

Demonetization – Won or Lost

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Abstract

There are multiple reasons why nations demonetize their local units of currency. Some reasons include combating inflation, to combat corruption, and to discourage a cash system. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency. The objective of this research paper is to understand the impact of Demonetization in the economy, to understand the effect of cashless transaction in different industry and to understand the impact effect and aftermath of demonetization. The secondary data has been used. The researcher has found that the Indian economy will perform after certain time may not be immediately. Currently it will have negative impact on all the industries as a result even the economy growth will fall till all the industries get the same speed of production.

Keywords: Demonetization, Cashless transaction, economy, industry, business, etc.

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1. Introduction

Demonetization is the act of stripping a currency unit of its status as 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.

Breaking down 'Demonetization'

There are multiple reasons why nations demonetize their local units of currency. Some reasons include combating inflation, to combat corruption, and to discourage a cash system. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

In 2016, the Indian government decided to demonetize the 500- and 1000- rupee notes, the two biggest denomination notes. These notes accounted for 86% of the country's cash supply. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy. By making the larger denomination notes worthless, individuals and entities with huge sums of black money gotten from parallel cash systems were forced to convert the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200% of the tax owed was imposed.

In 2015, the Zimbabwean government demonetized the Zimbabwean dollar as a way to combat the country's hyperinflation that was recorded at 231,000,000%. The 3-month process involved expunging the Zimbabwean dollar from the country's financial system and solidifying the US dollar, Botswana pula, and South African rand as the country's legal tender in a bid to stabilize the economy.

Another example of demonetization occurred when the nations of the European Monetary Union adopted the euro in 2002. In order to switch to the euro, authorities first fixed exchange rates for the varied national currencies into euros. When the euro was introduced, the old national currencies were demonetized. However, the old currencies remained convertible into euros for a while so that a smooth transition through demonetization would be assured.

The Coinage Act of 1873 demonetized silver in favor of adopting the gold standard as the legal tender of the United States. The withdrawal of silver from the economy resulted in a contraction of the money supply, which subsequently led to a 5-year economic depression in the country. In response to the dire situation and pressure from silver miners and farmers, the Bland-Allison Act remonetized silver as legal tender in 1878.

2. Need Of The Study

In general most of the research work conducted in the field of demonetization with respect to the different countries but with respect to Indian economy there is no research has been done as it's a recent development happened in the Indian economy.

3. Research Methodology

The study is primarily based upon secondary data collected through a articles and secondary data. The researcher has conducted the exploratory research. Quantitative data has been used for the purpose of analysis. The geographical area of the research work was India. The selection of variables is based upon recent development in economy.

4. Objectives of the Research

- 1) To understand the impact of Demonetization in the economy.
- 2) To understand the effect of cashless transaction in different industry.
- 3) To understand the impact effect and aftermath of demonetization.
- 4) To find out the profit and loss from demonetization.

5. Limitations of the Study

The present study is based upon the secondary data only and great personalities and economists views have been considered. As it's a recent topic review of literature available is very less with reference to Indian Economy.

6. Review of related Literature

Cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003), Cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010). (2004) observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy (Moses-Ashike, 2011). Marco and Bandiera (2004) argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat

to the stability of the financial system. However, it does conclude that central banks can lose control over monetary policy if the government does not run a responsible fiscal policy.

Echekoba and Ezu (2012), in a research carried out in Nigeria, observed that 68.2% of the respondent complained about long queues in the bank, 28.9% complained of bad attitude of teller officers (cashiers) while 2.89% complained of long distance of bank locations to their home or work places. Likewise, in her 24th NCS national conference in December 2011, CBN data shows that 51% of withdrawal done in Nigeria was through automated teller machine (ATM), while 33.6% was through over the counter (OTC) cash withdrawals and 13.6% through Cheques. Payment was also done through point of sales machine (POS) which accounted for 0.5% and web 1.3%.

