

Major Barriers of People Transforming India in to Digital India

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Abstract - Demonetization is a stepping stone of an initiative taken by the Government of India to move into the cashless Indian economy. India's Prime Minister Mr. Narendra Modi announced on 8th November, 2016 that on the stroke midnight all 500 and 1000 rupee notes which are 86% of the currency in circulation would cease to become a legal tender. Modi's demonetization manoeuvre was a "Shock doctrine" tactic to demolish the cash-centric black market, to cleanse the nation of counterfeit notes, to make digitise economy and to get more of the population into formal and taxable economic grid. In the aftermath of the cancellation of the legal tender character of old Rs.500 and Rs.1,000 notes, there has been an upsurge in the digital transactions through the use of credit/debit cards and mobile phone applications/e-wallets etc. To further multiply this process, the Central Government has decided on a package of incentives and measures for the promotion of digital and cashless economy in the country. A special incentive packages are also announced by the government in the Union Budget, 2017. So, this study focused on the people's attitude towards this move of the government and also analysing the major barriers of people to transform India to Digital India.

Keywords: Demonetization, Digital India, Major Barriers.

I INTRODUCTION

In a historical move that will add record strength in the fight against corruption, black money, money laundering, terrorism and financing of terrorists as well as counterfeit notes, the Government of India has decided that the five hundred and one thousand rupee notes will no longer be legal tender from midnight, 8th November 2016. The Government has accepted the recommendations of the RBI to issue Two thousand rupee notes and new notes of Five hundred rupees will also be placed in circulation. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by the decision.

Prime Minister Shri Narendra Modi made these important announcements during a televised address to the nation on the evening of Tuesday 8th November 2016. He said that these decisions will fully protect the interests of honest and hard-working citizens of India and that those five hundred and one thousand rupee notes hoarded by anti-national and anti-social elements will become worthless pieces of paper.

The Prime Minister said the steps taken by the Government would strengthen the hands of the common citizens in the fight against corruption, black money and counterfeit

notes. Shri Modi emphasized that there is no restriction on any kind of non-cash payments by cheques, demand drafts, debit or credit cards and electronic fund transfer. In his address, the Prime Minister shared the insight into how the magnitude of cash in circulation is linked to inflation and how the inflation situation is worsened due to the cash deployed through corrupt means. The Prime Minister added that it adversely affects the poor and the neo-middle class people. He cited the example of the problems being faced by the honest citizens while buying houses.

Demonetisation has sent payment and financial technology companies scrambling for talent to meet the unprecedented increase in digital payments. Of about 40 million merchants in the country, only 300,000-400,000 – just 1 per cent – had adopted digital payment methods before demonetisation, which has now opened up a huge opportunity for growth. Over the past few weeks, millions of customers across India have tried mobile wallets as an alternative to cash. Paytm, which has 160 million customers, plans to sign up over 5 million merchants by the end of this financial year seeking to widen acceptance of its digital wallets.

The incentives and packages for the promotion of Digital and Cashless Economy offered by the Government

In the aftermath of the cancellation of the legal tender character of old Rs.500 and Rs.1,000 notes, there has been an upsurge in the digital transactions through the use of credit/debit cards and mobile phone applications/e-wallets etc. To further multiply this process, the Central Government has decided on a package of incentives and measures for the promotion of digital and cashless economy in the country.

1. The Central Government Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75% of the sale price to consumers on the purchase of petrol/diesel if payment is made through digital means.
2. The Central Government will extend the financial support to expand digital payment infrastructure through NABARD in rural areas to eligible banks for deployment of 2 POS devices each in one lakh villages with a population of less than 10000. These

machines are intended to be deployed at primary cooperative societies/milk societies / agricultural input dealers to facilitate agri-related transactions through digital means.

