

Demonetization in India

An analysis

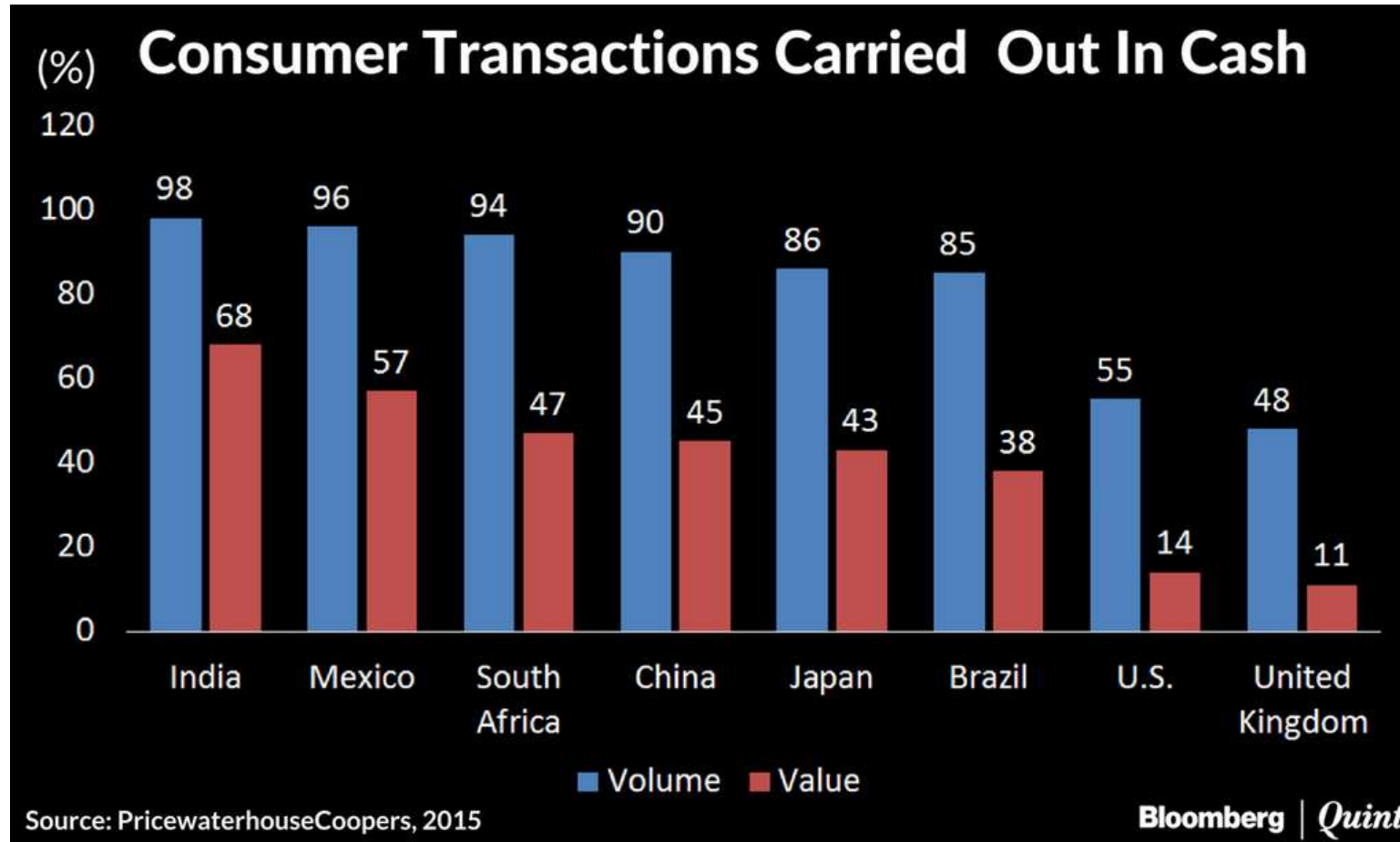
gv99@cornell.edu





India's love for Cash transactions

Cash transactions: 98% by Volume & 68% by value



I know I can treat you better

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Uber to introduce cash payment option in Hyderabad

Sindhu Hariharan | TNN | May 12, 2015, 07.08 PM IST



CHENNAI: In a bid to catch up with its key rival Ola in the Indian market, taxi aggregator Uber is experimenting with cash as a payment option in Hyderabad, a global-first for the company.

