

## A JOURNEY OF DIGITALISATION OF MONEY IN INDIA – AN EVOLUTIONARY STUDY

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### Abstract

Digitalization is the process of converting information into a digital format as well as transaction of documents, money and many more through this. Digitalization is the outcome of innovation and technological advancement. So, we able to say that digitalization is the dynamic way of life in 21st Century. Digitalization of India is nothing but making our daily life less dependent and avoid of human interaction with the help of technology. Now the entire world is in our mobile handsets. With the help of digitalization able to book a travel ticket, do shopping, entertainment etc through digital payments and even share your views to the external world more freely and easily. This research paper aims to study evolution and growth of the digitalization of Money in India.

**Keywords:** Digitalization, information technology, Indian banking sector, customer services

### Introduction:

Sound Financial system inevitably includes digitalization of money, sooner or later. The digital economy is quickly growing around the world. It is one of the most important drivers of innovation, competitiveness and growth. The progression and adoption of digital technologies and business models, is believed, will enable economies to achieve growth and development.

### Digital Money

From the above definitions Digital or Electronic money means:

- All the payments through digital mode by using computer's and smart phones.
- All the transactions are completed through online.

- No physical form of money is involved in dealing transactions.
- No commodity is required for representing money – like paper currency.

Many countries, looking into the benefits, are implementing digital money. Table 1 shows the percentage of transactions that are digitalized. From the table it can be observed that in India the process of digitalization is very slow and stands last in the ranking.

**Percentage of Cash less Economies – Country wise**

S.No.	Countries	Percentage of Digital / Cashless Transactions
1	Singapore	61%
2	Netherlands	60%
3	France	59%
4	Sweden	59%
5	Canada	57%
6	Belgium	56%
7	United Kingdom	52%
8	USA	45%
9	Australia	35%
10	Germany	33%
11	South Korea	29%
12	Spain	16%
13	Brazil	15%
14	Japan	14%
15	China	10%
16	<b>India</b>	<b>2%</b>

Source: MasterCard Advisor's Measuring progress toward a cashless society, Nov 30, 2016.

### Review of Literature:

- **Shanbhogue Girish, Kumar, A. Prashanth, Bhat, Swathi and Shettigar, Chethan (2016)** defined currency ban as a move to stop counterfeit bank notes were allegedly used for terror financing, as well as a surgical strike to black money and corruption in the country. Demonetisation leads to cash shortages in the

country which proves detrimental to a number of small business, agriculture and transportation. The shortage of cash led to chaos and most people faced problems to exchange their banknotes due to long queues outside banks and ATMs across the country. This demonetisation step was proved to be the biggest attack on black money and corruption in the history of Indian Economy and a movement toward digitalisation. It also encourages digital payments. They concluded that Demonetization is advantageous in short, medium and long-term.

- **Muthulakshmi, E. Kamatchi (2017)** in her paper entitled “Impacts of Demonetisation on Indian Economy- Issues & Challenges” states that when the money is withdrawn from the economy, the country will not be benefited in short term. On the other hand, if the money paves its way into the economy it would have a positive and meaningful impact. She also states that the demonetisation move, on one hand, was a serious attack on black money, corruption, hawala transaction, counterfeit currency and terror financing. On the other hand, it had a negative impact on various sectors like commodities and real estate.
- **Shah, Ayash Yousuf (2017)** stated that Demonetization is one of the major steps in fighting against corruption, black money and terror funding. However, this decision was taken without proper preparation and it adversely impacted the public. Without printing enough new currency notes 86% of the currency notes were withdrawn thrashing all market transactions. Only common people had to face problems exchanging their notes, not the people who were targeted. With an intention to rid the country of black money and dig out tax defaulters and black money holders, the government has taken the step to demonetized Rs 500 and Rs 1000 notes. The sudden announcement of demonetisation and failing to plan properly has created chaos among the general public. Common people are facing problems buying with no money in their hands, wasting their time standing in endless queues could have easily been avoided with advance planning.
- **Veerakumar, K. (2017)** posits that the announcement of demonetization of 500 and 1000 currency notes by the government is a big shock to the citizen of India. The highest currency notes are withdrawn from the economy to counter the problem of tax evasion, counterfeit currency and financing of terror activities. It is shown that huge money is being deposited into the bank accounts which are more than specified limits and are subject to penalties and taxes. Usage of e-wallets, debit and credit card has been increased tremendously and this will create better cashless infrastructure.
- **“Abhani Dhara K. (2017)** posits that this Demonetization is proving to be more successful than the previous two. The era is changing. People are using online banking as a mode of payment. Bank

employees are giving their best to make the demonetization a successful one. Their support matters a lot. Though the demonetization move has failed to grab total black money in the economy, this has at least created fear in the minds of people holding black money. He concluded that demonetization was a compulsory step to tackle the problem of black money, terrorism and corruption etc.

- **Shukla, Bal Govind and Gupta, Hariom (2018)** in their paper entitled “An Exploratory Study Of Business Students Perspectives On Demonetization In India: With Special Reference To Allahabad City”. They used primary data for their study and concluded that the people actively support any initiative taken by the governments which are basically targeted to eradicate corruption, black money, and any other threats like terrorism and naxalism in the country”.

