is well verse with computer and GST. Transition from old law to GST required to change the software used by the manufacture. Most business used SAP or ERP, they either have to upgrade the software or buy a new software.
- **Shortages:** Some companies, particularly in the consumer goods sector, are selling off their inventories to avoid having to deal with two different prices for the same product. Some may also be delaying production so they can claim a credit against their costs for the first time under the new regime. Conversely, once July 1 rolls around there could be transportation bottlenecks as stores rush to restock.
- **Changes made in the middle of the year:** Any amendment should be made from new financial year. But GST was implemented from 1<sup>st</sup> July 2017. So for the first three month the followed the old structure and rest of time followed GST. This created confusion among the traders and tax payers.

## CONCLUSION

Modi said that a person does crime only when he feels that someone is going to save him. It's my complete confidence that the 1 July 2017 will bring a new turn in the history of the economy of India. GST will boost our Indian Nation economically and with GST life will get simply as it replaces approximately all the indirect taxes and hence compliance costs will fall. India's GST rate is broken down into four slabs and various articles are being placed under the slabs. There are four GST rates—5, 12, 18, and 24 per cent. There is also a sin tax—40%—which will be implemented in rare occasions. However, for other countries, GST actually means one country one tax. For instance, Singapore's GST is 7%, Malaysia 6%, New Zealand 15%, Thailand 7%, Australia 20%, Denmark 25%, Germany 19%, Indonesia 10%, Mauritius 15%, South Africa 14%, and the United Kingdom 20%. While all these countries just have one rate of tax, India will have 5 taxes in the name of only one tax. A special emphasis must be given for the rate of tax which is charged on goods and services.

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## **A PROGRAMME TO TRANSFORM INDIA INTO A DIGITALLY EMPOWERED SOCIETY AND KNOWLEDGE ECONOMY**

**Pratik Mehta**

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### **ABSTRACT**

*The digital India programme of the flagship programme of the government of India with a vision to transform India into a digitally empowered society and knowledge. "OUR YOUTH HAS SURPRISED THE WORLD WITH ITS IT SKILLS, OUR ANCESTERS USED TO PLAY WITH SNAKES WE PLAY WITH MOUSE". Digital India was launched by the prime minister of India MR. Narendra Modi on 2<sup>nd</sup> July 2015 to make India a digitalized country. To utilise the available technologies in a proper manner, to save the time in performing different tasks, to help village people get use of it, to help children get education in different manner like learning things on projectors etc. The best usage of digital India has done in e-commerce that is purchasing as well as making its payments electronically no cash transactions. India has a total population of 133 crores out of which active internet users are about 37.5 crores, but only 13.7 crores use social media actively. In this paper we will discuss how the prime minister of India Mr. Narendra Modi made this idea of digital India, what were the projects involved in it, which apps were developed, what changes happened in village due to digitalization.*

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### **INTRODUCTION**

Digital India is a campaign launched by the government of India to ensure that government services are made available to citizens electronically by improved online infrastructure and by increasing internet connectivity or by making the country digitally empowered in the field of technology. Digital India was launched by the Prime Minister of India Narendra Modi on 2 July 2015 with an objective of connecting rural areas with high-speed Internet networks and improving digital literacy. The vision of Digital India programme is inclusive growth in areas of electronic services, products, manufacturing and job opportunities etc.

The Government of India entity Bharat Broadband Network Limited which executes the Network Optical Fibre Network project will be the custodian of Digital India. BBNL had ordered United Telecoms Limited to connect 250000 villages through GPON to ensure FIBER based broadband. This will provide the first basic setup to achieve towards Digital India and is expected to be completed by 2017. The government is planning to create 28,000 seats of BPOs in various states and set up at least one technology initiatives including the use data analytics to nab tax evaders, creating a substantial opportunity for IT companies to build out the systems that will be required. Digital Literacy mission will cover six crore rural households. It is planned to connect 550 farmer markets in the country through the use of technology. Out of 10% English speaking Indians only 2% reside in rural areas. Rest everyone depends on their vernacular language for all living their lives. However as of now email addresses can only be created in English language. To connect rural India with the Digital India the government of India impelled email services provider giants including Gmail, office and rediff to provide email address in regional languages. An Indian based company Data Xgen Technologies Pvt Ltd, has launched world's first free linguistic email address under the name DATAMAIL which allows create email ids in 8 Indian languages and 3 foreign languages.

### **WHAT IS DIGITAL INDIA PROGRAMME?**

The Indian government has taken a big step forward to transform the country into a digitally empowered knowledge economy. PM is expected to unveil various schemes worth over RS 1lakh crore like digital Locker, e-education, e-health, e-sign and national scholarship portal. Bharat Net in 11 states and next generation network are also a part of Digital India campaign. The programme includes projects that aim to ensure that government services are available to citizens electronically and people get benefit of the latest information and communication technology.

Like:- Digital India Portal, MYGOV Mobile APP, SWACHH Bharat Mission APP, AADHAAR Mobile Updates App.

### **AIM OF DIGITAL INDIA PROGRAMME**

- Digital Infrastructure as a Utility to every citizen.
- Governance & services on demand digital.
- Empowerment of citizens.

**IMPORTANT PILLARS OF DIGITAL INDIA PROGRAMME**

The government of India hopes to achieve growth on multiple fronts with the Digital India programme. Specifically, the government aims to target “Nine pillars”

1. Broadband Highway
2. Universal Access to mobile connectivity
3. Public internet access programme
4. e-governance- reforming government through technology
5. e- Kranti – Electronic delivery of services
6. Information for all
7. Electronics Manufacturing
8. IT for jobs
9. Early harvest programmes

**LIST OF PROJECTS UNDER DIGITAL INDIA**

Digital India is an umbrella programme that covers multiple government ministers and departments and is being coordinated by Meity.

**MYGOV** aims to establish a link between government and citizens towards meeting the goal of good governance. MYGOV encourage citizens as well as people abroad to participate in various activities i.e. Do, Discuss, Poll, Talk, Blog etc.

**Digital locker system:** It serve as a platform to enable citizens to securely store and share their documents with service providers who can directly access them electronically.

**e- Hospital:** Online registration framework is an initiative to facilitate the patients to take online OPD appointments with government hospitals. This framework also covers patient care, laboratory services and medical record management.

**National scholarships portal:** It provides a centralized platform for application and disbursement of scholarship to students under any scholarship scheme. Over 1 crore applications have been submitted.

**Jeevan Pramaan:** It is an Aadhar based biometric authentication system for pensioners. The prime minister inaugurated the jeevan pramaan in November 2014. The system provides authenticity to digital life certificate without the necessity of the pensioner being present in person before his/her pension dispensing authority.

**Common services centres 2.0:** The government of India is implementing CSCs scheme to develop and provide support to the use of information technology in rural areas of the country. The CSCs are information and communication technology enabled kiosks with broadband connectivity to provide various governments, private and social services at the doorstep of the citizen.

These are some projects under digital India. It also has some other projects like

- Bitcoin exchange launched in India.
- Oracle starts cloud computing service for India.
- National e-governance award to Guru gram.
- Developments in bio technology sector of India.
- Pradhan mantra gramin digital saksharta abhiyan.
- SEZ India app launched by government.
- Electronics development fund started.

**APPS DEVELOPED BY GOVERNMENT OF INDIA FOR EACH AND EVERY CITIZEN**

**Voter Name Search:** With this app, the government makes it easier for you to find out if your name has been listed in the electoral roll of the constituency. The app also provides information about the precise polling booth a person has been allocated. Available for android platform, the voter name search uses sms for pulling the information.

**m-passport seva:** This app is meant for citizens who are interested in passport related information. It provides details on areas such as the location of application centres, fees, application status, contact information and

much more. Users can search for a passport seva Kendra or district passport cell as well as track status of their passport applications using file number and date of birth.

**Grameen Vidyutikaran:** Recently launched by the government, this app allows users to track the progress of rural electrification initiative in the country. The application features a dashboard providing details about the villages that have received access to electricity and villages that are yet to get the same. You can also track villages by state and key information such as progress made in the last one month.

**Khoya Paya:** This app is aimed at helping the missing and vulnerable children. It allows you to register and share information about a missing or sighted child, without waiting for the completion of the legal procedures. Information will be published on the platform shortly after quick moderation. You can also search the database of the children by matching the attributes of the lost/sighted child.

**Narendra Modi:** Prime minister Narendra Modi earlier this year launched an android app. The “Narendra Modi” app is aimed at facilitating direct communication between the prime minister’s office and the people of the country. Highlights of the application include the latest news and updates, interaction with the PM, sharing ideas and suggestions and information about the government initiative and achievements. Furthermore, the app also allows citizens to contribute to various causes via the app.

**Incredible India:** Launched by the ministry of tourism the app features information about recognized tourism service providers including agents and operators. The app provides this information to tourists on their mobile phones based on their current location. Tourists can also seek similar details for any other city he plans to travel to in future. Also the application will provide place of interest for tourists.

**Postinfo:** Developed by centre for excellence in posted technology. Postinfo is the official mobile application of the department of posts. The app allows you to track posts including speed posts, parcels and electronic money orders. Apart from tracking you can also use the app for searching post offices in your area. Other highlights of the app include postage calculator, insurance premium calculator and interest calculator. These are some apps developed because of digitalization brought in India.

### **DIGITAL INDIA A WORLD SCALE OPPORTUNITY WITHIN HOME**

Estimated value of e-commerce in India in 2011 is US\$ 10 BILLION. E-commerce describes the process of buying and selling or exchanging of products, services and information via computer networks including the internet. E-commerce companies have come up in various sectors in India like entertainment travel, retail, finance, governance, education. Companies like Flipkart, Amazon, Yatra.com, Make my trip, Book my show, Snap deal etc. have made a mark in the e-commerce sector in India. 67% of Indian e-commerce comes from mobile devices.

#### **Categories of e-commerce**

1. Business to Business (B2B) E-Commerce
2. Business to consumer (B2C) E-Commerce
3. Business to government (B2G) E-Commerce
4. Consumer to consumer (C2C) E-Commerce
5. Peer-to-Peer (P2P) E-Commerce

#### **Advantages of e-commerce**

1. Access to global market place
2. Data sharing
3. E-CRM
4. Convenience
5. Coupons & Deals
6. Wide range of options
7. Cash on delivery options

#### **Disadvantages of e-commerce**

1. Adverse Impact on jobs
2. Problem of taxation



3. User resistance
4. Absence of physical touch
5. Lack of internet access
6. Dynamic e-commerce environment

### **DIGITAL VILLAGE**

Every classroom is equipped with a high end apparatus which is a combination of projector and computer which villagers lovingly call a knowledge-Yaan (Vehicle of knowledge). Not only Indian government wants all the cities to develop that is the urban areas it also wants the rural areas that is all the villages should develop. The students studying in village schools and colleges also need to be trained with technology that has been invented for the betterment of the students, because in this competitive world technology has gripped the whole scenario. Digitalization makes easier and interesting for the students to learn new things and remember things easily.

Example- Akodara a tiny village with 200 households which is situated 90kms from Ahmedabad in Sabarkantha district.

### **KEEP IT SIMPLE WHEN IT COMES TO NETWORK INFRASTRUCTURE: NATIONAL OPTICAL FIBRE NETWORK**

- ✓ NOFN proposes seven lakh kilometres of optical fibre to be laid to connect 250 gram panchayats in three years.
- ✓ Public Wi-Fi spots will have provided around the clusters after that and all villages will be provided with internet connectivity.
- ✓ According to communication and information technology minister “Ravi Shankar Prasad,” ten states including Maharashtra, Madhya Pradesh, Rajasthan, West Bengal, Haryana and Chhattisgarh are ready to roll out the NOFN to facilitate Digital India.

### **ESTIMATED COSTS AND IMPACTS**

- Overall costs of Digital India- RS 100,000CR in ongoing schemes Rs. 13,000CR for new schemes & activities
- Impacts of Digital India by 2019
  - Broadband in 2.5lak villages, universal phone connectivity
  - Net zero imports by 2020
  - 4,00,000 public internet access
  - Wi-Fi in 2.5lakh schools, all universities, public Wi-Fi hotspots for citizens
  - Job creation direct 1.7cr and indirect at least 8.5cr
  - E-governance & e-services across government
  - India to be leader in IT use in services- health, education, banking
  - Digitally empowered citizens- public cloud, internet access.

### **CONCLUSION**

India would become a very powerful digitally connected world. This would lead to a good architecture for electronic delivery of service. The Digital India project provides a huge opportunity to use the latest technology to redefine the paradigms of service delivery. A digitally connected India can help in improving social and economic condition of people living in rural areas by providing access to education, health and financial services. Further security should be the most important area at all level of operation for the digitally empowered knowledge economy of the country. India since most higher education and research institutions in India are funded and controlled by the central and state government, clear cut national plans and policies are needed for infrastructure, standards, interoperability, multi-lingual databases. Training, co-ordination, copyright, and archiving and presentation methods. Implementation of suitable preservation strategy for digital data and documents is required for our country. Collaborative efforts and sharing information will help preservation rather than duplication. Online medical consultation, Online cash, loan, relief payment with mobile banking, national cyber security co-ordination center are the target of digital India.

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## A STUDY ON ISSUES RELATED TO RE-MONETIZATION

Mohammed Badami

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### ABSTRACT

*Demonetization refers to the act of stripping a currency unit of its status as legal tender. It also refers to the withdrawal of a particular form of currency from circulation. The currency was demonetized first time in 1946 and second time in 1978. On November, 2016 the currency was demonetized third time by the present Modi government. After demonetization the process of remonetization started. Remonetization stands for the process of remonetizing the status of legal tender. In short, remonetization is the opposite of demonetization. Demonetization is followed by remonetization to replace the old discontinued currency with new currency in the economy.*

*Keywords: Demonetization, Remonetization, Mathematics of Remonetization.*

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### INTRODUCTION

**Remonetization** is a term in Economics, which stands for the process of remonetizing the status of legal tender. In simple terms, the government to restore the currency notes or something with equivalent value to its formal position as legal tender.

**Demonetization** is another term in Economics, which is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency.

### OBJECTIVES

The main objective of this paper is to study the main issues related to remonetization which is the process after demonetization.

### RESEARCH METHODOLOGY

The paper is based on the secondary data. The secondary data is obtained from various published sources such as journals, videos, etc.

### DEMONETIZATION IN INDIA

The government of India recently took a bold step to demonetize Rs 500 and Rs 1000 currency, which means that the legal tender of currency units is declared invalid from the specified date. Demonetization of currency means discontinuity of the said currency from circulation and replacing it with a new currency.

Most of the people hailed the PM Modi's strong decision, while poor were shocked by the move. The overnight decision changed the life of many as black money holders were worried about the pile of cash they were sitting on. Many poor daily wage workers were left with no job and income as owners were unable to pay their daily wage. It is no doubt a bold step taken by the government which will definitely help India to become corruption-free.

### ADVANTAGES OF DEMONETIZATION

- Getting fake currency out of circulation.
- Controlling inflation.
- Tax Collection.
- The move to digital currency.
- Improved deposits and savings in financial institutions.
- Stopping fraudsters.
- Reducing illegal activities.
- Growth in a country's GDP.
- Introducing new bank note designs.
- A measure of good governance practices.

### DISADVANTAGES OF DEMONETIZATION

- Little cash in circulation.
- Inconvenience and annoyance to the public.
- Slowdown in Economic Growth.

- Panic.
- An avenue for fraud and corruption.
- Disruption of Trade.
- Loss of tradition.
- Problems with paying bills.
- ATMs have to be re-calibrated.
- Short term financial crisis for poor people.

### **REMONETIZATION AFTER DEMONETIZATION**

Despite PM Modi's bragging assurance that the situation in the country would stabilize within 50-days after demonetization, the facts seem to point in the opposite direction.

Now let's talk about another word- 'remonetization', which means? Restoring to the status of legal tender. Remonetization is the opposite of demonetization. Demonetization is followed by remonetization to replace the old discontinued currency with new currency in the economy. Remonetization after demonetization is an uphill task if we carefully examine the facts and figures. According to 2016 data released by the Reserve Bank of India (RBI), taking into account the current capacity of printing presses for printing currency notes, PM Modi's deadline cannot be met, come what may! Another major question mark over here is, how much currency does the Modi government want to put back into circulation? The government has still not issued any clarifications in this regard.

If the government wants to put back Rs 9 lakh crore (35% less money than was pulled out) it will make up to May, 2017, and in case the central government plans to reintroduce the entire currency worth almost Rs 14 lakh crore that it withdrew, it could take upto August, 2017. Let's take a closer look at a few facts which shall shed more light on the current scenario and the resultant crises at hand. RBI comprises of four printing presses for printing currency notes- Dewas (Madhya Pradesh), Nashik (Maharashtra), Salboni (West Bengal), and Mysuru (Karnataka).

According to RBI's 2016 annual report, the combined capacity of these four presses of printing around 2,670 crore notes a year, or around 7.4 crore notes a day. If these presses are made to run three shifts a day instead of two, the printing capacity can be pushed up to 11.1 crore notes a day. However, less than half of the machines at these presses are equipped to print the security features on higher denominations notes of Rs 500 and above. This means that if all four printing presses print 500 rupee denomination notes for 24 hours a day, they would be at best able to churn out 5.56 crore of 500 rupee notes a day. This translates into the fact that our presses can only print Rs 2,778 crore of Rs 500 notes in value every day.

The Modi government had made an arrangement for printing 200 crore (roughly Rs 4 lakh crore in value) Rs 2,000 notes even before the announcement of demonetization. So, they became the first new currency notes to be dispensed by ATM's and that's why there are so many Rs 2,000 notes in circulation, while Rs 500 denomination notes are hardly seen.

For all practical monetary purposes and keeping in mind liquidity, Rs 2,000 currency notes cannot exceed more than half of the amount in circulation. The logic behind it is that if we don't have enough change or lower denomination notes, the 2,000 rupee note would become impossible to "break" and turn into a mere relic or a souvenir meant for clicking selfies with.

Although, the new 2,000 rupee note has face value and is also a legal tender, but today it hardly finds any takers, as there's not enough supply of change to divide the note and that's a major problem people of the country have been facing post-demonetization. The key to the problem lies in the smaller denomination notes of Rs 100, Rs 50, Rs 20 and Rs 10, which according to RBI's annual report, value Rs 2.19 lakh crore.

### **MATHEMATICS OF REMONETIZATION**

Now coming to the mathematics of remonetization:

#### **How many Rs 500 notes do we need for remonetization?**

Suppose Rs 2,000 notes are (a); Rs 500 are (b) and Rs 100 and lower denomination notes are (c)

Our equation becomes  $a+b+c$

Now, if  $a=\text{Rs } 4 \text{ lakh crore}$  and  $c=\text{Rs } 2.19 \text{ lakh crore}$ , the value of  $b$  would come out to be 1.81 lakh crore, assuming that the Modi government remonetizes around Rs 8 lakh crore.

That means, even if all the four printing presses run to their maximum capacity for 24 hours a day, it would take at least 65 days to print Rs 500 notes for remonetizing just Rs 8 lakh crore, a little over half of the demonetized currency. It's needless to mention that it is almost impossible to print currency notes 24 hours a day and ensure availability of the required inventory like paper and ink, a lot of which is imported from outside the country. Moreover the 65 days mentioned are required for printing alone. Next comes the exercise of transportation and circulation of cash through banks. All that added would require a few more days.

What shows a clear lack of preparedness from the Modi government is that the RBI started printing Rs 500 notes only after November 30. It seems that either the government has a far-fetched imagination or is deliberately choosing to live in its self-woven whimsical and illusionary world and selling a farce to pacify innocent Indians who ironically still wait in anticipation of "Acche Din".

### **INDIA REMONETIZED**

On 8<sup>th</sup> November, 2016, Rs 500 and Rs 1000 currency notes stand abolished from midnight. It was a major step to check black money. Prime Minister Narendra Modi on Tuesday announced demonetization of Rs500 and Rs 1000 currency notes with effect from midnight. 86% of the currency was demonetized. People were standing in long queues outside the banks and ATM's. 1.3 billion citizens waited as India get remonetized. Currency is a physical form of money that allows the hassle-free trade of goods and services. In India, around 85% of workers are paid in cash. They are all small unit workers, agriculturists, farm hand labourers, all kinds of people who work in cottage industries, workers working in markets, rural areas, persons engaged in weaving, trade, etc. All these people don't have bank accounts; instead they use cash for their transactions.

Around 263 million workers are engaged in agriculture which is considered to be the largest employment sector in India. For many unskilled workers formal financial institutions are difficult to access. To counter this problem, the workers sometimes find convenient ways to manage their earnings, by borrowing it from their employers or bosses. Agriculture supports 54% of India's working population. For a typical work day the farm worker earns around Rs 200-300. These payments are made in cash. Since money is crucial for an economy, currency management is an important task. For this, countries keep making changes in their currencies and the coins and notes in circulation are pulled out and replaced with new notes and coins with better safety features and design. This process is called Demonetization. India has previously witnessed this twice in the 20<sup>th</sup> century

#### **1. 11<sup>th</sup> January, 1946**

During British Raj, high denomination notes were demonetized to tackle the problem of taxive agents.

#### **2. 16<sup>th</sup> January, 1978**

A demonetization ordinance was issued in the country, again this time to counter black money. Notes of Rs 1000, Rs 5000 and Rs 10,000 were thus demonetized.

### **BENEFITS OF REMONETIZATION**

- Remonetization will help to pull out the roots of terrorism, black money, corruption, etc from the nation.
- The unscrupulous and dishonest people will be caught and punished.
- It will lead to a motivation factor for all the honest and capable persons.
- Remonetization will lead to transformations and also economic growth and economic development.
- Remonetization will help to improve the working conditions, financial conditions, etc of the poor sector of the economy.
- Remonetization will help in digitalization of the country.
- Remonetization will also help to lower the interest rates in the nation.
- Remonetization will help in the development of a cashless economy (mainly in the agricultural sector).
- Remonetization will help in urbanization and industrialization.
- The number of tax payers has considerably increased in the country since remonetization has come into existence.

### **ISSUES RELATED TO REMONETIZATION**

- In India, 80% of women don't have access to bank account.
- After demonetization, the cash became useless. There were long lines at banks and ATM's to deposit old notes and access new currency, but the new notes were not available immediately.

- In India, there is no alternative of cash in 50% of villages which means there are no financial institutions like banks in these villages.
- After demonetization, the RBI (Reserve Bank of India) started releasing notes but there was a challenge, the sizes of newly designed notes were smaller. This required a recalibration of all ATM machines. Over 2,00,000 ATM machines in which 47,000 employees and 2500 engineers were used for the recalibration process.
- Over 80 million people in India work in micro, small and medium enterprises. These enterprises were greatly affected by remonetization.
- For the use of uninterrupted internet, the broadband subscribers are 370 million out of 1.3 billion people. And for broadband penetration, for every 1000 people only 18 people have uninterrupted internet access to broadband. So, with these numbers it is quite difficult to adopt digitalization.
- India is an immensely cash intensive country. About 60-80% of country's consumption market depends on cash. These sectors include transportation, real-estate and restaurants. These sectors are greatly affected by demonetization.
- After demonetization, there was a decline in India's vehicle sales in the month of December of 18.66%.
- A 30% drop in demand was witnessed by garment manufacturers of Maharashtra in December, 2016.
- Sales of consumer goods dropped by 40% to 70% in December, 2016.
- The Travel and Tourism industry was hit with a 60% drop in domestic bookings.
- ATM management companies faced a major problem to constantly replenish cash in the machines in the months following the demonetization drive. This is a detailed task which is carried out with a precision.
- The organized sector accounts for only 5% of the total retail markets in India.
- In many sectors, sales did not pick up even in January, 2017.
- The mobile application systems which were encouraged by the government cannot be used in all parts of the country due to low internet access, electricity problems and low literacy levels.
- India is not ready for digitalization due to privacy issues, cyber security, data encryption, etc.
- The process of becoming digital in short time, make the system vulnerable to cyber threats in the supply chain. These were the concerns shared by the companies that went digital.

## CONCLUSION

Demonetization is a beneficial process even though it has some demerits that may render it unfavorable in various ways. However, before any demonetization program is carried out, it should be carefully examined and its impact on the poor should be considered. In this way, demonetization can be a chance for a fresh new start, or it can be something that causes unnecessary confusion for a country. However, to address the cause of financial inclusion, the government encouraged the use of mobile application, UPI (Unified Payment Interface) and BHIM (Bharat Interface for Money).

However, a complete remonetization is expected to take a few more months. The slackened pace of remonetization had the government encouraging citizens to reduce their dependency on cash and go digital. Once digitization happens, the government will be able to reduce its fiscal deficit, it will have greater outlay for education, health and nutrition, it will be able to do data analytics, it will be able to provide long-term loans at very low rates, etc. For less cash economy, there should be many POS (Point of Sales) machines, regularity of electricity and regularity of calls going through. However, demonetization highlighted cashless payment solutions and tried to initiate a drastic change in India's economic culture. But, remonetization brought cash back into the system. The days to come will show whether the nation prefers cash or digital.

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## **DEMONETIZATION OF CURRENCY AND ITS IMPACT ON INDIAN ECONOMY VIA BLACK MONEY**

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### **INTRODUCTION**

Prime Minister Narendra Modi's announcement to demonetize the Rs 500 and 1,000 currency notes late on 8 November has conflated the issues of curbing unrecorded transactions using high denomination currency notes with the financing of terrorism and national security. Narendra Modi is clearly seeking to obtain political mileage from this move, even as this sudden decision has put large numbers of ordinary people, especially the poor, to great inconvenience. Indeed, the government's public relations machinery is hard at work to convince the underprivileged and indeed the middle class to tolerate short-term pains for promised gains in the longer term, while the government and the Reserve Bank of India (RBI) surely know that shorn of hype, the decision to demonetize cannot make a major dent in the magnitude of the country's black economy.

Demonetization will at best only partially and temporarily curb the operations in the black economy. One of the more obvious reasons is that a substantial portion of the stock of illegal wealth in the system, as is well known, is not held in the form of currency notes. The wealthy typically hold assets disproportionate to legal sources of income as undervalued assets, including real estate, land, gold and jewelry. A large portion of the black money obtained through fudging of trade invoices is not just stashed outside India, but is typically spent overseas. A portion of this money returns to the country after being laundered white through tax havens. Yes, a portion of the illegal money in use, which is held in the form of cash by politicians, criminals, dubious builders and realty operators among others, will re-enter the system through banking channels. And, yes those dealing in counterfeit currency will certainly be affected. It will be tiresome to argue that demonetization will have no impact on the corrupt nexus between business and politics that funds political parties in general and election campaigns in particular.

