



INSIGHTSIAS
SIMPLIFYING
IAS EXAM PREPARATION

Insights into Yojana: February 2017

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From a Cash Economy to a Less-Cash Economy

Introduction

- Demonetisation caused a cash crunch and forced the government to push for electronics payments and transfers.
- The government has been sowing the seeds of a cashless economy:
 - In 2014, the government launched the **Jan Dhan Yojana**.
 - In 2016, the government approved the guidelines for promoting payments through digital means.
- The best way to reduce corruption and black money in the economy is to move to **electronic transfers** which needs **universal banking access** and facility.
- The idea of a cashless economy is a revolution from the fiat money to digital money with increasing transparency of the flow of cash.

Advantages of a Cashless Economy

- **In India only 10-15 per cent of the population is estimated to have ever used any kind of non cash payment instrument**, compared to **40% of people in Brazil and China**.
- As of 2014 India's ratio of **currency in circulation outside of banks to GDP** was 11.1% which is higher than other emerging economies like Russia, Mexico and Brazil.
- Cashless society offers the government and the public many advantages:
 - **Convenient mode of payment:** The cashless economy offers enormous benefits including reduction in transaction cost of carrying and doing business in cash.
 - **Lower risk:** With proper cyber security, online payment is relatively risk free, whereas there are always safety issues with physical cash.
 - **Reduction in the cost of printing money:** In 2015, printing currency cost the RBI Rs 27 billion. The cost can be reduced if the economy moves towards a cashless economy.
 - **Decrease in crime rate:** Many anti-social and illegal activities like drug trafficking, prostitution, terror financing and money laundering are carried out only in cash. A cashless economy will make it difficult to carry out such operations.
 - **Good for the banking sector:** once people get used to digital payment and transfers, there would be less demand for cash holding or cash hoarding; this would leave more cash in the banking system and thereby enable more savings.
 - **Transparency and Monitoring:** Cashless transactions can be easily monitored by the government. Therefore, tax evasion would be difficult and would enhance revenue collection.
- Government expenditure will increase in the direction of development process, as there is a possibility of increase in transparency and the flow of revenues.
- Digital financial transactions can prove to be an effective means of **curbing the large parallel economy in India**.
- It would make book keeping easier and **increase the tax base**, and substantially reduce the need to carry cash and the risk of physical theft.

The Sweden Experience

- **Sweden is one of the top five cashless economies in the world.** It has already adopted effective policies to facilitate transactions using mobile or plastic payments through digital infrastructure.
- **Sweden is the first country to promise to go 100% cashless by 2020**, and leads the race to become a cashless society.
- As on December 2015, the population of Sweden was estimated at 9.85 million people literacy was almost 100%. India had a population of 1,260 million; literacy was only 75%. The population of illiterate people in India was almost 30 times the entire population of Sweden.
- It is difficult for India to think along the lines of Sweden; nonetheless, India has started the movement towards cashless economy now.
- The RBI and commercial banks need to come up with an innovative idea that enables cashless transactions which is safe and easy to perform.

Challenges Ahead

- In rural areas, there are only 20.8% of ATMs of the public sector banks and 8.5% of the ATMs of private sector banks. So it is **difficult to find an ATM in rural areas**.
- **E-wallets and mobile payment systems need a smart phone and an internet connection**, but less than a quarter of the population owns a smart phone.
- **Fast and reliable internet connection is expensive** and it is difficult to find public wifi hotspots and mobile phone battery charging stations.
- Issues like **cyber security and online frauds** are key concerns.
- In a democratic system of government, political party funding is one of the major sources of corruptions. Therefore, **any attempt at fighting corruption that does not first involve bringing transparency to the funding of political parties cannot be meaningful or successful**.

Questions

- 1) **Post-demonetization, what challenges lie ahead for government to prevent flow of black money again into the system? What measures should be taken once transition into new currency is over? Critically examine.**
- 2) **Will demonetization of Rs 1,000 and Rs 500 notes curb corruption? Critically examine.**
- 3) **What are the challenges present in moving towards digital payments?**
- 4) **What lessons can India learn from Sweden in shifting towards cashless economy?**
- 5) **What are the advantages of cashless society to the government and public?**

Demonetisation – Impacting Elections

Introduction

- For far too long **Indian politics has seen extensive use of money power** to influence the voters and win elections.
- An analysis by **Association of Democratic Reforms (ADR)** shows that among the affidavits declared by candidates in the 2011 assembly elections in Tamil Nadu, West Bengal, Kerala, Puducherry and Assam, 576 candidates were crorepatis and yet 50% of the candidates had never filed income tax returns.
- **The seed of corruption sown in elections eventually germinates in corruption in administration** in the country and spreads in all directions and seeps into every sphere of life.