3. The Government of India will also support Rural Regional Banks and Cooperative Banks through NABARD to issue “RupayKisan Cards” to 4.32 crore Kisan card holders to enable them to make digital transactions at POS machines/MICRO ATMs/ATMs.
4. If payment is made through digital means, the suburban railway network of Indian Railway shall provide incentive by way of discount upto 0.5% monthly or seasonal tickets to its customers from 1st January 2017 onwards.
5. Buying railway ticket through online shall provide free accidental insurance cover upto Rs. 10 lakhs.
6. If the payment made through digital means, a discount of 5% is offered for the payment of paid services provided by railway such as catering, accommodation, retiring rooms, etc. through its affiliated entities/corporations. The passengers who avail these services will get this discount offer.
7. Life Insurance Corporation (LIC) will provide incentive, by way of discount or credit, upto 8% of the premium in new life policies and Public Sector Insurance Companies provide 10 % in general insurance policies sold through the customer portal in case the customer makes the payment by digital means.
8. The Central Public Sector Undertaking and the Central Government Departments will ensure that transaction fee/MDR charges associated with payment through digital means shall not be passed on to the customers and all expenses shall be borne by them. State Governments are being advised that the State Governments and its organisations should also consider absorbing the transaction fee/MDR charges related to digital payment to them and the consumer asked to bear it.
9. Public Sector Banks are offered that the merchant should not be required to pay more than Rs. 100 per month as monthly rent for POD terminals/Micro ATMs/mobile POS
10. There is no service tax will be charged on digital transaction charges/MDR for transactions upto Rs. 2000/- per transaction.
11. A discount of 10% will be available for the payment of toll at Toll Plazas on National Highways using RFID card/ Fast Tags to the users in the year 2016-17.
12. The Finance Minister of India, Mr.ArunJaitley announced in the Union Budget 2017, that the customs and excise duties on PoS card readers, Micro ATMs are abolished. Makers of PoS machines, scanners, fingerprint readers, iris scanners and micro ATMs have benefited, with the exemption of all forms of customs duty under Modi's 'Make-in-India' scheme.
13. One hundred and twenty-five lakh people had already adopted the Bharat Interface for Money (BHIM) app. The Finance Minister of India Mr.ArunJaitley announced in Union Budget 2017, that the government will launch two new schemes for individuals and a Cashback Scheme for merchants.
14. Finance Minister added that in the Union Budget 2017, Aadhaar Pay, a merchant version of Aadhaar Enabled Payment System, will be launched shortly for those who do not have debit cards, mobile wallets and mobile phones.
15. Banks have targeted to introduce additional 10 lakh new PoS terminals by March, 2017. They will be encouraged to introduce 20 lakh Aadhaar-based PoS by September 2017.
16. Since cyber security remains a grave concern, Mr.ArunJaitley announced the setting up of a Computer Emergency Response Team for the financial sector regulators and other stakeholders.

II. PREVIOUS WORK

Tax Research team (14 Nov, 2016) clearly pointed in the National Institute of Public Finance and Policy, Working paper series no.182 on “Demonetization: Impact on Economy” that the demonetization undertaken by the government is a large shock to the economy. The impact of this shock in the medium term is a function of how much of the currency will be replaced at the end of the replacement process and the extent to which currency in circulation is extinguished. While it has been argued that the cash that would be extinguished would be “black money” and hence, should be rightfully extinguished to set right the perverse incentive structure in the economy.

S. Sakeerthi and P. T. Lincy (February, 2017) identified in their study on “Jan Dhan, Aadhaar& Mobile Connectivity – The three pillars of Financial Inclusion under JAM (A study based on Kerala) in International Journal of Scientific Progress and Research (IJSPR) is that more than seventy percent of the respondents agreed the fact that the PMJDY scheme has benefited them to increase their savings habit because their subsidies are directly coming

from the bank account and some of them will retain their money into the bank account itself. Thus the digital transfer of money enables them to improve their savings habit.

Sabnavis, Madan and Sawarkar, Anushka (Nov, 2016) reported their view on “Economic consequences of demonetization of 500 and 1000 rupee notes” in the CARE Ratings Professional Risk Opinion that the impact of demonetization will effect on various economic entities such as agriculture and related sector, small traders, SME, service sectors, households, political parties, retail outlets, professionals like doctors, carpenters, utility service providers, etc. and also it will get effected on online transactions and alternative modes of payments. It will impact with cash transactions facing a reduction, alternative forms of payment will see a surge in demand. Digital transaction systems, E-wallets and apps, online transactions using E-banking, usage of Plastic money (Debit and Credit Cards), etc. will definitely see a substantial increase in demand.