Therefore, if the introduction of ATM in Nigeria cash withdrawals system reduced OTC withdrawal; then it will implies that introduction of cashless policy supported by application of information technology can achieve more to reduce over dependent on cash payment in Nigeria economy system. However, Akhalumeh and Ohioka (2011) observed some challenges with the introduction of cashless policy. Their findings show that 34.0% of the respondents cited problem of internet fraud, 15.5% cited problem of limited POS/ATM, 19.6% cited problem of illiteracy and 30.9% stayed neutral - the respondent not been sure of problem been expected or experienced. While in some quarters there was fear of unemployment, some believe it will create more jobs especially when companies manufacturing POS machine are cited in Nigeria. More so, data sourced from Central Bank of Nigeria portal shows that Lagos state, with a population of 17 million people, only has sixty one Point Of Sales, twenty bank branches and twenty four ATMs per 100,000 people which are far less to satisfy the needs of the population. These data verify the claim of Echekoba and Ezu (2012) on the problem of cash based economy and cashless policy in Nigeria. For effective cashless implementation in Nigeria availability of sufficient and well-functioning infrastructure (notably electricity), harmonization of fiscal and monetary policy, regular assessment of the performance of cashless banking channels, consideration of the present state and structure of the economy, redesign of monetary policy framework and greater efforts towards economic growth whilst managing inflation should be considered (Odior and Banuso, 2012).

7. Effects And Aftermath

Cash Rush

The scarcity of cash due to demonetisation led to chaos, and most people holding old banknotes, faced difficulties to exchange them as endless lines outside banks and ATMs across India, became a daily routine for millions of people waiting to deposit or exchange the Rs.500 and Rs. 1000 banknotes since 9 November. ATMs were running out of cash after a few hours of being functional, and around half the ATMs in the country were non-functional. Sporadic violence was reported in New Delhi, but there were no reports of any grievous injury, people attacked bank premises and ATMs, and a ration shop was looted in Madhya Pradesh after the shop owner refused to accept Rs. 500 banknotes.

Several people were reported to have died from standing in queues for hours to exchange their old banknotes. Deaths were also attributed to lack of medical help due to refusal of old banknotes by hospitals. As of 15 November 2016, the attributed death toll was 25. In an interview, Chief Minister of Delhi Arvind Kejriwal lashed out at a BBC reporter who asked him to justify his 19 November claim that 55 deaths were linked to demonetisation. While, the CMD of Punjab National Bank said that panic after demonetisation started fading on 19 November 2016. As of 8 December 2016, there were still long queues at banks and ATMs.

Stock Market Crash

As a combined effect of demonetisation and US presidential election, the stock market indices dropped to an around six-month low in the week following the announcement. The day after the demonetisation announcement, BSE SENSEX crashed nearly 1,689 points and NIFTY 50 plunged by over 541 points. By the end of the intraday trading session on 15 November 2016, the BSE SENSEX index was lower by 565 points and the NIFTY 50 index was below 8100 intraday.

Transportation Halts

After the demonetisation was announced, about 800,000 truck drivers were affected with scarcity of cash, with around 400,000 trucks stranded at major highways across India were reported. While major highway toll junctions on the Gujarat and Delhi-Mumbai highways also saw long queues as toll plaza operators refused the old banknotes.

Nitin Gadkari, the Minister of Transport, subsequently announced a suspension of toll collections on all national highways across India until midnight of 11 November, later extended until 14 November and again until midnight of 18 November, and yet again till 2 December.

Agriculture

Transactions in the Indian agriculture sector are heavily dependent on cash and were adversely affected by the demonetisation of Rs. 500 and Rs. 1,000 banknotes. Due to scarcity of the new banknotes, many farmers have insufficient cash to purchase seeds, fertilizers and pesticides needed for the plantation of rabi crops usually sown around mid-November. Farmers and their unions conducted protest rallies in Gujarat, Amritsar and Muzaffarnagar against the demonetisation as well as against restrictions imposed by the Reserve Bank of India on district cooperative central banks which were ordered not to accept or exchange the demonetised banknotes.