Don't you give up
nah nah nah..

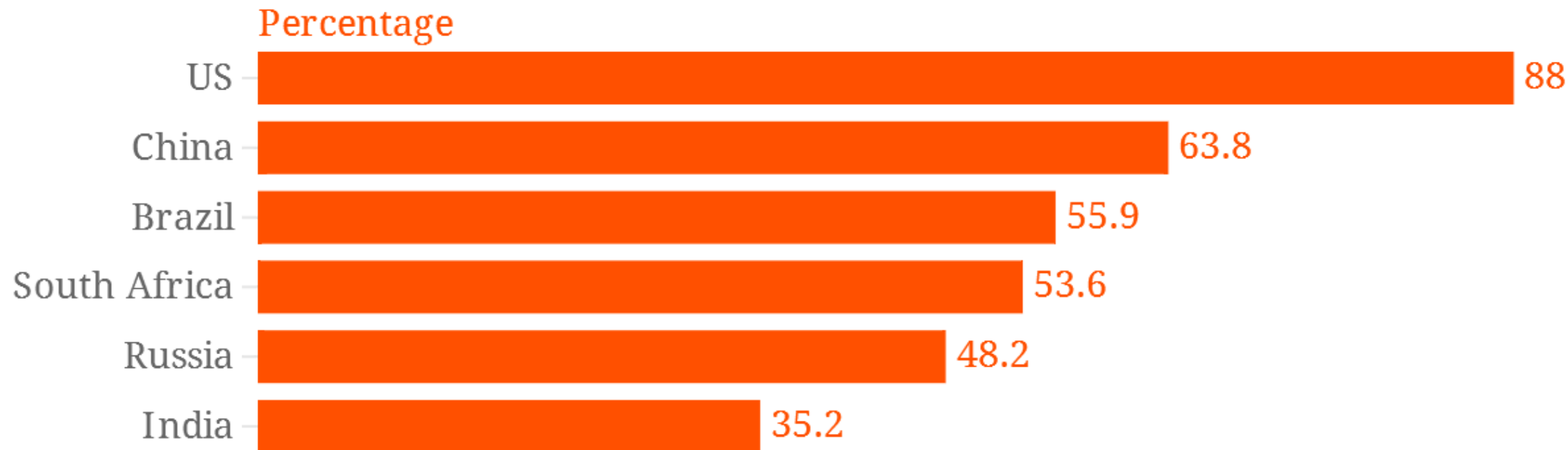
I won't give up
nah nah nah..

Let me love you

The screenshot shows a web browser window with three tabs: 'bago...', 'How Automation can Tr...', and 'Amazon pilots cash-on-del...'. The address bar shows 'www.zdnet.com/article/amazon-pilots-cash-on-delivery-service-in-india/'. The page header includes 'EDITION: ▼' and a navigation menu with 'VIDEOS', 'CES 2017', 'SMART CITY', 'WINDOWS 10', 'CLOUD', and 'INNOVATION'. The main headline is 'Amazon pilots cash-on-delivery service in India'. The sub-headline reads: 'E-commerce giant is reportedly testing the service with India Post to cater to customers who make upfront payments, and in a country where 80 percent of online transactions are completed with cash on delivery.' The author is 'By Eileen Yu | December 4, 2013 -- 09:30 GMT (01:30 PST) | Topic: E-Commerce'. Below the text are social media sharing buttons for WhatsApp, Facebook, LinkedIn, Twitter, and Email. The article text states: 'Amazon is reportedly trialing a cash-on-delivery service in India, tapping the country's 150-year-old postal service to fulfil its last-mile service. Citing sources familiar with the issue, [The Economic Times reported](#) that the e-commerce giant had commenced a pilot with India Post to tap the country's [young but growing e-commerce market](#). The postal service operates India's largest distribution network with over 150,000 branches across the country, 89 percent of which are located in rural areas. An India Post official, who declined to be named, said in the report: "We are trying to add capabilities like cash on delivery...' An image of a hand dropping a coin into a laptop's coin slot is shown with the caption: 'E-commerce is still nascent, but growing, in India where most are afraid or don't have the means to transact online.' On the right, there is a sidebar with related articles: 'E-Com Taboo Comm', 'E-Com Amazon books', 'Develop Apple \$28 billion', and 'E-Com Alibaba count comm'. The Windows taskbar at the bottom shows icons for 'anything', a folder, Edge, File Explorer, Task View, Chrome, PowerPoint, and a globe.

