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# Original Research Article

## Demonetization to Digitalization: A Step Toward Progress

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### Abstract

Journey from demonetization to digitalization is very hard hitting but not impossible. Recent demonetization in India on November 8, 2016, created lot of panic in the economy but also paved the way to digitalization. Cash crunch and availability of e-sources of transactions compelled many people to use electronic modes of payment. Credit cards, debit cards/RuPay card, USSD/UPI, Internet banking, mobile wallets like Oxigen, Paytm, Mobiwik, aadhar-enabled payment system, POS, and so on are few popular modes of electronic transaction, which are commonly used by the citizen. Digitalization will embrace higher transparency in monetary terms; low-cost maintenance; more convenience in use; and help in financial inclusion and weeding out black money and counterfeit money from the economy. But journey to a destination is always full of roadblocks, and similarly the journey of India toward a digital India is also full of hurdles like a huge illiteracy rate; low bandwidth; more unbanked areas; late adoption of technology; lack of full-time electricity; security concerns like hacking, cybercrime, and safety of personal details; and need for high investments. So, to defend the dream of a digital India, we have to develop well-defined strategies to coach people in using technology like focusing on customer education as well as employee education in technology by conducting workshops, presentations, enforcing strict cyber laws, use of local language, and developing user-friendly websites that leverage technology using the development of simple and smart digital tools, such as the use of a one-time password (OTP). The government has started Vittiya Sakharata Abhiyaan (VISAKA) and outreach campaigns like DigiDhan Abhiyan and so on to encourage people to adopt digital tools. Overall demonetization is greasing the wheels of digitalization and transforming India into Digital India.

**Keywords:** Demonetization; Digitalization; Cash crunch; Transparency; Financial inclusion.

### 1. DEMONETIZATION: AN INTRODUCTION

Investopedia (2017) defines demonetization as the current form or forms of money being pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency. The opposite of demonetization is remonetization, in which a form of payment is restored as legal tender. On November 8, 2016, our prime minister dropped a bombshell by declaring that from midnight INR 500 and INR 1,000 will no more remain legal tender. Aligned with this, RBI put in circulation new notes of INR 500 and INR 1,000 after one-day bank holiday. From November 10, 2016, old notes were replaced by the new notes but according to their tax limits. All this created lot of panic in the economy due to cash crunch. The owners of hard-earned money as well as black money were stunned and worried, wondering what next. People who were aware but not active users of e-modes of cash transaction started using them. The government is also continuously encouraging its citizens to use e-modes of transactions instead of getting troubled. The government started an outreach campaign DigiDhan Abhiyan for rural citizens to use digital modes of payments. RBI and our banks did appreciable work by handling this condition very patiently and completed the work in a very smooth and nondisruptive way. The RBI (2016) press release on November 12 stated that on November 10, 2016, about 10 crore exchange transactions were reported. Further, banks and RBI were kept open on Saturday and Sunday to meet the urgent requirements of public and to ease the situation. Keeping in mind the need for other denomination notes which continued to be legal tender, adequate stocks of these notes were kept ready in currency chests located at more than 4000 places across the country. Bank branches were linked to them to source their requirements from them.

To sustain the demand, printing presses were printing currency notes at full capacity so that adequate quantum of notes remained available.

In 2017, Agnihotri wrote in the *Business Standard* that by mid January 2017, the central bank had infused new currency notes worth around Rs 9.2 lakh crore into the system. Currency notes estimated around Rs 15.4 lakh crore were withdrawn when the Centre announced demonetization. This important move was taken to curb the menace of counterfeit notes and black money along with thought of reducing the corruption, increasing digital money, and so on.

This demonetization wasn't a first for India. There were two previous episodes of demonetization.

1. Currency was first banned in January 1946 with the objective of curbing black money. The government withdrew INR 500, INR 1,000, and INR 10,000 from circulation.
2. Second time demonetization occurred in 1978, and INR 1,000, INR 5,000, and INR 10,000 were demonetized by the government, and the reason was the public interest.
3. The third time was on November 8, 2016, when the government declared INR 500 and INR 1,000 as no more legal tender.

This will give positive result in the long term like weeding out corruption, combating black money, and so on, but if we talk about the current situation, this cash crunch has affected every segment of the economy directly or indirectly like farmers, rural man, vegetable vendors, dabbawalas, families organizing wedding functions, regional and rural banks, and so on.

## 2. DIGITALIZATION: AN INTRODUCTION

Digital means using binary digits. Digitalization means adoption of this technology and converting physical data into digital format. According to IGI dictionary (2017), digitalization is the integration of digital technologies into everyday life by the digitization of everything that can be digitized. The literal meaning of digitalization gives an apparent idea of development and a technology-dependent world. This is not a new concept; it dates back to the advent of technology. Globally, banks and other financial institutions are trying to move in pace with technology by upgrading themselves. New entrants are also entering into broader and diversified financial services and products. Digitalization has had substantial impact on banking sector. Development of block-chain-based system, cloud computing, and increased cybersecurity threats are growing digital challenges. Cloud computing may help in driving efficiencies and supporting delivery of new services to customers. It will surely change the way banks compete in the market and also enable them to improve their workforce, product, and service innovation. This will increase customer satisfaction and also delight the customer.