State funding of polls

- Various committees have suggested that there should be **state funding of elections**. The most famous committee on this subject was the **Indrajit Gupta committee** setup in 1999.
- **The committee suggested only partial state funding of elections** and that too with a **condition that there must be genuine inner party democracy** which no party is willing to consider.
- The ECI has been deeply concerned about the use of money to bribe voters ahead of polls.
- The **National Voters Day** is celebrated on 25 January every year since 2011, the biggest voter enrolment programme in the world, administered a pledge to the new voters, mostly youth for ethical voting.

Funding political parties

- The sources could be: corporate funds, small donations, sale of coupons and membership fee, besides interest on deposits, rental and revenue income. **There is no transparency in the source of most donations.**
- It is a fact that democracy cannot function without money to contest elections. However, **money cannot be allowed to dominate the process** so much that only the rich can contest and hijack the political system.
- The law therefore prescribes a **ceiling on expenditure of the candidates** though strangely not on the expenditure of the political parties.
- The absence of a ceiling on political parties' expenditure negates the whole logic of a ceiling and creates conditions of financial indiscipline.

Demonetisation Impact on Elections

- Cash seizure across all assembly elections since 2014 has been at an all time high. The public perception of the politicians today is that they are all corrupt.
- Such an image of politicians is not good for democracy. In fact India has grown into a major power mainly due to the great political leaders we have had.
- **Fake money from across the borders** also increases its tentacles during the polls would be hit.
- ADR said that while there would be an impact on the funds available for disbursement, it could encourage parties to promise freebies from the exchequer to balance out matters.

Conclusion

- By doing away the exemption of cash donations to political parties below Rs 20,000 will take care of the non transparency of 80% of political funding.
- The unprecedented step of demonetisation may hopefully turn out to be a blessing in disguise for conducting free and fair elections, where **cashless transactions will ensure higher level of transparency and scrutiny.**

Questions

- 1) **Do you think the recent demonetization move is a boost to electoral reforms in India? Critically analyse.**
- 2) **The seed of corruption sown in elections eventually germinates in corruption in administration. Critically comment.**
- 3) **What is the impact of Demonetization on the Electoral process?**
- 4) **Which of the following committees suggested State Funding of Elections?**
 - a) Ashok Mehta committee
 - b) Indrajit Gupta Committee
 - c) Sarkaria Commission
 - d) Shri Krishna Committee

Solution (b)

- 5) **What is the theme of the 2017 National Voters Day (NVD)?**
 - (a) Empowering young and future events
 - (b) Inclusive and qualitative participation
 - (c) Easy Registration, Easy Correction
 - (d) Ethical Voting

Solution (a)

- 6) **Consider the following statements about National Voters' Day (NVD).**
 - 1) **The NVD is celebrated every year in India on January 25 to mark the foundation day of Election Commission of India, which came into being on this day in 1950.**
 - 2) **The purpose of the NVD is to increase enrolment of voters, especially of the newly eligible ones.**

Which of the above statements are correct?

 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2
 - d) Neither 1 nor 2

Solution (c)

Less Cash Economy: Impact on Black Money

Introduction

- According to a **2015 report by PriceWaterhouseCoopers**, it pegs **cash transactions** at 98% of consumer transactions in value terms and 68% in volume terms, **much higher than china, Brazil and South Africa**.
- **Experts see cash transactions as a deterrent to the idea of financial inclusion**. Also what comes as a challenge with such high rates of cash movements is the money and resources spent to deal with cash.