Banking

In the first four days after the announcement of the step, about Rs. 3 trillion (US\$45 billion) in the form of old Rs. 500 and Rs. 1,000 banknotes had been deposited in the banking system and about Rs. 500 billion (US\$7.4 billion) had been dispensed via withdrawals from bank accounts, ATMs as well as exchanges over the bank counters. Within these four days, the banking system has handled about 180 million transactions. The State Bank of India reported to have received more than Rs. 300 billion (US\$4.5 billion) in bank deposit in first two days after demonetisation. A spike in the usage of debit card and credit card post demonetisation was also reported.

Between November 10 and November 27, banks reported exchange and deposits of demonetized banknotes worth Rs. 8.45 trillion (US\$130 billion) (exchange of Rs. 339.48 billion (US\$5.0 billion) and deposits of Rs. 8.11 trillion (US\$120 billion)). During this period, an amount of Rs. 2.16 lakh crore (US\$32 billion) had been withdrawn by people from their accounts.

In Malda, a district believed to be a transit-point for fake Indian currencies, a large sum of cash deposits in dormant accounts were also reported. According to The Economic Times, more than 80 percent of fake currency in India originates from Malda district in West Bengal.

Business

By the second week after demonetisation of Rs. 500 and Rs. 1,000 banknotes, cigarette sales across India witnessed a fall of 30–40%, while E-commerce companies saw up to a 30% decline in cash on delivery (COD) orders. Several e-commerce companies hailed the demonetisation decision as an impetus to an increase in digital payments. They believe that it would lead to a decline in COD returns which is expected to cut down their costs.

The demand for point of sales (POS) or card swipe machines has increased. E-payment options like PayTM and PayUMoney has also seen a rise. According to data of Pine Labs, the demand for its POS machines doubled after the decision. Further it states that the debit card transactions rose by 108% and credit card transactions by 60% on 9 November 2016.

Income Tax Raids And Cash Seizures

The Finance Ministry instructed all revenue intelligence agencies to join the crackdown on forex traders, hawala operators and jewellers besides tracking movement of demonetized currency notes.

Income Tax departments raided various illegal tax-evasive businesses in Delhi, Mumbai, Chandigarh, Ludhiana and other cities that traded with demonetized currency. The Enforcement Directorate issued several FEMA notices to forex and gold traders. Large sum of cash in defunct notes were seized in different parts of the country. In Chhattisgarh liquid cash worth of Rs. 4.4 million (US\$65,000) was seized.

Seizures Of New Rs. 2000 Notes

In December 2016, over 4 crore in new Rs. 2000 notes were seized from four persons in Bangalore, Rs 33 lakh in Rs. 2000 notes were recovered from Manish Sharma, a BJP leader in West Bengal, and Rs. 1.5 crore was seized in Goa

Insurgent Groups

The move also reportedly crippled Communist guerrilla groups (Naxalites) financing through money laundering. On 10 November the police arrested a petrol pump owner at Ranchi when he reportedly tried to deposit Rs. 2.5 billion, belonging to a person affiliated with the banned Communist Party of India (Maoist). According to Chhattisgarh Police demonetisation has affected the Naxalite activities. It is reported that insurgents have stashed more than Rs. 70 billion in the Bastar region. Mumbai Police reported a setback to Hawala operations. Hawala dealers in Kerala were also affected. The Jammu and Kashmir Police reported the effect of

demonetisation on hawala transactions of separatists. The move has also helped in reducing the incidents of stone-pelting in valley. More than 300 Naxals have surrendered to the police voluntarily due to shortage of funds.

Railways

As of November 2015, Indian Railways did not have the option to make payment with cards at the counters. After the demonetisation move, the government announced to make card payment options available at railway counters in the country.

Evasion Attempts

Gold Purchases

In Gujarat, Delhi and many other major cities, sales of gold increased on 9 November, with an increased 20 to 30% premium surging the price as much as Rs. 45,000 (US\$670) from the ruling price of Rs. 31,900 (US\$470) per 10 grams (0.35 oz).

Donations

Authorities of Sri Jalakanteswarar temple at Vellore discovered cash worth Rs. 4.4 million (US\$65,000) from the temple Hundi.

