



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2016; 2(12): 532-535  
www.allresearchjournal.com  
Received: 24-10-2016  
Accepted: 25-11-2016

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## Go digital, get benefits - Special incentives to encourage digital payment

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### Abstract

On 8<sup>th</sup> November 2016, the Demonetisation of Rs. 500 and Rs 1,000 currency denominations was taken by the Government of India. This is because of corruption and black money is the major obstacles in our country. In short, demonetisation refers to deprive of value for official payment. After demonetisation the Prime Minister of India Shri Narendra Modi need India to be as cashless society. As a result of it, the various incentives have been taken by government of India to select the digital payment mode and enhance in the users of it. Digital payment refers any payment that exists purely in electronic form. This paper studies on the incentives which are taken by the government after demonetisation in India. At the last of this paper the study reveals that, the users of digital payment has been increased rapidly after demonetisation.

**Keywords:** Cashless Society, Demonetisation, Digital Payments. Incentives, Users of Digital Payment

### 1. Introduction

Government of India has initiated numerous steps to combat the scourge of Corruption and Black Money in the last two and a half years. The Union cabinet had approved a slew of initiatives in February 2016 to encourage digital payments and a transition to less-cash economy in a strategic manner. It would be recalled that towards this end, the Government had launched a major drive for financial inclusion in terms of opening Jan Dhan accounts, giving a statutory basis for Aadhar, implementation of Directs Benefits Transfer, introduction of RuPay Cards and Voluntary Disclosure Scheme for unaccounted money. Demonetisation of 500 and 1000 Rs. notes was another important milestone in this endeavour. To increase overall transparency in the economy and to remove the pernicious influence of cash on the political and economic system, it is essential that we take a longer term view and bring in measures that would influence the behaviour of the consumers as well as merchants to shift to digital payment instruments. It is now possible by leveraging technology to carry out business transactions digitally through mechanisms like UPI, USSD, Ru Pay cards and Aadhar Enabled Payment System (AEPS). In a country like India where 65% of the population is below 35 years of age, whose IT prowess is well recognized and where even poor and illiterate people exercise their franchise through EVMs, this transformation toward digital economy is definitely possible, provided the citizens resolve to do so NITI Aayog announces the launch of the schemes Lucky Grahak Yojana and the Digi-Dhan Vyapar Yojana to give cash awards to consumers and merchants who utilize digital payment instruments for personal consumption expenditures. The scheme specially focuses on bringing the poor, lower middle class and small businesses into the digital payment fold. It has been decided that National Payment Corporation of India (NPCI) shall be the implementing agency for this scheme. It would be useful to reiterate that NPCI is a not for profit company which is charged with a responsibility of guiding India towards being a cashless society.

### Objectives

- To study the incentives of digital payment.
- To understand the importance of digital payment in India
- To show increases in digital payment in India

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## Methodology

### Nature of Study

The study is mainly descriptive in nature. Secondary data are used for the purpose of the study

### Secondary Data

Secondary data was collected from websites, various articles and journals

### Limitation of the Study

- Lack of primary data
- As the research mainly depends on secondary data, it may not be hundred percent accurate.
- The study is restricted to India only

## Lucky Grahak Yojana and Digi Dhan Vyapaar Yojana

**The primary aim of these schemes is to incentivize digital transactions so that electronic payments are adopted by all sections of the society, especially the poor and the middle class:** It has been designed keeping in mind all sections of the society and their usage patterns. For instance, the poorest of poor will be eligible for rewards by using USSD. People in village and rural areas can participate in this scheme through AEPS. The scheme will become operational with the first draw on 25<sup>th</sup> December, 2016 (as a Christmas gift to the nation) leading up to a Mega Draw on Babasaheb Ambedkar Jayanti on 14<sup>th</sup> April 2017. It will comprise of two major components, one for the Consumers and the other for the Merchants:

### a) Lucky Grahak Yojana [Consumers]

1. Daily reward of Rs 1000 to be given to 15,000 lucky Consumers for a period of 100 days;
2. Weekly prizes worth Rs 1 lakh, Rs 10,000 and Rs. 5000 for Consumers who use the alternate modes of digital Payments

This will include all forms of transactions viz. UPI, USSD, AEPS and RuPay Cards but will for the time being exclude transactions through Private Credit Cards and Digital Wallets.