Benefits of Less Cash Economy

- If all transactions are electronic then **all transactions can be chased, can be recorded and checked**. This will be possible to **curb the menace of black money** which has been denting the tax base, tax collections, encouraging terror financing, drug distribution, generation of fake currency and much more.
- It will also **reduce real estate prices** because of curbs on black money as most of the black money is invested in real estate prices which inflates the prices of real estate markets.
- Less cash economy will also pave the way for **universal availability of banking services to all** as no physical infrastructure is needed other than digital which can be facilitated by the government very easily.
- **Digital payments bring in greater efficiency and transparency in welfare programmes** as money is wired directly into the accounts of recipients.
- **Payments can be easily traced and collected**, and corruption will automatically drop, so people will no longer have to pay to collect what is rightfully theirs.

Conclusion

- RBI has also recently unveiled a document – **“Payments and Settlement Systems in India: Vision 2018”**- setting out a plan and mood to encourage electronic payments enabling India to move towards a cashless society or economy in the medium and long term.
- Prime Minister has urged people to start learning how the digital economy works and to bring a change starting from themselves to help the nation weed out black money.

Cyber Security: Issues and Way Forward

Introduction

- **Technological advances** have brought many conveniences to modern society. One of the most important benefits is the **“any where any time” paradigm**. That is people can carry out their work in the cyber world, from anywhere and at any time.
- The aim of Information Security is to provide confidentiality, integrity and availability of information.

Cyber Security

- Methods to steal credentials through cyber attacks involve steps like social engineering, scanning, finding vulnerabilities and exploiting the vulnerabilities in the system. Such **attempts to steal credentials and gaining access to the systems are called cyber attacks.**
- **Cyber security** is a process, technique or procedure to ensure information security goals which **includes IT security, digital security, electronic security, systems security, internet security etc.**
- Cyber security is a skill based technology and **largely depends on people involved, and less on technology.**
- Technology installed and configured properly will work as designed, but humans behave differently, at different times. This requires important culture change and adhering to process and procedure, which depends on human beings.

Questions

- 1) **Because of demonetization, people in India are being forced to make digital payments. It is said that without proper precautions and security policies, the highly reactive nature of cyber security leaves us vulnerable to cyber attacks. How government and companies should mitigate cyber attacks and minimise its damages arising out of this situation? Examine.**
- 2) **What are the benefits of Less Cash Economy?**
- 3) **Experts see cash transactions as a deterrent to the idea of financial inclusion. Comment.**
- 4) **Analyse the importance of cyber security in moving towards digital transactions.**
- 5) The Document “Payments and Settlement Systems in India: Vision 2018” is published by:
 - a) Ministry of Finance
 - b) SEBI
 - c) RBI
 - d) NITI Ayog

Solution (c)

Less – Cash Economy: India Vis-a Vis the World

Introduction

- The Prime Minister has reiterated that India should move towards a 'less-cash society' as a stepping stone towards becoming a cashless society.
- A number of countries including **Sweden, Kenya and Brazil have successfully moved towards a "less-cash" economy**. Their experience shows that less-cash economy needs supporting regulations ensuring security of online transaction, robust infrastructure and customer centricity.

India vis-a-vis other countries

- **Currency in circulation in India is higher than many developing and developed countries**. In 2015, the share of cash in circulation in the economy as a percentage of GDP of India was 12.3% compared to 3.8% in Brazil, 5.6% in South Korea and 1.7% in Sweden.
- **In 2016, more than 68% of the transactions in India were settled in cash, one of the highest in the world after Indonesia and Russia**. Other developing countries such as Thailand, Brazil and China have much lower usage of cash for settling payments as compared to India.
- Among developing countries **Kenya has taken measures for online payments for government services** to reduce fraud and ensure better collection.
- According to **World Bank's Global Findex report** 58% of the adult population in Kenya had active mobile money accounts in 2014 the highest rate in the world.
- **Kenya is an example where mobile technology and the increase in Smartphone ownership have played key role in improving online payments** despite low credit card usage and Internet penetration.

Available Infrastructure

- In India for instance in 2015 only half of the Indian population had a card. Compared to this in Sweden the average number of cards for person was 2.5, in South Korea it was 5.5, in Brazil 4.1 and in China 4.
- South Korea which has one of the highest penetrations of cards among the comparative countries is a fast mover into the cashless payment system.
- In India bank charges are deducted in case of card payments - thereby making it more lucrative for consumers to pay by cash.
- Compared to the large size of the Indian population, **India has one of the lowest numbers of point of sale terminals per million inhabitants** in the country compared to other developing countries including Brazil and China.
- In India the available infrastructure for electronic money terminals and mobile money payment systems is limited because **Smartphone ownership and Internet penetration is low in India** compared to other countries.
- Thus, the present level infrastructure, particularly the technological infrastructure in India needs to be upgraded at a fast pace to support the 'less cash' initiative of the Indian government. There is a need to ensure security of online transaction through the right policies.