Multiple Bank Transactions

There have also been reports of people circumventing the restrictions imposed on exchange transactions and also attempting to convert black money into white by making multiple transactions at different bank branches. People were also getting rid of large amounts of banned currency by sending people in groups to exchange their money at banks. In response, the government announced that it would start marking customers with indelible ink. This was in addition to other measures proposed to ensure that the exchange transactions are carried out only once by each person. On 17 November, the government reduced the exchange amount to Rs. 2,000 (US\$30) to discourage attempts to convert black money into legitimate money.

Railway Bookings

As soon as the demonetisation was announced, it was observed by the Indian Railways authorities that a large number of people started booking tickets particularly in classes 1A and 2A for the longest distance possible, to get rid of unaccounted cash. A senior official said, "On November 13, 42.7 million passengers were nationally booked across all classes. Of these, only

1,209 were 1A and 16,999 for 2A. It is a sharp dip from the number of passengers booked on November 9, when 27,237 passengers had booked tickets in 1A and 69,950 in 2A.

The Railways Ministry and the Railway Board responded swiftly and decided that: cancellation and refund of tickets of value Rs. 10,000 and above will not be allowed by any means involving cash. The payment can only be through cheque/ electronic payment. Tickets above Rs. 10,000 can be refunded by filing ticket deposit receipt only on surrendering the original ticket. A copy of the PAN card must be submitted for any cash transaction above Rs. 50,000. The official claimed that since the Railway Board on 10 November imposed a number of restrictions to book and cancel tickets, the number of people booking 1A and 2A tickets came down.

Municipal and local tax payments

As the use of the demonetized notes had been allowed by the government for the payment of municipal and local body taxes, it led to people using the demonetized Rs. 500 and Rs. 1,000 notes to pay large amounts of outstanding and advance taxes. As a result, revenue collections of the local civic bodies jumped. The Greater Hyderabad Municipal Corporation reported collecting about Rs. 1.6 billion (US\$24 million) in cash payments of outstanding and advance taxes, within 4 days.

Slowdown in economic growth

The sudden decline in the money supply and immediate increase in bank deposits is going to negatively impact consumption demand for the short term. The adverse impact on construction, real estate and informal sectors can lead to reduction of GDP. Curbing of money supply can cause deflation in the economy, leading to reduction of general level of prices in the economy. Tax collection to GDP ratio is 17 percent, it will be moved up by to 18 or 19 percent. It won't have a very drastic impact, Normally, people have invested money, as they may have done in property, gold, inventory or receivables There may be a limited impact in circulation but they can be manageable in the long run.

The Impact of Demonetization on Indian Retail

The Government's recent demonetization move has definitely impacted the India retail industry in the short term due to lack of liquidity in the economy. As Indian retail segment generates a lot of cash transactions, there might be reduction in the sales over the next one or two

quarters. However, the impact is felt more by the small traders and the unorganized retailing segment, rather than the organized retailers.

Some sectors like jewellery and the luxury segment have been impacted more than others and will doubtlessly take much longer to revive. However, the use of plastic money and transactions through online payments will continue to release the money into the retail market.

In the medium-to-long run, domestic consumption will be stable owing to India's strong economic base and favourable demographics. Also, as more retailers encourage alternative/digital payment solutions, the market ecosystem will become more transparent and structured going forward.

Demonetization has resulted in visibly reduced low footfalls in shopping malls, but this effect is temporary and will turn around in few weeks as more currency circulates in the system and improves the purchasing power and appetite of the consumers.

The long-term growth story of the Indian retail sector continues to be one of resilience and growth.

Impact In The Cash Economy

The currency denominations in the form of Rs. 500 and Rs. 1000 comprise 84 percent of the money in circulation. Cash transactions have an essential role to play in informal markets (like groceries and markets), real estate and construction-based business and gold. The role of cash in markets like real estate and gold is essentially questionable, but it is vital for informal and unorganized sectors. Small-time farmers need to off-load their produce in the local market for cash; declaring Rs. 500 and Rs. 1000 notes as invalid suddenly, can impact their livelihood albeit for a short time. It is expected that with fresh notes in circulation in the coming few months, the issue is going to ease out.