### **WHAT IS DEMONETIZATION OF CURRENCY?**

Demonetization for us means that Reserve Bank of India has withdrawn the old Rs 500 and Rs 1000 notes as a official mode of payment.

### **HISTORY OF DEMONETIZATION IN INDIA**

- January 1946- Rs.1, 000 and Rs.10, 000 banknotes, which were in circulation were demonetized primarily to curb unaccounted money.
- 1978- The higher denomination banknotes in Rs 1,000, Rs 5,000 and Rs 10,000 were reintroduced in the year 1954 and these banknotes were again demonetized in January 1978.
- Denominations of 1, 2, 3, 5, 10, 20 & 25 paise were in circulation till June 30, 2011 but were then withdrawn. While the 50 paise coins are still in circulation. They are called small coins while the other denominations are known as rupee coins.
- So the last time demonetization was done in India is almost 36 years ago.

### **DIFFERENT PROCESSES OF DEMONETIZATION**

#### **1. Replacement of one form of currency with another**

- It is the most common process of demonetization.
- Countries choose to replace smaller banknotes with coins of the same value.
- Even though the banknotes are no longer printed, merchants can still accept them as legal currency and deposit the worth of the banknote into a bank account.
- Over time, the banknotes are exchanged for the newer coins and the demonetization process is considered complete.

#### **2. Scenarios where older currencies & coins are declared to no longer be legal tender after a certain date are**

- One, to completely revamp the value and type of currencies used within the country. This is often due to matters involving the rate of exchange of currency with other countries.
- Two, to streamline the currency in order to make the use of the money easier for all concerned.
- However, the older money can be redeemed for an equivalent amount of the newer forms of currency.

### **WHAT WERE THE REASONS?**

- To tackle black money in the economy. To lower the cash circulation in the country which is directly related to corruption in our country.
- To eliminate fake currency and dodgy funds which have been used by terror groups to fund terrorism in India. The move is estimated to scoop out more than more than, Rs 5 trillion black money from the economy.

### **CURRENCIES IN CIRCULATION**

- India has one of the highest levels of currencies in circulation at over 12% of GDP and of this cash, 87% is in the form of Rs500 and Rs 1, 000 notes.
- Globally, this is not unusual as the central banks of several countries pump massive amounts of cash into the economy, mostly in very large denominations.
- In the US, \$100 bills account for 80% of the cash supply.
- In Japan, ¥10,000 note (about \$100) accounts for 90% of total cash holdings.

### **WHAT IS 'BLACK MONEY'?**

Black money is money which is earned through any illegal activity controlled by country regulations. Black money proceeds are usually received in cash from underground economic activity and, as such, are not taxed. Recipients of black money must hide it, spend it only in the underground economy, or attempt to give it the appearance of legitimacy through money laundering.

### **WHAT ARE THE IMPACTS OF DEMONETIZATION ON INDIAN ECONOMY?**

Demonetization is a generations' memorable experience and is going to be one of the economic events of our time. Its impact is felt by every Indian citizen. Demonetization affects the economy through the liquidity side. Its effect will be a telling one because nearly 86% of currency value in circulation was withdrawn without replacing bulk of it. As a result of the withdrawal of Rs 500 and Rs 1000 notes, there occurred huge gap in the currency composition as after Rs 100; Rs 2000 is the only denomination.

Absence of intermediate denominations like Rs 500 and Rs 1000 will reduce the utility of Rs 2000. Effectively, this will make Rs 2000 less useful as a transaction currency though it can be a store value denomination.

Demonetization technically is a liquidity shock; a sudden stop in terms of currency availability. It creates a situation where lack of currencies jams consumption, investment, production, employment etc. In this context, the exercise may produce following short term/long term/, consumption/investment, welfare/growth impacts on Indian economy. The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks. Following are the main impacts.

#### **1) Disturbs Economic Activities**

Demonetization is not a big disaster like global banking sector crisis of 2007; but at the same time, it will act as liquidity shock that.

#### **2) Liquidity Crunch (Short Term Effect)**

Liquidity shock means people are not able to get sufficient volume of popular denomination especially Rs 500. This currency unit is the favorable denomination in daily life. It constituted to nearly 49% of the previous currency supply in terms of value. Higher the time required to resupply Rs 500 notes, higher will be the duration of the liquidity crunch. Current reports indicate that all security printing press can print only 2000 million units of RS 500 notes by the end of this year. Nearly 16000 mssn Rs 500 notes were in circulation as on end March 2016. Some portion of this was filled by the new Rs 2000 notes. Towards end of March approximately 10000 million units will be printed and replaced. All these indicate that currency crunch will be in our economy for the next four months.

#### **3) Welfare Loss For the Currency Using Population**

Most active segments of the population who constitute the 'base of the pyramid' use currency to meet their transactions. The daily wage earners, other laborers, small traders etc. who reside out of the formal economy uses cash frequently. These sections will lose income in the absence of liquid cash. Cash stringency will compel firms to reduce labor cost and thus reduces income to the poor working class. There will be a trickle up effect of the liquidity chaos to the higher income people with time.

#### **4) Consumption will be hit**

When liquidity shortage strikes, it is consumption that is going to be adversely affected first.

**Consumption ↓ → Production ↓ → Employment ↓ → Growth ↓ → Tax revenue ↓**



**5) Loss of Growth momentum**

India risks its position of being the fastest growing largest economy: reduced consumption, income, investment etc. may reduce India's GDP growth as the liquidity impact itself may last three -four months.

**6) Impact on bank deposits and interest rate**

Deposit in the short term may rise, but in the long term, its effect will come down. The savings with the banks are actually liquid cash people stored. It is difficult to assume that such ready cash once stored in their hands will be put into savings for a long term. They saved this money into banks just to convert the old notes into new notes. These are not voluntary savings aimed to get interest. It will be converted into active liquidity by the savers when full-fledged new currency supply takes place. This means that new savings with banks is only transitory or short-term deposit. It may be encash by the savers at the appropriate time. It is not necessary that demonetization will produce big savings in the banking system in the medium term. Most of the savings are obtained by biggie public sector banks like the SBI. They may reduce interest rate in the short/medium term. But they can't follow it in the long term.

**7) Impact on black money**

Only a small portion of black money is actually stored in the form of cash. Usually, black income is kept in the form of physical assets like gold, land, buildings etc. Hence the amount of black money countered by demonetization depends upon the amount of black money held in the form of cash and it will be smaller than expected. But more than anything else, demonetization has a big propaganda effect. People are now much convinced about the need to fight black income. Such a nationwide awareness and urge will encourage government to come out with even strong measures.

**8) Impact on counterfeit currency**

The real impact will be on counterfeit/fake currency as its circulation will be checked after this exercise. Demonetization as a cleaning exercise may produce several good things in the economy. At the same time, it creates unavoidable income and welfare losses to the poor sections of the society who gets income based on their daily work and those who doesn't have the digital transaction culture. Overall economic activities will be dampened in the short term. But the immeasurable benefits of having more transparency and reduced volume of black money activities can be pointed as long term benefits.

**9) Effect on parallel economy**

The removal of these 500 and 1000 notes and replacement of the same with new 500 and 2000 Rupee Notes is expected to remove black money from the economies they will be blocked since the owners will not be in a position to deposit the same in the banks Temporarily stall the circulation of large volume of counterfeit currency and curb the funding for anti-social elements like smuggling, terrorism, espionage, etc.

**10) Effect on Money Supply**

With the older 500 and 1000 Rupees notes being scrapped, until the new 500 and 2000 Rupees notes get widely circulated in the market, money

Supply is expected to reduce in the short run. To the extent that black money (which is not counterfeit) does not reenter the system, reserve money and hence money supply will decrease permanently. However gradually as the new notes get circulated in the market and the mismatch gets corrected, money supply will pick up. In an important move, the Government of India declared yesterday 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 was placed in circulation from 10<sup>th</sup> November 2016. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision. This measure has been taken by the PM in an attempt to address the resolve against corruption, black money and counterfeit notes this move is expected to cleanse the formal economic system and discard black money from the same. In this report we highlight the probable consequences of this decision on various economic variables and entities.

**11) Effect on Demand**

The overall demand is expected to be affected to an extent. The demand in following areas is to be impacted particularly

- Consumer goods
- Real Estate and Property
- Gold and luxury goods

- Automobiles (only to a certain limit) All these mentioned sectors are expected to face certain moderation in demand from the consumer side, owing to the significant amount of cash transactions involved in these sectors.

#### **12) Effect on Prices Price level is expected to be lowered due to moderation from demand side**

This demand driven fall in prices could be understood as follows:

- Consumer goods: Prices are expected to fall only marginally due to moderation in demand as use of cards and cheques would compensate for some purchases
- Real Estate and Property Prices in this sector are largely expected to fall, especially for sales of properties where major part of the transaction is cash based, rather than based on banks transfer or cheque transactions. In the medium term, however the prices in this sector could regain some levels as developers rebalance their prices (probably charging more on cheque payment)

#### **13) Effect on various economic entities**

With cash transaction lowering in the short run, until the new notes are spread widely into circulation, certain sections of the society could face short term disruptions in facilitation of their transactions. These sections are agriculture and related sector, Small traders, Services Sector, Households, Political Parties, Retail outlets, Professionals like doctor, carpenter, utility service providers, etc.

### **BENEFITS OF DEMONETIZATION**

#### **Financial inclusion benefits**

Many more unbanked people will move to banking including Jan Dhan, post offices and mobile banking. It will for sure give the 2nd boost to the government's efforts of financial inclusion for everybody.

Access of credit to unbanked for business and personal consumption and freedom from loan sharks

- 1) Benefits to farmers via insurance and other subsidies
- 2) Better execution and accountability for micro credits
- 3) Direct benefits transfers
- 4) Boost in savings and more rational utilization of money
- 5) Fortune at the bottom of the pyramid

### **CONCLUSION**

Despite having many positives such as rising tax to GDP, higher GDP growth, lower inflation, higher financial savings, this demonetization move may not curb the root cause of black money.

“This initiative addresses the ‘stock’ of black money but not necessarily the flow/fresh creation of black money unless some mechanism is built to track the movement of the new high-value currency notes. However, such a sudden and drastic step by the government might dissuade some, if not all sections of the society from creating new black money reserves. At the stroke of the hour on midnight of 9th November 2016, demonetization was implemented. India lost or gained is yet to be seen. It is a terrible setback for the international standing of the Indian currency. The aim behind the government’s action was to break the cycle of corruption and to enhance clean transactions and clean money. Demonetization will bring change in cash transaction mindset and also create cascading effects for betterment of economy and people.

**“An Opportunity cost of this demonetization is higher economically and lowers politically”**

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## **STUDY ON INTRODUCTION OF CASHLESS ECONOMY IN INDIA 2016 AND YOUTH**

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### **ABSTRACT**

*This paper studied the views of Undergraduate and Post graduate Students and Working Professionals on introduction of cashless economy in India .Data was collected with the help of structured questionnaire and analyzed using simple percentage method. Responses from respondents shows that cashless economy will help in curbing black money, counterfeit's fake currency, fighting against terrorism, reduce cash related robbery, helps in improving economic growth of our country. Major challenges that can hinder the implementation of the policy are cyber fraud, High illiteracy rate, attitude of people, lack of transparency & efficiency in digital payment system. The study shows that the introduction of cashless economy in India can be seen as a step in right direction. It helps in growth and development of economy in India.*

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### **INTRODUCTION**

Cash is like water a basic necessity without which survival is a challenge. Nevertheless, cash use doesn't seem to be waning all that much, with around 85% of global payments still made using cash. One of the main reasons is that there is nothing to truly compete with the flexibility of notes and coins. Of course, the digital era is something to embrace, and new methods of payments will continue to be introduced. But Indians need to recognize the risks and benefits of different payment instruments, the risks associated with electronic payment instruments are far more diverse and severe. Recently lakhs of debit card data were stolen by hackers; the ability of Indian financial institutions to protect the electronic currency came into question also an important reason why people favor cash. In a courageous move to combat black money and counterfeit currency, Modi's government scrapped currency notes of INR 500 and INR 1000 denominations, which is seen as an unprecedented measure, though a giant leap towards curbing corruption and forged currency. The declaration created confusion across the spectrum, as these high-value notes form around 86% of total legal tender.

However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been assorted with demonetization that was aimed to extract liquidity from the system to unearth black money. Prime Minister Narendra Modi acknowledged the fact in his monthly radio programme, 'Mann Ki Baat' on Sunday that making the transition to cashless economy is challenging, and hence has urged the public to move to 'less-cash' society. A report by Boston Consulting Group (BCG) and Google India revealed that last year around 75 per cent of transactions in India were cash-based, while in developed nations such as the US, Japan, France, Germany etc. it was around 20- 25 per cent. The depletion in cash due to demonetisation has pushed digital and e- transactions to the forefront; e-banking, e-wallets, and other transaction apps becoming prevalent

### **OBJECTIVES**

1. To study the benefits of cashless economy
2. To assess the preparedness for the implementation of the cashless economy by Indian Government.

### **LITERATURE REVIEW**

**Ashish Das, and Rakhi Agarwal, (2010)** in their article "Cashless Payment System in India- A Roadmap" Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream

**Annamalai, S. and Muthu R. Iiakkuvan (2008)** in their article "Retail transaction: Future bright for plastic money" projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money

**Jain, P.M (2006)** in the article "E-payments and e-banking" opined that e- payments will be able to check black "An Analysis of Growth Pattern of Cashless Transaction System. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e- payments and communication networks.

## RESEARCH METHODOLOGY

The study is conducted to obtain data on Introduction of Cashless economy in India. The study is conducted in Mumbai and Thane region. A sample size of 100 was selected using the convenience sampling procedure. Survey method is used for collecting data with the help of questionnaire .The responses from the respondents were collected and analyzed using the simple percentage method.

## DATA ANALYSIS AND INTERPRETATION

**Table 1: Knowledge of Cashless Policy to users**

		Frequency				Percentage
		UG Students	UG Working Professionals	PG Students	PG Working Professionals	
I have heard about India's Cashless Economy	Strongly Agree	12	12	09	06	39
	Agree	09	12	26	19	56
	Undecided	03	01	00	00	04
	Disagree	01	00	00	00	01
	Strongly Disagree	00	00	00	00	00
	Total	25	25	25	25	100
Cashless Economy should be introduced in India.	Strongly Agree	04	10	11	17	42
	Agree	16	12	13	06	47
	Undecided	05	01	01	00	07
	Disagree	00	00	00	00	00
	Strongly Disagree	00	02	00	02	04
	Total	25	25	25	25	100

Above Table shows that there is a high degree of awareness among the population about 95% of the respondents are aware of cashless economy in India. The study considered academic community which means, by all standards they are expected to be fairly aware of the happenings in the society. While 89% of the respondents prefer that cashless economy should be introduced in India.

**Table 2: Perceived benefits of the cashless economy**

		Frequency				Percentage
		UG Students	UG Working Professionals	PG Students	PG Working Professionals	
It would reduce risk of fake currency.	Strongly Agree	02	19	05	21	47
	Agree	12	05	17	04	38
	Undecided	06	00	00	00	06
	Disagree	02	00	02	00	04
	Strongly Disagree	03	01	01	00	05
	Total	25	25	25	25	100
It would prevent money laundering.	Strongly Agree	03	07	07	08	25
	Agree	16	18	16	17	67
	Undecided	04	00	01	00	05
	Disagree	02	00	00	00	02
	Strongly Disagree	00	00	01	00	01
	Total	25	25	25	25	100
It can reduce	Strongly	06	02	08	01	17

corruption.	Agree					
	Agree	13	04	08	05	30
	Undecided	05	08	07	05	25
	Disagree	01	07	01	07	16
	Strongly Disagree	00	04	01	07	12
	Total	25	25	25	25	100
It can stimulate economic growth.	Strongly Agree	01	06	02	04	13
	Agree	07	14	11	17	49
	Undecided	08	01	05	03	17
	Disagree	04	02	05	00	11
	Strongly Disagree	05	02	02	01	10
	Total	25	25	25	25	100

Above Table shows that 85% of the respondents believe that the most significant benefit of the cashless economy is reducing the risk of fake currency. In the same spirit, 92% of the respondents believe that the cashless economy will help to fight against money laundering as the money flowing through the system can easily be traced. 47% of the respondents believe that it contribute towards reducing corruption. Another benefit is that it will stimulate economic growth as money hidden in other illegitimate areas will now be freed up. 62% believe that efficient and modern payment system is positively correlated with the economic development and economic growth of country.

**Table 3: Perceived Challenges with the Cashless economy**

		Frequency				Percentage
		UG Students	UG Working Professionals	PG Students	PG Working Professionals	
Cyber Crime.	Strongly Agree	16	08	10	06	40
	Agree	06	12	08	14	40
	Undecided	01	03	05	04	13
	Disagree	01	02	00	00	03
	Strongly Disagree	01	00	02	01	04
	Total	25	25	25	25	100
The literacy required.	Strongly Agree	11	03	09	03	26
	Agree	02	15	04	20	41
	Undecided	07	05	09	02	23
	Disagree	03	02	02	00	07
	Strongly Disagree	02	00	01	00	03
	Total	25	25	25	25	100
Lack of Transparency and Efficiency in E-payments.	Strongly Agree	03	13	02	10	27
	Agree	05	09	14	07	35
	Undecided	07	01	05	03	17
	Disagree	07	01	03	04	15
	Strongly Disagree	03	01	01	01	06
	Total	25	25	25	25	100
Increase in Internet fraud.	Strongly Agree	12	05	13	05	35
	Agree	02	12	04	11	29

	Undecided	07	03	05	04	19
	Disagree	02	02	01	00	05
	Strongly Disagree	02	03	02	05	12
	Total	25	25	25	25	100

Above Table shows that there are some problems which respondents are facing to come with the cashless economy. Increase number of cybercrime, 80% believe that cybercrime will hinder the free implementation of cashless economy. 67% population think literacy required operate digital payment system; operate mobile phones, which will ultimately increase the users of the digital payment methods. 62% of the respondents believe that lack of transparency & efficiency in payment system. Internet fraud is the major problem to be tackled in the cashless economy as 64% of the respondents see exposure to fraudulent activities as a big problem

## CONCLUSION

The cashless transaction system is reaching its growth day by day, as soon as the market become globalised and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. From the above analysis it also appears that many respondents are actually agree with the government on the usefulness of cashless economy as it helps to fight against terrorism, corruption, money laundering but one biggest problem in the working of cashless economy in India is cybercrime and illegal access to primary data. Therefore it's important to strengthen Internet Security from protection against online fraud. A financial literacy campaign should be conducted by government time to time to make population aware of benefits of electronic payments.

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## GST AND ITS IMPLICATIONS

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### ABSTRACT

*This paper entails the meaning GST and how important is to the society. The purpose of this paper is to analysis the impact of GST on Indian economy. GST has removed all the indirect taxes and it would be one only that is GST needed to be pay. The implementation of GST will significantly improve the competitiveness and performance of India's various sectors. However, prior to its roll out, it will be incumbent upon the Indian government to address certain stakeholder concerns, if it wants to foster long term growth in this sector. GST known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. However, the idea of GST in India was mooted by Vajpayee government in 2000. This paper focuses on how GST has affected the Indian economy. In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Goods and services tax has merged all the indirect tax. There were 150 countries which had implemented GST and France was the first country to implement GST. This paper also discusses how it has affected the common man and its advantages and disadvantages. GST is the biggest tax reform in India. As GST is an alternative to numerous indirect taxes which will bring in 'ONE NATION, ONE TAX'*

*Keywords: Goods and services tax, implementation, numerous, significantly.*

### INTRODUCTION

GST stands for goods and service tax. GST is levied on the supply of goods and services at each stages of the supply chain from the supplier up to the retail stage of the distribution. Even though GST is imposed at each level of the supply chain, the tax element does not become part of the cost of the product because GST paid on the business inputs is claimable. Hence, it does not matter how many stages where a particular good and service goes through the supply chain because the input tax incurred at the previous stage is always deducted by the businesses at the next in the supply chain. The sector has its own set of problems with the bureaucracy, inadequate infrastructure and complex taxation issues, not allowing it to progress much. The most significant of them is the implementations of the Goods and Services Tax popularly known as GST. This is likely to reduce the cascading of taxes. The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level.

On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden. Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods. In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of **credits**. The current system taxes production, whereas the GST will aim to tax consumption. It is ultimately the common man who is directly or indirectly affected by the implementation of any new tax. The much-awaited GST has a dual tax system comprising of CGST, SGST and IGST.

### OBJECTIVES

- To understand the concept of GST.
- To make people aware of GST.
- To identify benefits and challenges of GST.
- To enquire the impact of GST after its implementation.
- To find out difference between indirect taxes and GST.

### NEED OF THE STUDY

This study will help us to examine the impact of GST after its implementation, it will show the gap between indirect taxes and GST and the study will show benefits and challenges which GST may face after implementation.



## LIMITATIONS

Primary data has been collected by conducting online survey and physical survey. The people targeted were the age of 20 to 30 years of age and received 83 responses through online survey and 17 responses through physical survey.

## HYPOTHESIS

Ho: GST has a positive impact on Indian economy.

H1: GST has negative impact on Indian economy.

## RESEARCH METHODOLOGY

**Primary Data:** Primary data has been collected by conducting physical survey as well as online survey.

**Secondary Data:** Secondary data has been collected through various websites.

## REVIEW OF LITERATURE

- Jaspreet Kaur (2016) studied goods and services tax and its impact and concluded that though it will affect Indian economy in short run but it will surely have benefits in long run.
- Vasanth gopal (2011) in the article on GST in India: a big leap in indirect taxation system discussed about impact of GST on various sectors of the Indian economy and how it will take a big leap on India's economic change.

## DATA INTERPRETATION

- Are you aware about the term 'GST'?

YES	NO
99%	01%

- Whether GST has positive or negative impact on Indian economy?

POSITIVE	NEGATIVE
88%	12%

- Which sector has been affected a lot due to GST?

MANUFACTURING	SERVICE	INFORMATION TECHNOLOGY	AGRICULTURAL
32%	23%	43%	13%

- Whether GST has affected your lifestyle?

YES	NO
66%	34%

- Which class of people has been affected due to GST?

RICH	MEDIUM	POOR
16%	73%	28%

- Are you aware about the slab rates in GST?

YES	NO
43%	57%

- Do you think whether it is important to register under GST?

YES	NO
88%	12%

## FINDINGS

- 99% of the respondents are aware about the term 'GST'.
- 88% of the respondents feel that GST has a positive impact on India's economy.
- 43% of the respondents feel that information technology sector has been affected.
- 66% of the respondent's lifestyle has been affected.
- 73% of the respondents feel that medium class has been affected due to GST.
- 57% of the respondents are not aware about the five slab rates in GST.
- 88% of the respondents feel that it is important to register under GST.

## **TESTING OF HYPOTHESIS**

Through, the survey conducted there is a positive impact on GST; therefore our hypothesis (Ho) is accepted.

## **SLAB RATES**

**Zero rated items:** Goods - No taxes will be levied on goods like milk, fruits, vegetables, bread, salt, natural honey, handloom, besan, flour, eggs, stamps, printed books, judicial papers, and newspapers. Services - All hotels and lodges who carry a tariff below ₹ 1,000 are exempted from taxes under GST.

**5% Rate:** Goods - The goods which will attract a taxation of 5% under GST include skimmed milk powder, fish fillet, frozen vegetables, coffee, coal, fertilizers, tea, spices, pizza bread, kerosene, medicines, agarbatti, insulin, cashew nuts, lifeboats etc. Services - Small restaurants along with transport services like railways and airways will come under this category.

**12% Rate:** Goods - Items coming are the tax slab of 12% include frozen meat products, butter, cheese, ghee, pickles, Ayurvedic medicines, sausage, fruit juices, bohemia nankeen, tooth powder, umbrella, instant food mix, cell phones, sewing machine etc. Services - All Non-AC hotels, business class air tickets will attract a tax of 12% under GST.

**18% Rate:** Goods - As mentioned above, most of the items are part of this tax slab. Some of the items are flavored refined sugar, cornflakes, pasta, pastries and cakes, preserved vegetables, tractors, ice cream, sauces, soups and mineral water. Services - All those AC hotels which serve liquor, IT and Telecom services and financial services along with branded garments will be part of this tax slab.

**28% Rate:** Goods - Over 200 goods will be taxes at a rate of 28%. The goods which will be part of this category under GST are deodorants, chewing gum, hair shampoo, sunscreen, pan masala, dishwasher, weighing machine, vacuum cleaner. Other items include shavers, automobiles, hair clippers, motorcycles. Services - As mentioned above, five-star hotels, racing, and movie tickets and betting on casinos and racing will come under this category.

## **IMPACTS**

### **Positive Impacts**

- A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, Excise etc.
- A simplified tax policy as compared to earlier tax structure. However, it's not as simple as it seems to be, Check disadvantages below to grab more details.
- Removes cascading effect of taxes i.e. removes tax on tax.
- Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down.
- Due to reduced costs some products like cars, FMCG etc. Will become cheaper.
- The low prices will further lead to an increase in the demand/consumption of goods.
- A unified tax regime will lead to less corruption which will indirectly affect the common man.

### **Negative Impacts**

- Disputes are likely to arise between Centre and State over tax.
- Highly sophisticated IT infrastructure is required, issue of taxing e-commerce is to be appropriately addressed and integrated and some political imbalance.
- To implement the bill there has to be lot changes at administration level, information technology integration has to happen and sound IT infrastructure is needed.
- The state governments have to be compensated for the loss of revenues (if any). GST being consumption - based tax. States with higher consumptions of goods and services will have better revenues so co-operations from state governments would be one of the key factors for successful implementation of GST.

## **ADVANTAGES**

- Eliminates the multiplicity of taxes and their cascading effects.
- Rationalizes the tax structure and simplifies compliance procedures.
- The common base for charging GST for Centre and the state will consist of an amalgamation of several central taxes and state taxes which will enable them to give one tax rather than giving about 16 taxes.

- It will boost economic growth.
- In some cases, there is a distinction between goods and services when they are sold as a package. These controversies will go.
- GST will remove cascading effect of taxes imbedded in cost of production of goods and services and will provide seamless credit throughout value chain.