Global Experiences and Way Forward

- If Countries such as Kenya and Nairobi can successfully move towards less cash economy, India can also move towards such an economy by increasing the use of **technology based innovative payment products**.
- **Mobile payment wallets and mobile applications** that support online transfer of funds are a key alternative. This is particularly **useful for small business or non corporate players** who do not accept cards or have point of sale terminals.
- In Sweden most street vendors and small businesses have adopted payment application and PoS card reader. Similarly in Kenya, which is one of the biggest uses of mobile money in Africa, **M-Pesa** is used for paying fees and bills and even receiving salaries.
- **The village of Ibrahimpur in the state of Telangana has become completely cashless** by having bank accounts, using payment gateways and credit cards. Other villages too can replicate the success story.
- Moving forward towards a less cash economy the government should ensure:
 - **Neutrality of mode of payments:** Payments through cards or Digital methods should not be costlier for the payer as compared to use of cash payments.
 - **Security of information:** Maintaining data security and privacy of information is important. The RBI is already undertaking review that there should be strong system for ensuring mitigation of risk and a Fast Track grievance redressal mechanism.
 - **Setting up a robust physical and technological infrastructure:** In India the present infrastructure to handle cashless transactions is insufficient. The government needs to install infrastructure and the capacity to operate the infrastructure to ensure that cashless transactions take place in the country. This includes access to smart phones, internet and broadband connectivity.
 - **Lower taxes:** It is important that taxes on information technology devices such as Smartphone's and Tablets are reduced. This will enable people to make payments digitally. As per GST structure, electronic items are likely to attract 28% GST which is very high. Smartphone's have to be made affordable.
 - **Robust e-commerce policy:** The country must have a strong E-Commerce regulation which ensures customer protection for cashless payments.

Questions

- 1) **Currency in circulation in India is higher than many developing and developed countries. What steps should government take to reduce the dependence on cash and move towards cashless economy?**
- 2) **If Countries such as Kenya and Nairobi can successfully move towards less cash economy, India can also move towards such an economy. Comment.**
- 3) **What are necessary steps the government should take for moving towards a less cash economy?**
- 4) **What are the infrastructural needs for achieving the goal of cashless economy?**
- 5) **Global Findex report is published by:**

- a) IMF
- b) World Bank
- c) World Economic Forum
- d) Asian Development Bank

Solution (b)



Achieving a Cashless Rural Economy

Introduction

- Worldwide there is a tremendous interest among policymakers to explore the possibility of moving towards a cashless economy. **Digitisation of transactions is the best way to move towards cashless economy.**
- **Rural areas** are home to two thirds of the country's population of some 870 million people where **much of the challenge lies in achieving cashless transactions** for the rest of the decade.
- It is estimated that rural users will constitute almost half of all Internet users in 2020. **Number of connected rural consumers is expected to increase** from 120 million in 2015 to almost 315 in 2020.
- **Over 93% of people in rural India have not done any digital transactions.** So the real problem lies there. The government has taken steps including announcing zero balance accounts for people, but **growth of Bank branches has been low.**

Challenges of a Cashless Rural Economy

- **Currency denominated economy:** High level of cash circulation in India. Cash in circulation amounts to around 13% of India's GDP.
- **Transactions are mainly in cash:** Nearly 95% of transactions take place in cash. Large size of informal / unorganised sector entities and workers prefer cash based transactions.
- **ATM use is mainly for cash withdrawals and not for settling online transactions:** Nearly 92% of ATM cards are used for cash withdrawals. Multiple holding of cards in urban and semi urban areas show low rural penetration.
- **Limited availability of point of sale terminals:** Most of the POS terminals remain in urban / semi urban areas.
- **Mobile Internet penetration remains weak in rural India:** In India there is poor connectivity in rural areas. Lower literacy level in poor and rural parts of the country makes it problematic to push the use of plastic money on a wider scale.

