LESS CASH ECONOMY

Demonetisation - A Look Back at the last Two Months
Arun Jaitly

From a Cash Economy to a Less-Cash Economy
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Cyber Security: Issues and Way Forward
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My Mobile.... My Bank... My Wallet...
The main objective of this move (demonetisation) was to curb black money, corruption and fake money menace.

In India demonetisation was undertaken twice in the past, once in 1946 and the second time in 1978. (The notes demonetised were of high denominations with very few people having access to these high denomination notes and hence not much hardship was faced by the common man)
The first time in 1946, the measure did not succeed for a total issue of Rs. 143.97 crores of the high denomination notes, notes of the value of Rs. 134.9 crores were exchanged. Thus, notes worth only Rs. 9.07 crores were probably 'demonetized', not having been presented.

Currency Notes “Sold” For 60 or 70 p.c. of Their Value

Sequel to Demonetisation Ordinance

BOMBAY. Jan. 13.
The Demonetisation Ordinance came as a complete surprise to speculators who, it was reported, were yesterday unofficially buying and selling hundred-rupee currency notes at anything between Rs. 95 and 97.

Today hundred-rupee notes, it was reported, were quoted at a premium of Rs. 10 whereas notes of Rs. 500, 1,000 and 10,000 denomination were quoted at anything between 60 to 70 p.c. of their original value.

According to reports current in financial circles, a large number of Rs. 500 and Rs. 1,000 notes have been exchanged unofficially at 60 to 70 p.c. of their original value.

Gold which shot up from Rs. 73 to which was much in demand in the market both yesterday and today and according to private reports, these precious stones were sold at a very high premium.

Silver prices however remained steady. Bundles of currency notes of high denominations were seen changing hands during many private dealings.

The quick succession in which the Government of India took sweeping action has stunned black-marketeers and even speculators who are now puzzled as what will be the next stroke that Government will adopt. There is even speculation among the speculators on this subject.—API

ANOTHER ORDINANCE TO COME?
16th January, 1978

Motivation:

– To curb the black money menace and make a comeback from the Emergency period problems by starting afresh for the betterment of the Indian economy.
When 86 per cent of a country’s currency constituting 12.2 per cent of its GDP, is squeezed out of the market and sought to be replaced by a new currency, there would obviously be significant consequences of that decision.
Steps against black money

• Constituted SIT under the directions of the Supreme Court. (Headed by Retired SC Judge MB Shah)
• Raised issue of black money during G-20 in Brisbane
• The Government completed its agreement with Switzerland that w.e.f. 2019, details of assets held by Indian citizens in Switzerland and vice versa would be provided to each other.
• Double taxation treaty with Mauritius, Singapore and Cyprus renegotiated.
Other steps

- Black money law - dealing with illegal assets outside India opened a new window for disclosure with 60% per cent tax and provides a ten year imprisonment.
- Income tax declaration scheme 2016 was highly successful with a 45 per cent tax.
- Benami law amended and put into action
- GST for indirect tax
- And finally demonetisation was a step in the same direction.
Tax payers in India

Budget 2016
(Assessment year 2017)

Upto 2.5 L = Zero
2.5 – 5 L = 10%
5 L – 10 L = 20%
10 L + = 30%

The New Normal

In the year 2015-16, 3.7 crore assesses of the total population of over 125 crores, filed income tax returns. Out of these, 99 lakhs declared income below Rs.2.5 lakhs and paid no taxes; 1.95 crores declared income less than Rs.5 lakhs; 52 lakhs declared income between Rs.5 to 10 lakhs, and only 24 lakhs declared income above Rs.10 lakhs. No better evidence is required
Points from the article

• India continues to suffer being a hugely tax non-complaint(अवज्ञा) society

• For 7 decades the Indian “normal” has been to undertake transactions party in cash and partly in cheque.

• Tax Evasion(बचना) has been considered as neither unethical(अनैतिक) nor immoral(अधर्म). It was just a way of life.
Adverse consequences of Cash

• Paper currency is a ZERO interest anonymous bearer bond. It has no name or history attached to it.
• Crime can take place with or without cash but EXCESSIVE cash as a medium of exchange is favoured by the underground economy.
• Mountains of cash money reach tax havens through HAWALA route from original PAPER currency.
• Cash is a medium which funds bribery, corruption, counterfit currency and terrorism.
Post demonetisation

• Decision can lead to short term criticism and inconveniences.