Banking

Adults with bank accounts (%)



Thieves Stole Passbook Printing Machine Instead of ATM in Assam



By STAFFpicks

Posted on August 31, 2016



(PHOTO: G PLUS)

8.4k
SHARES

f Tell Everyone

t I Found Awesome

Probably, this is the best joke of the century which is based on a true story. It's like jumping out of a plane without a parachute. Hope this reminds everyone of those Suppandi comic jokes that we used to read during childhood. Only this time it's for real!

Little did they realise that their stolen bounty will soon turn out to be their most embarrassing nightmare and of course, their biggest regret!



BLOGS

Crowd-Fundraising plea launched to help Orphan Girls in Manipur



MUSIC

Legendary Guitarist Yngwie Malmsteen to headline 2016 Orange Festival Dambuk in Arunachal Pradesh



STARTUPS

This Shillong Bike lover turns old Models into new Beauties



NEWS

'Handwritten notes' replace currency notes in Mizoram village

I ain't got cash, I ain't got cash, I got you baby..

News Channel had prepared for Clinton & Trump



Modi Came out of syllabus

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How PM Modi Steal the Show from US Election within a few minutes of his speech

Posted on Nov 9 2016 - 4:49pm by Saurav Khanduri

« PREVIOUS | NEXT »

Hours before Prime Minister Narendra Modi almost stole the thunder from the United States elections within a few minutes of his speech on Tuesday night 8pm. It is notable that every TV Channel and online publications were gearing up for the US elections scheduled to be held on November 8 in the country.



Latest



Nov 8th 2016

₹ 500
₹ 1000
**NOTES CEASE
TO BE LEGAL TENDER**



People friendly measures to minimize inconvenience

- For 72 hours, **Government hospitals will continue to accept old Rs 500 & Rs 1000 notes for payment.**
- For 72 hours, **railway ticket booking counters, ticket counters of government buses and airline ticket counters at airports will accept the old notes for purchase of tickets.**
- For 72 hours, old Rs 500 & Rs 1000 notes will be accepted at
 - **Petrol, diesel and gas stations authorised by public sector oil companies**
 - **Consumer co-operative stores authorised by State or Central Government**
 - **Milk booths authorised by State governments**
 - **Crematoria and burial grounds.**





Why 500 and 1000?

"In value terms, Rs 500 and Rs 1,000 banknotes together accounted for 86.4 per cent of the total value of banknotes in circulation; by volume, Rs 10 and Rs 100 banknotes constituted 53.0 per cent of the total banknotes in circulation," according to the RBI's 2015-16 report.

86.4% of circulation currency had to be replaced within 50 days

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Fears Grow for India's Cash-Based Economy as the Effects of Modi's Ban Begin to Ripple

WORLD INDIA

Fears Grow for India's Cash-Based Economy as the Effects of Modi's Ban Begin to Ripple

Nikhil Kumar / New Delhi @nkreports | Nov. 28, 2016



Three weeks after India's leader unexpectedly banned the country's two largest banknotes, many ordinary Indians are still struggling to get their hands on the replacement currency — with knock-on effects for the cash-based economy



ATMs IN SHORT SUPPLY

Among BRICS economies, India ranks last on this count
Numbers Indicate ATMs per 100,000 adults In 2014



This is what you came for..

Demonetisation death toll: 90 people & counting as note ban takes tragic turn

NISHANT SAXENA @nishant9717 | Updated on: 9 December 2016, 14:02 IST



A billion plus population deprived of cash

Results

Almost all the high-value bank notes that ceased to be legal tender post the demonetisation announcement on November 8 have returned to the banks dealing a blow to Prime Minister Narendra Modi's surprise move to unearth black money in circulation.



Can't Stop the Feeling..



“You Are Reducing Black Money Without Stopping Its Sources”

Economist Abhijit Sen on how Modi is planning a greater tax intake buying into the idea of a transition to a cash-less economy.

LOLA NAYAR INTERVIEWS ABHIJIT SEN



Why did the massive effort fail to curb black money?

90% of black money was outside the country

Black money holders keep only 6% or less of their ill-gotten wealth as cash, hence targeting this cash was not a successful strategy

Exchanging this 6% to new currency notes was easy; given the massive population who were ready to exchange it in their names for a meagre commission.