Banking facilities in Rural Areas

- **Private sector banks have been steadily increasing their rural presence.** Top private lenders ICICI Bank, HDFC Bank and Yes Bank have been expanding their presence in unbanked and under banked areas over the past 5 years.
- RBI has asked banks to prioritize opening of branches in unbanked rural centres over 3 year cycle of 2013-16. The central bank will give credit for the branches opened in excess of the 25% for a year.
- **Technology is a great enabler for financial inclusion**, which includes **branch on wheels**, a **mobile-van-based branch** that aims at providing banking services to a cluster of remote unbanked villages.
- Though rural branches benefit from cheaper real estate rents, the cost of servicing and staffing balances out the benefits. However, since RBI mandates 25% of new branches in rural areas, banks have aggressively ventured into rural areas.

Prospects and the Road Ahead

- The **Jan Dhan Aadhaar Mobile (JAM)** can encourage digital transaction culture. It is spreading to reach each remote corner of the country. A large number of government transfers (DBT) are made through JAM mode. This will help people to get digital transaction awareness.
- The role of the government in these cases will be to **make cashless transactions mandatory for certain payments** and **make it mandatory for certain services exceeding a certain amount** which has already been initiated.
- **A tax rebate** (of say 1% to 2%) on payments made by households as salary to unorganised sector (domestic servants, sweepers etc) **can boost cashless payments**.
- This will do two things, one the households will have an incentive to go cashless and two, large portion of the unorganised sector will be financially included.
- The **5 A's of promoting financial inclusion** through cashless payment instruments which are **availability, accessibility, acceptability, affordability and awareness**.
- Government should assure basic necessities in rural areas and focus on developing infrastructure. Special drives through schools, colleges, panchayats etc can help create awareness about cashless/ banking transactions.
- **Financial literacy** is a must for bringing more and more people to the digital platform. Digital payment or payment through banks, instead of paying cash should be encouraged.
- **Linkage of all welfare activities with bank accounts** is a very strategic step. A strong banking base is the basic prerequisite for the cashless economy.
- **Targeted financial education programs** can improve financial skills and Credit Management, and increase account ownership in rural India.

Questions

- 1) **Examine the impact of demonetization on agricultural growth and rural incomes.**
- 2) **Critically analyse impact of demonetization on the unorganized sector**
- 3) **Examine the effects of demonetization on the farm sector in India.**
- 4) **What are the Challenges of a Cashless Rural Economy?**
- 5) **Banking facilities in rural areas is very important for financial inclusion. Analyse how government and RBI is working towards increasing banking penetration in rural areas.**
- 6) **How can Jan Dhan Aadhaar Mobile (JAM) encourage digital transaction culture in India?**

Demonetization, Cashless Economy and Development

Introduction

- Demonetization is an act by which government of a nation strips the circulation of one or more than one currency unit of its status as a legal tender.
- This process of Demonetization is largely done keeping in mind the goal of **unearthing Black Money accumulated through corrupt means**.
- Not only India but several countries like **USA** in 1969; **Zaire** in 1990; **Australia** in 1996; **Zimbabwe** in 2010 and **North Korea** in 2010 have resorted to demonetization.
- While the effort resulted in success in the developed liberalised economies of the USA and Australia, it could not ensure any success in the underdeveloped African countries.

Demonetization in India

- The first demonetization in the independent India was done in the year 1946 and another one in the year 1978. At that time the currency notes of higher denomination constituted only 3% of the total currency in the circulation and its effect on the inconvenience was minimal.
- As far as Demonetization of November 2016 is concerned, the **rupees 500 and 1000 constituted** under gigantic share of **86% of the notes in circulation during 2016**.
- The size of the economy, the growth rate of the economy and the role of the private sector and services sector to economic growth and development was small in the year 1946 and 1978 as compared to the year 2016.
- The number of people within the net of the Income-Tax was also not so large during 1946 and 1978. There are more than 11 crore PAN card holders now and the number is on increase.
- In the year 1946 and 1978 public were already aware that the demonetization will be introduced by the government sooner or later, therefore, the demonetization at that time could not produce any substantial gain to the economy.
- One of the key features of the demonetization in 2016 is that it was kept very secret, so that the black money holders could not get any time to convert their black money and counterfeit currency into white money.