The Hindu – Business Line (9 Nov, 2016) reported that the Finance Minister of India Mr. Arun Jaitley suggested that in the medium and long term, tax revenues will increase with the impact of demonetization. Bank deposits will increase and they will have more capacity to support the economy. It will boost growth as it will expand and clean the formal gross domestic product adding that it will also push the economy towards becoming cashless.

III. OBJECTIVES OF THE STUDY

1. To know the approach of the respondents towards the digital movement of the government.
2. To know major barriers of the respondents to use digital financial transactions.
3. To identify the measures to be taken for strengthening the digital transactions to the rural and sub-urban areas of the country.

IV RESEARCH METHODOLOGY

Sources of Data – The research was based on primary as well as secondary data.

The primary data was collected through a survey conducted across a sample of 265 people selectively chosen from different parts of Kerala. Convenient Sampling Method is used for data collection. The researcher has collected data through direct interview and the telephonic interview with the respondents. The study is based on salaried people and self-employed people who are living in urban area. The salaried group consists of teachers, nurses, government servants, etc. and the self-employed group consists of small and medium scale entrepreneurs. The secondary data was collected from some articles, newspapers, Ministry of Finance website and other related websites.

Tools and Techniques used

1. Questionnaire
2. Survey method

VI SCOPE OF THE STUDY

The Digital India (DI) initiative aims to bring digital empowerment to India and aid in its transition to becoming a knowledge economy. The programme aims to do so through a combination of building digital infrastructure, providing digital services, implementing e-governance in an accessible manner and using technology as a driver of change and growth.

V LIMITATIONS OF THE STUDY

1. Demonetization is a recent initiative taken by the government in the later part of 2016, thus the impact of this initiative can be judged by the long run only.
2. Duration of the study was too short for an in-depth analysis.

VIDATA ANALYSIS

In the aftermath of the cancellation of the legal tender character of old Rs 500 and Rs 1,000 notes, there has been a surge in the digital transactions through the use of credit/debit cards and mobile phone applications/e-wallets etc. To further accelerate this process, the Central Government has decided on a package of incentives and measures for the promotion of digital and cashless economy in the country.

Table 1 Age group of the respondents

Age	Nos.
20 - 30	37
30 - 40	61
40 - 50	125
50 - 60	42

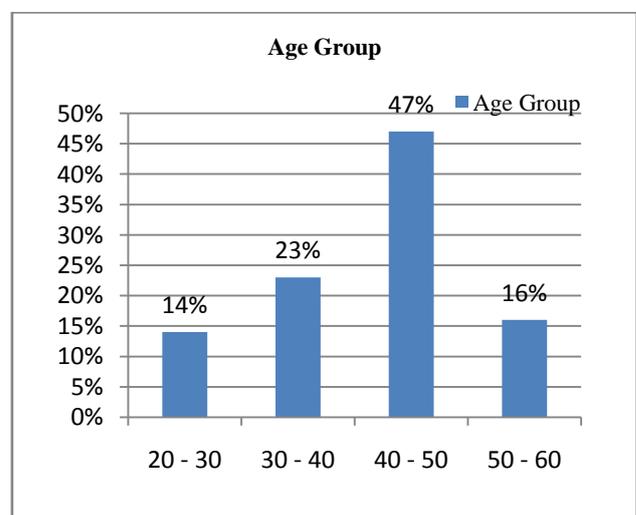


Chart 1

Inference:

The study is based on the age group in between 20 years and 60 years. 47% of the sample belongs to the age group of 40 to 50.

Whether the respondents faced any difficulty during the demonetization period	Nos.
Yes	244
No	21

Table 2 Occupation of the respondents

Occupation	Nos
Salaried	167
Self-employed	98

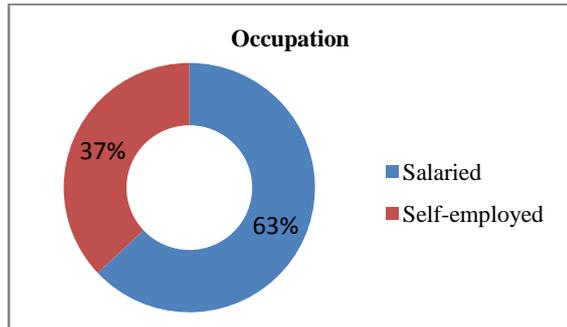


Chart 2

Inference:

In this research, 63% are salaried people and 37% are self-employed. The occupation is having an eminent role in this study, because, the self-employed people are having more financial transactions as compared to salaried people. The self-employed people suggested that they are facing problems even now because of demonetization. Their revenue has got reduced during the demonetization period. They were forced to install PoS machines, paytm and other mobile /e-wallets to survive in the market.