Effect Of Demonetization In Debt (Bond) Markets

Increase in deposits can lead to demand for government bonds and other high rated bonds in a situation, leading to lowered bond yields. With an influx of deposits, the rates will reduce and the yields will be lowered.

Impact Of Demonetization On Bank Deposit Rates

With large amount of cash being diverted into banks by way of deposits, it will reduce the bank's dependence on high cost borrowings.

Effect Of Demonetization On Vehicle Purchase

Sales of vehicles in the second-hand market can reduce, which can also have a cascading effect on OEM sales, because buyers will find it difficult to dispose their old vehicles easily.

Effects of Demonetization of Rupee on Gold and Jewelry Items

It can be expected that the prices of jewelry to fall in the next two or three quarters, the unorganized sector can be affected worse due to unaccounted inventor and high amount of cash sales. There is no going to be much of a negative impact to jewelry exporters as they are a part of an organized market and transactions are done, on the basis of an invoice. While 70 percent of the jewelry and gems market is unorganized, 20 percent of the market contributes to 80 percent of the business. It is a very good decision in the long-term especially for the organized sector.

Reduction In Demand For Consumer Durables

For the short term, the purchases of consumer durables in cash can be impacted due to reduction in discretionary spending.

High End Retail Products To Experience Drop In Prices

Luxury products and high end fashion retail that have a discretionary demand may experience reduction in demand.

Impact of Demonetization on E-Wallets

It is believed that the demonetization of Rs. 500 and Rs. 1000 is going to give a major impetus to the recently launched UPI (United Payment Interface) and e-wallets like PayTM and Mobikwik. They have already stepped up the bandwagon with taglines like Cash is so Yesterday and ATM Nahi, PayTM karo'. Vendors like Ola have also stepped up their notifications to their passengers to go 'cashless and recharge with Ola Money.

Effects Of Demonetisation On Real Estate

The unorganized sector and secondary (resale) property market can be affected by the government's decision to demonetize Rs. 500 and Rs. 1000 notes. The housing prices are expected to go down, fueling demand for the sluggish sector.

There is not going to much of an impact on the primary residential market because the buyers in this category usually make purchases in the form of loans mortgage or making check payments. The impact may be felt in the secondary market which is known to deal in cash. While the demonetization will have little impact in large cities, transactions in Tier 2 and Tier 3 cities

where cash components are higher, may witness a higher impact, according to the JLL India report. The commercial real estate is not expected to be impacted much because cash components do play much of a part in these transactions.

Demonetization is being looked upon as a good move to institutionalize the real estate sector. One can expect more opportunities for institutional capital, debt investments, private equity and FDI players because of the increased transparency in the dealings. Banks can also start funding land and plot-based transactions, reducing land prices.

Impact of Demonetization on Equity and Mutual Funds

With more money coming into the formalized system, the effect is expected to be quite positive. Since money is in white, equities will grow. People will be paying more taxes and would be willing to invest in ELSS schemes to save Rs. 1.5 lakh on taxes. More investments can lead to more wealth creation and better economic growth. Since more money paves into a formalized system, it will augment into healthy practices like investing in equity mutual funds for wealth creation, on a long-term.

Demonetisation: Simple Guide To What's Won And Lost

It is estimated that around 8% of the black economy is held in the form of cash. So, 8% of Rs.75 lakh crore is held in cash. So, around Rs. 6 lakh crore of black money is held in cash.

There are no official estimates of black money held in cash but experts on estimating black money such as Prof. Arun Kumar have estimated the amount at Rs. 6.5 lakh crore. And Bloomberg quoted a government lawyer as telling the Supreme Court that he does not expect Rs. 5 lakh crore to return (Of course, even at one's most optimistic, one cannot expect 100% of black money in cash not to return). So, Rs. 6 lakh crore appears to be a reasonable estimate of black money in cash.

As of March 31, 2016, the total amount of currency issued (of denominations of Rs. 500 and Rs.1000) was around Rs. 14.5 lakh crore or 213 billion dollars. The government has demonetized denominations of Rs. 500 and Rs. 1000. So, it is estimated that, of the total high value demonetized currency of Rs. 14.5 lakh crore, Rs. 6 lakh crore is 'black' (as above) and balance Rs. 8.5 lakh crore is 'white'.