Balance 94% wealth were in gold, business, stocks or in '*benami*' assets (Assets registered in someone else's name)

It is estimated that around 500 billion dollars of illegal money belonging to Indians is deposited in tax havens abroad. Largest depositors in Swiss Banks are also reported to be Indians

A US-based think-tank report has listed countries with highest average black money outflow annually between 2004 and 2013. Here are the top 10 countries on that list.



 **FIGURES IN BILLIONS**

Black Money sources

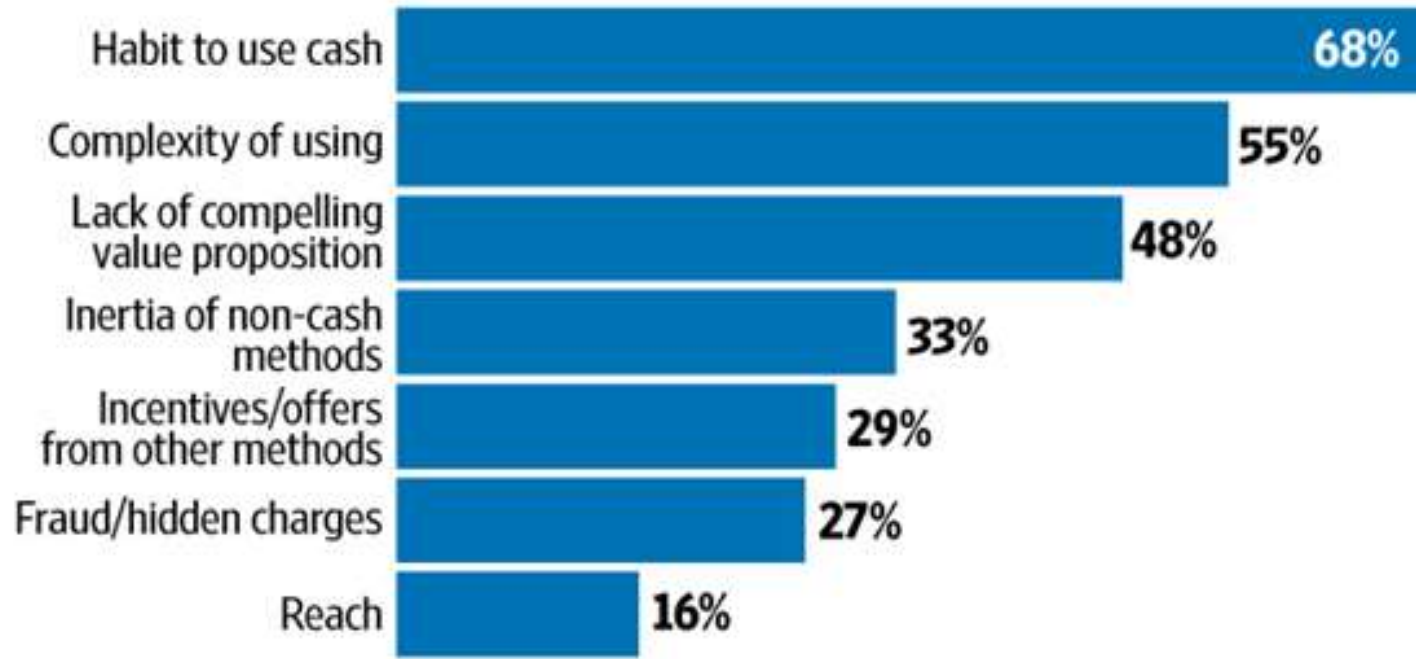
- Out of book transactions (Informal Economy)
- Manipulation of Book of Accounts
- Bribery
- Corruption
- Kick backs
- Smuggling of goods
- Elections
- Collections and Funds
- Other illegal activities (Fake currency)



Benefits of the ban

- **Push towards Digital World**
- **Counterfeit currency notes eliminated.** The value of fake currency in circulation at any given time is Rs 400 crore, ie., 250 in every million notes are fake
- **Terrorism** (Funded by anti social elements) stopped in most parts of the country since the ban.
- **Massive image boost** to the Prime minister who was accused of doing nothing to curb black money.

KEY BARRIERS TO DIGITAL PAYMENTS



Way forward

- **Encourage digitalization**
- **Target on bringing the black money slashed in tax heavens**
- **Abolish Income tax**
- **Remove red tapism**

Questions?