#### **DISADVANTAGES**

- Initial years of implementation will see a negative impact of higher inflation.
- There is no direct monetary tax benefit by GST, GST is nothing new, just a new name for various old taxes collected as one.
- Since the mechanism is still complicated, it cannot eliminate black money and tax invasion.
- While the GST will simplify tax structure, it will increase the burden of procedural and documentary compliance.

#### **CONCLUSIONS**

Thus, conclude that GST will have a positive impact on the Indian economy. The multiple taxes will get subsumed into central and state GST. The manufacturing sector stands to benefit significantly with the introduction of GST. The GST System is basically structured to simplify current Indirect Tax system in India. A well designed GST is an attractive method to get rid of deformation of the existing process of multiple taxation also government has promised that GST will reduce the compliance burden at present there will be no distinction between imported and Indian goods & they would be taxed at the same rate. Many Indirect Taxes like Sales Tax, VAT etc., will be finished because there will be one tax system i.e. GST, that will reduce compliance present burden. GST will face many challenges after its implementation and will result to give many benefits. In overall through this study we conclude that GST play a dynamic role in the growth and development of our country.

It will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry.

At the end we can say no doubt it is the biggest ever change in tax structure of India. There is threat of inflation too and states may face reduction in their financial resources. But overall it will be a great change.

#### **SUGGESTIONS**

- All compliance and enforcement procedures under the CGST and GST should be uniform. The basis for division could be the turnover or any other criteria which is considered reasonable so that the compliance and administrative burden is minimized.
- There can be a single rate for all goods and services.
- Government should emphasis more on cashless economy to avoid corruption and it should be made mandatory for every person is eligible for GST.
- Government should organize training sections for the people as this can help common people also.

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## OPPORTUNITIES AND CHALLENGES IN DEMONETISATION AND RE-MONETIZATION ON INDIAN ECONOMY

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### ABSTRACT

*This paper discusses and focuses on the term "cashless society" In the sense of a move towards and implications of, a society where cash is replaced by its digital equivalent - in other words, legal tender (money) exists, is recorded, and is exchanged only in electronic digital form. Before implementation of demonetization, the public didn't had any idea about the cashless economy, Paytm or Freecharge online payment, etc. Thus, the main purpose of making this research paper is to analysis the pros and cons of cashless economy.*

*Keywords: Cashless society, electronic digital form, Digital India, etc.*

### INTRODUCTION

A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have become possible using digital currencies such as plastic cards.

When the Indian government recently banned two high-value currency notes, it led to all sorts of chaos. It led to huge queues to exchange money at banks and ATMs. In addition, this in a country where more than half of its citizens do not have a bank account. However, as the dust continues to settle, a tangible long-term benefit of the process appears to be emerging moving India towards a digital economy in which electronic transactions play a major role in the financial system. The rush to do this, however, is likely to cause a spike in cybercrime. The Indian government's push to get ordinary citizens using plastic and digital money is evident in the launch of various schemes like the BHIM app to incentivize digital payments by the poor, rural and illiterate who have hitherto been unrepresented in the country's modern banking systems. The trend towards use of non-cash transactions and settlement began in daily life during the 1990s, when electronic banking became popular. Since the removal of the notes, the government has been working hard to promote digital payment systems to consumers, proactively offering different incentives and rewards. So far, it seems to be working: the government has reported a 400-1,000% increase in digital transactions since the demonetization.

The people of India are the biggest hurdle in the implementation of the cashless strategy. Mostly, they have welcomed the beginnings of a cashless society, albeit with some opposition to the demonetization implementation. Many can already see the benefits of going cash-free – such as the ability to tender exact change at small retailers, and keep track of expenditures – and are ready to adopt. Although it would be impossible for India to become a cashless economy in the short amount of time since demonetization, it is definitely something the country can look forward to. Making India cashless is like treating multiple chronic societal diseases using just one cure. Demonetization was just the first step and now much more needs to be done – but the country can get there.

### AIMS AND OBJECTIVES

1. To understand the meaning of cashless economy.
2. To understand the impact of demonetization on cashless economy.
3. To study the advantages and disadvantages of cashless economy.
4. To know the different types of cashless economy.
5. To conduct a survey with the help of the given questionnaire.

### HYPOTHESIS

Ho: There is positive scope for the cashless economy on demonetization.

H1: There is negative scope for the cashless economy on demonetization.

### RESEARCH AND METHODOLOGY

A survey was conducted from students and received feedback from 100 respondents. This paper contains both primary as well as secondary data.

**Primary Data-** Primary Data has been collected by conducting physical survey.

**Secondary Data-** Secondary data has been collected through various websites.

### DATA INTERPRETATION

Q.1] Are you aware of the term “cashless economy”

YES	NO
98%	2%

Q.2] Do you think,because of demonetization, the concept of cashless economy came into light?

YES	NO	MAYBE
66.67%	4.76%	28.57%

Q.3] If a cashless system is successful in India, then how often would you like to use such system?

MORE	LESS
95.24%	4.76%

Q.4] After cashless system introduced, through which medium of payment you would like to choose for paying money?

THROUGH E-WALLET APPS	THROUGH CASH
76.19%	23.81%

Q.5] Do you use any e-wallet apps?

YES	NO
61.9%	38.1%

Q.6] Which of the following apps do you use often?

PAYTM	FREECHARGE	OTHERS
68.42%	0%	31.58%

Q.7] Can a cashless system could forever eliminate the need to carry money.

YES	NO	MAYBE
60%	20%	20%

Q.8] Do you support cashless economy?

YES	NO
90.48%	9.52%

### FINDINGS

- 98% of the respondents are aware of the term “cashless economy”.
- 66.67% of the respondents agree that because of demonetization, the concept of cashless economy came into light.
- 95.24% of the respondents use more of such e-wallet apps.
- 76.19% of the respondents pay their money through e-wallet apps.
- 61.9% of the respondents use e-wallet apps.
- 68.42% of the respondents use Paytm (e-wallet) app.
- 60% of the respondents agree that cashless system can forever eliminate the need to carry money.
- 90.48% of the respondents support the cashless system.

### TESTING OF HYPOTHESIS

Since, there is a positive effect from the survey conducted on cashless system, thus, our hypothesis (Ho) is accepted.

### ADVANTAGES & DISADVANTAGES

India is moving towards a digital revolution. The transition while drastic has been in cards for a long time now. Post demonetization, there has been a frenzy in the minds of the public about the whole digitization process. We

have witnessed a major chunk of our population embracing this digital change. To encourage the public to come onboard the digital transactions bandwagon, the government has come up with a slew of discounts, incentives, and freebies. However, there still exist hoards of skeptics who still doubt the digital transactions and payments system. They still seem to be unaware of the numerous benefits and drawbacks that they can affect once they decide to go cashless.

#### ADVANTAGES

- Real Estate prices would drop considerably because a huge share of black money is invested in this sector, which inflates the prices in the real estate market.
- The expenditure incurred by the RBI in printing notes would be considerably reduced. In the year 2015, the RBI spent Rs.27billion in issuing and managing currency notes.
- Prostitution, drug trafficking, terrorist financing, money laundering and many such activities are carried out only in cash. Cashless transactions would make the operation of such businesses impossible for the criminals. This is one of the major advantages for a crime-ridden India.
- Cashless transactions can be easily monitored by the government, which will enhance revenue collection and consequently increase the funds to carry out developmental activities.
- The citizens would no longer have to carry liquid cash with them. It would be sufficient to carry mobiles, cards or tablets.
- Counterfeit currency that is pumped into India to wage an economic war by the enemy countries would be eliminated by a cashless society.
- The majority of election funding in India is made through black money cutting across the political spectrum. Cashless transactions would make it impossible for the political parties to spend thousands of crores of unaccounted money for their election expenditures.

#### DISADVANTAGES

- The small retailers in India deal only in cash and have not been able to invest in the digital infrastructure.
- Many poor people do not have bank accounts. Although the Jan Dhan Scheme launched by the government succeeded in bringing millions into the banking system, the process is not complete and many of the accounts are non-functional. The government has to rectify this problem and bring the entire poor and marginalized section into the banking system.
- The taxes, surcharges and the fees charged on digital transactions need to be made liberal in order to encourage the people to adopt the practice. Otherwise, the public would not be willing to move towards a cashless society.
- Hacking and cyber theft are grave dangers that plague the digital world. Hackers can steal information and money from anywhere in the world. The challenge before the government is to put strong security systems in place to protect the online transactions from the hackers. It is easy to crack the PIN number and gain access to the virtual wallet by using a software, if the cyber-criminal gets possession of the victim's phone.
- The Indian public is not much educated about the benefits of using cards or online payment methods. A vast majority prefer using cash as a convenient method of payment. Even the cardholders consider cash to be a quick method and easy method.

#### TYPES OF CASHLESS MODES AND PAYMENTS

1. **Mobile wallet:** It is a virtual wallet available on your mobile phone. You can store cash in your mobile to make online or offline payments. Various service providers offer these wallets via mobile apps, which is to be downloaded on the phone. You can transfer the money into these wallets online using credit/debit card or Net banking. This means that every time you pay a bill or make a purchase online via the wallet, you won't have to furnish your card details. You can use these to pay bills and make online purchases.
2. **Plastic money:** It includes credit, debit and prepaid cards. The latter can be issued by banks or non-banks and it can be physical or virtual. These can be bought and recharged online via Net banking and can be used to make online or point-of-sale (PoS) purchases, even given as gift cards. Cards are used for three primary purposes – for withdrawing money from ATMs, making online payments and swiping for purchases or payments at PoS terminals at merchant outlets like shops, restaurants, fuel pumps etc.
3. **Net banking:** It does not involve any wallet and is simply a method of online transfer of funds from one bank account to another bank account, credit card, or a third party. You can do it through a computer or

mobile phone. Log in to your bank account on the internet and transfer money via national electronic funds transfer (NEFT), real-time gross settlement (RTGS) or immediate payment service (IMPS), all of which come at a nominal transaction cost.

The RBI classifies every mode of cashless fund transfer using cards or mobile phones as '**prepaid payment instrument**'. They can be issued as smart cards, magnetic stripe cards, Net accounts, Net wallets, mobile accounts, mobile wallets or paper vouchers. They are classified into four types:

- **E-Wallets:** E-wallet is next cashless payment option. E-wallet can be used to purchase products starting from grocery to airline tickets. In order to use E-wallets customer and merchant, both require a smartphone with active internet connection. The most popular example of E-wallet is PayPal. After registering for E-wallet you need to link your credit card or debit card with your E-wallet id. You can use e-wallet for fund transfer or online shopping.
- **Open Wallets:** These allow you to buy goods and services, withdraw cash at ATMs or banks and transfer funds. These services can only be jointly launched in association with a bank. Apart from the usual merchant payments, it also allows you to send money to any mobile number linked with a bank account. M-Pesa by Vodafone is an example.
- **Closed Wallets:** This is quite popular with e-commerce companies; where in a certain amount of money is locked with the merchant in case of a cancellation or return of the product, or gift cards. Flipkart and Book My Show wallets are an example.

## CONCLUSION

The government needs to take the necessary steps and make some policy considerations when they are preparing for a cashless economy. The payment systems have to be protected from the cyber-attacks, which are the major threat for cashless transactions. Also, the government should be able to serve the under banked as well. Everyone from the society should have access to an electronic system that they can use for such transactions.

The need to move towards a cashless economy in India is immense. One, it will save a huge amount of money that is spent annually in printing and maintaining currency. Most importantly, it will help the Government achieve its objective of inclusive growth (through financial inclusion) and make public utilities more efficient. Currently less than 1% of all consumption expenditure is incurred through cashless instruments. However, to move towards a cashless economy, the important role of network effect and creation of a critical mass cannot be ignored. Therefore, at least in the initial stages, steps have to be taken to help build the critical network size. The current draft indicates some of those steps.

As a conclusion, it can be said that going cashless provides a lot more benefits than just convenience to people, businesses and the government in particular. There is a mix of cash and cashless transactions happening across the country, while many enablers are working towards turning the cashless economy dream into a reality. We have taken big strides towards becoming a cashless economy; however, it will take more than a generation to change the habit from cash to no cash transaction. Rushing the economy into a cashless state without proper planning and infrastructure will be disastrous and its consequences will be everlasting. A gradual move towards less-cash society as said by the Prime Minister is the right way forward. Also, important to note that if people start flocking to alternate currencies, governments could wind up losing much of their power to influence economic issues such as inflation and unemployment. The government cannot set an interest rate for institutions lending in a currency it does not control.

## SUGGESTIONS

- There is a need of making electronic payment infrastructure completely safe and secure so that incidents of Cyber Crimes could be minimized and people can develop faith in electronic payment system.
- Banks and mobile wallet providers that wish to integrate into the mobile wallet ecosystem for the long term must offer a simple yet secure mobile payment experience.
- Government should take some necessary and more effective steps/measures to make awareness about the benefits and advancement of cashless society and Digital India.
- There should be no additional transaction cost involved between manufacturer and consumer, to motivate consumers to go Digital/ to make online payments.
- Government should make it mandatory to have a bank account and making payments and transactions through plastic cards (debit and credit cards) or digital transfer.

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## **DEMONETISATION: A CATALYST FOR PAYMENT BANKS**

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### **ABSTRACT**

*The Times of India on 9<sup>th</sup> Nov. 2016 carried not 1 but 3 front full page advertisements of Paytm, MobiKwik and Freecharge, which indicated that with Rs. 500 and 1000 notes losing their luster Indians needed to move towards digital currency. In this paper I have tried to analyze and study if the drift towards non-cash transactions was only momentary till the new currency was made available and if the switchover towards digital options will continue beyond those 50 days. The paper also tries to study the impact that demonetisation had on payment banks, an innovative concept approved by RBI. Payment bank is an innovation for financial inclusion by offering simple solutions for deposits, remittances, utility payments, etc. Since payment banks can't lend money and also have restrictions on acceptance of deposits, it will be interesting to study how the post demonetisation digital boost affects them i.e. for better or worse.*

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Demonetisation is an act of stripping a currency unit of its status as legal tender, wherein the old unit of currency must be wiped of and replaced with a new currency unit. As per recent history, demonetisation was first announced in India on 12<sup>th</sup> Jan. 1946 wherein banknotes of Rs. 1000 and 10000 denominations were withdrawn and new notes of Rs.1000, 5000 and 10000 were introduced in 1954. Again on 16<sup>th</sup> Jan.1978, the Janta Party coalition government had demonetised banknotes of Rs. 1000, 5000 and 10000 as a means to curb counterfeit currency and black money. On 8<sup>th</sup> November 2016, our Hon. Prime Minister Shri Narendra Modi announced the most recent act of demonetisation wherein high value currency notes of Rs. 500 and 1000 ceased to remain legal tender from 9<sup>th</sup> Nov. 2016. The move of demonetisation was with various motives like curbing black money (hoarded in value denominations), counterfeit currency (pumped into Indian economy from outside), corruption, tax evasion and to stop terror funding. The magnum nature of the decision can be gauged from the fact that in one stroke approx. 86% (around Rs. 14.18 lakh crores) of total value of banknotes and 24% (around 22.03 billion) of the total number of banknotes were withdrawn from circulation. It is a significant move that has affected all of us for better or worse. Better as it drives the nation towards a cashless economy ensuring transparency, increasing money circulation, leading to progress, curbing black money and allied illegal activities (including terrorism). Worse since the transitory period disrupted the lives of innocent people, making them leg around ATMs/banks and wait in serpentine queues. However, demonetisation has also given rise to a very positive consequence - an immediate boost to e-transactions and the realization that the reality of a digital India can actually be achieved as imagined.

### **SURGE IN NON-CASH TRANSACTIONS**

There was a huge rise in the non-cash payments and transactions during the period from 9<sup>th</sup> Nov. to 30<sup>th</sup> Dec. 2016 when people were busy getting their old currency deposited or exchanged at banks, which critics might argue, was because people had no other option. But surprising this surge in digital payment methods has continued even after that period which is evident from the following:

- a. Card payment transactions at point of sales (PoS) terminals increased to 1041 million in Jan. 2017 as compared to 818 million in Jan. 2016. The corresponding figures for Mar 2017 & 2016 were 981 million & 845 million respectively. This indicates that people have started using their ATM/ debit cards for shopping rather than only use it for withdrawing cash.
- b. Under pressure from government, banks have deployed 1 million additional PoS terminals within three months, taking their total number to around 2.52 million.
- c. In addition to plastic money there has also been a rise in smartphone based transactions through Unified Payments Interface (UPI) and Bharat Interface for Money (BHIM), both of which use Immediate Payment Service (IMPS). According to data released by National Payment Corporation of India, BHIM and UPI clocked 6.4 million transactions in Mar. 2017 as compared to 4.4 million in Jan. 2017 and a mere 1 Lac in Oct. 2016 before demonetization. IMPS overall has seen a jump of 160% with 67 million transactions in Mar. 2017 against 26 million in Mar. 2016.
- d. Even Prepaid Payment Instruments (PPI), which include wallet services such MobiKwik, Oxigen, etc., have also shown an remarkable growth in transactions of nearly 350% in the 1<sup>st</sup> quarter of 2017 as compared to same quarter of 2016. In Mar. 2016 PPI transactions were 72 million which jumped to 342 million in Mar. 2017.

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**BANKING SCENARIO**

The Indian banking sector is sufficiently capitalized and also well regulated by RBI. The Indian Banking system, which consists of various types of banks, is generally resilient and has withstood the global downturn very well. But in spite of this, a section of the Indian population which is represented by migrant labour, low income households, unorganized sector entities, small business units, women, etc. have stayed away from banks due to complexities like documentation. This can be highlighted from the fact that, India's unbanked population stands at 233 million which, as per the Global Findex 2014 study by the World Bank, accounts for 21% of the world's unbanked population. This unbanked population relies on cash transactions for all their needs and activities; hence there is a need to bring them into the banking stream. But we as Indians don't budge when nothing is pressing, which can be highlighted from the fact that nearly 2.26 crore Jan Dhan accounts were opened between Nov. 2016 to Feb. 2017. But for this section of the population time is very important since their livelihood depends on it. One cannot expect a daily wage earning labourer to sacrifice his one day earnings to visit the bank, hence there is a need felt to find an innovative solution, wherein the bank goes to them and brings them into the banking environment.

**PAYMENT BANKS**

Payments banks are a type of differentiated bank introduced by the RBI for promoting financial inclusion and facilitating payments and remittance flow. They differ from conventional universal banks since the payments banks can concentrate in only two types of activities – accepting demand deposits and facilitating payments. The RBI has made extensive guidelines for the licensing, regulation and product delivery of Payments Banks though it's circular in July 2014. Payment banks are registered under the Companies Act, 2013 with minimum paid-up equity capital of Rs. 100 crore and licensed under sec. 22 of the Banking Regulation Act, 1949 with specific licensing conditions. Payment banks can accept deposits – saving and current – from individuals and other entities subject to a maximum limit of Rs. 1,00,000 per individual, on which interest will be payable. But payment banks cannot lend money in any way. They can issue ATM/debit cards to customers but not credit cards. They will provide a secured technology-driven online environment for making payments and remittances. To cover their operational cost, payment banks can act as business correspondent of other banks and can distribute non-risk sharing simple financial products like mutual funds and insurance products. Of the amount collected, 75% can be invested in up to one year maturity Govt. Securities or Treasury bills and the remaining 25% in deposits with other Scheduled Commercial Banks. Out of 41 applicants, 11 entities have received in-principle approval from RBI for setup of payment banks in August 2015. Out of which 3, namely Cholamandalam Finance, Dilip Shanghvi-IDFC Bank-Telenor JV and Tech Mahindra have already withdrawn from the race to set up payment bank business citing reasons like low profitability, low margins and competitive pressures. Airtel Money, IndiaPost, Paytm and FINO Paytech are 4 payment banks which have already launched their operations and NSDL, Reliance Industries, Vodafone and Aditya Birla Nuvo Ltd. are set to follow by mid-2018.

**BOOSTERS**

The bulk of business for regular banks is about deposits and loans, with the spread between the two rates being their gross margin before costs. They also earn fees from retail customers by issuing drafts, cheque books and charging fees on credit cards and ATM fees. It is true that since payment banks won't be able to disburse loans, their net interest income will be limited. But the payment banks in future can pull the retail business of the banks by attracting customers to use their low cost technology to make payments instead of traditional methods like cheques and drafts. Customers will be happy to switchover since fees for services like cheque books and issuance of drafts will vanish since payment banks can handle such payments digitally, especially for small value payments. The development of UPI app for mobile phones by NPCI ensures that digital will become the norm even for peer-to-peer small cash transfers. The banks have sensed this threat and are trying to shift their customers on to their own proprietary platforms like Buddy (State Bank of India), PayZapp (HDFC Bank), Pockets (ICICI Bank) and other mobile apps. But payment banks can drive the customers to their app based digital payments since their norms of minimum balance maintenance; services charges etc. are more liberal. Hence payment banks can drive away a large chunk of retail business and fees income from the regular banks.

Another advantage for the payment banks is their existing customer base and geographical reach. Since regular banks were not allowed to apply for payment bank license by RBI (they can be stakeholders or part of conglomerate to set up payment banks like Reliance – SBI or FINO - ICICI Bank etc.) we see a variety of applicants who have their own existing customer base. Airtel with 250 million mobile users is bigger than SBI in terms of its customer base and hence is wonderfully placed as a payment bank wherein existing mobile users need to be brought in as payment bank customers. The same advantage will be enjoyed by Reliance (Jio), Vodafone m-pesa and Aditya Birla Nuvo Ltd (Idea) when they decide to formally launch their payment banks.

Paytm had gained almost 20 million new customers post demonetisation on its wallet app, before it launched its payment bank and now has set a target of 50 million customers by 2020. India Post Payment Bank (IPPB) which launched operations in early 2017 has 1.55 lakh post offices (with unmatched rural penetration) which will be converted into payment bank branches by Sept. 2017. Thus by using the available infrastructure IPPB will have more branches than SBI, the largest public sector bank. While Airtel, Vodafone, Reliance, etc. will enjoy the same benefit by setting payment bank nodules at existing stores, FINO has had a tie up with ICICI Bank and Bharat Petroleum Chemicals Ltd. to set up its nodules at all ATMs and petrol pumps respectively.

Payment banks are more cost effective since a nodal can be operated from a 300 sq. feet office as compared to a regular bank which requires approx. 1500 sq. feet. Payment banks which are backed by banks can use existing ATM infrastructure to help customers withdraw money using cards issued by payment banks, hence no additional set up cost. The staff required at nodules will be much lower and can be effectively used to market their products. As compared to regular banks the staff to be stationed at branch will be lower since most of the transactions will be paper less done by the customers themselves through mobile or other interface.

### **CHALLENGES**

The government is doing its part to incentivize people to use online payment solutions by offering subsidies for digitally purchased railway tickets, gas, and insurance policies. However, consumers and merchants are still deterred by clunky signup and KYC processes. Especially in rural India where literacy rates are lower, many are unaware and apprehensive of adopting digital solutions. To overcome these challenges, payment banks will first need to create financial literacy by educating people about features and benefits of digital transactions. They also need to design a seamless and effective way to sign up customers like FINO which opens customer accounts in 4 minutes at their doorstep. Payment banks will have to think on the merchant side also, by using innovative ways to sign on small businesses so they can start accepting digital payments.

Cash-based transactions are instant; they are not inundated with passwords and other authentication requirements. To help customers, payment banks must strive to provide the same level of password-free convenience, at least for low-risk, small-ticket transactions. Innovations like login to app by finger print scanning or face scanning will have to be implemented since the targeted population can't be expected to remember long account or Aadhar numbers or password. For customers who lack smartphones or who are not as tech savvy options of transfer through simple SMS must be made available like \*99# service.

After demonetisation, payment companies are fulfilling an immediate need to replace cash. Payment banks have to do more than just orchestrating payments between consumers and merchants. They can creatively utilize large customer and transactional datasets to provide other financial products which are simple and can help the financial inclusion of the unbanked population.

### **CONCLUSION**

Though a full account of demonetization's impact on digital payments will require more data over a longer time period, the early results suggest the policy could be providing a well-timed catalyst for non-cash payments growth. While there is a long way to go for the digital payment story to be a success in India, demonetization has accelerated the push towards cashless transactions. The advantage of cashless society is that it can penetrate with the help of existing infrastructure, this can help bridge the digital divide between rural and urban India. The real challenge for payment banks is to develop successful business models and drive the much needed attitudinal and behavioral change. India needs lean, cost-effective banks, and this is where payments banks can lead us.

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**DEMONETISATION- A BITTER PILL TO CURE LONG TERM ILL  
A LEAP FORWARD FROM A CASH-BASED TO A CASHLESS ECONOMY: INDIAN EXPERIENCE**

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**Dahele Simaranjeet Kaur and Medha Tapiawala**

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“It must be considered that there is nothing more difficult to carry out, neither more doubtful of success, nor more dangerous to handle, than to initiate a new order of things”

Niccolo Machiavelli, The Prince (1532)

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**INTRODUCTION**

There has been unprecedented debate and discussion in the recent past after the withdrawal Of Rs 500 and Rs 1000 currency notes issued by the Reserve bank of India (RBI) effective November9, 2016 from circulation. These notes ceased to be legal tender vide the Government of India notification dated November 8, 2016. This policy initiative has been popularly referred to as demonetisation.

Demonetization is the act of stripping a currency unit of its status as legal tender. There are multiple reasons why nations demonetize their local units of currency such as to combat inflation, corruption and crime (counterfeiting, tax evasion), to discourage a cash-dependent economy & to facilitate trade.

Banks were closed for one day on 9<sup>th</sup> November 2016 just the day after the withdrawal of Rs 500 and Rs 1000 currency notes from circulation. Indian Banks and companies faced a short-term downside risks due to cash crunch. Nearly 86% of currency value in circulation was withdrawn without replacing bulk of it bringing liquidity crunch which had hit hard on the unorganized sector that is seen to be heavily cash dependent. However to ease the situation and as a matter of convenience to society, the Government allowed the acceptance of old currency notes at government hospitals , eventually even private hospitals , chemist shops, utility bills payment centres and petrol pumps to name a few

**HISTORY OF DEMONETIZATION IN INDIA**

The Coinage Act of 1873 demonetized silver as the legal tender of the United States, in favour of fully adopting the gold standard followed by Ghana, Nigeria, Zimbabwe, France, Germany and Italy. The highest denomination note ever printed by Reserve Bank of India was Rs 10,000 note in 1938 and again in 1954. But these notes were demonetized in January 1946 and again in January 1978. An example of demonetization for trade purposes occurred when the nations of the European Union officially began to use the euro as their everyday currencies in 2002. When the physical euro bills and coins were introduced, the old national currencies, such as the German mark, the French franc and the Italian lira were demonetised. However, these varied currencies remained convertible into Euros at fixed exchange rates for a while to assure a smooth transition.