Table 3 Whether the respondents faced any difficulty during the demonetization period

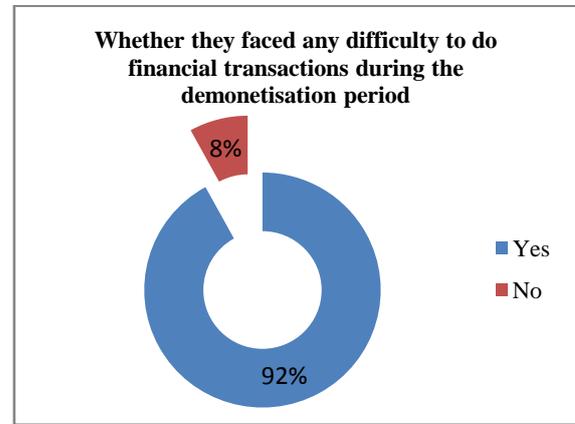


Chart 3

Inference:

92% of the respondents said that they had some difficulty to do financial transactions during the demonetization period. They had controlled their expenditures during that time, not only that but also some of the respondents postponed some payments to the future period. Some respondents suggested that they had failed to make some payments during that period so that its created some addition financial burden in the form of fines and extra charges.

Table 4 Whether respondents are supporting the digital move done by the government

Whether respondents are supporting the digital move done by the government	Nos.
Extremely supporting	138
Moderately supporting	45
Not supporting	82

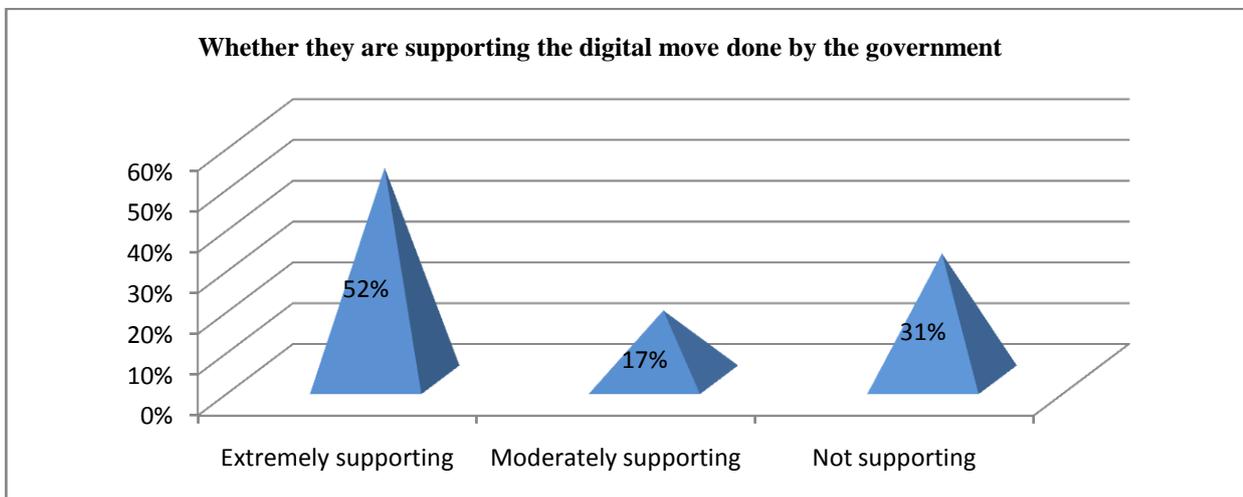


Chart 4

Inference:

52% of the respondents are supporting the digital movement done by the government. They strongly believe that the impact of demonetization and the digital movement will make India to demolish the cash-centric black market, to cleanse the nation of counterfeit notes, to make digitise economy.

