DEMONETIZATION IN THE VENTURE OF DIGITAL INDIA

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ABSTRACT

Demonetization is the act of stripping a currency unit of its status as a legal tender. Demonetization 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. Prior to last year’s announcement by Prime Minister Narendra Modi that high denomination notes would stop being legal tender from 9th November, there were two instances in India. There are multiple reasons why nations demonetize their local unit of currency. Some reasons include combat inflation, to combat corruption, and to discourage a cash system. In 2016, the Indian government decided to demonetize the 500 and 1000 rupee notes, the two biggest denomination notes. Digital India was launched by the Prime Minister of India Mr. Narendra Modi on 1 July 2015- with an objective of connecting rural areas with high speed internet networks and improving digital literacy. The vision of Digital India program is inclusive growth in areas of electronic services, products, manufacturing and job opportunities etc. and it is centered on three key areas – Digital infrastructure as a utility to every citizen Governance & Services on Demand and Digital Empowerment of Citizens. The motive behind the concept is to build participative, transparent and responsive system.

Keywords: Demonetization, Legal Tender, Digital India, Governance

INTRODUCTION

The demonetization of rs.500 and rs.1000 banknotes was a policy enacted by the government of India on 8 November 2016, ceasing the usage of all rs.500 and rs.1000 banknotes of the Mahatma Gandhi series as legal tender in India from 9 November 2016, there were two instances in India. The first instance was in 1946 and the second in 1978 when an ordinance was promulgated to phase out notes with denomination of rs.1000 and rs.5000 and rs.10000.

The process of demonetization involves their introducing new notes or coins of the same currency or completely replacing the old currency with new currency. After Mode’s announcement, the Governor of the Reserve Bank of India, Urjit Patel, and Economic Affairs secretary, Shaktikanta Das explained in a press conference that one purpose of the action was to fight terrorism funded by counterfeit notes. While the supply of notes of all denominations had increased by 40 percent between 2011 and 2016, the rs.500 and rs.1000 bank notes increased by 76 percent and 109 percent, respectively, owing to forgery. Patel also informed that the decision had been made about six months ago, and the printing of new bank notes of denomination rs.500 and rs.2000 had already started. But media had reported in October 2016 about the introduction of rs.2000 denomination well before the official announcement by RBI. This statement has led to much debate, because the Reserve Bank governor six months before the announcement was Raghuram Rajan, while the new banknotes have the signature of the newly appointed governor, Urjit Patel. The chairman of the State Bank of India had also opened spoken in April 2016 about the possibility of demonetization of rs.500 and rs.1000 notes.
BACKGROUND
Historically, previous Indian governments had demonetized bank notes. In January 1954 banknotes of 100 and 1000 rupees were withdrawn and new notes of 100, 500 and 1000 rupees were introduced in 1954. The Janata party coalition government demonetized banknotes of 1000, 5000 and 1000 rupees on 16 January 1978 as a means of curbing counterfeit money and black money. In 2012, the Central Board of Direct Taxes had recommended against demonetization, saying in a report that “demonetization may not be a solution for tackling black money or economy which is largely held in the form of benami properties, bullion and jewelry.” The Government of India devised an income Declaration Scheme (IDS), which opened on 1 June 2016 and ended on 30 September 2016. Under the scheme, the black money holders could come clean by declaring the assets, paying the tax and penalty of 45% thereafter.

DIGITAL INDIA
Prime Minister Narendra Modi addressing the Digital India dinner in San Jose California; 26 September 2015 mentioned following.
Motto- “Empower to power “Country - India
Prime Minister - Narendra Damodar Das Modi
Ministry-Ministry of Communication and Information Technology
Key People - Ravi Shankar Prasad
Launched - 1 July 2015; 20 months ago
Website - digitalindia.gov.in

