

A Study on Impact of Demonitisation on Agriculture Sector in India

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Abstract- Finance is the life blood of any economy for growth and development. The financial support required by the economy to grow and develop is supported by strong and sustainable banking system. The Banks in India have started adopting and embracing technology since from 1980s. It was imperative and inevitable to the Indian banks to embrace new innovations to meet the challenges of changing trends in banking sectors and to meet the expectations of the customers. Developments in the field of information technology have contributed to remarkable changes in banking sector. The modern information technology have altered and replaced the traditional ways of banking into digitalization. The demonetization announcement was to restrain the black money, to check the corruption, eliminate the flow of fake currency etc., but, this declaration led to cash less economy and grabbed unbanked community of the nation under the ambit of formal banking services. This paper makes an attempt to study various technologies adopted in banking sector over the decade and its impact on Indian economy. The study is made by making use of secondary information from various resources.

Keywords: Digitization, Demonetization and Banking Innovations, technology.

INTRODUCTION

The banks in India have embraced and started adopting technology since from decades. The modern information technology have altered and replaced the traditional ways of banking system. After announcing Demonetization by Prime Minister, varieties of technologies were introduced to make India less cash economy. Financial inclusion has promoted banking sectors to launch new technology to bring the informal business activities and unbanked under the ambit of banking services. The demonetization has motivated the entire economy to adopt digital banking system and use of cashless or less cash. Now, the customers

transact with banks by their figure tips using smart phones.

IMPS (Immediate payment service): Immediate Payment Service was introduced by National Payments Corporation of India in the year 2010. Through this service, funds are transferred instantly on real time interbank using mobile phone on 24X7 bases.

UPI (Unified Payment Interface): National Payments Corporation of India launched UPI app of banks which allows money transfer between any two bank accounts by using smart phone. Both the sender and receiver banks need UPI identity which helps in transferring funds.**USSD (Unstructured Supplementary Service data):** This was developed by NPCI which operates by the sim card. It is a Global System for Mobile (GSM) communication technology that is used to send text messages. By dialing *99# USSD links customers' mobile number to the bank accounts to check customer's bank balance, mini statement, internet pack balance, fund transfer via IFSC code etc., without internet connection.

BHIM (Bharat Interface for Money): Government of India launched on 30th December 2016. It is Aadhar based mobile payment which is linked to the customer's account. BHIM enables online payments simpler, easy and quick using unified payments interface. A study reveals that, BHIM app has been downloaded 17 million times, and 19.37 lakh transactions worth Rs. 950 crore have been carried out by February 2017. **Rupay:** It was launched by National Payment Corporation of India under the Jan Dhan scheme for lower income class which works on three paths viz ATMs, point of sale and online sale. Rupay is similar to visa or Master card and an Indian version of a credit or debit card. The banks provide a Rupay debit card to every account holders with Rs. 1 Lakh

accident insurance. Other than these technologies, Government of India has launched number of new digital innovations focusing on financial inclusion and demonetization. After announcing demonetization GOI introduced variety of digital apps to motivate and attract the people to adopt these new digital modes like Lucky Grahak Yojana, Aadhar payment app, Digi Dhan Abhiyaan, Digilocker, e-wallets etc.. And now, to empower Indian society digitally the GOI has defined nine pillars of digital India for uninterrupted success of the programme . The Indian banking sector has come a long way since demonetization which happened exactly a year ago. The withdrawal of high-currency notes on the night of November 8, 2016, has given a significant impetus to digital banking - catapulting customer education and customer adoption to a scale never seen before. Electronic funds transfer through Internet banking or mobile banking and debit card usage at merchant establishments saw a massive upswing. Digital banking which was essentially a preserve of the young, urban and predominantly salaried segment became much more ubiquitous, with rapid penetration in the rural areas and the self-employed section of our society.

EVOLUTION OF CONSUMER BANKING

If we were to look at the evolution of consumer banking over the past three decades -- we see the emergence of ATMs, phone banking, the use of merchant POS terminals in the 1990s, the advent of internet banking in 2000s and the disruptive world of mobile banking in the current decade -- What is noteworthy is that no single innovation has replaced another. In spite of the several technological advances and more convenient options, all the services introduced earlier are still around -- be it manual teller counters inside bank branches, phone banking, ATMs or payment cards. If anything, these facilities are only complementing one another. The customer wants the choice to reach his bank account in the mode that she wants, at the time she wants. The advent of Aadhaar, the smartphone explosion, the presence of business correspondents (for various banks) and the digital push provided by demonetization have ensured that mobile banking is increasingly becoming the access channel of choice for most banking customers.

OBJECTIVES OF THE STUDY

The objectives are- to study the technology innovations in banking sector and to examine the impact of the banking technology on Indian Economy.

RESEARCH METHODOLOGY

The study is based on the secondary data and the data was collected from newspapers, books, magazines and internet sources.

Innovations Leading the Way;

In the past one year, digitization has seen many significant innovations, which includes Aadhaar-linked ATMs. To put it simply, customers can use their Aadhaar number and fingerprint (biometrics) to withdraw money from an ATM, instead of using an ATM card and pin. The 'card-less and pin-less' ATM is the next big wave, which will provide immense convenience and unmatched security to the customers. Every new concept has its share of challenges, and digital banking is no exception. Convincing people to migrate from traditional to electronic channels has been the biggest challenge of digitization. The next big test is to assure them that the digital systems put in place were safe and secure. And lastly, it is important to match customer expectations with reality. These challenges can be easily mitigated if banks and customers become partners in the digitization journey, where banks initially handhold their customers and guide them through the various digital banking channels, and win their confidence.