In the recent move of demonetization of Rs 500 and Rs 1000 currency notes, according to Reserve Bank of India data, out of the total Rs 16.42 lakh crore value of bank notes in circulation as on March 31, 2016 as much as Rs 14.18 lakh crore i.e 86% consisted of Rs 500 and Rs 1000 notes. In terms of volume, out of the total 9,026.6 crore banknote pieces, 2203 crore (over 24%) were of Rs 500 and Rs 1000 denomination. (Source: RBI Demonetisation Report, 2017)

**IMPACT OF DEMONETIZATION ON SOCIETY AND COMMON MAN**

In India, a financial year begins in April and ends in March of the following year. The previously mentioned quarter is the first quarter of fiscal 2016–2017. During that period, the GDP (gross domestic product) rose 7.1%, while the GVA (gross value added) rose 7.3%.

The relationship between the GDP and GVA is:  $GDP = GVA + \text{taxes on products} - \text{subsidies on products}$ . The growth of gross value added (GVA) is expected to have been impacted primarily by the liquidity shock, i.e., limited access to currency as a medium of exchange for effecting transactions in the economy. This impact is expected to have worked through two channels: (a) decline in demand due to shortage of cash to make payments, mostly on discretionary spending; and (b) disruption in production activity due to man hours lost as some workers, especially those in the unorganised sector who get their wages paid in cash experienced temporary loss of work. The overall GVA growth in the Sixth Bi-monthly Monetary Policy Statement on February 8, 2017 was pegged lower at 6.9 per cent. (Source: RBI Report on demonetisation, 2017)

The GDP forecast by Morgan Stanley post demonetisation is pegged at 7.3%. Dr Manmohan Singh expressed his view in stating a 2% fall in the GDP post demonetisation. Although various sectors felt the immediate

impact of demonetisation, it was only in the first few months post demonetisation (short –run) as the path of recovery had already begun with the shocks of demonetisation slowly subsiding.

Demonetization has been a positive step as by illegalizing the high currency notes, corruption, black money and fake currency has been attacked. There would be a progressive shift to a cashless economy with a greater focus on electronic transactions is being envisaged. A good amount of Tax revenue generated by the government can be used towards the betterment of society by providing good infrastructure, hospitals, educational institutions and many facilities for the poor and the needy sections of the society.

The impact on Food prices as monitored by the Ministry of Consumer Affairs, Food and Public Distribution, for the month of February 2017 suggest that the rate of decline in prices of vegetables has moderated considerably. Thus, inflation excluding food and fuel during November 2016 - January 2017 was not impacted due to demonetisation. Within industry, electricity generation was expected to have been impacted the least. Although the S&P BSE realty index declined significantly after demonetisation till end-December 2016, it rebounded subsequently. In December, however, registrations appeared to have bounced back, though they were lower than in October

In transportation, domestic air passenger traffic growth was robust at 22 per cent in November and 23.9 per cent in December and 25.6 per cent in January 2017 (similar to the average growth in April-October) which clearly reflects that it did not face any major setback of demonetisation. (Source Demonetisation, 2017)

With the return of SBNs (Specified bank notes) to the banking system, while currency in circulation contracted, deposits in the banking system surged. The sudden increase in deposits (given the gradual replacement of SBNs by new notes) created large surplus liquidity conditions in the banking system, which could be divided into four distinct phases in terms of how liquidity was managed by the Reserve Bank using different instruments.

Observations made by S P Jain Institute of Management and Research–Abhyudaya on notebandi by the common man based on the survey of 200 families living in 28 slum or lower-income neighbourhoods in Mumbai in early December 2016 by was that demonetisation did led to a drop in their monthly income of about 10% associated with a drop in consumption as well as changes in families' savings in November 2017. There were signs of changes in the mode of payments as well. Majority of respondents viewed demonetisation as a positive move in spite of facing some loss of income in November.

#### **JAN DHAN ACCOUNTS & DIGITAL MODES OF PAYMENTS**

Post-demonetisation, 23.3 million new accounts were opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY), bulk of which (80 per cent) was with public banks. Of the new Jan Dhan accounts opened, 53.6 per cent were in urban areas and 46.4 percent in rural areas. Deposits under PMJDY accounts increased significantly post demonetisation. The total balance in PMJDY deposit accounts peaked at 746 billion as on December 7, 2016 from 456 billion as on November 9, 2016 an increase of 63.6 per cent. (Table 1 in Appendix)

After demonetisation, there has been a significant emphasis on digital modes of payment with a series of measures initiated by the Government of India and the Reserve Bank some of which are temporary, to promote movement from cash to non-cash modes of transactions. A sharp pickup is seen in UPI transactions with a spurt in digital payment activity through PPIs (prepaid payment instrument). (Table 2 in Appendix)

PPIs are issued as smart cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, mobile wallets, and paper vouchers. The post-demonetisation spurt in activity among the major payment wallet companies such as Paytm, Free charge, Mobikwik, SBI's Buddy, and HDFC's Chillr has been phenomenal

#### **CONCLUDING REMARKS**

Demonetisation impacted various sectors of the economy; however, the adverse impact, in general, was short-lived as it was felt mainly in November and December 2016. The impact moderated significantly in January and dissipated by and large by mid-February 2017, reflecting an accelerated pace of remonetisation.

Both banks and mobile wallet companies are in a gold rush to capture market share within a segment that the banks neglected long. The number of Internet users in India is expected to reach 450-465 million by June, up from 432 million in December 2016. Report from the Internet Mobile association of India National payments Corporation of India (NPCI) has launched the BHIM app for bank customers which have gathered 15 million merchants, its key service being a link between UPI & USSD. The growth in value of transactions using BHIM app have increased from Rs 21.3lakh per day on Dec30,216 to Rs 25.73 crores as on February 12,2017 which reflects the smarter options used by Indians post demonetisation.

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## APPENDIX

Table-1 Deposits under PMJDY: Number of Accounts

Bank-Group	As on November 9, 2016		As on March 1, 2017		
	Rural	Urban	Rural	Urban	Total
Public Sector Banks	114.3	89.3	122.1	100.8	222.9
Regional Rural Banks	37.1	6	40	6.4	46.4
Private Sector Banks	5.3	3.1	5.4	3.6	9
Scheduled Commercial Banks	156.7	98.4	167.5	110.9	278.4

Source: Pradhan Mantri Jan Dhan Yojana website

Table- 2 Digital Modes of payment

Year	Nov-16	Dec-16	Jan-17	Feb-17
Payment mode	Volume( million)			
IMPS	36.2	52.8	62.4	59.7
UPI	0.3	2	4.2	4.2
Debit & credit cards	205.5	311	265.5	212.3
Mobile banking	72.3	70.2	64.9	56.2
USSD	0.07	0.1	0.31	0.22
Total	671.5	957.5	870.4	763
	Value( Rs Crore)			
IMPS	32,480	43,192	49,125	48,221
UPI	90	700	1,659	1,902
Debit & credit cards	35,236	52,224	48,124	39,147
Mobile banking	1,24,485	1,36,588	1,20,666	1,08,000
USSD	1	10	38	35
Total	94,00,419	1,04,05,532	97,01,140	92,59,449

IMPS: Immediate Payment service, UPI: United Payment Interface

USSD: Unstructured supplementary service data, Total : Other forms of payment like RTGS, NEFT

Source: Business India, 2017

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## **DEMONETIZATION: IMPACT ON THE INDIAN ECONOMY**

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### **ABSTRACTS**

*Demonetization mean to cancellation of a particular form of currency from economy. "The RBI will issue Two thousand rupee notes and new notes of Five hundred rupees which will be placed in circulation from 10<sup>th</sup> November 2016 Notes of one hundred, fifty twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision. This measure has been taken by the PM in an attempt to address there solve against corruption, black money and counterfeit notes. This move is expected to cleanse the formal economic system and discard black money from the same." This paper highlights the impact of demonetization on Indian economy.*

*Keywords: Demonetization, Black Money, Corruption, Indian economy, Lower inflation*

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### **OBJECTIVES**

The main objectives of this paper are to study the impact of demonization on 8<sup>th</sup> November 2016 by the Modi government on Indian economy.

### **METHODOLOGY**

The paper is based on the secondary data information collected from form different books, journals, newspapers and relevant websites in order to make the study more effective. Information Data is analyzed and put into the points that to clearly know the facts in the means of list. The study attempts to know the effects of demonetization on Indian economy.

"Money is the life blood of every economy. With the growth of industrialization and mankind, the needs of human beings increased. In order to fulfill humans unlimited wants barter system emerged. But over a period of time, the invention of money became a strong pillar to build an economy. Money exchange appears to be more convenient than barter because it obviates the "double coincidence of wants" and is capable of sustaining relatively complex economy."

E.Kamatchi Muthulakshmi1, Dr. G. Kalaimani

### **INTRODUCTION**

Prof J. C. Sandesara

The dictionary meaning of DEMONETIZE is "To deprive (a metal) of its capacity as a monetary standard" or "To withdraw from use as currency" Money is the life blood of every economy. "In popular parlance, the unofficial economy goes by the name of black money and the official of white money. Black and white are also variously substituted by number two and number one, unaccounted and accounted, unreported and reported, unrecorded and recorded and so on..."

### **THE MAIN OBJECTIVES OF DEMONETIZATION ARE**

1. To eradicate black money
2. To remove counterfeit currency
3. To fight against terrorism
4. To stop money laundering activities

### **IMPACT OF DEMONETIZATION**

#### **1. The black money and corruption**

The biggest objective of demonetization is described as fighting black money. Government of India has taken this decision that black money will be taken out of Indian System. This will disclose up to Rs. 4.6 lakh crore in black money. But the effectiveness of demonetization against black money depends upon the follow-up and supportive measures were made by the Government.

#### **2. Real estate**

Indian Housing sector itself contributes to 5-6% of country's GDP and this sector owing to its behavior of huge cash dealings is bound to face major challenges in near future. Steps like implementation of RERA has already boosted the confidence of middle class buyers looking for residential purchase more as a home rather than cash churning mixers as by the previous real estate mafias.



**3. GDP**

The ratio of currency to GDP (gross domestic product) in India, which averaged 8.4% during 1975-2000, crossed 10% for the first time in 2002-03 and has remained above this level since then. This ratio has averaged 10.8% in the last decade. A 2 percent decline in the GDP, as Singh warned, would mean slow economic activity across sectors including agriculture, manufacturing and services, which are the core areas that contribute to the national income. The problem is when economic activity slows down; it will have a direct impact on millions of jobs, retail consumption, corporate earnings, real estate and construction activity. An economic slowdown would thus impact each one of us, no matter what you do for a living.

**4. Digital payments**

With digital transactions, money will come into the system; it will be accountable, generate tax and help develop the country's economy. When money will come into banks, the government will be able to come up with better welfare schemes," Prasad said. Digital payments soar by up to 300% after demonetization due to lack of currency in the market.

**5. Inflation**

When black money goes out of the economy the money supply will shrink to some degree and because of this will reduce inflation rate in any market.

**6. Market**

In short and medium period Indian equity markets have been falling trend since the government demonetized the 500 rupee and 1,000 rupee currency notes after midnight on November 8, 2016. But in long term Indian market is still attractive for investments.

**7. Gold, silver and jewelry**

Under demonetization the demand of gold and other precious metals rise very rapidly because people who have black money they want to invest their blank money, But after 15 days demand for gems and jeweler to decline.

**8. Decrease in interest rate:**

In long run there will be no effect on interest rate but in short period interest rate will decrease because more fund available with bank. With demonization, more people are depositing money into the banks. This means the banks have more liquid funds and more money to lend. Many banks have also slashed their deposit rates including SBI, ICICI Bank, HDFC Bank.

Canara Bank, ICICI Bank and HDFC Bank have cut their fixed deposit rates by up to 1%. State Bank of India cut their fixed deposit interest rates by 0.15% on select maturities.

HDFC Bank and ICICI Bank have cut their deposit by up to 0.25%.

United Bank of India has slashed their rates by 1% only on the short-term deposits.

**9. Funding**

funding for smuggling and terrorism will take tremendously decrease since all the money will get back to bank and from there it is easy to identify the fake currency. Demonetization thus affects the funding of terror networks in Jammu and Kashmir, North-eastern states and the other areas. (prof.sandeep kaur)

**10. Impact on banking sector**

There will be a lot of liquidity with the banks. The biggest beneficiary from demonetization policy will be the banking sector. The reason behind being called the beneficiary is very obvious because as lot of people are depositing cash in the banks; there will be a lot of liquidity with the banks.

**CONCLUSION**

Demonetization though it has created some positive and some negative impact on different sectors but in long run it definitely will have positive impact in controlling black money. Despite certain short term troubles, demonetization is certainly going to give a boost to the Indian economy in the long run. Central government's recent decision to demonetize the high value currency is one of the important steps towards the eradication of black money in India. The demonetization drive will affect some extent to the general public, but for larger interest of the country such decisions are inevitable. Also it may not curb black money fully, but definitely it has major impact in curbing black money to large extent.

**APPENDIX**

Guidelines by the Government as to what citizens could do post this decision Deposit old notes of RS. 500 or Rs. 1000 in bank or post office accounts from 10th November till 3th December, 2016 without any limit.

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There will be a limit on withdrawal: Rs. 10,000 per day and Rs. 20, 000 per week.

This limit will be increased in the coming days.

Exchange old notes of Rs. 500 or Rs. 1000 at any bank, head post office or sub post office while showing ID proof.

The limit for this is Rs. 4000 up to 24<sup>th</sup> November. No restriction of any kind on noncash payments by cheques, demand drafts, debit or credit cards and electronic fund transfer.

On 9<sup>th</sup> November and in some places on 10<sup>th</sup> November also ATMs will not work. In the first few days, there will be a limit of Rs. 2000 per day per card.

This will be raised to Rs. 4000 later.

Source: Finance Ministry Website

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## OPPORTUNITIES AND CHALLENGES IN DEMONETIZATION AND RE-MONETIZATION ON INDIAN ECONOMY

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### ABSTRACT

*The Research paper focuses on impact and importance of cashless policy in India. According to Government of India the cashless policy will increase employment, reduce cash related robbery thereby reducing risk of carrying cash. Cashless policy will also reduce cash related corruption and attract more foreign investors to the country. In many countries introduction of cashless economy can be seen as steps in the right direction. It is expected that its impact will be felt in modernization of payment system, Reduction in the cost of banking service, Reduction in high security and safety risk and also curb banking related corruption. Electronic banking will be made banking transaction to be easier by bringing services closer to its customers hence improving banking industry performance. The financial safety over the digital payment channel is important for pushing the cashless economy idea. A major obstacle for the quick adoption of alternate mode of payment is mobile internet penetration, which is crucial because point of sale terminal works over mobile internet connection, while banks have been charging money on card-based transaction which is seen in hurdle. India has been using electronic payment system for many year now, However the retail sector still has predominance of cash transaction and payment through cash is yet to pick up card is the one of the most secure, convenient mode of cash less payment in retail market.*

*Keywords: Cashless Transactions, Unified Payments Interface, Information Technology, Cashless Economy, Economic Growth, Electronic-payment*

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### INTRODUCTION

*The main aim of digital India campaign is to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of the professed role of digital India.*

A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties. Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bitcoin. "Cashless society" is a move towards, and implications of, a society where cash is replaced by its digital equivalent - in other words, legal tender (money) exists, is recorded, and is exchanged only in electronic digital form.

The trend towards use of non-cash transactions and settlement began in daily life during the 1990s, when electronic banking became popular. By the 2010s digital payment methods were widespread in many countries, with examples including intermediaries such as Paypal, digital wallet systems operated by companies like Apple, contactless and NFC payments by electronic card or smartphone, and electronic bills and banking, all in widespread use. By the 2010s cash had become actively disfavored in some kinds of transaction which would historically have been very ordinary to pay with physical tender, and larger cash amounts were in some situations treated with suspicion, due to its versatility and ease of use in money laundering and financing of terrorism, and actively prohibited by some suppliers and retailers, to the point of coining the expression of a "war on cash".

### REVIEW OF LITERATURE

Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media.

**[1] According to Alvares, Clifford (2009) in their reports** -The problem regarding fake currency in India. It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

**[2] Jain, P.M (2006) in the article** - E-payments and e-banking opined that e- payments will be able to check black- An Analysis of Growth Pattern of Cashless Transaction System. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.

## AIMS AND OBJECTIVES

- To understand the concept of Cashless India.
- To make people understand the importance of going cashless.
- To make people aware of cashless ways of transactions.

## HYPOTHESIS

HO : Cashless society is a need of India for economic growth.

H1 : Cashless society will have no effect on economic growth of India.

## RESEARCH METHODOLOGY

**Primary Data:** Primary data has been collected by conducting physical survey as well as online survey.

**Secondary Data:** Secondary data has been collected through various websites.

## DATA INTERPRETATION

1. Do you support Cashless India?

YES	NO
88.1%	11.9%

2. Do you use Paytm, Online banking and other digital methods of payments?

YES	NO
76.2%	23.8%

3. Do you prefer using digital payment while purchasing?

YES	NO
76.2%	23.8%

4. According to you, are digital methods of payments risk free?

YES	NO
50%	50%

5. Do you think India is ready to adopt cashless ways of transactions?

YES	NO
61.9%	38.1%

6. According to you, are the factors such as poverty, illiteracy and population hurdles in the path of cashless India?

YES	NO
83.3%	16.7%

7. Do you think first the people should be encouraged and taught how to use a smartphone?

YES	NO
95.2%	4.8%

8. Even Countries with lesser population and higher literacy rate are not completely cashless, Is it possible for India to go cashless with all the major issues?

YES	NO	MAYBE
12%	21.7%	66.3%

## FINDINGS

A survey was conducted with the students of Thakur college of Science and Commerce. In total we collected 100 responses out of which:

- 11.9% of the respondents are not in a support of cashless India.
- 76.8% of the respondents use digital methods of payments.
- 23.8% of the respondents don't prefer using online payment options while purchasing.
- According to the responses, the digital payments options are not completely risk free nor completely risky.
- 61.9% of respondents feel India is ready to accept cashless economy.
- 16.7% of the respondents feel that the hurdles like poverty and illiteracy will not hamper the path towards cashless India.

- Majority of the respondents feel that first the people should be educated about the usage of smartphones.
- 66.3% of the respondents feel India might achieve cashless economy overcoming the hurdles.

### **TESTING OF HYPOTHESIS**

Through the survey conducted we can say that our hypothesis is accepted.

### **TYPES OF CASHLESS PAYMENT METHODS**

#### **1. BANKING CARDS**

Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available – including credit, debit and prepaid – offers enormous flexibility, as well. These cards provide 2 factor authentication for secure payments e.g secure PIN and OTP. RuPay, Visa, MasterCard are some of the example of card payment systems. Payment cards give people the power to purchase items in stores, on the Internet, through mail-order catalogues and over the telephone. They save both customers and merchants' time and money, and thus enable them for ease of transaction.

#### **How to get it**

- Provide KYC (Know Your Customer) information to open a new account
- Apply for Card with option of Debit / Credit Card
- Get a PIN

#### **What is required for Transaction**

- PoS terminal or online payment gateway
- Present Card physically or card details for online transaction
- Provide PIN
- Provide OTP (One Time Password) received on registered mobile to complete online transaction for merchant website.
- Self-service and/or Assisted mode

#### **Transaction Cost**

- NIL to customer for merchant transactions.
- Annual fee and limits on ATM transaction by banks discretion.
- 0.50% to 2.25% paid by merchant
- Cash-out charged to customer in case of credit cards @ 1% to 3.5% of transaction value.

#### **2. UNSTRUCTURED SUPPLEMENTARY SERVICE DATA(USSD)**

The innovative payment service \*99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of underbanked society in the mainstream banking services.

#### **How to get it**

- Provide KYC (Know Your Customer) information to open a new account
- Mobile no. should be linked with bank a/c
- Register for USSD/Mobile Banking
- Get MMID (Mobile Money Identifier)
- Get MPIN (Mobile PIN)

#### **What is required for Transaction**

- Remember MMID
- Remember MPIN
- Dial \*99#
- Registered mobile number with any phone (feature or smart)
- Self Service mode

#### **Transaction Cost**

- NIL by system

- Rs. 0.50 charged to customer

### **3. AADHAR ENABLES PAYMENT SYSTEM(AEPS)**

AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.

#### **How to get it**

- Provide KYC (Know Your Customer) information to open a new account
- Aadhaar Number should be linked with bank a/c

#### **What is required for Transaction**

- MicroATM
- Remember Aadhaar
- Give Bank name
- Present self (Aadhaar holder) with Bio-metrics (Finger and/or IRIS)
- Assisted mode

#### **Transaction Cost**

- NIL to customer
- Merchant or BC may get charged or paid based on bank's discretion

### **4. UNIFIED PAYMENT INTERFACE(UPI)**

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).

#### **How to get it**

- Bank a/c
- Mobile number should be linked with bank a/c
- Smart Phone with internet facility
- Debit Card for re-setting MPIN.

#### **What is required for Transaction**

- Smartphone with internet facility
- Registered device only
- Use registered MPIN
- Self Service Mode

#### **Transaction Cost**

- NIL to customer by most Banks
- Customer pays for data charges

### **5. MOBILE WALLETS**

A mobile wallet is a way to carry cash in digital format. You can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your smartphone, tablet, or smart watch. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, mRuppee, Airtel Money, Jio Money, SBI Buddy, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, SpeedPay etc.

#### **How to get it**

- Option to open Zero KYC or Full KYC wallet
- Option of Consumer vs. Merchant wallet
- Mobile Number
- An App to be downloaded in smart phone

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**What is required for Transaction**

- Smartphone or internet
- Use MPIN
- Self-service and/or Assisted mode

**Transaction Cost**

- Customer pays for remittances to bank a/c @ 0.5%-2.5% of fixed fee.
- May pay for data charges in self-service mode.

**6. INTERNET BANKING**

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.

**Different types of transactions**

- National Electronic Fund Transfer (NEFT)
- Real Time Gross Settlement (RTGS)
- Electronic Clearing System (ECS)
- Immediate Payment Service (IMPS)

**IMPORTANCE OF CASHLESS TRANSACTION**

**Taxation:** with lesser availability of hard cash at homes and more in banks, there is lesser scope of hiding income and evading taxation and when there are more tax payers it ultimately leads to a lesser rate of taxation for the whole country.

**Transparency and accountability:** it becomes a lot easier to track the flow of money with every transaction being recorded with the buyer, seller as well as regulatory bodies, making the system much more transparent and compliant. In the long term it leads to better business and investment prospects for the economy as a whole.

**Reduced red tapism and bureaucracy:** with cashless transactions through electronic means the wire transfers are tracked and people are accountable which in turn reduces corruption and improves service time.

**Less availability of cash for illegal activities:** when people are encouraged to go cashless, there is lesser cash available with the people and there won't be a means to invest in other activities to use the idle cash. Channels like hawala (illegal remittance) will ultimately suffer the brunt of a cashless economy.

**Pack of cards:** No need to carry bulky notes in a case. Just carrying the required cards or mobile banking will suffice. More sense of safety with a PIN protected card etc. which will work only with your own credentials.

**Tracking of expenses:** It becomes easier to determine how much was spent where. The exact amount in small denominations can be paid. Unlike cash transactions, there is no need to pay fringe amount in case the exact amount is not available with either of the parties. An important, though seemingly insignificant issue is that of hygiene of the notes.

**Easier transactions:** We can easily do any transaction with security.

**IMPACT OF INFORMATION TECHNOLOGY IN CASHLESS ECONOMY**

The impact of Information Technology on in cashless economy in India is as following:

- Because of information technology the cost of bank will reduce that will result in lower service charges for customers.
- Making Transaction is very easy by using information technology.
- New IT Technology like biometric are help to do secure and transparent transaction.

**CONCLUSION**

However, the benefits of this move have now started trickling in with more and more people switching to digital modes of receiving and making payment. India is gradually transitioning from a cash-centric to cashless economy. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of modernization in money transactions, with e-payment services gaining unprecedented momentum. A large number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than ever before.

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**SUGESSTIONS**

- To increase frequency use of cards special rewards/loyalty points may be designed.
- Banks and mobile wallets must have better visibility during the pre-transaction phase to build trust in the mobile wallet payment experience.
- Terms and conditions of card use may be given in simple language, preferably in mother tongue, that could easily be understood even by a layman.
- The government should create and improve the financial literacy of the people by organising campaigns, street shows, class room teaching and individual financial counseling.

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## **DIGITAL INDIA**

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### **ABSTRACT**

*Digital india was launched in on 1th July 2015 at the Indira Gandhi stadium, Delhi improving digital infrastructure, digitally dealing devices and digital literacy are the three major aspects of digital india campaign. This project focuses on making a road between the government and the public which will not be and difficulty to travel government services will reach the doorstep of the public just by a click. The major idea is to connect the rural areas with the urban technology. An appreciable effort to make this campaign is made by the Chairman of reliance group Mr. Ambani who make a move by investing 2.5 lacs crore in digital india project. To digitally grow the country and improve IT institutions of the country, digital india is one of the biggest step ever taken. The motive of these campaign is to strengthen the electronic services of the government, it is done by reducing the paper work. It helps in globalization as it connects one individual to the whole world through their phone and computer screen, it will avoid maintaining of documents at paper length as all will be saved and delivered through the internet at all level like school, colleges, office, or any other institutions.*

*Keyword: Public internet access programme, E-governance, Information for all, IT jobs, E-kranti, Universal access to phone, Electronic manufacturing, Digital infrastructure, Digital literacy*

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### **INTRODUCTION**

The digital India programme is programme of the government of India into digitally empowered society and knowledge economic. The main motto of digital india is "Power to Empower" the initiative includes plans to connect rural area with high speed internet networks. Digital india consists of 3 components they are:

- Development of secure and stable digital infrastructure
- Delivering government services digitally
- Universal digital literacy

The main motive of digital india group is to come out with innovates ideas and practical solution to realise our prime minister Narendra Modi's vision of a digital india. Prime minister Narendra Modi envisions transforming our nation and creating opportunity for all citizen by harnessing digital technologies. His vision is to empower every citizen with access to digital services, knowledge and information. This group will come up with policies and best practices from around the world to make this vision of a digital india a reality.