Globally, the usage rate of smartphone and tablets is phenomenally increasing day by day. Penetration of smartphones, social media, and online engagement will support digitalization in the wake of demonetization and also help in the advancement of financial inclusion. After demonetization, the resulting cash crunch created a buzz in electronic payments by the use of android mobile. Even vegetable vendors, dabbawalas, grocery stores, taxi drivers, and street vendors have started signing up with Paytm, Oxigen, Mobiwik, and so on. Ashoka (2017) said that the Indian banking sector has been playing a pivotal role in enhancing digitalization and bringing different echelons of digital-banking facilities to customers for their utilization.

## 3. JOURNEY FROM DEMONETIZATION TO DIGITALIZATION

Demonetization has not only sown the seeds for cashless India but also raised hope in the minds of a young India that black money will be weeded out soon. Facing criticism and appreciation, the government has paved the way for the cashless mode of payment. Various top guns in the digital payment space like Paytm, Mobivik, Itz cash, OLA Money, and so on are witnessing that this quintessential move has increased their business manifold. Crypto currencies like Bitcoin are receiving positive upswing. The common man is keeping aside cash and using mobile wallets and e-payment services. To face and conquer the present challenge

of cash crunch not only customers but also offline retailers are upgrading to niftier, cashless, e-commerce options of digital payments. Hence, digital-wallet and mobile-payment companies are the biggest beneficiaries of demonetization.

The government of India has launched the campaign for Digital India to ensure that services are made available to citizens electronically by better online infrastructure and connectivity, that is, digital empowerment. It has encouraged many people to use other e-delivery banking channels for Internet banking—retail, corporate, or mobile banking; UPI; USSD–NUUP; \*99# as well as e-wallet banking. Mehta *et al.* (2016) said over the last 2 years that while the number of Jan Dhan accounts had recorded a stellar growth, the share of these accounts in total deposit base of the banking system had remained under 1%. The demonetization drive of higher-denominated notes should give a push to cash deposits in Jan Dhan accounts, of which close to 43% so far have remained dormant.

Going digital will certainly have many benefits for the economy, direct or indirect. The foremost benefit will be to the RBI and banks as digitalization will lead to more innovative changes; reduction in maintenance costs; higher financial transparency; more accountability; boosting of deposits and savings, mutual funds, and bond markets; and so on. From April 1994 to June 2016, the currency has shown a yearly growth rate of 17%, while the share of bank currency has remained around 5%. It was estimated that, for 2009–2010, RBI incurred an annual cost of INR 2,800 crore for printing currency notes as stated by Das and Agarwal (2010). Digital money is safer in comparison to physical cash, as there is greater financial inclusion and lesser leakage of money provided by the government for the development of common people. Hence, we should empower each other by helping each other in knowing the technical know-how. This will surely pave the way toward cashless economy.

Sherline (2016) said that there is an imperative need to modify the credit- and financial-services delivery system to achieve greater inclusion. The latest solution is demonetization. In addition, the move will help to inculcate banking habits among the large unbanked population in the country. Paperless, cryptographic digital cash offers numerous benefits, and provides two key advantages over physical money. First, an adversary cannot forge digital cash, assuming the security of the cryptographic mechanisms and the secrecy of the associated cryptographic information are preserved. Second, replication of digital cash is easy, so that one can easily safeguard against loss or theft of digital cash through digital backups. The idea to use digital cash as a solution against money counterfeiting is not new. All this explains the economic transition that is going on in the economy.

#### 4. ROADBLOCKS IN DIGITALIZATION

In a country like India where a number of people have no bank accounts and Internet use is limited, the roadmap toward digitalization is not easy. There are so many roadblocks in the way to reach the destiny of cashless economy. Innovative thought and proper strategies need to be developed for reaching the general masses. A huge percentage of the population of India is still living in rural areas where basic facilities are not available; how can we think of inculcating digital habits in those people? High illiteracy rates, slow Internet connectivity with less bandwidth, unbanked areas, undeveloped tax systems are some big issues that need to be eradicated permanently for the system to be digital.

Switching from cash to cashless economy will necessitate so many transformations from bottom to the top of the administration. The compelling restraint for the user is the fear of security breaches. Hacking of accounts, security, and privacy of customers' personal details, which are demanded while making e-payments, are some serious issues that need to be sorted out. More digitalization will lead to more cyber-crime. To avoid such problems, cybersecurity should be backed by powerful laws and acts. As long as the perceived notion that the Internet is still not a safe place to conduct financial transactions prevails, large-scale adoption will be challenging. In addition, the low penetration of PCs and access to Internet are crucial issues, which act as roadblocks in the adoption of Internet banking and other e-delivery banking channels. We need to develop a new monetary system, a fully expanded banking system as well as uninterrupted power supply.