The government was hoping that a large part of the black money part of the Rs. 500 and Rs.1000 notes would not come back in exchange or as bank deposits. For instance, if the government got back only Rs. 8.5 lakh crore out of Rs. 14.5 lakh crore, then it could claim 100%

success - as the owners of Rs. 6 lakh crore black had not returned the currency and taken a 100% loss.

At the other extreme, if the banks got back all Rs. 14.5 lakh crore, then the government would be totally unsuccessful as all Rs. 6 lakh crore 'black' had been 'laundered' and had become 'white'. When any organization or the government carries out any activity, it tends to lay down the outcome that it expects from that action to determine whether it has succeeded in its objective. The government has not specifically laid down its measure of success. But its counsel has informed the Supreme Court that the government expects that around Rs. 5 lakh crore will not be returned. So, that can be considered the government's benchmark of success.

One can also lay down another measure to indicate success. And that relates to the cost: benefit exercise for this operation. The maximum "benefit" is Rs. 6 lakh crore - i.e. all Rs. 6 lakh crore worth of black money notes is not received by the banks and the black money in cash becomes extinct or near-extinct.

But what is the cost to the country of this operation?

According to the Centre for Monitoring the Indian Economy (CMIE), the transaction cost of demonetisation until December 30, 2016, is estimated at around Rs. 1.28 lakh crore or 19 billion dollars, around 0.9% of GDP. That is around Rs. 1,000 per every man, woman and child in this country. CMIE has said that this is a conservative estimate. Also, the CMIE has said that the cost will rise if the chaos continues until the end of the financial year. Then, there is the loss to the country's GDP in F.Y. 2016-17 and F.Y. 2017-18 as a result of disruption of economic activity. There are various estimates ranging from 0.5% (Fitch) to 3% (Ambit Capital) for the loss of GDP.

On December 7, 2016, the RBI has estimated that the GVA will drop by 0.5% in F.Y. 2016-17. Thus, the consensus figure for loss of GDP for F.Y. 2016-17 is 0.5%. Let us work on a drop of 2% for next year (F.Y. 2017-18), which is the estimate made by former Prime Minister, Dr. Manmohan Singh in a speech in the Rajya Sabha. A 2% drop in GDP next financial year alone would mean a loss of around Rs. 3 lakh crore. Thus, the loss to the country over the next 15 months from the very act of demonetisation would be around Rs. 4.3 lakh crore (Rs. 1.3 lakh crore + Rs. 3 lakh crore). As per R. Gandhi, Deputy Governor of the Reserve Bank, speaking on December 7, 2016 after the monetary policy announcement, Rs. 11.5 lakh crore have already been deposited in banks. That leaves around Rs. 3 lakh crore still not deposited out of a total of

Rs. 14.5 lakh crore. And there are 22 more days to go and when more black money may be deposited.

In fact, Mr. Hasmukh Adhia, Revenue Secretary, is quoted in The Indian Express as saying that he expects all the demonetized notes to come back. A far cry from the estimate that around Rs. 5 lakh crore would not come back into the banking system. So, it appears that we may lose Rs. 4.3 lakh crore in GDP over the next 15 months and our gain is zero. Of course, this move may set the country on the path to digital financial transactions and increase the tax base over the long run. But is it worth Rs. 4.3 lakh crore in the short run?

8. Conclusion

The impact of demonetization will have the positive in the long run but the majority of industry currently suffering with huge amount of losses due to that they are not able to support the economy much. As the industries are not performing well it's have direct impact on the economy. For the positive result it will take a long time to perform.

This study shows that the introduction of cashless economy in India can be seen as a step in the right direction. It is expected that its impact will be felt in modernization of Indian payment system, reduction in the cost of banking services as well as reduction in high security and safety risks. This should also include curbing banking related corruptions and fostering transparency.

It is also assumed that the introduction of cashless policy in India will help to reduce the amount of bills and notes circulating in the economy. This should, therefore reduce handling operation cost incurred on conventional money, as well as reduction in cash related crimes. It should also help to provide easy access to banking services for Indians.

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