E-governance's initiatives in india took a broader dimensions in the mid-1990s for wider sectoral applications with emohasis on citizen-centric services. The major ICT initiatives of the government included, inter alia, some major projects such as railway computerization, land record computerization, etc. Later on, many states started ambitious individual e-governance projects aimed at providing electronic services to citizens. Though these e-governance projects were citizen centric, they could make less than the desired impact due to their limited featured. The isolated and less interactive system revealed major gaps that were thwarting the successful adoption of E-governance. They clearly pointed towards the need for a more comprehensive planning and implementation for the infrastructure required to be put in place, interoperability issues to be addressed, etc. to establish a more connected government. All new and on E-Governance projects , which are being revamped , should now follow the key principles of E-Kranti namely 'transformation and not translation' integrated services and not individual services government process reengineering to be mandatory in every MMP.ICT infrastructure on demand cloud by default ,mandating standards and protocols, languages localization national GIS (geo-spatial information system),security and electronic data preservation.

The portfolio of mission mode projects has increased from 31 to 44MMPs. Many new social sector projects namely women and child developments, urban governance, eBhasha....etc have been added as new MMPs under e-Kranti.

### **VISION OF DIGITAL INDIA**

- Digital infrastructure as a utility to every citizen
- Governance & services on demand
- Digital empowerment of citizens

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### **IMPACT OF DIGITAL INDIA BY 2019**

- Broadband in 2.5 lakh villages, universal phone connectivity
- E-governance & E-services: across government
- Digital empowered citizens – public cloud, internet access
- Job creation: direct 1.7 cr. and indirect at least 8.5 cr.
- India to be leader in IT use in services health, education, banking
- Net zero imports by 2020
- Wi-Fi in 2.5 lakhs schools, all universities; public wi-fi hotspots for citizens
- 400,000 public internet access.

### **OBJECTIVES / AIMS**

The vision of digital India is to transform the country into a digitally empowered society and knowledge economy. It would ensure that government services are available to citizens electronically. This programme was launch on 2<sup>nd</sup> July, 2015 by prime minister Narendra Modi. The initiative includes plans to connect rural areas with high-speed internet networks and improving digital literacy.

This programme will be implemented in phases till 2018. This programme has been envisaged by depai tinent of electronics and information technology (DEITY) with the active participation of ministry communications and IT, ministry of rural development and ministry of health.

Digital empowerment of citizens includes universal digital literacy. All digital resources universally accessible. All government documents/certificates to be available on the cloud. Availability of digital resources/services in india languages. Collaborative digital platforms for participative governance. Portability of all entitlements for individuals through the cloud.

Digital India programmes is cantered on three key vision areas viz., infrastructure as a utility to every citizens, governance and services on demand and digital empowerment of citizens.

Digital infrastructure as utility to every citizen includes high speed internet as a core utility shall be made available in gram panchayats. Cradle to given digital identity, unique, lifelong, online and authenticable. Mobile phone and bank account would enable participation in digital and financial space at individual level. Easy access to common services centre within their locality. Shareable private space on a public cloud. Safe and secure cyber-space in the country.

Governance and services on demand includes government services available in real time from online and mobile platforms. All citizen entitlements to be available on the cloud to ensure easy access. Government services digitally transformed for improving ease of doing business. Making financial transactions above a threshold, electronic and cashless, leveraging global information system (GIS) for decision support systems and development.

### **RESEARCH METHODOLOGY**

A survey was conducted from different fields and received feedback from 100 respondents. This paper contains both primary as well as secondary data.

- **Primary Data:** primary data has been collected by conducting an online survey through questionnaire. We targeted the graduating students and people aged between 20-30 years of age. We received 100 respondents through online survey
- **Secondary Data:** Secondary data has been collected through various magazines, newspapers, and internet.

### **HYPOTHESIS**

H0: Demonetization has a positive impact on various sectors of Indian economy.

H1: Demonetization has negative impact on various sector of Indian economy

### **DATA INTERPRETATION**

- Are you aware of the term digital India?  
Yes
- What is the estimated impact of digital India by 2019?

Positive

- Do you think digital India programme can generate employment?  
Yes
- Do you think that everyone has accepted the E-governance system?  
Yes
- Do you think digital marketing is beneficial to business?  
Yes
- Do you think online marketing is preferred over offline marketing?  
Yes
- What is the motto of digital India?  
Power to empower
- Is there any limitation of digital India?  
No
- Do you think digital India is successful in India?  
Yes
- Does social welfare schemes and programs by modi government helped common man?  
May be

#### **FINDINGS**

- 96% of the respondents are aware about the term digital india
- 82% of the respondents impact of digital india by 2019 is positive
- 75% of the respondents the digital India programme will generate employment
- 92% of people have accepted the E- governance system
- 96% of people think that the motto of digital India is to power to empower
- 85% of people preferred to marketing online
- 89% of people think that the digital India project is success

#### **TESTING OF HYPOTHESIS**

Since, the impact of digital India project is successful ;therefore our hypothesis is accepted.

#### **ADVANTAGES AND DISADVANTAGES**

##### **Advantages**

With the digital India programme, the government is taking a big advancement to convert the nation into a digitally motivated knowledge economic system Digital India programme is focussed on three key ideas:

Creation of digital infrastructure and electronic manufacturing in native India.Delivery of the government services electronically (E-governance).Digital empowerment of native Indian people.

The three key digital tools which will provide as the pillars of the project are:

A digital identification which will verify the end user.A bank account for immediate benefits transfers of subsidies and payments. A mobile for worldwide access to all services

#### **OTHER ADVANTAGES OF DIGITAL INDIA ARE AS FOLLOW**

- It will help in decreasing crime if applied on whole.
- It will help in getting things done easily.
- It will help in decreasing documentation.
- Some of the services which will be provided through this desire efforts are digital locker, e- education, e- health, e-sign and nationwide.

##### **Disadvantages**

Digital India after India's biggest concern about cyber-crime might be. A look at recent statistics, in the cases of cyber-crime in increasing day by day. According to the national crime records bureau data from 2011to 2013, 350 percent increase in cyber-crime cases.

**➤ Threat to national security**

Digital india after becoming the country will start each job via the internet. All networking sites, social media and other digital mediums US data centre, exist in other countries, including the UK so India will increase the risk of data theft.

**➤ Strengthen communal forces**

The second major concern is about the safety of the communal force and terrorists are using the internet terrorist organization mislead people are resorting to social media. Them in touch with people through social media are misleading. Handing of personal data on a large number would not be possible. There will be a question about the vendors who will quantify toward working in digital india program. Safety locker system would be a question. Mass surveillance would not be possible. Basic necessities are ignored which should be treated on a priority.

**CONCLUSION**

- Implementation of suitable preservation strategy for digital data and documents requires for our country
- Collaborative efforts and sharing information will help preservation rather than duplication.
- Online medical consultation, online cash, relief payment with mobile banking. National cyber security co-ordination centre the target of digital India.
- Through MyGov.in 2-way communication between citizens and government is possible.

**SUGGESTIONS**

The suggestions and opinions are strictly based on my personal views. The intension is not to contradict the policies of governments or any other institutions organizations or individuals. I do not disagree with anyone who chose not to agree with me and my views. Due apologies for anything herein are contradictory, or in violation of any standing instructions or policies of the government or anyone else; it is un-intentional and therefore, may please be condoned. The ideas contained are free for anyone to take and use. Take what one like and ignore the rest. Abraham paul. P.

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## DIGITAL MARKETING

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### ABSTRACT

*In the last couple of years, we've seen enterprises consciously working on and embracing data-driven business strategies. It has been declared as one of the most important evolutionary step in the marketing history as you can understand the data you acquire, you can get the data you desire, and organize it to gain certain business objectives. The internet has given a helping hand to e-commerce. Digital marketing, which is also called online or internet marketing, involves the use of interactive, virtual spaces for the sake of promoting and selling goods and services. In fact, new synchronous, internet-based communication expertise had contributed to the restructuring of major economic sectors including marketing. Being cost-effective, flexible, and fast and enjoying an on exceptional global reach, digital marketing has brought about different businesses absurd gains. In this research paper we have studied regarding what people think about digital marketing. Their perspective of digital marketing is seen through various respondents through our survey. Digital Marketing has its own advantages and disadvantages which are mentioned in this paper further.*

*Keywords: Data-driven, organized, strategies, global reach, internet marketing.*

### INTRODUCTION

Digital marketing is also known as data-driven marketing. This term is used for the marketing of products or services using digital technologies, mainly on the internet, but also including mobile phones, display advertising and any other digital medium.

As digital platforms are increasingly incorporated into marketing plans and everyday life, people use digital devices instead of visiting physical shops. Digital marketing campaigns are becoming more efficient day after day. In fact, digital marketing now extends to non-Internet channels that provide digital media, such as mobile phones, SMS, MMS and call back. There are a number of ways brands can use digital marketing to benefit their marketing efforts. The use of digital marketing in the digital era not only allows for brands to market their products and services, but also allows for online customer support through 24/7 services to make customers feel supported and valued. The use of social media interaction allows brands to receive both positive and negative feedback from their customers as well as determining what media platforms work well for them. As such, digital marketing has become an increased advantage for brands and businesses. It is now common for consumers to post feedback online through social media sources, blogs and websites on their experience with a product or brand. The term digital marketing has grown in popularity over time. Digital marketing has become the most common term, especially after the year 2013.

What does it take to do digital marketing right? Here are three keys to digital marketing success: Manage complex customer relationships across a variety of channels – both digital and traditional, respond to and initiate dynamic customer interactions and extract value from big data to make better decisions faster.

### OBJECTIVES

- To know if digital marketing is successful in India or not.
- To know the effects of digital marketing economically.
- To know which market is more preferable.
- To study the advantages and disadvantages of the market.

### RESEARCH METHODOLOGY

This research paper consists of both primary as well as secondary data.

**Primary Data:** Primary data is collected by conducting an online survey.

**Secondary Data:** Secondary data is collected through internet.

### HYPOTHESIS

H<sub>0</sub>: The scope of effective changes is marketing system in India.

H<sub>1</sub>: Digital Marketing is not successful in India.

## DATA ANALYSIS

Are you familiar with the term digital marketing?

YES	NO
97.5%	2.5%

Do you feel it has enough potential to take over Indian market?

YES	NO	MAYBE
35%	10%	55%

Do you feel it saves time and energy?

YES	NO	MAYBE
85%	2.5%	12.5%

Did you have a bad experience?

YES	NO
20%	80%

Is it advisable for upcoming entrepreneur?

YES	NO	MAYBE
82.5%	2.5%	15%

Has digital marketing helped our country economically?

YES	NO	MAYBE
45%	5%	50%

Is the probability of advantages high over disadvantages?

YES	NO	MAYBE
45%	10%	45%

Is physical marketing more recommendable?

YES	NO	AT TIMES
22.5%	12.5%	65%

Are you aware about the latest updates in the market?

YES	NO
60%	40%

What do you prefer, digital marketing or traditional marketing?

DIGITAL MARKETING	TRADITIONAL MARKETING
80%	20%

## FINDINGS

- There were 40 respondents to this survey.
- On a majority, 97.5% of people are aware about the term and working of digital marketing.
- 35% respondents have faith that it has the potential to takeover Indian market and 55% are not sure about it.
- Only 2.5% of them don't feel that digital marketing saves time and energy.
- 80% of them had a positive experience dealing with the modern market.
- 82.5% respondents advices the upcoming entrepreneurs to start up in this market.
- 45% of them feel that digital marketing has helped our country to grow economically.
- 65% of the respondents thinks that physical marketing is necessary for specific products.
- Many of them i.e. 60% are not aware about the recent updates in the market.
- Growing the standard of living, 80% of the respondents now prefer digital market over traditional markets.

## TESTING OF HYPOTHESIS

According to our primary data collected we can say that our hypothesis is accepted.

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### **ADVANTAGES**

1. Digital Marketing strategies don't require a great amount of financial commitment.
2. Online everything can be calculated, thus it's simpler for the organizations to know right away if their strategy is operating or not.
3. Existence on the Internet can help the development of the company from any regional market to nationwide and worldwide marketplaces at the same time, providing almost unlimited growing opportunities.
4. Products are available 24 hours a day and 7 days in a week.
5. Cuts off middle man cost.

### **DISADVANTAGES**

1. One of the hazards in digital marketing is that promotion and sales techniques can easily be copied by a rival.
2. Internet promotion is experienced with a great process of too many competitors.
3. Digital marketing has its own security issues.
4. One of the significant drawbacks for sincere companies may be a deficiency of believing in of the customers because of scammer companies.

### **SUGGESTIONS**

- **Adopt a Data-Driven Strategy :** In the last couple of years, we've seen enterprises consciously working on and embracing data-driven business strategies. It has been declared as one of the most important evolutionary step in the marketing history as you can understand the data you acquire, you can get the data you desire, and organize it to gain certain business objectives.
- **Move from Quality Content to Engaging Content:** Companies should include attractive things on their site to attach people.
- **Utilize Visuals to Strengthen Storytelling:** Not only words but also graphics and clip arts can play their chance.
- **Never Ignore Personalized Marketing:** Time to time customer service is a must. So that the healthy trust is maintained.

### **CONCLUSION**

The study started with the aim to analyse the different issues and efficiencies related to the digital marketing. Based on the discussion it has been found that in case of the digital marketing the most important aspect is to connect with the users. The ladder of engagement has shown the approaches to attach with the customers. The study has also revealed that in order to utilise the digital marketing in an effective way, the companies are required to design an effective platform. It has shown that in the current context, it has become important to integrate all the systems with that of the digital platform. The transition of newspaper from the printed version to the online version has been exemplified the current trends of the digitalisation. Because of growing digital markets, standard of living is increasing constantly. Hence we can conclude that digital market is the future of our country. It is helping the country to grow economically.

## **GST AND ITS IMPLICATIONS**

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### **ABSTRACT**

*This paper entails the meaning of Goods and Service Tax (GST) which is introduced in India and its impact and implications on the Indian economy. Goods and Service Tax or GST as it is known is all set to be a game changer for the Indian economy. GST is an indirect tax levied on the supply of goods and services. It is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. The GST Act was passed in Lok Sabha on 29<sup>th</sup> March, 2017, and came into effect from 1<sup>st</sup> July, 2017. The GST is all set to consolidate all State economies. This will be one of the biggest taxation reforms that will take place in India once the Bill gets officially the green signal to implement. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. There are basically three components of GST- CGST, SGST and IGST. The main objective of incorporating the GST is to eliminate tax on tax i.e. double taxation which cascades from the manufacturing level to the consumption level. However, there is a huge hue and cry against its implementation. This paper also contains the responses of few people about what do they think about GST and about the implications of GST.*

*Keywords- Goods and Service Tax, Taxation Reforms, Implement, Double Taxation, Indian Economy.*

### **INTRODUCTION**

Goods and Service Tax (GST) has been identified as one of the most important tax reforms post-independence. It is a tax trigger, which will lead to business transformation for all major industries. The Goods and Service Tax has revolutionized the Indian taxation system. The GST Act was passed in Lok Sabha on 29<sup>th</sup> March, 2017, and came into effect from 1<sup>st</sup> July, 2017.

Goods and Service Tax Law in India is a comprehensive, multi-stage, destination- based tax that will be levied on every value addition. In simple words, GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India. The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country.

The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government.

India had proposed to have a dual GST set up in 2017, which has been the biggest reform in the country's tax structure in decades. The main objective of incorporating the GST is to eliminate tax on tax i.e. double taxation which cascades from the manufacturing level to the consumption level.

In India, there are different indirect taxes applied on goods and services by central and state government. GST is intended to include all these taxes into one and charged on both goods and services. Thus excise duty, service tax, VAT to name a few will get repealed and will be added into GST. For this, GST will have 3 parts – CGST, SGST and IGST. The central taxes like excise duty will be subsumed into CGST and state taxes like VAT into SGST.

### **REVIEW OF LITERATURE**

Pinki, Supriya Kamma and Richa Verma (July 2014) in their paper titled "Goods and Service Tax- Panacea For Indirect Tax System in India" concluded that the new government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Ehtisham Ahmed and Satya Poddar (2009) in their study on "Goods and Service Tax Reforms and Intergovernmental Consideration in India" found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. However the benefits of GST are depend on the rationally designed GST.

### **AIMS AND OBJECTIVES**

The objectives of this research paper are as follows

1. To study and understand the concept of Goods and Service Tax (GST).



2. To understand the implications of GST in India.
3. To understand how GST will work in Indian Economy System.
4. To know how GST affects the future of Indian economy.

### **RESEARCH METHODOLOGY**

This research paper was conducted using both primary as well as secondary data.

**Primary Data-** It has been collected by conducting an online survey.

**Secondary Data-** It has been collected by referring to various websites and newspapers.

### **HYPOTHESIS**

H0- There is a positive impact of implicating GST in India.

H1- There is a negative impact of implicating GST in India.

### **DATA ANALYSIS**

Following were the questions asked through online survey. We got 73 respondents through this survey.

1. Are you aware about the GST implementation?

YES	NO
97.26%	2.74%

2. Did GST cause rise in prices of goods and services?

YES	NO
76.71%	23.29%

3. Do you think all the businessmen needs to be registered under GST?

YES	NO
89.04%	10.96%

4. Did GST burden the customers?

YES	NO
67.12%	32.88%

5. Did GST affect your consumption behaviour?

YES	NO
58.33%	41.67%

6. Do you think GST is easy to comply with?

YES	NO
53.42%	46.58%

7. Do you think GST is a fair tax?

YES	NO
79.17%	20.83%

8. Do you support GST?

YES	NO
76.71%	23.29%

### **FINDINGS**

1. 97.26% of the respondents are aware of the implementation of GST.
2. 76.71% of the respondents are of the opinion that GST lead to rise in prices of goods and services.
3. 89.04% of the respondents agree that all the businessmen should get registered under GST.
4. 67.12% of the respondents think that GST caused burden to them.
5. 58.33% of the respondent's consumption behaviour was affected.
6. 53.42% of the respondents think that GST is easy to comply with.
7. 79.17% of the respondents feel that GST is a fair tax.
8. 76.71% of the respondents do support GST.

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## **TESTING OF HYPOTHESIS**

Since there is a positive impact of implicating GST in India, therefore our hypothesis ( $H_0$ ) is accepted.

## **ADVANTAGES**

### **1. REDUCTION IN PRICES**

Due to full and seamless credit, manufacturers or traders do not have to include taxes as a part of their cost of production, which is a very big reason to say that we can see a reduction in prices.

### **2. SIMPLE AND EASY ONLINE PROCEDURE**

The entire process of GST (from registration to filing returns) is made online, and it is super simple. This has been beneficial for start-ups especially, as they do not have to run from pillar to post to get different registrations such as VAT, excise, and service tax.

### **3. IMPROVED EFFICIENCY OF LOGISTICS**

Earlier, the logistics industry in India had to maintain multiple warehouses across states to avoid the current CST and state entry taxes on inter-state movement. These warehouses were forced to operate below their capacity, giving room to increased operating costs. Under GST, however, these restrictions on inter-state movement of goods have been lessened.

### **4. UNDER ONE HEAD**

While there will be central GST and state GST, the tax applicable on goods and services being exported and imported between states in India would fall under an Integrated GST (IGST) system in order to avoid conflict of dominion.

### **5. BOOSTING OF REVENUE**

With the new GST in the nation, there won't be more of an evasion as what was happening with the current tax laws. Such simpler term of taxation will make more suppliers in a mood to pay the tax amount which in turn marks the boost in revenue levels.

## **DISADVANTAGES**

### **1. HIGHER TAX BURDEN FOR MANUFACTURING SECTORS**

Small business in manufacturing sector will not have it easy in the GST regime. Under the excise laws, only manufacturing business with a turnover exceeding Rs.1.50 crores had to pay excise duty. Whereas under GST, the turnover limit has been reduced to Rs.20 lakhs, thus increasing the tax burden for many manufacturing SMEs

### **2. COSTLIER SERVICES**

The Service Tax stood at 15% as of now which will have now increased to 18%-20% when GST is imposed. As such many services are on the costlier side with telecom, airline and banking affected majorly. In fact, insurance and petroleum are also said to be majorly affected by the enactment of GST Tax.

### **3. EXPENSIVE BANKING AND INSURANCE**

On one end, Modi government is trying to give a push to banking services and insurance in India and on another side of the picture, the government has decided to tax banking and insurance service at higher rates when compared to the previous rates.

### **4. MID-YEAR LAUNCH**

Government had chosen a mid-year launch for GST and it led to problems in taxation and reporting during the end of the financial year. Ideally, the government should have launched GST at end of financial year as this would have avoided a lot of confusion during taxation and reporting.

## **CONCLUSION**

In simple, GST would definitely be a positive factor for manufacturing sector and negative for service sectors, as the present tax rate for manufacturing is way higher than proposed GST tax rate for services.

GST is definitely a good move to reform indirect taxation in India and has positive effects on GDP growth, tax revenue, exports, employment and so many. But even after a decade Government have failed to implement it due to variety of reasons like, compensation mechanism for the states, GST rates, and issues relating to food products, petroleum, and many political issues as well. With lots of flaws in the present tax structure which is affecting the growth of economy, there is a need to implement GST and to streamline our growth with global economy.

No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system. The implementation of GST would pave way for a simple and understandable tax structure, and also help in avoiding any evasion taking place at any level. Thus, lot being said and done, an appropriate implementation would lead to actually understand whether “GST is a boon or a bane.”

**SUGGESTIONS**

1. The States should come forward for preparing the GST literature in the regional language so that it becomes easy for the common people of the region to understand the laws and regulations.
2. GST is the future tax. GST law should, therefore be forward looking and open for futuristic businesses such as e-commerce, technology based, IT etc and recognize internet, digital economy, start ups etc.
3. There can be a single rate of combined GST on all commodities, as multi rates and different categories of GST are not suitable except for professionals. Our business class is not fully educated, this fact can't be denied.
4. The procedure methods for registering of business firm should also be made convenient so that everyone can easily get their firm registered without any problems or complications.

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## **GST AND IT'S IMPLICATION ON INDIAN ECONOMY**

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### **ABSTRACT**

*GST refers to tax on supply of goods or services or both. It is levied concurrently by both centre and state government. It is a single tax on supply of goods and services right from manufacturing to the consumer. This research paper highlights the positive and negative impact of GST on Indian economy.*

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### **INTRODUCTION OF GST**

The introduction of GST is a significant step in the field of indirect tax reforms in India. It is an indirect tax that brings most taxes which are imposed on the goods and services under single banner. In India GST was introduced on 1st June 2017. The GST council chaired by finance ministry of India Arun Jaitley. The GST council is the main decision making body that has been formed to finalise the design of GST.

In the pre GST regime there was multiplicity of indirect taxes. The central excise duty and service tax was levied by the central government while VAT and entry tax was levied by state government. There was cascading effect of taxes i.e. tax on tax at various stages as credit of taxes levied by one government was not available against payment of taxes levied by other. GST will simplify indirect taxation, reduce complexities and remove cascading effect. It is comprehensive indirect tax levy subsuming all central and state levies with a single unified value added tax transforming the nation into one single market.

The constitution of India was amended from 16th Sept. 2016 to make provision for the introduction of GST. By this amendment in the constitution both centre and states shall have concurrent power to levy and collect GST on goods and services. Under goods and services are taxed at the following rates 0%, 5%, 12%, 18%, 28%. Almost 50 % goods come under 18 % tax rates. The lower taxes are levied on essential goods and the higher taxes are levied on luxury and demerit goods.

### **OBJECTIVE OF STUDY**

- 1) To understand GST in brief
- 2) To study features of GST
- 3) To study positive impact of GST
- 4) To study negative impact of GST

### **SIGNIFICANCE OF STUDY**

This study covers important aspect of GST and their impact on Indian economy i.e. positive and negative impact of GST on Indian Economy.

### **RESEARCH METHODOLOGY**

This study is based on secondary data and literatures available from various books, websites and articles.

### **SALIENT FEATURES OF GST**

- 1) GST is applicable on supply of goods or services
- 2) It is a consumption based tax
- 3) Insertion of new article 264A in the constitution conferring simultaneous power to the Union and State legislatures to legislate on GST
- 4) Central taxes like central excise duty, additional excise duties, service tax, additional custom duty and special additional duty on customs etc. are subsumed in GST
- 5) At the state level taxes like VAT/ Sales tax, central sales tax, Entertainment tax, octroi, luxury tax etc. are subsumed in GST
- 6) All goods and services, except alcoholic liquor for human consumption are brought under the purview of GST
- 7) Both centre and states will simultaneously levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) and Union Territory would levy and collect Union Territory Goods and service Tax (UTGST) on all transactions within a state.

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**IMPLICATIONS OF GST ON INDIAN ECONOMY****A) Positive Implications of GST**

- GST will help to create a unified common national market for india, giving a boost to foreign investments and Make in India campaign
- GST will prevent cascading of taxes a input tax credit will be available across goods and services at every stages of supply
- It will improve the overall investment climate in the country which will naturally benefit the development in the states
- It will boost export and manufacturing activity, generate more employment and thus will increase GDP
- More efficient neutralization of taxes especially for export thereby making our product more competitive in the international market and give boost to indian exports
- GST will improve environment of compliance as all returns to be filled online, input credits to be verified online
- This system is largely bases on technology, it will reduce human interface and this would lead to speedy decisions
- Increase in investment due to increase in income leads to increase in availability of funds which may be used for financing development activities
- It will develop common national market or common economic market
- GST will help to increase purchasing power and real income of consumer
- The GST rate schedule indicates that nearly 81% of all items are in the 18% tax bracket, or below. The Prices are falling in the FMCG segment. The reduction in prices of products has helped both consumers as well as sellers
- The implementation of a comprehensive GST will lead to efficient allocation of factors of production and will lead to gain in GDP and exports. It would enhance economic welfare and returns to the factors of production, i.e. land, labour and capital.

The implementation of GST across goods and services is expected, to provide gains to India 's GDP somewhere within a range of 0.9 to 1.7 per cent. The corresponding change in absolute values of GDP over 2008-09 is expected to be between Rs. 42,789 crore and Rs. 83,899 crore, respectively

Vijay kelkar, Chairman of the 13th Finance Commission said that the proposed GST would benefit the Indian economy by at least \$15 billion (about Rs 73000 crore) per year. A fall in tax incidence on goods and services offered would enable producers to sell their products at a lower price, leading to increased demand.