• Drop in economic activity

• The fact that large quantum of high denominational currency has been deposited with the banks does not render this money to be legitimate cash.

• Black money does not change its colour merely because it is deposited in bank. On the contrary, it loses its anonymity and can now be identified with its owner.

• The Revenue Department would thus be entitled to tax this money. In any case, the amendment to the Income tax Act itself provides that the said money, if voluntarily declared or if involuntarily detected, would be liable for differential and high rates of taxation and penalty.
Which of the following statements is/are correct regarding Lucky Grahak and Digi-Dhan Vyapar Yojana

1. The schemes will be implemented by NITI Ayog
2. Only those transactions that take place through RuPay Cards, USSD, UPI and AEPS are eligible for these schemes.

A. Only 1 is true
B. Only 2 is true
C. Both are true
D. Both are false
DIGITIZING FINANCIAL TRANSACTIONS

From a Cash Economy to a Less-Cash Economy

Pravakar Sahoo
Amogh Arora

On 8 November 2016, the government demonetised currency notes of two denominations: Rs 500 and Rs 1000. Together, currency notes of these denominations had accounted for more than 85 per cent of the total value of banknotes in circulation. Demonetisation caused a cash crunch and forced the government to push for electronic payments and transfers. Through the main pitch of demonetisation was towards curbing financing of terrorism and eliminating black money, a major shift towards a cashless economy emerged as a necessity. In fact, in his 'Mann Ki Baat' address to the nation on 27 November 2016, Prime Minister declared, 'Our dream is that there should be a cashless society. This is correct that 100 per cent cashless society is never possible. But we can make a start with a less-cash society, and then cashless society will not be a far-off destination.'

Although the narrative of demonetisation has changed, the government has been serving the needs of a cashless economy. First, in 2014, the government launched the Jan Dhan Yojana in 2014; as on 20 April 2016, nearly 228 million accounts had been opened. In February 2016, the Government of India approved the guidelines for promoting payments through cards and digital means. A massive change from the informal cash-carry system to a formal financing payment system will give an impetus to the payments and settlement system in India. The best way to reduce corruption and black money in the economy is to move from an economy dependent predominantly on cash to electronic transfers, which needs universal banking access and facility.

A cashless economy runs on credit or debit cards, electronic funds transfer, or online shopping instead of cash. The idea of a cashless economy is actually a revolution from the flat money to digitised money, generally adopted with the aim of curbing the flow of black money and increasing transparency of the flow of cash. All transactions are made with cards or through digital means—whether one has to pay bills, buy fruits, or take a bus or taxi ride. Just like traditional pocket wallets, e-wallets do not require cash in its physical form; these are linked to one's bank account and payments are directly deducted from it. Internet banking and the recently launched Unified Payment Interface (UPI) are other products of technology that are directed towards going cashless, but e-wallets are the most prevalent and widely used. In fact, it is being opined that in the near future even credit and debit cards will become redundant as all transactions would be made possible through a...
About Cashless Economy

• A cashless economy runs on credit or debit cards, electronic funds transfer, or online shopping instead of cash.

• The idea of a cashless economy is actually a revolution from the fiat money to digital money.

• In India, few use non-cash payment methods; only 10-15 per cent of the population is estimated to have ever used any ind of non-cash payment instrument, compared to 40% of people in countries like Brazil and China.
Advantages of Cashless Economy

• Convenient mode of payment
• Lower Risk: WITH PROPER CYBERSECURITY
• Reduction in the cost of printing money: In 2015 printing currency cost the RBI 27 billion rupees.
• Decrease in Crime Rate
• Good for Banking Sector
• Transparency and Monitoring
Under it, consumers making payment through digital mode will get chance to win minimum Rs 1000 each every day or Rs 1 lakh per week.

15,000 winners will get cashback prizes of Rs 1000 each every day starting on 25 December 2016 (Christmas) and ending on 14 April 2017 (Babasaheb Ambedkar Jayanthi). In addition, there will be weekly awards worth Rs 1 lakh, Rs 10,000 and Rs 5,000 for 7000 people. On last day of scheme mega prize winner award will be announced. He will get Rs. 1 crore award.
This scheme is for the merchants across the country. Mandatory for merchants to have POS (Point of Sale) machines for undertaking cashless transactions.

Under it, merchants doing business using POS are eligible to win Rs.50000 per week from 25 December 2016 to 14 April 2017.