Digitization Enhancing Consumer Experience

Digitization has also made it easier and convenient for banks to open savings accounts and term deposits for new customers. The physical presence of a consumer is not a must anymore. Banks help an individual to open an account from the comfort of his or her home or office. While not fully online, it is an assisted process, where a banker can help fill the necessary details on a tablet, scan the biometric details, digitally submit photographs and instantaneously open a bank account. The bank will do a verification based on PAN and/or Aadhaar numbers. The result is that the individual can open an account and start operating it in a matter of minutes, without once entering the bank branch

Notwithstanding their reservations about digitization, customers are turning out to be the 'Ambassadors of Banks'. Consumers who have experienced the potential benefits of digital banking are now strongly recommending it to family and friends and their wider social circle. And the good news is that they are winning new customers for banks.

Paperless fully electronic mode of filing tax returns is another step which is ensuring rapid customer adoption to electronic financial literacy. More and more self-employed businessmen are adopting simple systems which assist in invoice creation, reconciliation of input credits and filing of GST returns. I am confident that, in years to come, digital banking will not just be a one-off thing or a mere paperless transaction -- but a way of life that will ultimately benefit Banks, Indian economy and more importantly the consumers.

Newer Digital Payments May Leapfrog Cards in Replacing Cash

The most notable surge in cashless payments has taken place over infrastructure introduced over the past several years. Both the Immediate Mobile Payments System (IMPS) and the United Payments Interface (UPI), which support instant payments using mobile phones, have grown substantially since demonetization, even as cash has returned to the economy. Though a full account of demonetization's impact on digital payments will require more data over a longer time period, the early results suggest the policy could be providing a well-timed catalyst for non-cash payments growth.

IMPS and UPI themselves provide the infrastructure for a variety of promising new payment applications. The recently launched Bharat Interface for Money (BHIM) is a government-sponsored app for digital transactions that leverages the UPI to provide a uniform option for anyone in India with a bank account and smartphone. It eliminates the need for proprietary bank apps and intermediary transfers between a user's bank and third-party mobile wallets, saving time and lowering transaction fees. It also allows users with Aadhaar cards—India's universal identification—to pay a recipient with an Aadhaar number, offering an additional synergy with hundreds of millions of new Aadhaar-enabled bank accounts. As with India's array of other digital payments options, a challenge for BHIM will be to establish a broad

network of users, including vendors that accept payments using the system.

To complement BHIM, in February 2017 the National Payments Corporation of India launched BharatQR Code, an intermodal system for payments that eliminates the need for point-of-sale terminals in consumer transactions and moves the country beyond proprietary Quick Response code systems previously operated by card and mobile wallet companies. Under instruction from the RBI, the National Payments Corporation of India (which runs the national RuPay card network), Mastercard, Visa, and American Express collaborated on the system. It allows customers to pay participating merchants by scanning a unique QR code with their smartphone camera, with no technology required on the seller's end.

What makes both BHIM and BharatQR programs promising is their interoperability. Users can pay for goods or services using the new BHIM app, other UPI-enabled apps and mobile wallets, or debit and credit card accounts, which can all link to the system. On the seller side, merchants need only register with a bank to receive payments.

The constraining factor for BHIM and BharatQR will be the still incomplete adoption of smartphones, since both systems require cameras and up-to-date operating systems. As of mid-2016, India was the second largest smartphone market in the world with an estimated 275 million devices, but penetration is still low at less than 30 percent of the population. The country is expected to add an additional 350 million smartphone connections by 2020 according to the GSM Association. To fill the gap for now, India has launched a separate system, popularly known as *99#, which allows residents to make payments using SMS with their basic mobile phones. While still small in overall volume, this system has also seen dramatic growth since demonetization.

Only time will tell, but these innovations could be the glue that brings together an effective digital payments system in India. Leading international technology firms seem to agree, with Alibaba a major investor in Indian mobile wallet firm Paytm and Facebook's WhatsApp planning to launch its own digital payments service

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India's Experiment Could Lead the Way for Other Markets

In the long run, the roll-out of these new programs could move India beyond not just cash, but also older payment technologies like debit and credit cards. With the introduction of simple and interoperable tools like BHIM and Bharat QR Code, India may have its best opportunity to develop a broad national network for digital payments that are cheap, convenient, and accessible to everyone, rich and poor, urban and rural. The light footprint of QR codes combined with the nudge of a government-sponsored interoperable app could even provide a model for other countries looking to stimulate digital payments.

FINDINGS AND CONCLUSION

Though there are more than 50 banks in India, approximately only 15 to 20 percent population of the country are using digital banking services. Other part of the population are still unbanked which indicates slow progress in the adapting the technology. Government is coming out with new initiations to boost and motivate Digital programme. Though banks are under the pressure of rules and regulations, they are making efforts to launch new technologies, whereas, customers are not ready to embrace this technology to larger extent. Post demonetization has given push to digital transactions and made banking services more customers friendly. The new programmes launched by the Government should be effectively implemented and succeed. The Government of India should definitely take some measures to address cybercrimes, cyber theft, online fraud, hacking etc. followed by connectivity and data protection. Once people get addicted to digital transactions; there will be less demand for cash holding or cash hoarding. This will lead to more deposits in the banking systems. The funds

accumulated can be used on overall economic growth and development.

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