### b) Digi-Dhan Vyapar Yojana [ Merchants]:

1. Prizes for Merchants for all digital transactions conducted at Merchant establishments
2. Weekly prizes worth Rs. 50,000, Rs 5,000 and Rs. 2,500

### c) Mega Draw on 14th of April – Ambedkar Jayanti

1. 3 Mega Prizes for consumers worth Rs 1 cr, 50 lakh, 25 lakh for digital transactions between 8<sup>th</sup> November, 2016 to 13<sup>th</sup> April, 2017 to be announced on 14<sup>th</sup> April, 2017
2. 3 Mega Prizes for merchants worth Rs 50 lakhs, 25 lakh, 12 lakh for digital transactions between 8<sup>th</sup> November, 2016 to 13<sup>th</sup> April, 2017 to be announced on 14<sup>th</sup>



Source: mygovernmentschemes

## Salient Features of Lucky Grahak Yojana And Digi Dhan Vyapaar Yojana

- The schemes will be launched with the first draw by Union Minister for Electronics and Information Technology Ravi Shankar Prasad and Union Finance Minister Arun Jaitley.
- The schemes are aimed at encouraging people to move significantly towards higher usage of digital transactions through an offer of incentives.
- The primary aim of these schemes is to incentivize digital transactions so that electronic payments are adopted by all sections of the society, especially the poor and the middle class.
- The government seeks to promote digital payment methods to encourage consumers and merchants to increasingly shift to these payment modes.
- The winners will be selected on a daily and weekly basis under the Lucky Grahak Yojana and weekly basis under the Digi-Dhan Vyapar Yojana respectively, leading up to April 14, 2017 when the schemes will culminate with a mega draw
- The draws for these events will be taken out in 100 different cities around the country, in a ceremony accompanied by a digital payments adoption fair called DigiDhan Mela.
- Expenditure of the scheme is estimated to be around Rs 340 crore.
- The winners shall be identified through a random draw of the eligible Transaction IDs which are generated automatically as soon as the transaction is completed by software developed by National Payments Corporation of India.

## Other Special Incentives To Encourage Digital Payments

- Discount of 0.75% on digital payment at Central Government Petroleum PSUs
- 10% discount for toll payment on National Highways using RFID card/ Fast Tags in 2016-17
- Discount of 0.5% for monthly or seasonal tickets on digital payments from 1<sup>st</sup> Jan 2017 on suburban railway network. Free accidental insurance upto Rs10 lakh on buying online ticket in Railways
- No service tax on the digital transaction charges/MDR upto Rs.2000 per transaction



- Discount or credit of upto 10% on the insurance premium sold through the customer portals of public sector insurance companies on digital payments
- Rural Regional Banks and Cooperative Banks to issue “Rupay Kisan Cards” to 4.32 Crore Kisan Credit Card Holders. Government will support this through NABARD.
- 2 POS devices will be deployed in 1 Lakh village with population of less than 10,000. Government through NABARD will extend financial support
- Central Government departmentms and PSUs to bear transactions fee/MDR charges on digital payments. State government being advised to do same

**Advantages of Digital Payments**

In the era of Technology cash strives to endure the competition with electronic money, because more and more people prefer to have digital mode. It is clear, digital payment systems have a range of pros in comparison to traditional banking services. The following are the list of advantages of Digital Payments

- 1. Time savings:** Fund transfer between virtual accounts usually takes a few minutes, while a traditional mode like wire transfer or a postal one may take several days. When the users moves to digital, then customer not waste time waiting in lines at financial institution.
- 2. Expenses control:** Even if someone is eager to bring his disbursements under control, it is necessary to be patient enough to write down all the petty expenses, which often takes a large part of the total amount of disbursements. The virtual account contains the history of all transactions indicating the store and the amount you spent. And you can check it anytime you want. This advantage of electronic payment system is pretty important in this case.
- 3. Reduced risk of loss and theft:** You cannot forget your digital payment somewhere and it cannot be taken away by robbers. Although in cyberspace there are many scammers, in one of the previous articles we described in detail how to make your e-currency account secure.