Digital India is a campaign launched by the Government of India to ensure that Government services are made available to citizens electronically by improving online infrastructure and by increasing Internet connectivity or by making the country digitally empowered in the field of technology. The digital world that we live in today is that where every civilian has a bright prospect to transform the lives in many ways that were hard to envision just a couple of years ago. It is the outcome of several innovations and technology advances. Today, every nation wants to be fully digitalized that will empower society in a better manner. The motive behind the concept is to build participative, transparent and responsive system. All educational institutions and government services will soon be able to provide I-ways round the clock. Digital India will provide all services electronically and promote digital literacy. Global investors like Sundar Pichai, Satya Nadella, Elon Musk have supported Modi's Digital India initiative. The initiative includes plans to connect rural areas with high speed internet networks. Digital India consists of three core components. These include:

1. The creation of digital infrastructure
2. Delivery of services digitally
3. Digital Literacy

PILLARS
The Government of India (GOI) hopes to achieve growth on multiple fronts with the Digital India Programme. Specifically, the government aims to target eight ‘Pillars of the Digital India’ that they identify as being.

1. Universal access to Internet
2. Public Internet Access Programme
3. e-Governance Reforming Government through Technology
4. e-Kranti - Electronic delivery of services
5. Information for All
6. Electronics Manufacturing
7. IT for Jobs
8. Early Harvest Program

DIGILOCKER
Main Article- Digital locker Digital locker facility will help citizens to digitally store their important documents like PAN card, passport, mark sheets and degree certificates. Digital Locker will provide secure access to Government issued documents. It uses authentically services provided by Aadhaar. It is aimed at eliminating the use of physical documents and enables sharing of verified electronic documents across government agencies. Three key stakeholders of Digital Locker are Citizen, Issuer, and Requester.

CHALLENGES AND OPPORTUNITIES OF DIGITAL INDIA IN DEMONETIZATION
Demonetization is the act of stripping a currency unit of its status as legal tender. In the present Indian context, it refers to RBI’s withdrawal of old Rs500 and Rs1000 note as official mode of payment. Rural economy is an important segment that accounts for around 70 percent of employment and 50 percent of GDP from various rural activities. Demonetization creates a tremendous impetus toward digitization and greater financial inclusion.

OPPORTUNITIES that demonetization offers for digitization of rural economy
- Demonetization has operationalized lot of dead Jan-Dhan bank accounts.
- Coupled with Digital India it would help better public service delivery.
- It provides an opportunity in greater financial reach. Along with operationalization of Paymen Bank. it would lead to people using banking services.
- Point of sale machines apart from creating new jobs and augments incomes in rural areas. Thus furthering digital penetration.
- With demonetization, private players would see an opportunity to develop better digital e-commerce service. This could be coupled with other projects as Google project Loan.

CHALLENGES that faced in digitization of rural economy
- Improving financial literacy: Educating the rural masses about digital services is difficult task.
- Infrastructure: It requires efficient public infrastructure as electricity and internet services which are not covered throughout the country.
- Huge unorganized sector: As large number of people in rural India that involve daily cash transaction digitization would pose challenge in day to day transaction.
- Regular transactions: As most of the rural economy is run my small traders, agricultural activities in short run it could create challenges in implementation.

EFFECT OF DEMONETIZATION
Regarded as major steps towards addressing the black money problem in India, the Indian government’s decision to demonetize the Rs.500 and Rs. 1,000 currency note has resulted in increased use of mobile wallets. With only Rs.100 and lower denominations being accepted, many are resorting
to online banking and online payment mediums to handle their daily expenses. In fact, since demonetization has come into effect, mobile wallets have witnessed a massive rise in app downloads. With programs of financial inclusion, digitization of the economy and increased use of smart phones, online transactions are already quite popular among the urban Indian population. According to analysts at Technavio, by 2018 the mobile wallet market in India will grow at a CAGR of 140%, while the global mobile wallet market will register a CAGR of 34% by 2020.