Objectives behind Demonetization

- One of the objectives is that the **taxable income earned from this exercise will be spent on economic growth boosting the development activities and also the economic upliftment of the poor**.
- **Existence of black money** is one of the fundamental reasons for the endurance of **high economic inequalities, poverty and unemployment in the country**.
- The **Wanchoo Committee in its report on Black Money-1971** described black money as a **"cancerous growth in the country's economy, which if not checked in time, will surely lead to its ruination"**.
- Manifestation of Black Money in social, economic and political space of our lives has a **debilitating effect on the Institutions of governance and conduct of public policy in the country**.
- Success of inclusive development strategy critically depends on the capacity of our society to root out the evils of corruption and black money from its very foundations.

Cashless Economy

- Cashless economy means more and more use of digital mode and less use of cash in transactions.
- The **World Bank's World Development Report-2016** envisages that in many instances, **digital technologies have boosted growth, expanded opportunities and improved service delivery.**
- Larger size of digital economies in the developed economies is one of the factors of less corruption in these countries as compared to developing countries.
- Therefore, in order to escape from adversaries of corruption and black money and to have more transparent and cleaner economic growth with social Justice, less use of cash is one of the suggested measures.
- **Sweden, where 89% is no cash payment, ranks 3rd in Corruption Perception Index.** In India, an estimated 22% is non cash payment and **India ranks 76th in the Corruption Perception Index.** This veritably proves that there is a **strong negative correlation between the cashless transaction and corruption.**

Demonetization and Cashless Economy: Perspectives

- **More and more money will come to the banking system** in the form of either current or savings account. The savings will push up investment and lead to **capital formation in the economy.**
- The opening of new bank accounts for depositing the banned currencies shows that it has **promoted banking literacy** among the general population and connected the common man who was out of the net of the banking system with the banking system.
- It has **strengthened the banking system**, as many Bank branches were facing acute problem of NPA. The capabilities of banks to lend more will be enhanced which would raise investment in the economy.
- The **excess income deposited** in the banks can generate taxable income for the government which **can be spent on various welfare programmes** for the poor in different sectors of the economy.
- People who have earned black money through corruption and unfair means will be exposed and be punished so that it will pave the way **towards a corruption free society.** It will help to create a **corruption free administrative and political environment** in the country.
- It will **enhance the flow of FDI** to the economy, as the foreign investment requires a corruption free environment and it will also be helpful to **control the outflow of illicit money to other developed countries** for foreign bank accounts.
- It will **promote social and cultural development** in the society. Corruption and black money erodes social and cultural systems. It will put a **break on unethical social development.**
- It will help the nation to **achieve a real and cleaner economic growth rate**, not an artificial and dirty economic growth rate achieved with the help of Black Money.
- Any growth rate achieved through distributive justice and with less economic inequality is the true growth rate for a developing country like India.
- Less growth rate with less poverty and lower income inequality is more desirable and better for the **Happiness Index** than high growth rate with more number of people living below the poverty line and there is huge income inequality between the rich and poor.
- India is a great democracy where the people at large despite inconvenience supported the demonetization drive by the government for unearthing black money and counterfeit currency.

Suggestions:

- **Demonetization should be a continuous exercise** by the government and be repeated at suitable intervals **to discourage the hoarding of Black Money in the form of cash.**
- The **self help groups (SHGs)** can be of great help to the people in the promotion of digital banking systems in the rural areas. More and more SHGs must be given the charge of **Bank Mitras (friend)** who can extend their help to the bank, post offices and Bank corresponding for proliferation of digital economy.
- Rural social infrastructure such as **Youth Clubs** and **Mahila Mandals** and **Panchayati Raj Institutions** should be energized for the propagation of digital rural economy.
- The **Gram Sabhas** in Panchayati Raj Institutions and **Ward Sabhas** in ULBs must take up the issue of digital economy at the village level.
- All the line department functionaries such as school teachers, health workers, village Development officers, anganwadi workers, etc. must educate the people about the financial inclusion and digital economy
- **Like Pulse Polio Campaign, the Digital India Campaign twice or thrice in a year** in a mass scale can be conducted in the country. It is an appropriate way to propagate the digital India campaign both in rural as well as urban areas.
- **Strong political will** among both the ruling and opposition parties is necessary for the implementation of any economic reforms including demonetization and cashless economy in the country.

