

Replacement of High-Value INR Currency Notes To Provide Major Boost to Electronic Payments: Nasscom

November 8, 2016: Nasscom welcomes the announcement earlier this evening by Prime Minister Shri Narendra Modi, scrapping the current high-value currency notes of Rs 500 and Rs 1,000 denomination, and replacing the Rs 500 notes with a new design.

This move is a masterstroke that will make a major dent on unaccounted or 'black money', rendering it valueless unless it is taken to a bank to be exchanged, potentially bringing it into the tax net.

Nasscom believes this move will also accelerate the push toward electronic payment, which presently has relatively little penetration in India, where cash accounts for 78% of all transactions by value according to the Reserve Bank of India.

This complements the other moves toward digital payments, including the foundation being created by the Pradhan Mantri Jan-Dhan Yojana under which 254.5 million bank accounts had been opened as of November 2, 2016.

"If most of the black money is brought into bank accounts or into the tax net, there will be far less reason to deal only in cash, and far more reasons to transact through electronic payments," said Nasscom president R Chandrashekhar, who is a member of the Ministry of Finance Committee on Digital Payments, chaired by Shri Ratan P Watal of NITI Aayog.

This is also a welcome move for the e-commerce industry, where a large number of deliveries in India are "COD" or cash on delivery, raising logistics costs and risks. While other reasons for use of cash, such as trust, may take longer to alleviate, the present announcement could mitigate a significant factor driving COD, the availability of unaccounted cash.

Nasscom understands that a new currency note of Rs 2,000 value has been introduced with immediate effect, and also that new Rs 1,000 notes will also be printed and issued "in due course", along with new Rs 10, 20 and 100 notes. It is heartening to note that these new currency notes will all have Braille features for the blind.

Based on information currently available, Nasscom believes that the new Rs 2,000 note and the plan to reintroduce the Rs 1,000 note could be a potential dampener to the bold and progressive step by the government, as high value currency notes constitute the foundation of black money and the cash economy. This historic step by the Government could, if optimally leveraged, hugely accelerate the migration to a digital economy. The benefits of such migration would include widening the tax net and minimizing black money. The opportunity should be used to the hilt.