Table 5 At what extent, the respondents have been using the digital transactions in a month

At what extent, the respondents have been using the digital transactions in a month	Nos.
Not using digital transactions	32
1% - 25% of monthly transactions	87
26% -50% of monthly transactions	72
51% - 75% of monthly transactions	69
76% -100 % of monthly transactions	5

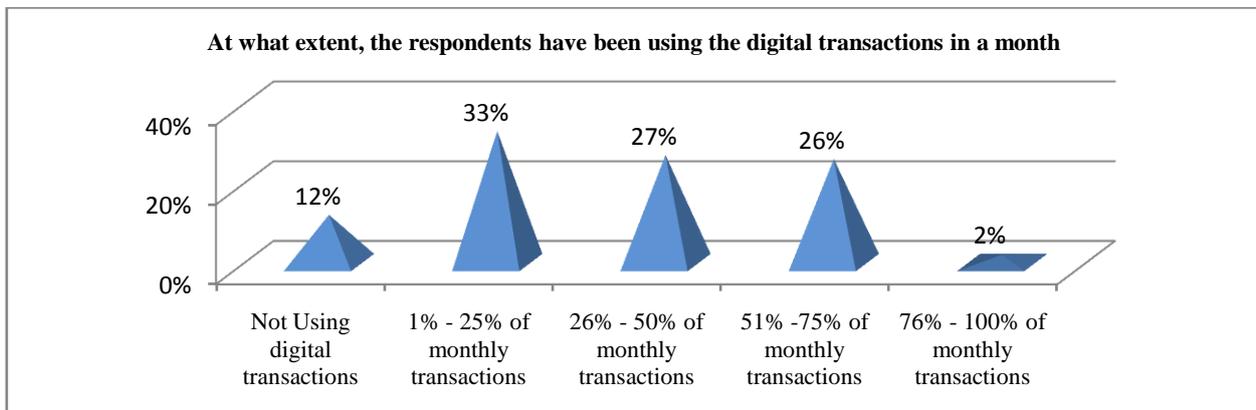


Chart 5

Inference:

There are 12% not using any kind of digital transactions in a month, whereas 33% respondents are using upto 25% their financial transactions by digital means. More than one-fourth the respondents are using 50% digital payments in a month and 26% respondents are using digital modes for their 51 to 75 percentage transactions in a month. Only two percent respondents said that they have been increased to use digital transactions 75 to 100%.

Table 6 In which mode, the respondents use the digital transactions most

In which mode, the respondents use the digital transactions most	Nos
Internet banking	29
Mobile banking	61
Debit /Credit /Other cards	109
Mobile apps	29
More than one mode	37