Questions

- 1) **Do you think the recent demonetization move is an opportunity for India to become a digital economy? Critically examine.**
- 2) **It is widely expected that demonetization will bring long-term benefits. Will demonetization deliver benefits that outweigh the short-term costs? Critically examine.**
- 3) **In the light of recent demonetization move, critically discuss necessity of creating the institutional architecture needed for a cashless society.**
- 4) **Through demonetization, government, banks and RBI have received too much cash in their coffers. In your opinion, what should government do with the money it gets through demonetization? Discuss the issues and challenges.**
- 5) **Discuss how demonetization of Rs 500 and Rs 1000 notes would impact terror financing.**
- 6) **Discuss how Demonetization will help moving towards Corruption free society.**
- 7) **Demonetization should be a continuous exercise by the government and be repeated at suitable intervals to discourage the hoarding of Black Money. Comment.**
- 8) **Black money is not just an economic, but a social menace as well. Critically examine.**

9) What re the historical precedents for demonetization in India? How was the 2016 demonetization different from the previous ones?

10) How can self help groups (SHGs) and Panchayati Raj Institutions in the rural areas help in the transition towards digital transactions?

11) World Development Report is released by

- a) IMF
- b) World Bank
- c) World Economic Forum
- d) United Nations Organisation

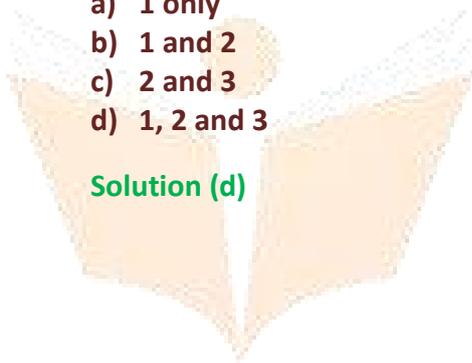
Solution (b)

12) Which of the following statements is correct about Corruption Perception Index?

- (1) Corruption Perception Index is published by Transparency International
- (2) The CPI currently ranks 168 countries "on a scale from 100 (very clean) to 0 (highly corrupt)."
- (3) India ranks 76th in the Corruption Perception Index

- a) 1 only
- b) 1 and 2
- c) 2 and 3
- d) 1, 2 and 3

Solution (d)



Facts for Prelims

Lucky Grahak Yojana and Digi-Dhan Yojana

- **Lucky Grahak Yojana** and for consumers and **Digi-Dhan Vyapar Yojana** for merchants are aimed at encouraging people to move towards higher usage of digital transactions through the offer of incentives.
- The schemes will be **implemented by National Payments Corporation of India (NPCI)**.
- Only those transactions that take place through RuPay cards, (USSD) Unstructured Supplementary Service Data, (UPI) Unified Payments Interface and (AEPS) Aadhaar Enabled Payment System are eligible for these schemes.

BHIM will create Equality

- The new **indigenously developed payment app 'BHIM' (Bharat Interface for Money)** has been launched by the government named after the main architect of the Indian Constitution, Bhim Rao Ambedkar.
- BHIM is a **biometric payment system app using Aadhaar platform**, and is based on Unified Payment Interface (UPI) to facilitate e-payments directly through banks.
- It can be **used on all mobile devices**, be it a Smartphone or a feature phone with or without internet connection.
- The payments through the BHIM app can be made by just a thumb impression after the bank account is linked with Aadhaar gateway. The technology through BHIM will empower poorest of the poor, small business and the marginalised section.

Vittiya Saksharta Abhiyan

- The main purpose of this campaign is to **create awareness and to encourage the people and to motivate them to go digital**.
- The **Ministry of Human Resource Development** appealed to the people to use a digitally enabled cashless economic system for funds transfer.
- It also appealed to private and government institutions of higher studies to develop a cashless campus.

RuPay

- RuPay is an **Indian version of credit or debit card**. The National Payments Corporation of India (NPCI) **launched RuPay under the Jan Dhan scheme**.
- Banks provide every account holder a RuPay debit card with Rs 1 lakh accident insurance.
- The **primary focus** of RuPay is **financial inclusion**.

Swachh Swasth Sarvatra

- **Swachh Swasth Sarvatra**, an inter-ministerial joint initiative between the **Ministry of Drinking Water and Sanitation** and the **Ministry of Health and Family Welfare**.
- Another joint initiative **Swasth Bacche Swasth Bharat**, between **Ministry of Health and Family Welfare** and the **Ministry of Human Resource Development** was also launched.