Finally a more rational tax system would lead to lesser disruptions to the market economy and more efficient distribution of resources within industry.

To conclude the above ,the implementation of GST will play an important role in the growth of Indian Economy.

**Negative Implications of GST**

- Services sector like telecom, restaurants would have a negative impact created by higher tax rate of 18% from present 15%.
- GST rate is higher than VAT.
- India has adopted dual GST instead of national GST.
- GST is fairly complicated in india. The centre will have to cordinate with 29 states and 7 union territories to implement such tax regime is likely create economic and political issues.
- GST mostly related to the manufacturing segment, most manufacturing states may incur losses.
- The goods and services tax (GST) will adversely affect the oil and gas industry as the sector will have to comply with both the current tax regime and the GST framework

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**CONCLUSION**

GST, one of the biggest tax reform in India is spurring growth in the economy. It is highly successful in the European and other countries. Implementation of GST has both positive and negative impacts. After considering the negative impact of GST the government of India should study the GST regime set up by various countries. The government needs to communicate more and more about this systems with the introduction of new technology which will help to face various challenges in implementing GST in India. The positive impact can be taken into consideration in order to improve the economy of the country. GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system. After few years this system will give advantages to various stakeholder.

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## IMPACT OF DEMONETISATION ON FINANCE SECTOR

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### ABSTRACT

*This paper entitles the meaning of demonetization and how it has affected various sectors and the Indian economy. Demonetization is a tool to battle Inflation, Black Money, Corruption and Crime, discourage a cash dependent economy and help trade.. The objective behind the demonetization policy are to make India corruption free, to curb black money, to make people pay taxes on time, to create cashless society and to take a step towards DIGITAL INDIA. Its policy of the government by banning Rs. 500 and Rs.1000 currency notes has influenced all almost all the corner of the economy. Demonetization policy of the Government has been termed as the greatest financial reform that aims to curb the black money, corruption and counterfeit currency notes. This historic decision has affected almost all the sectors. Banning high-value currency will impact people who will have no option, but, to declare income and pay tax on the same or destroy the cash somehow. Some have benefited while others have suffered.*

*Keyword: Demonetization, Black money, cashless society, Digital India, counterfeit currency notes.*

### INTRODUCTION

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. On 8 November 2016, the Government of India announced the demonetisation of all 500 (US\$7.80) and 1,000 (US\$16) banknotes of the Mahatma Gandhi Series. The process of demonetization involves either introducing new notes of the same currency or completely replacing the old currency with new currency. The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism. The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism.

The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the day after the announcement. In the days following the demonetisation, the country faced severe cash shortages with severe detrimental effects across the economy. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked due to the rush to exchange cash.

### AIMS AND OBJECTIVES

- To understand the people's knowledge of demonetisation on finance
- To know whether the stock market is effect due to demonetisation
- To understand the effect of demonetisation on micro finance
- To study whether India's GDP has boosted or not
- To study whether India's financial sector will improve or not

### RESEARCH METHODOLOGY

A survey was conducted from different sectors and received feedback from 106 respondents. This paper contains both primary as well as secondary data.

**Primary Data:** Primary data has been collected through online survey.

**Secondary Data:** Secondary data has been collected through various magazines, newspapers, and internet.

### HYPOTHESIS

HO: Demonetisation has a positive effect on finance

H1: Demonetisation has a negative impact on finance

### DATA INTERPRETATION

1. Have you heard about demonetisation?

Yes	96%
No	2%
A few things	2%

2. Are you well acquainted with the financial situation of the country?

Yes	64.95%
No	35.05%

3. Do you invest in stock market?

Yes	16%
No	75%
Sometimes	9%

4. Do you think demonetization has a positive impact on the country's GDP growth?

Yes	79%
No	21%

5. Do you think demonetization has resulted in loss of stock market?

Yes	48%
No	52%

6. Do you think after flushing out back money people's purchasing power has reduced?

Yes	31%
No	31%
Maybe	38%

7. Can demonetization help India pay off its debts?

Yes	66.33%
No	33.67%

8. Can it increase the value of Indian currency i.e. Indian rupees?

Yes	67.68%
No	32.32%

9. Can demonetization help in the growth of financial sector of India?

Yes	70.59%
No	20.41%

10. Has demonetization hit financial services?

Yes	78.79%
No	21.21%

11. Which class of people do you think has been the hit the most due to demonetization?

Poor	36.73%
Middle	54.08%
Rich	24.49%
Business	44.90%

12. Do you think demonetization has solved the problem of black money?

Yes	37.37%
No	62.63%

## **FINDINGS**

- 96% respondents know what is demonetization.
- 64.45% respondents know what is the financial situation of the country.
- 75% respondents do not invest in stock market.
- 79% respondents agree that demonetization has given a boost to the GDP.
- 48% respondents agree that stock market has gone down.
- 31% respondents think that purchasing power has reduced.
- 66.33% respondents agree that India's debts can be paid off.



- 67.68% respondents agree that the value of Indian currency has increased.
- 70.59% respondents agree that financial sector has grown.
- 78.79% respondents think that financial services have been hit.
- 54.08% respondents think that the middle class section of the society has been hit the most.
- 62.63% respondents think that the problem of the black money hasn't been solved.

### **TESTING OF HYPOTHESIS**

Since demonetization has positive effects on the economy especially relating to the financial sector our research paper H<sub>0</sub> has been accepted by the general public. It has been accepted that demonetization is a step taken for the country and its people.

### **ADVANTAGES**

- **Elimination of counterfeit currency**

Counterfeit currency has the highest circulation so by eliminating the highest currency notes India could almost eliminate the circulation of fake currency out

- **Strengthen the Indian banking system**

This has led to automatically to more amount being deposited in savings and current account. This is now enhancing the liquidity position of the banks.

- **Bank rate cut**

Larger the circulation of money, easier the liquidity of banks. This results in lower bank rates and lower EMI's.

- **Abolish black money**

Those who have black money keep it actually in the higher denominations. Changing the higher denominations hinders the owners to deposit the same with the banks.

- **Price cut in real estate**

Most of the black money circulates in this sector. After this step circulation of black money has drastically reduced.

### **DISADVANTAGES**

- **Adverse impact on the informal sector**

Players of the informal sector deal mainly with cash. This has put a dormant phase on their business.

- **Decrease in demand**

The black economy does not support the real economy. The black economy induces demand. Although you may say this is unethical and not good. But it is good from the economic point of view.

- **Excessive burden on bank employees**

There is an excessive burden on bank employees to cope up with the situation. And even after working so hard they are not able to satisfy the need of the people.

- **Plight of primary producers and manufactures**

Lack of liquidity would result in distress who don't have much money. They cannot hold their produce for long and are offered a low selling price by buyers in the market.

### **CONCLUSION**

It has been concluded that while demonetisation has many disadvantages but it has more advantages. It has more positive aspects than negative aspects. It was a necessary step in order for the country's financial sector to get a boost. After this step the country's GDP has got a great boost. People may have faced a lot of problems due this step especially the business class. As the business class mainly deals with cash transactions. But this step has a lot of positive long term effects. The main aim of this whole step was to eliminate black money and encourage the economy to go cashless and encourage digital payments. In this way the govt can keep track of all the money that is circulating in the economy. It helps in filing of all taxes by all citizens. It discourages illegal transactions. It helps in maintaining transparency and controlled activities. This is because for the economy to work properly some kind of controlled counterfeit transactions are required.

### **SUGGESTIONS**

- Government should print more and smaller denominations such as Rs. 50, 100 and Rs. 500 notes so that there should be sufficient circulation of money in the market.

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- Now new notes of Rs 200 and Rs50 are also introduced so government should circulate in all banks as soon as possible.
  - Government should create more awareness about the use of plastic money for payment in rural areas.
  - People should use online payment apps such as PAYTM, GOOGLE TEZ .

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## **IMPACT OF GST ON INDIAN ECONOMY**

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### **ABSTRACT**

*GST has been termed a potential game changer, the single biggest tax reform undertaken by India in 70 years of independence, one the government says is founded on the concept of “one nation, one market, one tax.” Nitin Kumar (2014) studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations. The study has following objectives: 1) To cognize the concept of GST. 2) To study the features of GST. 3) To evaluate the advantages and challenges of GST. 4) To furnish information for further research work on GST. Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. GST is a transparent tax and also reduce number of indirect taxes. GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower. Some Economist say that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent. The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it.*

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At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime. GST has been termed a potential game changer, the single biggest tax reform undertaken by India in 70 years of independence, one the government says is founded on the concept of “one nation, one market, one tax.”

The moment, which India has waited for more than a decade, is finally over. On 1 July, a single indirect tax regime has kick into force in Asia's third largest economy, dismantling inter-state barriers to trade in goods and services. Essentially, the \$2.4-trillion economy has made a bold attempt to transform itself by removing internal tariff barriers and collapsing 17 central, state and local body taxes into a single GST.

Policymakers are betting on GST to achieve various economic goals in one stroke-promoting the manufacturing sector, boosting exports by making production more competitive, creating more jobs, improving the investment climate, cutting down tax evasion and lowering the compliance cost to businesses.

In the case of many goods, there has been a reduction in tax burden as the GST Council, the federal indirect tax body, has gone the extra mile to correct prevailing high tax rates on items as basic as school bags. Among services, GST on economy-class air travel is lower at 5%, compared with the effective pre-GST service tax rate of close to 6%. But the tax burden on first-class air travel could go up by three percentage points to 12% in the new regime.

One concern in industry is a possible increase in tax burden on certain services. Taxing services at par with goods is a global practice GST has adopted. The GST rate on telecom services, for instance, has accordingly gone up to 18% from the earlier 15% service tax rate. This has led to concerns about a possible increase in telephone bills, although the government has stressed that tax credits available to companies from the service tax paid earlier on spectrum payments will more than offset the rate hike.

“The jury is still out on the impact of GST on cost of telecom services as there is a lot of fine print on this subject. Once the new regime kicks in, we will get clarity based on the billing in the first couple of days,” an executive with a telecom service provider said on condition of anonymity.

The biggest concern for authorities is whether there will be supply disruptions and whether firms will resort to profiteering. To ensure GST is not inflationary, an anti-profiteering authority is being set up.

### **LITERATURE REVIEW**

AgogoMawuli (May 2014) studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries and does not provide broad based growth to poor .

Granthaalayah [133-141] If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Dr. R. Vasanthagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and SatyaPoddar (2009) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, SupriyaKamma and RichaVerma (July 2014) studied, "Goods and Service Tax- Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

### **OBJECTIVE OF STUDY**

The study has following objectives

- 1) To cognize the concept of GST
- 2) To study the features of GST
- 3) To evaluate the advantages and challenges of GST
- 4) To furnish information for further research work on GST.

### **RESEARCH METHODOLOGY**

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study. CONCEPT GST is an indirect tax which will subsume almost all the indirect taxes of central government and states governments into a unified tax . As the name suggests it will be levied on both goods and services at all the stages of value addition. It has dual model including central goods and service tax (CGST) and states goods and service tax (SGST).

### **GST ADVANTAGES**

1. GST is a transparent tax and also reduce number of indirect taxes.
2. GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower.
3. Benefit people as prices will come down which in turn will help companies as consumption will increase.
4. There is no doubt that in production and distribution of goods, services are increasingly used or consumed and vice versa.
5. Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliances costs.
6. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.
7. GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.
8. Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.

9. GST will also help to build a transparent and corruption free tax administration.

10. GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.

These are possible only if the actual benefit of GST is passed on to the final consumer. There are other factors, such as the seller's profit margin, that determines the final price of goods. GST alone does not determine the final price of goods

### **GST DISADVANTAGES**

1. Some Economist say that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
2. Some Experts says that CGST(Central GST), SGST(State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
3. Some retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive.
4. The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.
5. Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem.

### **HOW WILL GST IMPACT THE INDIAN ECONOMY?**

- Reduces tax burden on producers and fosters growth through more production. The current taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers.
- Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.
- There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base.
- GST will add to the government revenues by extending the tax base.
- GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.
- GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.

### **A BRIGHTER ECONOMY**

The introduction of the Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.ow about The current indirect tax structure is major impediment in India's economic growth and competitiveness. Tax barriers in the form of CST, entry tax and restricted input tax credit have fragmented the Indian market. Cascading effects of taxes on cost make indigenous manufacture less attractive. Complex multiple taxes increase cost of compliance. In this scenario, the introduction of GST is considered crucial for economic growth. GST will have quite a favourable impact on Indian economy. Some sectors will have more favourable impact compared to others under the proposed GST.

Removal of tax barriers on introduction of uniform GST across the country with seamless credit, will make India a common market leading to economy of scale in production and efficiency in supply chain. It will expand trade and commerce. GST will have favourable impact on organised logistic industry and modernised warehousing.

GST will facilitate ease of doing business in India. Integration of existing multiple taxes into single GST will significantly reduce cost of tax compliance and transaction cost. Stable, transparent and predictable tax regime will encourage local and foreign investment in India creating significant job opportunities.

Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital.

Significant reduction in product and area-based exemptions under GST will widen the tax base with a consequent reduction in revenue neutral rate. This will enable the government to keep GST rates lower which may have favourable impact on prices of goods in the medium term.

It is also pertinent to note that all indirect taxes will not be subsumed in GST. Electricity duty, stamp duty, excise duty and VAT on alcoholic beverages, petroleum products like crude, natural gas, ETF, petrol and diesel will not be subsumed in GST on its introduction. These taxes will form part of the cost of these goods when used as inputs in downstream products. Hence those sectors where these goods form significant input cost such as plastics and polymers, fertilisers, metals, telecom, air transport, real estate will not get full benefit of GST.

Major beneficiary of GST would be sectors like FMCG, Pharma, Consumer Durables and Automobiles and warehousing and logistic industry. High inflationary impact would be on telecom, banking and financial services, air and road transport, construction and development of real estate,

## **CONCLUSION**

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it.

At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime. Due to unstable environment of Indian economy, it is demand of time to implement GST. Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus, a simplify, user -friendly and transparent tax system is required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%.

It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate.

It execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector.

But all this will be subject to its rational design and timely implementation.

## **SUGGESTIONS**

- 1) GST literature should be formed in regional language by the state for the benefit of the common people. This will develop a positive impact for GST in the state.
- 2) GST should be implemented on alcohol and petroleum.
- 3) The procedure for registering of GST in all business should be simple and easy.

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**GST: A GAME CHANGER FOR INDIAN ECONOMY: ASPECTS AND BENEFITS FOR INDIA**

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**ABSTRACT**

*Amidst the continuous economic crisis running around the globe, and India not being an option for the same, GST is expected to become an economic transformer. Along with other development strategies adopted and implemented by India such as Make in India and Digital India, another reckoning step taken by the Modi Government is the introduction of Goods and Services Tax (GST) on 1<sup>st</sup> July 2017. The Indian Economists expect GST to provide the much-expected stimulant for Indian Economy by transforming the existing structure of indirect taxation to one nation, one economy, one market, one tax nature. With the introduction of GST, India expects to combat with gushing effects of taxes, increased manufacturing costs, black money delinquency and many more adversities to quote. By merging the various state and central taxes into one single tax, India is expected to beat the heat in the international market. And now after the implementation, GST holds great promise in sustaining growth of the Indian Economy.*

*This research paper is a sincere effort to highlight the aspects, benefits and impact of GST as a game changer for Indian Economy. The paper is based on the secondary sources available at the onset. The entire discussion is an attempt to bring out the various aspects of GST and its implications.*

*Keywords: Goods and Service Tax, Indian economy, benefits of GST*

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**INTRODUCTION**

On the backdrop of various economic crisis faced by the country, reformation of economic strategies was one of the important step to be taken by the government. The passing of GST bill on 1st July 2017 was the outcome of the same. GST, as it is normally acknowledged stands for Goods and Services Tax, which is one of the biggest tax reform witnessed in Indian history which is founded on the notion 'one nation, one market, one tax'. This single taxation reform has been brought into force dismantling all the other individual inter-state taxes. This has helped to tackle the various trade barriers as well. GST is a single stroke that has converted India into a unified market of 1.3 billion citizens. GST has helped to merge the local, state and central taxes into one unified tax roof. India being a vast nation of 29 states and 7 Union Territories catch hold the attention of many market troupes. The basic idea of the economic transformers of the nation to bring out GST was to create such platform wherein it can be a win-win situation for all the market players. It was projected in such a way that GST benefits the manufacturers and traders by escaping from the clutches of various taxes and benefitting from fewer tax constraints. Further GST was expected to benefit the common man, the consumer by making them to pay comparatively same rate of tax on most of the daily consumables which may at times increase the tax rate as well but bring in uniformity of taxation policy to a large extent. From the government point of view, larger set of revenue generation by plugging the revenue leakage was the important focus. The key areas where the GST was expected to operate were fragmentation of Indian markets due to heavy tax barriers, complex and multiple taxation policy making commodity cost higher, higher tax filing making the manufacturer least attractive in the market etc.

**THE GST STRUCTURE**

The concept of GST was first visualized in the year 1999 but could not take its concrete shape until a Constitutional Amendment bill was passed in the Parliament on 8<sup>th</sup> August 2016 to chalk out the GST bill. Further the GST Council comprising of representatives of central as well as state met on 18 meetings in last 10 months and Goods and Service Tax, 2017 was passed on 12<sup>th</sup> April 2017. The bill was finally a reality from 1<sup>st</sup> July 2017. On the introductory stage, the GST is based on such a structure to pave a way out for every stake holders in the market, viz the manufacturer, the trader, the consumer and last but not least the economy of the nation. The GST works on a four-tier taxation structure, 5%, 12%, 18% and 28%. The tax rate stays lower for essential commodities such as food items etc. Attempts are also made to bring the essential commodities under no tax zone in order to check with the consumer inflation rate. Further the highest tax rate is applied for luxury goods and items such as luxury cars, tobacco products etc which in return is expected to bring additional monitory resources to the central government to compensate the losses if any from state trade affairs.

**THE BENEFITS OF GST**

Addressed to be as one of the biggest fiscal and taxation reforms since independence, GST has absorbed many small and individual indirect state and central tax hunks such as VAT, excise and service tax that are levied on



goods and services across the nation. So now it is time to crucially examine the benefits mined out from the implementation of GST since its inception, terming GST to be a relief basket for many.

1. **Elimination of multiple taxes:** The biggest benefit of GST was propounded to be removal of multiple taxes under various heads such as VAT, Octroi, Sales tax etc., which in turn minimizes the trade barriers for the potentials.
2. **Encouragement for savings:** Due to minimizing of taxes for common man, GST has further encouraged the common man for better savings by releasing him from the clutches of double tax charging system till date boosting investments.
3. **Business ease:** The 'one nation one tax' system has surely eased the business complexities by reducing the interstate competitions. Further, ease in tax filing and return as well as time to time documentation is also an added boon. This helps India become a strong manufacturing hub.
4. **Reduction in tax evasion:** The very concept behind the implantation of GST was also to catch hold the ill monetary practices across the nation. The GST has included various taxes in 1 single tax making the economic system more stronger and less corruptive in the long run.
5. **Generation of revenues for Government:** GST is also expected to generate more revenues for the state as well as the central government by removing multiple taxation policy and lowering of tax slabs for all.

#### THE PITFALLS OF GST

Though generated very smoothly and result oriented, the GST still falls prey in the hands of certain demerits that has been predicted by the economists and further definitely cannot be ignored. Despite of having a plethora of benefits quoted by many, it still has its share of cons that needs to be highlighted.

1. **Real Estate: the most threatened sector by GST:** According to the views of some economists, the real estate sector is expected to be negatively affected by GST bringing negativity in cost and demand aspect. The GST is expected to bring down the demand for real estate by 12 % due to rise in prices by 8%.
2. **Old wine in a new bottle:** As per some experts, GST hardly has anything to do with economic reformation since it is said to be a new name for all the old taxes such as VAT, excise, sales tax or any other state or central taxes. Thus, economic transformation is still a doubt further adding that GST will bring no new reforms for the country.
3. **Service Sector may get costlier:** The service tax before the advent of GST was 15% which has rose to 18% after GST implementation making the services costlier in long run.
4. **Continuous hikes in petroleum prices:** Petroleum which tends to bring the majority of import value for Indian economy, has seen continuous hikes in its prices since the implementation of GST.
5. **Confusion in GST compliance:** Many business concerns are still not completely clear about the new tax structure of the new tax regime. Changing over to a completely new system of taxation requires understanding of the details, which businesses lack right now. Most of them are worried about filing timely returns, For a traditionally pen-and-paper economy like India, this change to digital record-keeping is going to be massive.
6. **Increase in Operating Costs:** Most small businesses in India do not employ tax professionals, and have traditionally preferred to pay taxes and file returns on their own to save costs. However, they will require professional assistance to become GST compliant as it is a completely new system. While this will benefit the professionals, the small businesses will have to bear the additional cost of hiring experts. Also, businesses will need to train their employees in GST compliance, further increasing their overhead expenses.
7. **Lack of technology awareness:** GST compliance, return filing and payments all have to be done online. Many small businesses are not tech-savvy and do not have the resources for fully computerized compliance. Even as the rest of the nation gets ready to go digital, businesses in small cities across India face a huge technology problem in the days ahead.
8. **Higher Tax Burden for Manufacturing SMEs:** Small businesses in the manufacturing sector will not have it easy in the GST regime. Under the excise laws, only manufacturing business with a turnover exceeding Rs. 1.50 crores had to pay excise duty. Whereas, under GST the turnover limit has been reduced to Rs. 20 lakh, thus increasing the tax burden for many manufacturing SMEs. However, SMEs with a turnover of upto 75 lakhs can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy

lesser compliances. The catch though is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme will be a tough one for many SMEs.

## **CONCLUSION**

Brazil being the first country to adopt and implement GST system, there are almost 140 countries around the globe such as Japan, Australia, Germany, Canada etc. where GST is already being successfully implied and implemented as it is found to give multiple benefits for the nation. Change is always a very difficult terminology that takes time for its inception. It is always challenging to accept changes. But Indian government is trying to make a smooth road ahead for a better economy by building a burden-free structure for compliance of business and generation of better revenues for the nation. The benefits of GST is definitely expected to overshadow the disadvantages of GST.

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## **IMPACT OF GST ON SMALL MEDIUM ENTERPRISES (SME) SECTOR**

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### **ABSTRACT**

*Small Medium Enterprises (SMEs) are important constituent of Indian Economy. They are considered as important growth generators for Indian Economy. We have around 3 Million SMEs in India contributing almost 50 percent of the industrial output and 42 percent of India's total export. They play crucial role in economic and social development of a country. They offer benefits like less capital, high labour intensive, quickly adaptable to environmental changes, small and flexible business operations crucial as they offer more benefits in comparison to big enterprises. SMEs play an important role in alleviating of poverty, increasing sustainable growth and eliminating income inequalities. . The importance of MSME sector in creating entrepreneurship base cannot be questioned. Goods and Services Tax (GST) is major tax reform since independence, GST is expected to transform Indian Tax System. It is believed to be simplified and integrated process for levy and collection of indirect taxation. It will replace complex taxes such as State value added tax (VAT) , Central Excise, Service Tax, Entry Tax or Octroi and other indirect taxes. GST implementation will bring uniform taxation across whole country.*

*Goods and Services Tax Bill (GST) which is implemented in India has reformed Indian Tax system, will help government to widen the taxpayers base. Previously manufacture with turnover of Rs. 1.5 crore or less was not required to comply with the rules of excise duty. Under GST there is merging of Central and State level Taxes, any manufacturer with turnover with Rs. 20 lakh (others) / 10 lakh (special category state) or more will have to comply with GST and its procedures. The paper focuses on analysing the SME sector in the wake of GST Tax regime.*

*Keywords: GST, SMEs, Sustainable, MSMED, Input Credit, Market Forces*

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### **INTRODUCTION**

Small and Medium enterprises have been considered as the important sector in Indian Economy. It is indicator of growth. We have around 3 million SMEs, contributing around 50 percent of industrial output and 42% of India's export. It is also one of the important sectors to generate employment opportunities. The importance and potential of MSME sector was realized by the government and The MSMED Act 2006 was introduced by Government of India in 2006. Under GST regime this important sector is going to be affected in a major way.

### **OVERVIEW OF THE SME SECTOR**

Small Medium Enterprises (SMEs) are important constituent of Indian Economy. They are considered as important growth generators for Indian Economy. We have around 3 Million SMEs in India contributing almost 50 percent of the industrial output and 42 percent of India's total export. They play crucial role in economic and social development of a country. They offer benefits like less capital, high labour intensive, quickly adaptable to environmental changes, small and flexible business operations crucial as they offer more benefits in comparison to big enterprises. SMEs play an important role in alleviating of poverty, increasing sustainable growth and eliminating income inequalities. .The importance and potential of MSME sector was realized by the government and The MSMED Act 2006 was introduced by Government of India in 2006. It was done to broaden the coverage and definition of SSI sector as MSME is one of the important sectors that create employment opportunities. The importance of MSME sector in creating entrepreneurship base cannot be questioned.

### **OVERVIEW OF GST**

Goods and Services Tax (GST) is major tax reform since independence, GST is expected to transform Indian Tax System. It is believed to be simplified and integrated process for levy and collection of indirect taxation. It will replace complex taxes such as State value added tax (VAT) , Central Excise, Service Tax, Entry Tax or Octroi and other indirect taxes. GST implementation will bring uniform taxation across whole country.

Goods and Services Tax Bill (GST) which is implemented in India has reformed Indian Tax system, will help government to widen the taxpayers base. Previously manufacture with turnover of Rs. 1.5 crore or less was not required to comply with the rules of excise duty. Under GST there is merging of Central and State level Taxes, any manufacturer with turnover with Rs. 20 lakh (others) / 10 lakh (special category state) or more will have to comply with GST and its procedures. Under GST, compliance procedure such as Registration, Payments, Refunds and Returns will have to be carried out through online portal. The tax is applicable on transaction value

which includes packaging, commission and other expenses incurred during sales. It allows full tax credit from inputs and capital goods on procurement which can later be set off against the GST output liability.

### **IMPACT OF GST ON OTHER SECTORS**

It is believed that FMCG sector is going to be benefitted the most with implementation of GST. Under GST the government will focus on reducing tax burden on the products of mass consumption. The food products are exempted from GST. Tea, sugar, coffee to be taxed at Just 5%.