### **Need for the Study**

Transition to Digitalization of money requires, at the outset requires the social acceptance by the users. Infrastructure that facilitates the digitalization should be put in place. Ubiquitous digital access and synergies amongst the facilitators is very essential. Hence problems-causes-solutions framework that encompasses problems associated with money digitalization process in India, including the challenge of the social behavior needs intricate and in depth analysis and Research. Hence the present Study derives the relevance.

### **Statement of the Problem**

Almost all firms' working cultures and lifestyles have been profoundly changed by technology. Digitalization has transformed the world into a global village. This encourages researching the role of recent technological advances in all sectors. So, the problem statement is “to examine the Digitalization of Money in India.”

### **Objectives of the Study**

The main Objective of the Study is to examine the digitalization of Money in India. The sub objectives are

- To examine the Government policy towards Digitalization of money in India.
- To examine the readiness of Indian Citizens for the transition to Digitalization of Money.

## A Journey of Digitalized Currency in India

On 08<sup>th</sup> November, 2016 Honorable Prime Minister of India has made a surprising and historic announcement i.e. **Demonetisation**. It is also referred as Note-Bandi or Vimudrikaran. The old 500- and 1000-rupee notes are no longer considered to be as legal tender.

The circulation of 500 and 1000 rupee notes before demonetisation was around Rs. 15.41 lakh crore out of which 15.31 lakh crore have been returned to RBI. This means 99% of money has come back. The primary aim of Demonetisation is 'not to recover black money but to eliminate black money.' Due to demonetisation the increase in pay of taxes was there but GDP has fallen down. But, demonetisation has become the face of major economic gains.

## Government taken steps by to decrease the Havoc created

In 2016, UPI (Unified Payment Interface) was introduced by the Government of India. With this, more people embraced on cashless payment modes. By the end of 2016, we had people with cheque books, debit cards to use at ATM's, credit card and POS at only big places and the start up's like Paytm and MobiKwik. Phone pe was also new to market which was just seeing the boom growing. With this, people has got the money needed directly into their bank accounts, thus black money was curbed. In the year Rs 17.74 lakh crore on November 4, 2016, to Rs 29.17 lakh crore on October 29, 2021.

The government had said the quantum of banknotes in the economy broadly depends on the GDP growth in non-cash modes of payments. Barring the covid – 19 – hit 2020-21 financial year, the Indian economy has recorded a positive growth rate. The UPI transactions in October month was around 421 crore.

Years	No. Of banks live on UPI	Volume (in Mn)
2021	274	4,186.48
2020	200	2,210.23
2019	143	1218.77
2018	128	524.94
2017	61	105.02
2016	30	0.29

Fig.1: The data shows the trend has grown on UPI.

The people standing in the long queues for taking their own money have up and then they have been supporting the start-ups for safe and speed transactions. Liquid cash has become scarce this lead even street

vendors accepting the digital currency, giving a platform of fin-tech companies to grow. And during the lockdown period, to avoid the sufferings people survived due to help of this online payments. Entrepreneurs has felt as a challenge to accelerate the chain of online transactions. There was a 50% rise in the UPI transactions.



Fig.2: The chart shows the massive engagement of people for shopping online

The Government of India issued Aadhar card to every citizen of India, and this card played an important role in the Aadhar based e-KYC, UPI auto Pay, and account operated through OTP to the bank linked mobile number. We have also received the benefit of instant credit. Even the smart mobiles are been given at reasonable and attractive prices. The 4G rates are been better and cheaper compared to other countries than India.

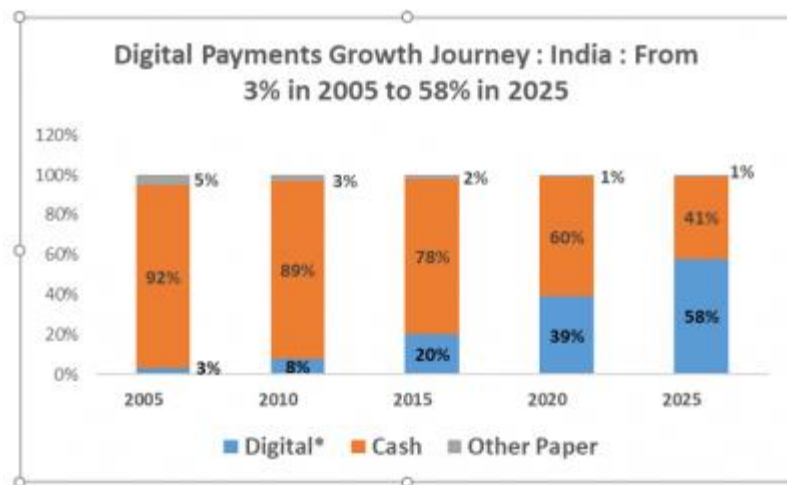


Fig.3. The chart shows the people interest in usage of digital payments



Fig.4. the chart shows how the pandemic has given birth to massive online payments worldwide

### Conclusion:

The digital payment ecosystem and its stakeholders like NPCI, RBI, UPI and other private companies are equal and together responsible for the change that helped the people for making their lives faster and safer. The journey from ‘demonetisation to digitalisation’ was itself made saying I’m possible. The panic created during the demonetisation was paved to the path of digitalisation. There are many e-sources like credit cards, rupay cards, UPI, internet banking, and other mobile wallets like Paytm, Mobikwiki and POS. So, let us all together hope for India towards Digital India.

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