3 Mega Prizes for merchants will be of Rs 50 lakhs, 25 lakh, 12 lakh for digital transactions between 8 November 2016 to 13 April 2017. It will be announced on 14 April 2017.
the country takes its first step towards a transparent economy. The end of cash may seem like fancy thinking but certainly cash is on its way out.

Towards a Cashless Society

Soon after demonetisation, government took a variety of steps to motivate people and seek their attention towards various digital modes to be adopted so that people do not have to stand in long queues either outside a bank or an ATM when there was a cash crunch.

- Lucky Gramak Yojana for consumers and Digi Dhan Vypar Yojana for merchants:
- With the aim of incentivising digital payments, the government on 25 December 2016 launched digital lottery schemes—Lucky Gramak Yojana for consumers and Digi Dhan Vypar Yojana for merchants. With incentive schemes like these, the Digital India movement will certainly strengthen the country’s economic backbone. Online transactions processed through RuPay cards, Unstructured Supplementary Service Data (USSD), UP, and Aadhaar-Enabled Payment System are part of the schemes.
- Uttiya Sakhatma Abhiyan: The Uttiya Sakhatma Abhiyan has been launched to encourage people to adapt to a digital economy and cashless modes of transaction. The main purpose of this campaign is to create awareness and to encourage the people to migrate to it. The Ministry of Human Resource Development appealed to the public to use a digitally enabled cashless system for funds transfer. It also appealed to private and government institutions of higher studies and to receive and pay nothing in cash, and develop a cashless campus (shops, canteen, and services). This appeal motivated students, faculty, and staff members of many educational institutions to participate in accomplishing this challenging task. Also, many people have enrolled at the webpage launched by the IRS. Ministry and the positive feedback and suggestions show the enthusiasm among the people.

- BHIM (Bharat Interface for Money): On 30 December 2016, the Prime Minister launched a new e-wallet app, BHIM, to make it easier to transact online. The Aadhaar-based mobile payment application will allow people to make digital payments directly from their bank accounts. One’s phone number is linked with the bank account and hence can transfer money at the click of a button. However, though the app can be used with UPI-enabled bank accounts, only one UPI-enabled account can be added to BHIM. A person with two bank accounts will have to switch between the two to perform UPI transactions on both accounts.

- RuPay: RuPay is an Indian version of a credit or debit card and similar to international cards such as Visa or MasterCard. The National Payment Corporation of India (NPCC) launched RuPay under the Jan Dhan scheme. Banks provide every account holder a RuPay debit card with Rs 1 lakh accident insurance. RuPay works on three channels (ATMs, point-of-sale (POS), and online sales) and is the seventeenth payment gateway in the world. Since cities of poor people have a RuPay debit card, this is an effort to involve lower-income groups in the cashless economy. However, the primary focus of RuPay is financial inclusion and it needs to match all the policies and standards of credit/debit cards to be a world-class financial product.

- Aadhaar Payment App: On 25 December 2016, government launched an Aadhaar payment app; it links the Aadhaar Card of an individual to his/her bank account. This application will be connected to a biometric reader and customer will enter the unique Aadhaar number and choose a bank for the transaction. One special feature is that this app can be used by a person to make payments without any phone.

The Sweden Experience

Sweden is one of the top five cashless economies in the world. It has already adopted effective policies to facilitate transactions using mobile or plastic payments through digital infrastructure. Sweden is the first country to promise to go 100 per cent cashless by 2020, and leads the race to become a cashless society with banks, buses, street vendors, and even change-expecting plastic or virtual payments. According to the central bank (the Riksbank), cash transactions made up barely 2 per cent of the value of payments made in Sweden in 2016, and the figure is expected to drop to 0.5 per cent by 2020. Around 900 of Sweden’s 1,600 bank branches no longer keep cash on hand or take cash deposits and many, especially in rural areas, no longer have ATMs. Circulation of Swedish krona has fallen from around 166 billion in 2009 to 80 billion in 2016.

Technology plays an important role when we talk about the policy shift from cash to cashless. Svek (a mobile app owned by six Swedish

YOJANA February 2017
Which ministry launched the Vittiya Sakshata Abhiyan?

A. Ministry of Finance
B. Ministry of Home Affairs
C. Ministry of Rural Affairs
D. HRD Ministry
• It was launched by Union HRD minister Prakash Javadekar in New Delhi. It is a campaign by Higher Educational institutions for digital economy.