The tax rate for Consumer durable sector was taxed at around 25-27 percent, which has been increased to 28 percent under GST. This is the highest tax bracket making it more expensive under new tax system.

Under GST regime it is expected that the tax rate would be higher than the current tax for textile industry. Certain items like natural fibres; cotton and wool which are presently exempted, would be taxed in GST. In spite of this GST will be beneficial to textile industry in long run because of other changes brought in by GST.

Implementation of GST will bring some changes in automobile industry too. It will reduce the cost of manufacturing of cars and bikes because of subsuming of different taxes levied.

Under GST the taxes, will be charged on consumption state and not on the state of origin. This will presumably give boost to the growth of automobile industry.

India's E-Commerce market has estimated to have crossed 211,005 crore in December 2016 as per the study conducted by internet and Mobile Association of India. The report further estimates that it will generate \$ 100 million online retail revenue by the year 2020. However under GST government has specified a threshold limit for all the businesses. In case of E-Commerce business such limit is not applicable. All the businesses carrying out E-Commerce activity are required to get registered under GST irrespective of their turnover. This sector is expected to have positive impact in long run, as government is focusing on regulating this segment and promoting it further.

GST will have mixed impact on the entertainment industry. The impact will depend on the state. The states with high entertainment tax, GST will be advantageous because this will reduce the prices for the end uses. On the other hand GST will have negative impact on states which have low entertainment tax.

### **POSITIVE IMPACT OF GST ON SMALL ENTREPRENEURS**

The online registration of SME will help in getting certificated of registration on time with minimum bureaucracy. It will also be beneficial to in starting new business. The businesses operational at multi state level need not take VAT registrations across different states. Different tax rules only create confusion and incur high procedural fees. Under GST there will be digital interface between bureaucrats and tax payers. Electronic interface will bring transparency and will also help to reduce the compliance cost. Input Tax Credit and tax liability adjustments will happen automatically, on the basis of returns. One of the Key benefits of GST is elimination of the cascading effect of various state and central taxes. State taxes that will be subsumed within the GST are VAT, entertainment tax, entry tax, and luxury tax, tax on betting and gambling. Various central taxes that will be subsumed are Central Excise Duty, Additional Excise Duty, Service tax, Additional Custom Duty, Special Additional Duty and Central Sales tax. Uniform GST will standardize the process. It will benefit MSME to improve performance and market expansion. In the current system, big corporations procured goods based on MSME's locality in order to reduce overheads.

Since GST is destination based tax system and not source-based tax system, goods manufactured by SMEs and imported goods from Multi-national companies will pay the same amount of taxes. The stock transfer method generally followed by Corporate to escape the interstate transactions or transfer were no SMEs cup of tea because of lack of infrastructure. With SMEs it was physical interstate transfer of goods and services hence payment of inter-state taxes. This led to incurring higher expenses to SMEs. Under GST the stock transfer will be taxed bringing Multinational companies and SMEs in the same tax bracket. Electronic refund process will be speedy and smooth; this will boost liquidity of SMEs. Under GST implementation no entry tax will be levied on the goods manufactured and sold in any other part of India. This will result in acceleration of delivery of goods at interstate check points or Toll Nakas which will result in reduction of logistic cost for manufacture of bulk goods. Under GST Tax regime there is no distinction between goods and services. This will help in simplifying legal proceedings related to different components of products like service component and material component. Eventually it will reduce tax evasion cases.

### **NEGATIVE IMPACT OF GST ON SMALL ENTREPRENEURS**

One of the difficulties which GST will bring to SMEs is managing complex tax compliances which SMEs are not used to, they all are not technical expert hence can't deal with online system' this calls for intermediation

to get registration and other taxation formalities. This will lead to additional financial burden on account of technology up gradation. Minimum of thirty-seven returns are required to be filed by every registered taxpayer during a financial year. Thus SMEs will have to deploy additional resources resulting in incising compliance cost. Refunds can be claimed only after filing of relevant returns. Also it depends on the compliances done by the supplier and his rating. Under GST all goods and services will have to pay the same tax. This will lead to SMEs competing against large businesses.

### **CONCLUSION**

GST is going to be a new Tax regime which is simplified unified. For SMEs this will be a tougher job to get acquainted with new compliance system. This calls for right decision on part of SMEs by way of investment in resources to optimise the benefits of new tax regime which is here to stay. If SMEs act on time hiring right people, upgrading right technology and understanding the change, they will be in position to march ahead with changed SMEs which are ready to face challenges forced by GST. In long run reduced tax on start-ups will benefit SMEs. From SMEs perspective, GST will bring many positive changes as compared to current tax system.

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## DEMONETIZATION AND GST LED STAGFLATION AND INDIAN ECONOMY

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### ABSTRACT

*Demonetization and GST are the two major decisions taken by Indian Government in the year 2016-2017 to curb black money and to stop illegal business activities. Both decisions taken have given shock to the economy leaving scope for economic and social debates. The growth and development topics are in Medias and among common man. Positive and negative effects are being discussed and projected. But the real impact is visibly seen on the economy and social life of the people. Withdrawing high valued currency, government brought drastic change in the economic environment of a country and it is further fuelled by GST implications affecting informal sector at an unexpected harmful hit. The economic activities have been declining in some sectors resulting in sporadic inflation further leading comprehensive price rises in all the sectors. The less national output, high unemployment and increase in price level has resulted in Stagflation situation in the economy. The economy has been showing falling consumer demand, falling employment level in informal sector. The pressure of snatching cash balances and imposition of taxes has given high shock to the economy and common man. It is understood that curbing black money and registering all the industrial units will bring good results in the long run but it is not sure. Dreaming long run benefits, short run implications cannot be overlooked in the economy. So this paper highlights the existence of stagflation in the economy led by recent economic reforms.*

*Keywords: Demonetization, GST, GDP, stagflation, employment*

### 1.1 DEMONETIZATION AND GST

Demonetization is not a new term to be understood. From time to time many countries in the worlds have announced demonetization to curb inflation by removing black money from the circulation. It is withdrawal of particular form of currency from the circulation. Recently Indian government, announced this term and over the night denomination of 500 and 1000 rupees note were just a waste papers. The main motive behind is to drive out black money form parallel economy and to bring financial inclusion through cashless economy abided by the development of banks and online transactions. The government clarified the importance of such an action for stopping illegal transactions, moving towards digitalization, bringing good governance, stopping terror funding and controlling parallel economy.

GST has also been a topic of debate nowadays as it brought tax in the economy at one hand but on the other hand it has confused everyone and is more complicated concept to be understood and implanted. Good and Service tax is a solution for complex tax system in India. Instead of paying number of taxes, now only one tax is to be paid reaching half share to state and central government accordingly.

### 1.2 SIGNIFICANCE OF THE PAPER

Economic indicators tag a nation whether it is showing progress or not. Recent economic reforms of demonetization and GST are showing visible impact on the economy. The stagflation situation is observed in the nation where satisfactory output growth is not seen but the prices are rising alarmingly. Due to the financial crunch and demotivation among informal sector, jobs opportunities are being missed by youngsters in the country. So there is a need to analyse the effects of these reforms on the economy.

### 1.3 OBJECTIVES OF STUDY

- To highlight the drastic decision of Demonetization and GST by Government
- To know its effect on our economy with reference to term stagflation
- To suggest some measures to improve the economic situation.

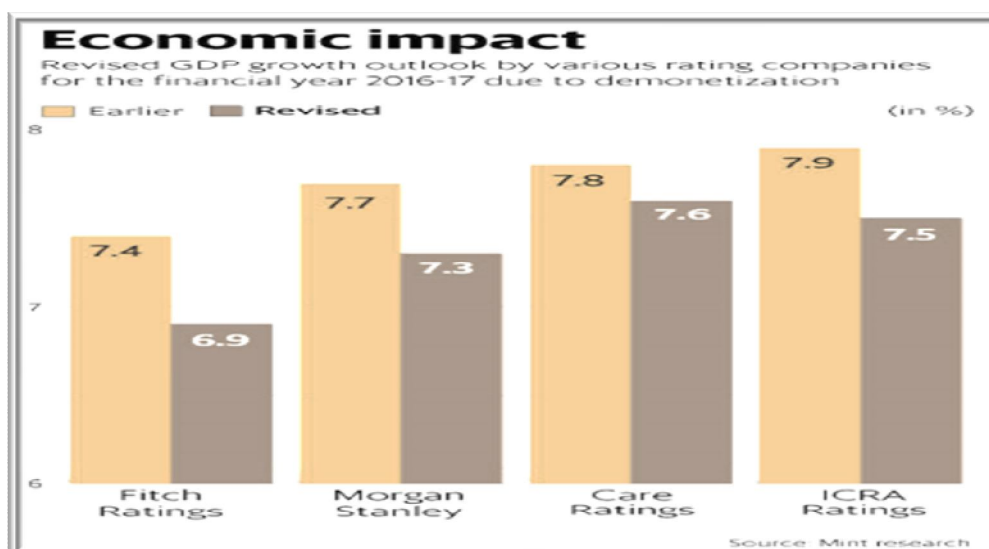
### 1.4 METHODOLOGY OF PAPER

The data is descriptive in nature and has been sourced form secondary sources like reports, articles, reference books, periodicals, research papers and official websites of RBI and Ministries. It is purely opinion based paper.

### 1.5 OBSERVATION OF INDIA ECONOMY

**GDP:** It has been observed that the GDP growth is not hidden and showing unsatisfactory growth. IMF had also predicted that GDP will be less than 7.6%. Today it is even below 6 % showing that the economic growth is not in good shape and is yet to affect due to hasty decisions of demonetization and GST taken immediately one after another. There is low credit growth in the economy which is at the lowest point today. According to

Moody, India has been in stagflation and will suffer for further months. GDP will be affected due to transitional problems for some time.



The above image from Mint research clearly shows the predictions made by various agencies forecasting slowdown of economic growth.

**Employment:** Employment in the entire major sector has fallen down. The most affected is the informal sector which comprises of millions of labourers. Though rosy picture of economy is presented, the reality is very undesirable. Due to less capital formation, jobs are declining. The small businesses have been badly affected due to the pressurized procedure of revenue recording and tax payment. Investment in the small businesses is too declining. Mostly cash-intensive sector has suffered badly after the note ban. New jobs are not being created rather old ones are in danger due to slow economic growth.

**Inflation:** Agricultural products have been kept out of GST. The usable goods and services are showing GST implication as the prices are alarming. But still the inflation is expected to be in check. The rise of agricultural goods is due to affected supply. Rest for all the 80 % of goods and services increased prices are creating extra burden on consumers. It is affecting aggregate demand, production level and employability in line.

Figure 1: Manufacturing Industries Output Price Index



**Industrial Growth:** Demonetization and GST has affected industrial growth. It was only measured 5.2 percent during the beginning of New Year. The job creating sectors affected are mining, manufacturing, Real estate, Agriculture etc. According to IIP, factory output growth is 2.3 percent against 7.3 in the last year. Even the investments are shrunk to 3.9 percent against 13.9 in the last year. Mining sector is also showed fall in growth to 0.9 percent. It has been termed as 'monumental blunder' as it slowed economic progress. The more pain is faced by unorganized sector which is cash-dependent. Business has been downsized creating more unemployed in post demonetized and GST led economy.

**Consumption:** Due to demonetization, huge demand has been declining with reduction in purchasing power of common man. It has brought almost one percent fall in national income. The human cost faced by the poor is very massive and unaccepted. Livelihood has been tough after such economic shocks. The overall demand for Gold and jewellery, houses, automobiles is affected as these have cash transaction based demand. As the rate of GST brought is more than current VAT, prices are on rise in short run. It has resulted in fall in market demand.

### **1.6 RECOMMENDATIONS**

- Fiscal measures should be announced to stimulate national demand. It is only possible if GST is reduced on some items and reducing fuel price too.
- Digitalization has to be further encourage and promoted
- Public borrowings should be reduced to save interest payment.
- Subsidies should be provided in Agriculture and Industrial sector
- Tax cut should be implanted to strengthen supply side economy and also to increase savings and investment creating capital formation.
- Budget and policy measures should be strictly followed.
- Strict tax collection measures should be followed to increase Public revenues.
- Stalled private projects should be revived to bring faster and balanced growth of the economy by providing economic stimulus packages.

### **1.7 CONCLUSION**

The reason behind questioning implications of GST is that India has majority markets in informal sector since years. These small units have been providing jobs to lac of unskilled poor labour of country. Almost 90 % activities are form unorganized sector in India. Proper step by step measures would have been better for these small and medium units. Two major decisions brought unbearable pressure on small entrepreneurs. At one hand their cash transactions are targeted and on the other hand their activities are brought under the purview of taxation through compulsory registration. GST is being implemented by many developed countries. But in our country, it may show impact in the long run as our socio-economic problems and status is different from other nations. Immediate and thoughtful economic measures are to be taken by government to sustain economy from further recession and depression through effective monetary and fiscal policies.

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## DEMONETIZATION AND CASHLESS ECONOMY

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### ABSTRACT

*Demonetization was announced on Nov. 8, 2016 with objectives to flush out black money, curtail terrorism funding, removal of counterfeiting money. Though government announced demonetization with positive note but it got failed to collect black money and on the top it got criticized because the cost of demonetization and logistic support outweigh the benefits.*

*The whole focus of demonetization shifted from black money to cash less economy. The claim was made that it will bring transparency & will widen tax net. The financial inclusion became the priority for inclusive growth and development. The Government introduced JAN DHAN YOJANA a/c, Adhar as portable identity and mobile with simple features. The government promoted modes of digital payments i.e. UPI, Mobile wallets, USSD, debit card and Adhar enabled payment system. Pvt. players introduced more options in mobile wallets. The volume and value of digital transaction surged, acceptance infrastructure expanded, government announced incentive to grow card transaction POS.*

*People started to use plastic money or e-wallets, with limited percentage. Still India is cash centric economy, 90% of transactions are done in cash, many rural areas are not having accessibility of banking services, half of the population are not having bank a/c and yet 100% literacy is not achieved. Transformation of Indian economy towards cashless is long term objective and challenges required to be overcome.*

**Keywords :** Demonetization, Digitization, Inception, Financial Inclusion, Digital Inclusion, JAM.

### INTRODUCTION

Demonetization refers to an economic policy where certain currency units cease to be recognized or used as a form of legal tender. Demonetization is not a new phenomenon for Indian economy because before November 2016, it was announced twice earlier in the year 1948 and 1978. But the impact of demonetization then was limited as compared to present one. Though we announced demonetization with positive note to eradicate black money and removal of counterfeiting money as well as to curtail terrorism funding but the aims kept on changing and finally the focus of demonetization shifted from flushing out black money from Indian economy to digitization of payments or cashless Indian Economy.

### SIGNIFICANCE OF STUDY

In view of the fact that India is in inception category where only 2% of customers makes payment through non cash methods, it become necessary to analyze the transformation of economy driven by cash to cashless economy.

### OBJECTIVE OF THE PAPER

This paper is an attempt to understand that

1. How demonetization accelerating digitization?
2. Challenges faced in shifting the Indian economy to cash less economy.

### METHODOLOGY

Primary data as well as secondary data is used for the study of this paper. Under primary data, micro survey of 50 respondents from different age group, occupation and qualification were selected randomly. The method of collecting data was questionnaire. The data has been presented in the form Pie-diagram.

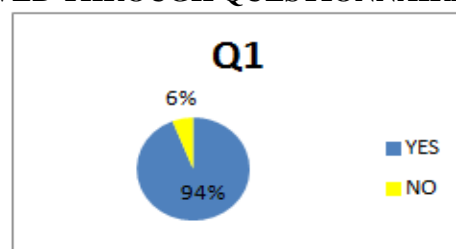
Demonetization and Digitization			
Qualification:			
Age :		Gender:	
Occupation:			
Please write YES or NO wherever it is applicable			
Sr no.	Question	YES	NO
1	Do you know the term demonetization?		

2	Do you know the term Digitization of payment?		
3	Do you use plastic money or E-wallet?		
4	Regular user of digital payment?		
5	Is plastic money or E-wallet is more preferable then cash?		
6	Will you support for cashless India ?		
7	Please Support your answer with reason (with reference to point no. 06): _____ _____ _____ _____ _____		

## ANALYSIS AND INTERPRETATION OF FEEDBACK RECEIVED THROUGH QUESTIONNAIRE

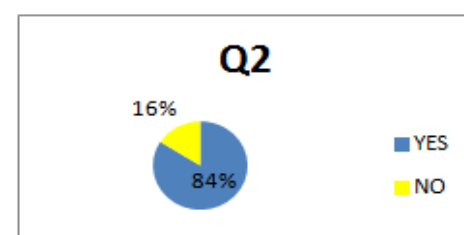
### Q1. Do you know the term demonetization?

The answer of this question was given affirmative by 94% of respondent. This shows the major rolled played by media in creating awareness among the people .As flushing out of black money from the Indian Economy was the main objective behind demonetization and therefore people whole heartedly supported even though they had to go many hardship for daily requirements.



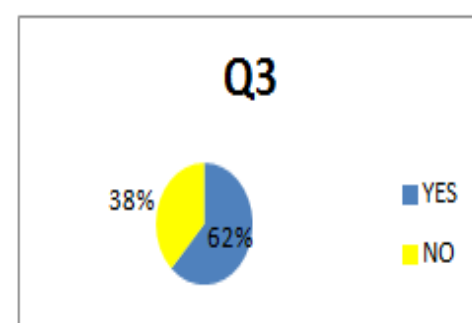
### Q2 . Do you know the term Digitization of payment?

Out of 50 respondent 84% are aware of the term digitization of payment and hardly 16% are not aware of this term. Though demonetization was announced with main objective to weed out black money but over a period of time the focus was shifted from black money to digitization of payment. As demonetization immediately resulted in shortage of cash in the system compelling



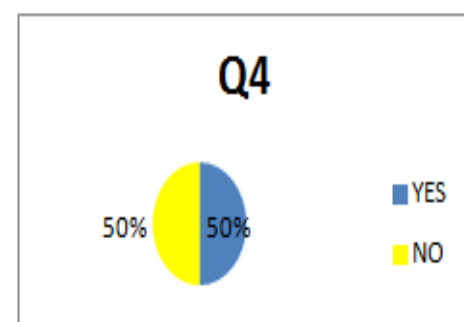
### Q3. Do you use plastic money or E-wallet?

The feedback received by respondent shows that 62% who are using plastic money are from formal sector and they are well educated as well as digitally literate. The study of remaining 28% shows that still informal sector of India is dominated by cash and the drive of digitization was non-existent. This inspite of Government going out for financial inclusion through JAN-DHAN YOJANA ,use of mobile for payment without internet and linking of ADHAR Card with the unique identification number to the respective bank to a virtual debit card.



### Q4. Regular user of digital payment?

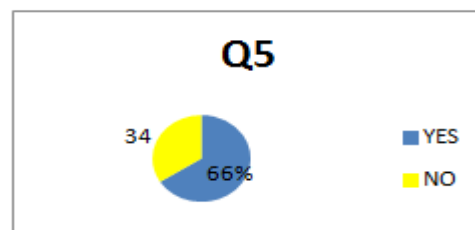
The survey shows that 50% of respondent still use cash as a mode of transaction and remaining 50% adopted digital method for transactions. Due to currency swap the value and volume of digital transaction trebled and quadrupled. This shows more and more people are going digital payment. Card transaction ant point of sales terminal surged, transaction through went up rather than withdrawal of cash from ATM. The acceptance infrastructure expanded, the bank deployed 1 million additional point of sale terminals to facilitate digital payment.



The government of India promoted 5 mode of digital payment. Prepaid payment instruments like Paytm, Oxigen, Mobikwik shown the highest growth during post monetization period.

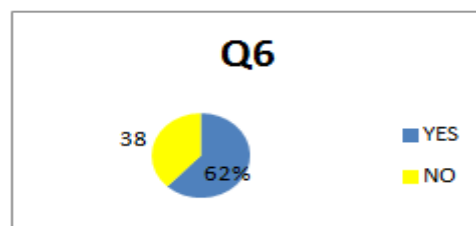
**Q5. Is plastic money or E-wallet is more preferable then cash?**

64% of respondent prefer payment through plastic money or E-wallet where remaining 36% prefer cash .however for fulltime daily needs, all the respondent spent cash . A very high percentage of total population both in rural and urban areas hardly undertake transaction. Their accounts are for receiving government subsidy and withdrawing it.



**Q6. Will you support for cashless India?**

From total respondent 62% are supporting for cashless India whereas 28% prefer an India to be cash Centric economy. At present 90% of Indian work force is in the informal sector that runs on money 95% of total transaction take place in cash and only 4% people do online shopping, most of which with cash on delivery.



**OUT OF SURVEY, THE FOLLOWING SUGGESTIONS WERE GIVEN BY THE RESPONDENTANTS**

1. Majority of respondent strongly believed that demonetization and digitations will flush out black money and it will curtail terrorist funding. They believed that digitations will bring transparency in transaction and therefore tax collections will rise and government will get more revenue for public welfare schemes.
2. Some respondentants suggested that incentives should be offered to motivate people for digital payments.
3. Some pointed out that card charges should be waived off to make it more affordable and acceptable by people.
4. Along with digitization government should reform the tax structure to include more people under tax collections.
5. Majority of respondent strongly believed that demonetization and digitalization will flush out black money and it will curtail terrorist funding.
6. It is strongly believed in India that people will understand the value of money when transactions will be in hard cash rather than plastic money.
7. Bank staff are not customer friendly
8. Number of ATMs are insufficient and existing ones are also malfunctioning.
9. Awareness about digital literacy to be done at great scale specially in rural areas.
10. Internet connectivity and speed are still major issue in telecom India.

**CONCLUSION**

According to reports still India is in inception category. Majority of employment is in informal sector and 90% of transactions done through cash. Meagre 4% of wage recipients. are having bank accounts. Cash is considered as king for transaction purpose. With demonetization, the digitization of transactions have risen but it is limited in use by small section of society who are living in cosmopolitan or metro cities. They come under formal sector and having all accessibility as well as affordability of doing digital transactions.

Financial inclusion should be in high priority for policy makers and it should not be seen as universal access to financial services but adequate credit to vulnerable sections at a reasonable and affordable cost. Mere banking infrastructure will not in calculate finalized banking habits unless real economic problems of production and Employment are addressed. In addition there are macro economic and cultural factors besides issue relating to merchant acceptance and development of technological infrastructure. Today digitization of transactions is the need of our. For that technology must be affordable, technology must be accessable, and technology must be developmental and people willingness to go online transactions.

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## CUSTOMER PERCEPTION TOWARDS E-BANKING IN MUMBAI SUBURB AREAS

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### ABSTRACT

*A new era banking services reflects with the adoption of electronic banking by retail customer. The waves of adoption and usage of latest technology have revolutionized our Indian financial system. Customer psychology plays an important role in adoption of banking services.*

*E-Banking has improved rapidly in the past few years. It is one important channel to collect customer data through various sources. A Emerging banking system upgrade the customer's standard of living. Successful data collection and utilization of all resources will definitely create new height in banking industry.*

*Keywords: E-Banking, smart card, real time basis, E-banking, Customer data.*

### INTRODUCTION

Digitization is the social transformation started by the massive adoption of digital technologies to generate, process, share and manage digital information. Digitization is an inclusive technique of preservation and access by which all the institution's assets are transformed into digital and creating high-quality copies in digital format. It provides advanced opportunities for preservation and access to knowledge contents, also it changes the ways in which collections are used and accessed. Emerging digitization initiatives and ways

The importance of E-banking in many financial institutions reflects with technology adoption by consumers and with customer satisfaction level. Technology implementation is a new goal of banking sector in India. Many customers are like to adopt new banking technology in semi-urban and rural areas. This paper Shows customer adoption of E-banking service as well as examine the relationship between Internet banking service, customer adoption and customer satisfaction. In addition, Internet banking service providers ought to look out for indicators of innovative ways of creating awareness about the service through participation in trade organizations, exhibitions as well as adoption of new technologies

### RESEARCH METHODOLOGY

Research is purely based on primary data. Our 50 respondents' gives opinion on banking facilities. Researcher also adopted observation method to understand customer's approach towards available banking facilities.

**H-1** - Bank are using electronic delivery channel

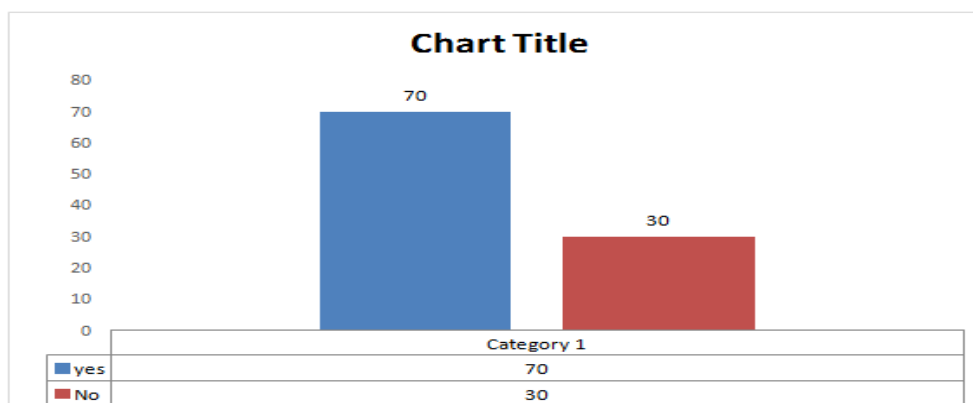
**H-2** - Promotional activities motivates to apply smart card facilities

**H-3** - E-Banking facility reduces physical attendance of customers in bank.

### Hypothesis-1 : Banks are using electronic delivery channel

The information technology enables bank to increase the range of financial products. Its improve trade in our India. Indian banks aggressively accepted latest technology to upgraded banking services in all areas. Electronic services like ATM, smart card, Internet banking, mobile banking etc. are upgraded standard of living in society.