DEMONETIZATION MOBILE WALLETS AND DIGITAL INDIA

Until now, digital disconnect has been a major challenge in India, as many have preferred transacting in cash instead of making use of bank transactions and plastic money. With demonetization in effect, several digital payment solution providers have created innovative ways to attract new customers. The result has been mobile wallets like Paytm witnessing 200percent increase in app download numbers, and Ola Money seeing a 1,500percent increase in wallet recharges. These digital wallets not only help in paying electricity, DTH, and transport bills, but they also enable payments at nearby mom-and-pop stores that are already registered for these services.

The m-wallet (mobile wallet) segment broadly consists of services related to banking transactions, transfer of money as well as value-added services like bill payments, shopping, ticketing, etc. Of these services, m-wallets are primarily used for the transferring money, followed by the payment of bills.

Global mobile phone internet user penetration 2014-2020

Until recently, a lack of proper infrastructure was regarded as a major road block for the vision of Digital India, but with the launch of 4G internet along with the present use of 3G internet and increased mobile penetration, it seems that, in less than a decade, many Indians will switch to a digital medium for financial transactions.

E-COMMERCE

Are you thinking about starting a business where you sell your products online? If so, then you'll be joining the millions of entrepreneurs who have carved out a niche in the world of e-commerce.

At its core, e-commerce refers to the purchase and sale of goods and/or services via electronic channels such as the Internet. E-commerce was first introduced in the 1960s via an electronic data interchange (EDI) on value-added networks (VANs). The medium grew with the increased availability of Internet access and the advent of popular online sellers in the 1990s and early 2000s. Amazon began operating as a book-shipping business in Jeff Bezos' garage in 1995. EBay, which enables consumers to sell to each other online, introduced online auctions in 1995 and exploded with the 1997 Beanie Babies frenzy.
MODEL OF E-COMMERCE

CATEGORIES OF E-COMMERCE

As with traditional commerce, there are four principal categories of e-commerce: B2B, B2C, C2B and C2C.

B2B (Business to Business) — this involves companies doing business with each other. One example is manufacturers selling to distributors and wholesalers selling to retailers.

B2C (Business to Consumer) — B2C consists of businesses selling to the general public through shopping cart software, without needing any human interaction. This is what most people think of when they hear “e-commerce.” An example of this would be Amazon.

C2B (Consumer to Business) — In C2B e-commerce, consumers post a project with a set budget online, and companies bid on the project. The consumer reviews the bids and selects the company. Elance is an example of this.

C2C (Consumer to Consumer) — This takes place within online classified ads, forums or marketplace where individuals can buy and sell their goods. Examples of this include Craigslist, eBay and Etsy.

INTERNET BANKING

Online banking, also known as Internet 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. The online banking system operated by a bank and is in contrast to branch banking which was the traditional way customer accessed banking services. Financial institutions now routinely allocate customers or numbers, whether or not customers have indicated an intention to access their online banking facility.

Today many banks are internet only institutions. These “virtual banks” have lower overhead costs than their brick and mortal counterparts. In the United States, many online banks are insured by the Federal Deposit Insurance Corporation (FDIC) and can offer the same level of protection for the customer fund as traditional banks.

STATE BANK OF INDIA – PERSONAL BANK

Online SBI is the internet banking service provided by State Bank of India, India’s largest and premier commercial bank. Internet banking is the most convenient way to bank – anytime, anyplace, at your convenience. You need to have an account at a branch. You also need to register for the internet banking service with the branch.

CASH LESS SOCIETY

Cash less 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. 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 its exchanged only in electronic digital form.

CONCLUSION
In a single master stroke, the government has attempted to tackle all three malaises currently plaguing the economy a parallel economy, counterfeit currency in circulation and terror financing. In addition, the Indian economy has been provided a new lease of life _ a “reset” if you will with huge positive implications for liquidity, inflation, fiscal and external deficit in the short term. Over the next two three years, improvement in India’s position on transparency and corruption in the global stage will further add to its investor appeal. Calculate it all and you would reach to a meager percentage of the total black money has gone inoperative; possibly. In the present economic situation, black money has inflated prices in real estate, gold and a few other sectors, making it a challenge for a common Indian citizen to invest.

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