- The objective of Swachh Swasth Sarvatra initiative is to build on and leverage achievements of two complementary programmes – **Swachh Bharat Mission (SBM) and Kayakalp** – of the Ministry of Drinking Water and Sanitation and the Ministry of Health and Family Welfare respectively.
- By merging the goals of Swachh Bharat with the Health Ministry's focus on health, the needle will move **from hospital-care to healthcare**, i.e. from treatment of diseases to prevention of diseases by focusing on improved overall health.

Questions

1) The implementing agency for the 'Digi-Dhan Vyapar Yojana' is the

- (a) National Payment Corporation of India
- (b) NITI Aayog
- (c) Reserve Bank of India
- (d) None of the above

Solution (a)

2) The 'Lucky Grahak Yojana' refers to

- (a) A fraud initiative – the organising ring of which was recently busted by Income Tax sleuths – that capitalised on the drive by the Central Government's push for digital payments
- (b) A Government of India's (GoI) scheme to incentivise consumers to utilise digital payment instruments.
- (c) A GoI scheme to incentivise merchants to utilise digital payment instruments.
- (d) A GoI scheme to incentivise consumers to report to the Income Tax authorities the non-issuance of bills at retail outlets.

Solution (b)

3) Consider the following statements about BHIM app.

- (1) BHIM stands for Bharat Interface for Money
- (2) BHIM is Aadhaar-based payments app developed by the National Payment Corporation of India (NPCI).
- (3) It can work even on basic phones as it supports USSD payments.

Which of the following statements is correct?

- a) 1 only
- b) 1 and 2
- c) 2 and 3
- d) All of the Above

Solution (d)

4) Vittiya Saksharta Abhiyan is the initiative of

- a) Ministry of Finance
- b) Ministry of Human Resource Development
- c) Ministry of Commerce and Industry
- d) Ministry of Skill Development

Solution (b)

5) Swachh Swasth Sarvatra” initiative has been launched by the Union Health Ministry in collaboration with which union ministry?

- a) Ministry of Drinking Water and Sanitation
- b) Ministry of Finance
- c) Ministry of Housing and Urban Poverty Alleviation
- d) Ministry of AYUSH

Solution (a)

6) Kayakalp is an initiative of

- a) Ministry of Social Justice and Empowerment
- b) Ministry for Health and Family Welfare
- c) Ministry of Railways
- d) Ministry of Human Resource Development

Solution (b)

Do You Know?

Legal Tender Money

- Denomination of a country’s currency by law must be accepted as a medium of exchange and payment for a money debt.
- **The RBI Act of 1934 gives the central bank the sole right to issue bank notes and shall act as the legal tender at any place in India.**
- The legal tender money is of two types:
 - **Limited Legal Tender Money:** This is a form of money, which can be paid in discharge of a debt up to a certain limit, and beyond this limit a person may refuse to accept the payment and no legal action can be taken against. **Coins are limited legal tender in India.**
 - **Unlimited Legal Tender Money:** A person who refuses to accept this money, a legal action can be taken against. **Paper notes / currency are unlimited legal tender in India.**

Non-Legal Tender Money

- It is a form of money which is generally accepted, but legally it is not bound to accept it. **Cheques, bank drafts, bills of exchange, postal orders** etc are not legal tenders and are accepted only at the option of the creditor, lender or seller.
- It is also called the **optional money** because it does not have legal backing and their acceptance is optional.

North East Diary

Biotechnology projects in Arunachal Pradesh

- The government will set up **50 Biotech laboratories** in senior secondary schools of Arunachal Pradesh under the scheme **Biotech Labs in Senior Secondary Schools (BLISS)** for promoting education in biotechnology and attracting young students with multidisciplinary research areas.

- This will immensely help in generating awareness, enhancing literacy and promoting public understanding of biotechnology in the state.

North Eastern Institute of Ayurveda and Homoeopathy at Shillong

- The establishment of this institute will **solve the problem of scarcity of doctors in remote areas** of the North Eastern regions as it will produce quality medical graduates in the stream of Ayurveda and Homeopathy and help in improving the execution of national health policies.