• VISAKA aims to create awareness among people about digital economy and cashless modes of transactions.
About Sweden

- Scandinavian Country with a population of around – 10 million (1 crore)

- Current population of India Current Population of India in 2017 - 1,349,493,956 (1.34 billion) As of February 10, 2017

- HDI Ranking of Sweden – 14th.
- India ranks 130th
Points from the article

• An analysis by Association of Democratic Reforms (Ahmedabad-based non-political group) shows that among the affidavits declared by candidates in the 2011 assembly elections in Tamil Nadu, West Bengal, Kerala, Puducherry and Assam, 576 candidates were crorepatis and yet 50% of those candidates have never filed income tax returns.

• 1999 Indrajit Gupta Committee suggested only partial state funding of the elections and that too with a condition that there must be genuine inner party democracy – which no party is willing to consider.
• National Voters Day – 25 January every year since 2011

• The theme of NVD 2016 is ‘Inclusive(सम्मिलित) and qualitative participation’ reiterating(दुहराना) the commitment towards reaching out to the last voter and promoting informed and ethical voting.

• In the last set of Assembly polls in May 2016, we saw an unprecedented step when ECI was forced to cancel elections to two Tamil Nadu assembly seats – Aravakurichi, Thanjavur for uncontrolled use of money.
The theme for the 7th National Voters’ Day, celebrated on the 25th January 2017, was ‘Empowering Young and Future Voters.’

The first copy of the book 'Unfolding Indian Elections-Journey of the living democracy' was presented to the President by Chief Election Commissioner of India, Dr. Nasim Zaidi. The book, compiled by the Election Commission of India, is published by the Publications Division, Ministry of Information and Broadcasting and traces the journey of evolution of election process from the pre independence era to the present.
“Payments and settlement systems in India: Vision 2018” was released by?

A. NITI Ayog
B. RBI
C. Finance Ministry
D. PMO India
Points from the article

- Other developing countries such as Thailand, Brazil and China have much lower usage of cash.

- In 2016 more than 68 per cent of the transactions in India were settled in cash, one of the highest in the world after Indonesia and Russia.
If countries such as Kenya and Nairobi can successfully move towards a “less cash economy”, India can also move towards an economy by increasing the use of technology-based innovative payment products.

Kenya which is the biggest users of mobile money in Africa, M-Pesa (M for mobile, pesa is Swahili for money) is used for paying fees and bills and even receiving salaries.
• In August 2016, the National Payments Corporation of India (NPCI) launched Unified Payments Interface.

• The Government passed an ordinance in December 2016, which brings an amendment to Section 6 of the payment of Wages Act. This amendment is to provide for crediting the wages in the bank account of the employees or payment through cheque–making the transaction cashless.

• The village of Ibrahimpur in Telangana has become completely cashless by having bank accounts, using payment gateways and credit cards.

• Other examples are Gujarat’s village Akodara.
How government is promoting Cashless economy in Rural India

- Cashless transactions in various activities such as receiving wages for MGNREGA

- Direct fund transfer to bank accounts of dairy farmers for the milk sold to cooperatives and private sector.

- Or making purchases through using RuPay cards issues by banks under Pradhan Mantri Jan Dhan Yojana.
Dairy Sector

• Milk farmers affiliated to both the state cooperatives and private companies have opened more than a million new bank accounts and have also received payments in their accounts since November 10.

• Government had also urged the country’s biggest dairy federation Gujarat Cooperative Milk Marketing Federation, popularly also known as AMUL, to ensure opening bank accounts for all its 29 lakh odd affiliated farmers for payment towards purchase of milk.
NPCI

- It was founded in 2008 as a not-for-profit organisation registered under section 25 of the Companies Act, 2013.

- NPCI is the umbrella organisation for all retail payments system in India.

- NPCI maintains the NFS (National Financial Switch)

- It has successfully played pioneering role in the development of a domestic card payment network called RuPay, reducing the dependency on international card schemes.
National Financial Switch (NFS) is the largest network of shared automated teller machines (ATMs) in India.

- Connects all the TAMs of all the banks
- It is run by the National Payments Corporation of India (NPCI).
- The first ATM in India was set up in 1987 by HSBC in Mumbai.
That’s all folks

- Will provide EXTRA BONUS web based Yojana articles in a few days