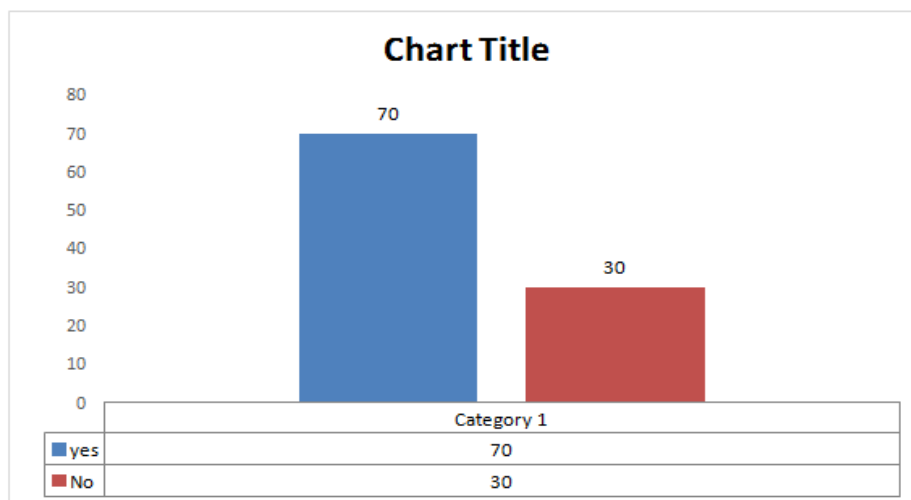
As per our primary source, our 70% Respondents are interested to understand about various types online & off-line fund transfer services provided by banks in India. Remaining 30% respondents are like to visit bank. These 30% respondents are above age of 60 years. Its shows that, young generation want to accept E-banking services



### Hypothesis -2: Promotional activities motivates to apply smart card facilities

Banking promotional activities motivate people to apply smart card facility provides by banks. In Mumbai suburb areas 82% respondents are use smart card facilities. And they are paying dues in specific time frame. It is also represent about retail customers support to banking system in semi-urban areas.

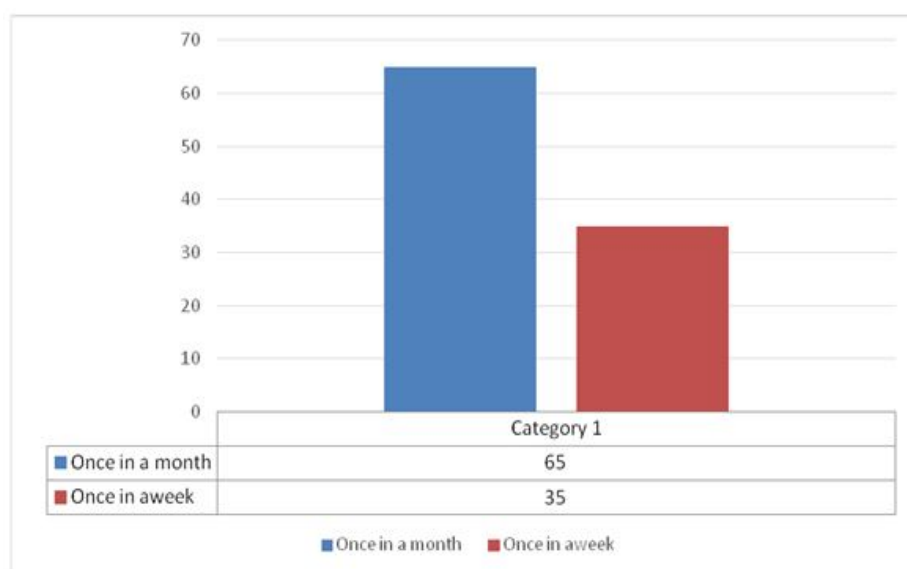
The banners of smart cards attract customers to use debit card & credit card. Customer psychological point of view, researcher found that, peoples are like golden colour letters on smart cards. All 82% respondents are like to watch financial product advertisement.



These all respondents are like to understand about white label ATM, brown label ATM & Bio-metric ATM'S.

### Hypothesis-3: E-Banking facility reduces physical attendance of customers in bank.

E-Banking allows 24 hrs. Banking services to customer. It's possible for banking transactions in multiple geographical areas on real time basis. People are like to conduct personal banking transactions from home. E-Banking reduce customer crowd in bank branches.



As per primary source, 65% respondents are visited to bank once in a month. It's give a clear indication about increasing online banking activities in semi-urban areas. Remaining 35% respondents are visit once in a week, to get other banking services like to drawn Demand Draft, bank locker operations etc.

### FINDINGS

- People are interested to take smart card facilities.
- Reducing physical visit in bank and increases online banking transaction.
- Majority of people withdrawal cash through ATM machines.
- Golden letters on smart cards create richness in customers mind.

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## **DEMONITIZATION: A PATHWAY TO DIGITAL CASHLESS TRANSACTION**

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### **ABSTRACT**

*This research paper focuses on the importance of cashless transaction. According to the Government of India the cashless policy will increase employment and reduce the robbery. As liquid cash always involves risk through cashless the risk has been reduced. It will not only reduce risk but also corruption. This way Banking services for the customers also will also be improved and will be made easier for the customer. The safety of finance through the digital payment channel is very important. India is moving towards cashless economy and demonetization can be considered as a pathway to the same. In this paper several types of cashless transaction services and the benefits of these services have been studied. Payment through digital system has also been studied.*

*Keywords: Cashless Transactions, Demonetization, electronic Payment, Unified payment interface, cashless economy*

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### **I. INTRODUCTION**

Demonitization: It is the act of strip off the old unit of currency replaced with new currency. The current form of money is pulled from the circulation and retired and often it is replaced with new notes or coins. Demonitization is necessary whenever there is change of national currency. According to Investopedia, demonetization is the act of stripping a currency unit of its status as legal tender. Reason for Demonitization:

1. To tackle black money in the economy
2. To eliminate fake currency
3. To lower the cash circulation in the country

Cashless economy: This is a system where any type of money transactions are done through digital means like credit cards, debit cards, electronic fund transfer, mobile payments, internet banking, mobile wallets.

Cashless transaction: It means that every transaction will be through digital system.

More IT based system is accepted by our Country after demonitization. In the retail sector and also with the growing payment methods adopted by the wholesalers, payment system plays a very important role.

Cashless Transaction:

Few of the cashless transaction are given below

### **METHODS OF CASHLESS TRANSACTIONS**

#### **AEPS (Aadhar Enable Payment System)**

People with no access to smartphones can also perform cashless transaction through Aadhar Card. Aadhar card holder must link their account to self-bank account.

1. Visit a Micro ATM or Banking correspondent
2. Identify or give your bank name along with Aadhar card number
3. Choose your transaction type
4. Record thumb impression on fingerprint scanner
5. When the transaction is complete, print the slip

Using this the people can successfully complete cashless transaction like

1. Funds transfer
2. Check balance
3. Deposit or withdraw cash

#### **Cards Issued by banks**

The cards which are most commonly used for cashless money handling in India are

1. Prepaid Cards: These cards can be loaded with cash and recharge them like prepaid mobile phones and one can start paying and receiving money.
2. Debit Cards: The debit card is operated from bank account.

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**Mobile Banking using unstructured Supplementary Service Data (USSD)**

This cashless transaction require a mobile phone with GSM network and account with a bank.

Once the mobile phone is connected to the bank account one can access to numerous services. A unique Mobile money identifier (MMID and Mobile pin (MPIN) is given to each registered user. Cash transfer becomes very easy with this facility.

**Point of Sale (POS)**

This provides cashless transfer and it is useful for shop owners and business people to receive payments. This is common type and available for legal recognized and tax paying shop owners easily. There are three types

1. Physical POS – the customer simply swipes the credit or debit card at merchant and enter pin for the payment
2. M-POS – mobile POS are used to transfer money from the card holder to the seller by means of the seller's phone. In this the swiping device is attached to the phone of the seller. The customer can swipe the card on this device, the customer email, phone number along with signature on the recipient's phone completes the transaction.
3. V-POS – In virtual POS cashless transfer is done by scanning the unique bar code on the recipient machine. The require money is transferred from the scanning to the scanned machine holders account

**E-Wallets**

This is the most popular technology which was used during demonetization. Online shopping or physical shopping can be done through this. One should have bank account, internet access and a computer or a smart phone for this service. Few e-wallets are paytm, citrus, monikwik, oxigen, pay U money etc.

**UPI**

This system is similar to e-wallet. The bank act as the gateway for cashless transaction and services. Registering mobile number with your bank download the bank app on your mobile and then key in the unique user login and password.

**II. RESEARCH OBJECTIVES**

1. To identify various system of cashless transactions
2. To analyze the awareness and use of cashless transaction service amongst the gender
3. To study and analyze the advantages of cashless transaction
4. To analyze the cashless transaction service mostly used by the public during demonetization

**III. RESEARCH METHODOLOGY****3.1 Source of data**

Methodology used for this paper includes primary as well as secondary data. Primary data is collected through questionnaire. Secondary data is collected from various sources such as books websites, newspaper and related articles.

**3.2 Sample size**

Fifty respondents of category employed/unemployed, male / female were taken. Efforts was made to include equal number of males and females

**3.3 Data collection**

The data was collected using questionnaire. The questions included whether the respondents used the cashless transaction through digital payment system during demonetization. If yes what type of digital payment was preferred by the respondents? Both open ended and closed ended questions were included in the questionnaire to get answers of the objectives laid down in the study.

**3.4 Sample Unit**

The research was conducted in western suburbs of Mumbai city from Andheri to Borivali

**3.5 Statistical tools**

The tools used in this study are

1. Graphs
2. Diagrams
3. Chi-square test



#### IV. HYPOTHESIS

H<sub>01</sub>: There is no significant difference in the preference category of cashless transaction services

H<sub>02</sub>: There is no significant difference in the gender for using the cashless transaction services through digital payment

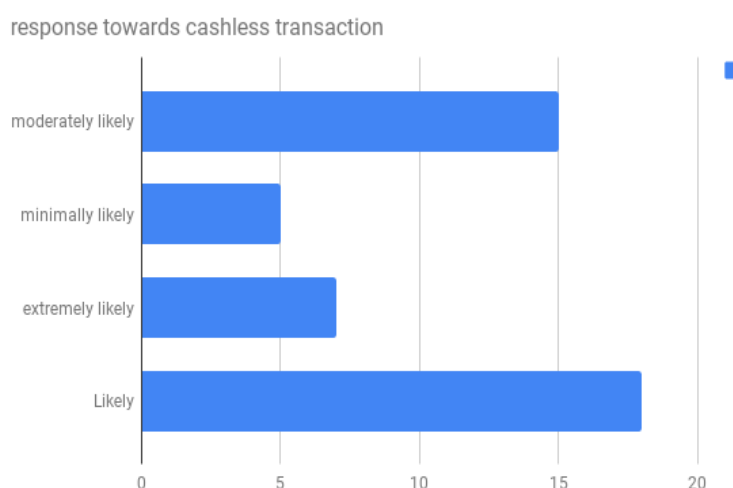
#### V. LIMITATIONS

- Sample size of 50 is a limitation; the findings may differ with higher sample size.
- The result is based only on the sample which is selected randomly from the universe.

#### VI. DATA ANALYSIS AND INTERPRETATION

##### 6.1 Usage of Cashless Transaction

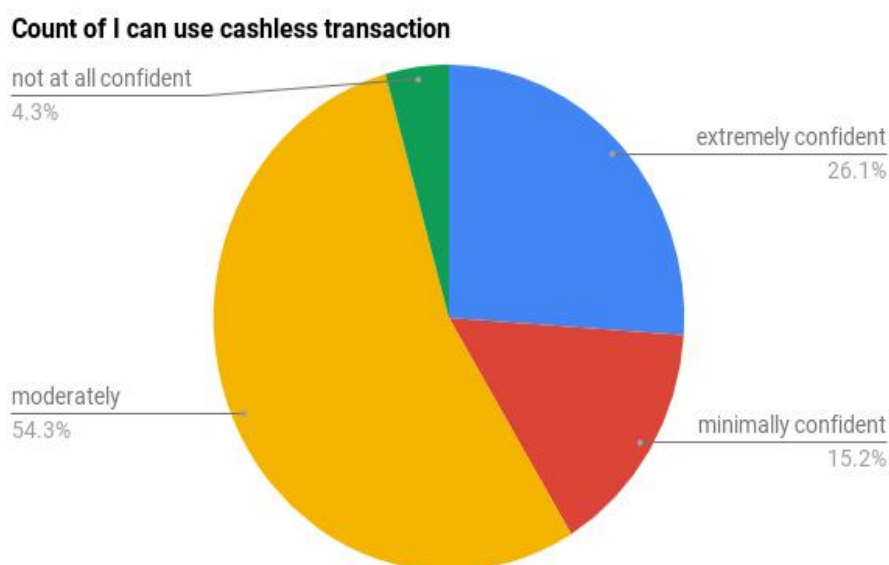
Statistical tool used: Diagram



Analysis and Conclusion: Though the response towards **Minimally Likely** was less but it is found that **Likely** and **Moderately Likely** were many. But there were also some people who learnt about cashless transaction only during demonetization but still liked the system.

##### 6.2 Confident to Use the Cashless Transaction Service

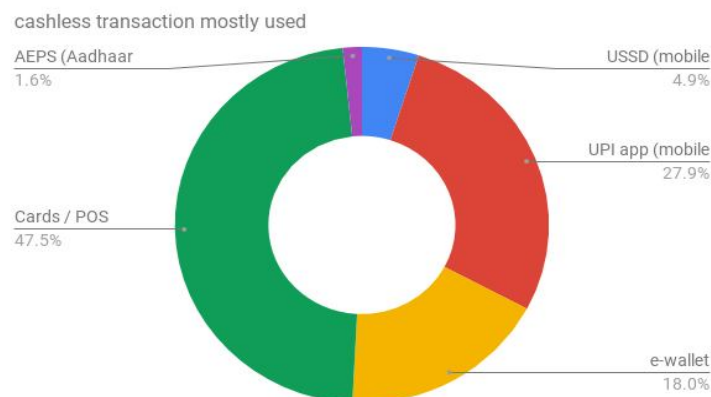
Statistical tool used: Graphs



During demonetization it is found that 4.3% were found that they were **not at all confident** to use the cashless transaction and took the help of others. 15.2% were **minimally confident** to use and learnt how to use the cashless transaction. 54.3% were **moderately confident** and could use the cashless transaction service. 26.1% were **extremely confident** to use the cashless transaction services.

### 6.3 Service for Cashless transaction mostly used

Statistical tool used: Graphs



It is found that most of the people used **Cards / POS** during demonetization. It is found that 1.6% used **AEPS**, 4.9% used **USSD**, 18.0% used **e-wallet**, 27.9% used **UPI app** and 47.5% used **Cards / POS**

**6.4 Null Hypothesis  $H_{01}$ :** There is no significant difference in the preference category of cashless transaction services (Cashless services considered; UPI app, e-wallet, POS/Cards)

Statistical tool used: Chi-square test (at 5% level of significance)

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

$O$  = the frequencies observed  
 $E$  = the frequencies expected  
 $\sum$  = the 'sum of'

### Analysis and Conclusion

	Chi-square $\chi^2$
Table value	5.9915
Statistic value	4.7778

$$\chi^2_{\text{from statistic}} < \chi^2_{\text{from the table}}$$

Accept the null hypothesis. There is no significant difference in the preference category of cashless transaction services i.e., Equal number of people support each category.

**6.5 Null Hypothesis  $H_{02}$ :** There is no significant difference in the gender for using the cashless transaction services through digital payment

Statistics tool: Correlation

Hypothesis is accepted as  $R = 0.8$

It is found that there was strong positive correlation between the genders who used the cashless transaction services during the demonetization.

### 6.6 Advantages of Cashless Transaction

1. It is very convenient to make use transactions involving cash though it is little consuming
2. Cashless transaction helps for the development of our country. It increases the transparency and accountability
3. Helps the business people to grow their customer through online services
4. It leads to economic growth
5. Helps to increase security

**6.7 Study on payment through cashless transaction****Payment through Debit cards/ ATM**

Requirements	Transaction Process	Limitation/Risk
<ol style="list-style-type: none"> <li>1. Issue of Debit Cards by Bank. Card Pin/password or mobile for OTP (One Type Password) verification.</li> <li>2. Bank ATMs</li> <li>3. Swipe machine or POS (Point of Sale) machine at merchant.</li> <li>4. Online payment portal</li> </ol>	<ol style="list-style-type: none"> <li>1. Bank issue ATM card with a PIN no.</li> <li>2. Used to withdraw cash from any ATM machine using PIN no.</li> <li>3. Used at any POS for shopping. Also for online shopping</li> <li>4. SMS notifications comes in mobile for every transactions.</li> </ol>	<ol style="list-style-type: none"> <li>1. POS of Swipe machine at merchant is a must.</li> <li>2. Cloning of card is a security threat.</li> </ol>

**Payment through e-wallets**

Requirements	Transaction Process	Limitation/Risk
<ol style="list-style-type: none"> <li>1. Online Account in Digital Wallet. For example few popular e wallets are PayUmoney, Paytm, Pockets, Oxygen wallet, Mobiwiki etc.</li> <li>2. A mobile phone with wallet app loaded. Bank wallets are also used operated through desktop PC.</li> <li>3. Internet connection.</li> </ol>	<ol style="list-style-type: none"> <li>1. Download wallet app in mobile and create account using mobile no. Mobile number is treated as wallet account no.</li> <li>2. Load money using debit/credit card or net banking.</li> <li>3. Link your bank account with digital wallet to transfer money in advance to your wallet.</li> <li>4. Transfer money from one wallet to other using mobile number.</li> </ol>	<ol style="list-style-type: none"> <li>1. Consumer Wallet Limits: Rs.20,000/month for all. Rs.1 lakh/month with KYC</li> <li>2. Merchant Wallet Limits: Rs.50,000/month with Self Declaration. Rs.1 lakh/month with KYC</li> <li>3. Money can be transferred to same company wallet</li> </ol>

**Payment through UPI**

Requirements	Transaction Process	Limitation/Risk
<ol style="list-style-type: none"> <li>1. A Bank account for registration only</li> <li>2. Any smartphone with internet connections 2G/3D/4G/wifi.</li> <li>3. UPI Apps of bank (28 banks have enabled upi)</li> </ol>	<ol style="list-style-type: none"> <li>1. Download bank UPI app of mobile banking apps of banks</li> <li>2. Register by creating your Virtual Payment Address (VPA) e.g <i>lokesh@icici</i> or <i>mitesh@sbi</i></li> <li>3. For money sending you just need the VPA of payee</li> <li>4. After entering amount and VPA of payee you will be asked for confirm payment and it is done.</li> <li>5. Account details of payee is not required only VPA is required</li> </ol>	<ol style="list-style-type: none"> <li>1. Maximum transaction limit is Rs 1 lakh</li> <li>2. Sender and Receiver of money must have VPA (Virtual Payment Address) for fund transfer</li> <li>3. Smartphone is required</li> </ol>

**VII. CONCLUSION**

1. Demonetization has moved many people to switch themselves from traditional way of transaction to digital modes of receiving and making payment.
2. India is gradually moving from cash- centric to cashless.
3. Digital cashless transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money.
4. The whole country is undergoing the process of modernization even the street vendors are now accepting electronic payments.

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5. Everyone who knows the cashless transaction should prompt and teach the people to learn to transact the cashless way.
  6. People are using the means of e-commerce, mobile banking or internet banking for their purchase or for their transaction.

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## TAXABILITY OF UNORGANIZED RETAILERS

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### ABSTRACT

Retail sector has wide scope for growth. It is categorized into organized and unorganized retail sector. Organized retailers are licensed and registered retailers whereas unorganized retailers are basically traditional small retailers who are not registered anywhere and do not pay any type of tax. At present In India, share of organized retailing is 14% only as compared to unorganized retailing 86%. It means unorganized retail sector dominates retail industry. In developed countries, situation is exactly opposite and their government collects tax revenue from majority of organized retailers. So researcher wants to know tax liability of unorganized retail sector. This paper focused on level of income, nature of receipt, views on cashless transactions. Hence primary data is collected from 100 respondents who are unorganized retailers of Chiplun city. From the survey it is found that only 15% of the total respondents are paying income tax out of 58% respondents eligible on the basis on income. This research also provides further scope to find tax liability of unorganized retailers specifically from urban area and big cities. This may help government to increase tax base as well as tax revenue.

### 1. INTRODUCTION

Indian economy has shown upward growth and boom in the retail sector. Indian retail industry contributes over 10% of the country's Gross Domestic Product (GDP) and provides employment to 40 million people which is 8% of the total employment. Indian retail market is estimated to be US\$600 billion and one of the top five retail markets in the world. It is expected to grow at a Compound Annual Growth Rate (CAGR) of 10percent to US\$ 1.3 million by 2020 and to US\$1.6 trillion by 2026. Overall growth rate is expected to be 12 percent.

Indian retail industry is divided into organized and unorganized retail sectors. Organized retailing refers to trading activities undertaken by licensed retailers i.e. those who are registered for sales tax, GST, income tax etc. Ex. Supermarkets, Hypermarkets, Retail chain shops etc. They operate on large scale by using advanced technology and systematic management. Whereas unorganized retailing is traditional formats of retailing where retailers do not pay taxes and most of them are not even registered for sales tax, GST, income tax. It is characterized by low cost, less investment, small shops etc. Ex. Kirana shops, general stores, convenience shops, paan bidi shops, corner shops and cart and pavement vendors, hawkers etc. Most of Unorganized retailers employ their family members, no quality, duplicate products, lack of safety and hygiene, and no standardized bill. Simply they are small retailers. Their transactions also take place in cash. Hence there are more chances of tax evasion inspite of good earnings. For better understanding, we can take simple example of Vadapav wala as under:

I	Average daily collection	300 vadapav at Rs12/- per day	Rs 3600/-
II	Annual Collection based on No. of days	300 days *Rs3600/-	Rs 10,80,000/-
III	Total expenses	Assume 50% of sales	Rs 5,40,000/-
IV	Net Profit	II-III	Rs 5,40,000/-
V	Income exceeding maximum exemption limit	Rs 5,40,000 –Rs 2,50,000	Rs 2,90,000/-
VI	Tax Liability	As per tax rates for F.Y 2017-18	Rs 20,500/-

Here we can see actual income and their taxability, but mostly due to cash transactions and lack of knowledge of tax laws, unorganized retailers easily escape from income tax. This is just an example of one vadapav wala by assuming 50% expenses which are too high. Even if we assume minimum sales of 200 vadapav daily, tax is Rs 5,500/- So we can think about income earning capacity of vegetable traders, food stalls and other such retailers. This has put me to conduct research on income level and tax liability of unorganized retailers.

With increasing income, urbanization, FDI and all, retail industry has undergone drastic change and there is transition from unorganized retailing to organized retailing. Alongwith domestic players, foreign companies are also stepping into the industry. After 2003, share of organized retailing started increasing gradually. At present share of organized retailing is 14% only as compared to unorganized retailing 86%. Unorganized retail sector

has recorded a growth of 5% p.a whereas organized retail sector is growing at 25-30% p.a. This is in contrast of developed countries, where organized retail industry accounts for around 80% of total retail industry. The growing middle class is an important factor for growth of retail industry. Still they make buying in the open market, these products have no labels or MRP and retailer puts his price label on it. Due to cash transactions, non accounting, non billing, small shops or stalls or handcarts, their business turnover as well as income is overlooked. Many of them are supposed to pay income tax but they don't. Hence there is a need to identify such retailers and bring them in main stream and make them pay tax, get registration.

## 2. OBJECTIVES

Objectives of the paper are as under:

1. To know their awareness about various tax laws.
2. To know the average income of unorganized retailers.
3. To know whether unorganized retailers are liable to pay income tax.
4. To know their attitude towards cashless transactions.

## 3. RESEARCH METHODOLOGY

The study is based on primary data collected from 100 respondents who are small unorganized retailers in Chiplun city (Taluka place) from Ratnagiri district in Maharashtra. The researcher has applied convenient sampling technique for survey. Respondents are categorized as vegetable and fruit seller 20, Kirana stores 20, Hawkers 20, Food stall 20, Others 20.

## 4. FINDINGS

### 4.1 License/Registration

Registered	59
Not Registered	41

It is observed that still 41% of the respondents are not having registration under Shop and Establishment Act or license as a Food Business Operator under Food Safety and Standard Authority of India (FSSAI).

### 4.2 Daily collection and tax liability

0-1000	30
1000-2000	58
2000-5000	12
5000 & above	0

30% of the respondents have income below basic income tax exemption limit. 58% fall in tax slab of 5% tax rate whereas 12% fall in 20% tax slab rate. But actually hardly few unorganized retailers from higher tax slab pay income tax.

### 4.3 Awareness of tax laws

Aware	37
Not Aware	63

Though 37% of the respondents are having awareness about different tax laws, but others are totally ignorant about the same.

### 4.4 Registration of PAN/GST Number etc.

Registration of PAN	51
Registration of GST	03
Not Registered	46

It is observed that 51% of the respondents are having PAN registration, whereas rests of the respondent are not having even PAN number.

### 4.5 Payment of any Tax

Payment of Income Tax	15
Payment of GST	3
No Tax Payment	82

It is also found that out of 70% respondents having taxable income, hardly 15% of total respondents pay income tax, 3% are paying GST recently and rest are not paying tax

#### 4.6 Bank Account

Have Bank A/C	79
No Bank A/C	21

79% of the respondents have opened bank accounts, mostly under Jan Dhan Yojana.

#### 4.7 Accounting Records

Single Entry system	71
Double Entry system	09
No Accounting	20

It is found that 71% of the respondents maintain rough accounts using single entry book keeping system, whereas 20% of the respondents have no records and no accounting is done at all.

#### 4.8 Mode of collection

Cash	95
DD / Cheque / Digital	05

95% of the respondents receive cash from their customers.

#### 4.9 Option of Cashless transactions

Accepts	31
Rejects	69

31% of the respondents would like to get bill amount through cashless transactions whereas rest 69% still doesn't agree to be cashless.

### 5. CONCLUSION

Retail sector has tremendous potential for growth. At present, growth rate of organized retail sector is faster than unorganized sector. Still retail industry is dominated by unorganized retail sector with 86% share. Most of the unorganized retailers are not registered even for Shop license inspite of having shops. There is no awareness about different laws. Serious issue is most of them are non tax payers though they have taxable income, bank accounts, pan number. Majority collection is in cash and they don't want to be digital. All these factors results in tax evasion, generation of black money, no proper records. Hence, unorganized retailers need to register themselves and pay the different taxes in the long run. At present very few unorganized retailers are paying taxes voluntarily. Hence they need to become organized retailers and get registered if eligible. Similarly both organized and unorganized retailers should work together and co-operate for growth of retail industry. There should be healthy competition between the two and should follow fair practice of doing business. Government, though challenging task, needs to identify these unorganized retailers who are escaping from registration. It will increase tax base as well as tax revenue of government.

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