Other restricting factors are late adoption of technology by India, more unbanked areas, lack of awareness among potential users, threats while using e-delivery banking channels, technology spread in all areas,

lengthy processes, hesitation, and so on. Mehta *et al.* (2016) said the Indian reality is that many trades and areas are still cash based and cannot be digitized just by willing it. Resulting disruption in the real economy stemming from this move is very significant and potentially fatal for some vulnerable sections of society.

Bhatnagar (2015) indicates that today technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity, and profitability for banks, and it is the realization of their “anywhere, anytime, anyway” banking dream for customers. But instead of all these benefits, the awareness and adoption rate of banking services among rural customers is still found to be very low.

## 5. STRATEGY TO PROMOTE DIGITALIZATION

### 5.1. Customer Education

**Presentations and workshops:** It should be conducted in schools and offices from time to time. Workshops should be arranged in schools, malls, outside banks, or any other popular place so that confidence of people will rise when they will have practical sessions in front of their eyes. Their queries can be resolved immediately.

**Campaigns/advertisements:** The government has already started the outreach campaign DigiDhan Abhiyan sensitizing merchants and vendors for electronic payment systems (EPSs). More and more publicity through hoarding, television, FM, mass media should be done to awaken the people and encourage them to use digital money.

**Training programs:** Banks and the government should take the initiative for providing digital financial solutions to the common people to help them use different modes of EPSs and making them aware of the benefits of digital money to oneself and to the country.

### 5.2. Monetary Benefits

**Removal of fees on e-payment:** Various charges linked with e-payment should be removed to enhance cashless transaction.

**Incentivize digital payments:** On various cashless transactions, cash-back offers should be provided to attract common people using e-modes of payment.

### 5.3. Use of Mother Tongue

Gupta (2017) said that alternate delivery services by banks in Hindi or a mother-tongue-friendly mode are a welcome step and is likely to give a major thrust in rural India and will ultimately help combating the problems created by demonetization. Some banks have started providing Hindi language in the option. This adoption of mother tongue will positively help the rural customer understand the various information available on the website and will bring them closer to the banks.

### 5.4. Cybersecurity Backed by Cyber Laws and Acts

Indeed, educating security features to both employees and customers is mandatory before engaging in digital transactions. For educating large masses of customers, mass media like television, newspaper, advertising, radio, and so on should be used. Concurrently, security matters can be communicated to employees through periodic training sessions for employees on such topics as cyber frauds, cybersecurity, secure passwords, and other security-related matters. Patching routers, switches, firewalls, internal desktops, and servers should be used by the banks for better security. The government should also make strict rules for cybersecurity that will encourage people to use more online services of banks. Gupta (2017) said that two-factor authentication (2FA) is extra security cover to basic log-on procedure. Without 2FA, you enter your username and password, and then you are done. The password is your single factor of authentication. The second factor makes your account more secure. In banks, it has been accomplished through the introduction of one-time password (OTP), which is sent to the user at the time of making transactions, which is in the form of a numeric number or alphanumeric text on his registered mobile or mail. On entering this OTP, the system validates the same and allows entry in system on satisfaction.

Mahajan and Singla (2017) revealed that ordinary individuals were the most adversely affected. The new type of deposits called benami deposits have also come up with demonetization. With the aim of achieving financial inclusion along with making India a cashless and digital economy, efforts are required to make technology reach the bottom of the pyramid.

## 6. CONCLUSION

Demonetization should be welcomed as a revitalizing and positive step toward massive digital transformation of the country. Continuous process of demonetization is carving the picture of transition of India more toward cashless economy rather than combating black money. The day is not far when physical money will get obsolete technologically. But adopting digitalization to the utmost needs lot of investment, painstaking planning, and coordinated decision making. However, cybercrime will remain in the top agenda for the government as well as for senior bank executives. So we need to develop well-defined strategies to encourage people in using technology like more focus on customer as well as employee education about technology by conducting workshops, presentations, enforcing strict cyber laws, use of local language and developing user-friendly websites that leverage technology using the development of simple and smart digital tools, such as the use of OTP. The government has started Vittiya Sakharata Abhiyaan (VISAKA) and outreach campaigns like DigiDhan Abhiyan and so on to encourage people to adopt digital tools. All these changes are indicating that we are moving toward a more inclusive society in the coming future. It is up to the citizens of India to take this spinning move either positively or negatively. We should appreciate the move and help the people by teaching them the process of digital transactions. We can conclude by saying that demonetization is greasing the wheels of the economy and transforming India into Digital India.

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