**4. Low commissions:** If you pay for internet service provider or a mobile account replenishment through the UPT (unattended payment terminal), you will encounter high fees. As for the electronic payment system: a fee of this kind of operations consists of 1% of the total amount, and this is a considerable advantage.

**5. User-friendly:** Usually every service is designed to reach the widest possible audience, so it has the intuitively understandable user interface. In addition, there is always the opportunity to submit a question to a support team, which often works 24/7. Anyway you can always get an answer using the forums on the subject.

**6. Convenience:** Users are able to get through a purchase in mere seconds with a simple tap or scan of their mobile device. The experience of purchasing items becomes quicker and easier-leading to a greater sense of satisfaction. Furthermore, with faster transactions, checkout lines within stores become much shorter.

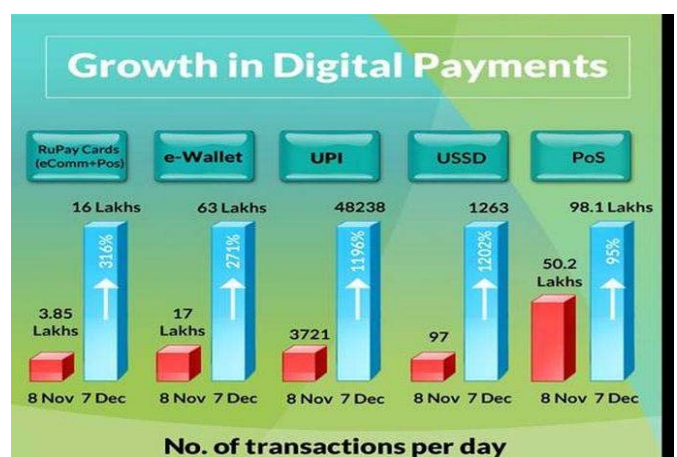
**Growth of Digital Payments after Demonetisation**

The following table shows the number of transaction on 8<sup>th</sup> November 2016 and 7<sup>th</sup> December 2016

Date	Mode of Digital Payment				
	Number of transaction in Lakh				
	RuPay Card	e-Wallet	UPI	USSD	PoS
08-Nov-16	3.85	17	3721	97	50.2
07-Dec-16	16	63	48238	1263	98.1
% of Increase compares to 8th Nov 2016	316	271	1196	1202	95

The above table reveals that, the transaction has been increased 316% in case of RuPay Card, 271% in case of e-Wallet, 1196% in case of UPI, 1202% in case of USSD, 95% in case of Point of sale

The following diagram represents the data of above table



**Conclusion**

The purpose of the digital payment incentive is to implement and development of digital payment system in India. Incentive provided to motivate or encourage someone to do something. The incentives have made impact the users of digital payments in terms of number of transaction on 7<sup>th</sup> December 2016 in this study. The dream of cashless society

is possible with the support of people in India. Digital payment leads to transparency and enables to eradicate the black money. In a month, Digital payment revealed its importance in India.

### **Findings**

The special incentives to encourage the digital payment have made impact in the users of digital payment in terms of number of transaction. The number of transaction on 7<sup>th</sup> December 2016 has increased when compare to its 8<sup>th</sup> day of previous month that is 8<sup>th</sup> November 2016. The digital payment system is a system where people use the digital modes to complete the transaction process. The digital payment system is convince, time saving, users friendly, etc. The primary aim of these schemes is to incentivize digital transactions so that electronic payments are adopted by all sections of the society, especially the poor and the middle class.

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