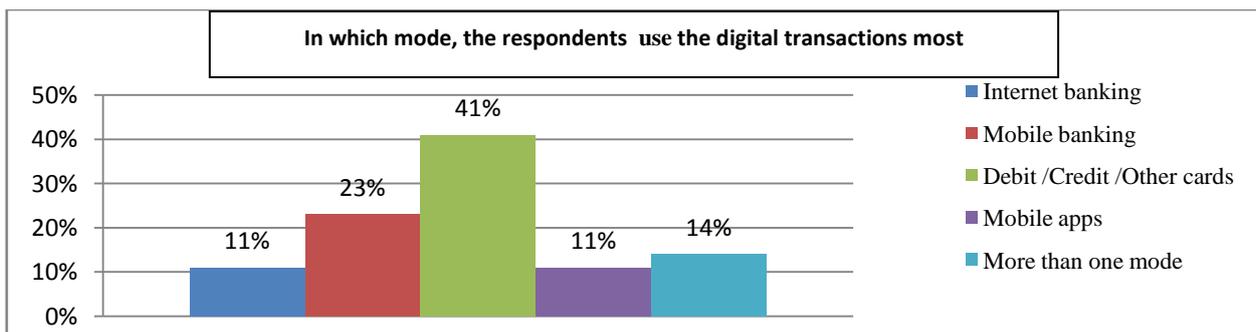


Chart 6

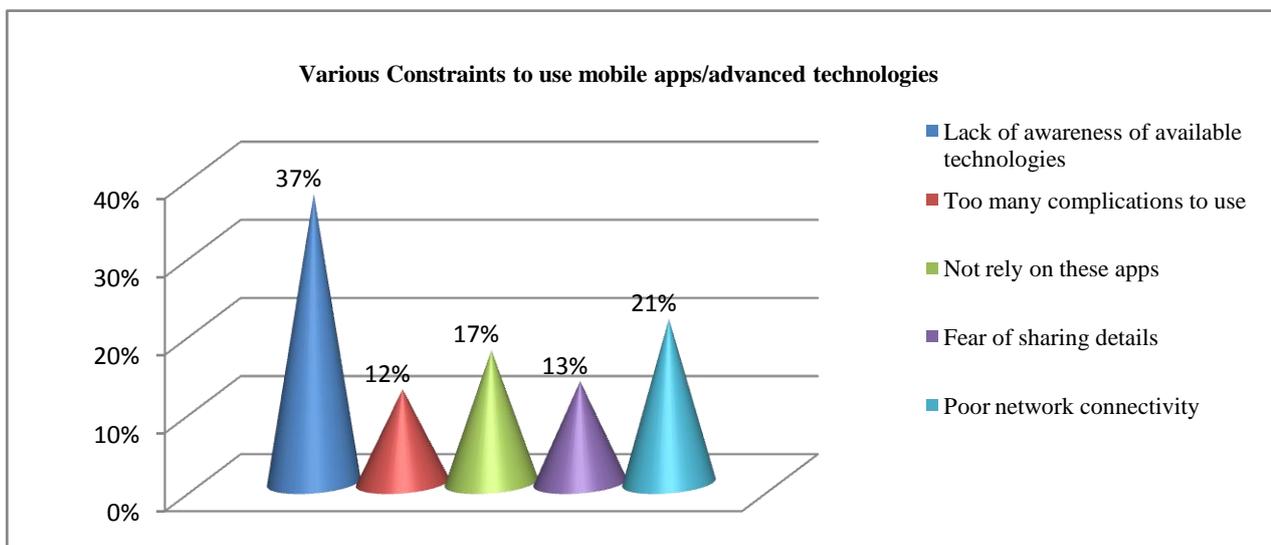
Inference:

From this analysis, we can see that most of the respondents are using the debit/credit/ other cards for making their digital transactions. The mobile apps and other advanced technology using are comparatively very low. Thus, the government should take some measures to encourage the people to use more technology for making digital transactions.

Table 7 Various constraints to use mobile apps/ advanced technologies

Various constraints to use mobile apps/ advanced technologies	Nos.
Lack of awareness of technology	98
Too many complications to use	32
Not rely on these apps	45
Fear of sharing details	34
Poor network connectivity	56

Chart 7



Inference:

From the above analysis, it is clear that the most of the respondents suggested that the lack of awareness is their major constraint to use digital transactions. But 12% respondents said that they are having some problem in using these mobile apps because it has too many complications. 17% respondents do not rely on these apps but same time 13% respondents have fear to use these technologies. The poor network connectivity is the major constraints of 21% of the respondents.

VII FINDINGS

1. 92% of the respondents faced difficulty during the demonetization period, mostly self-employed people suffered most even now.
2. Most of the respondents are extremely supporting the initiative of the government to transform India to Digital India.
3. Most of the respondents are using debit/ credit / other cards for making their transactions rather than using various apps/ technologies.

4. Lack of awareness is the major constraint for using the digital transactions.

VIII SUGGESTIONS AND CONCLUSIONS

1. Banks should include the latest information regarding the digital services provided by them in the Financial Literacy Programmes, which will help the common man to upgrade their knowledge level.
2. Each bank should provide an additional customer care support to clarify doubts and queries of their customers on how to deal digital transactions in their local languages at the state level. It will be a great support to the rural people, especially, the elder generation.
3. The government should take initiative to educate the people who required the assistance to do financial transactions at the district level or taluk levels.
4. The government should include some awareness program in each area through Akshaya centres at least once in a week and it should be evaluated.
5. The government should utilise the younger generation, so as to encourage schools and colleges to arrange

campaigns on how to deal with the digital financial services in their locality as a part of NSS, NCC and other such related activities.

6. The government should improve the internet accessibility to promote digital services.
7. The government should educate people how to use mobile apps as a literacy program through Television Channels. Thus its reach will be very high.

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