



AN IMPACT OF DEMONITIZATION, JAM, CASHLESS TRANSACTION AND GST ON ECONOMIC GROWTH OF INDIA

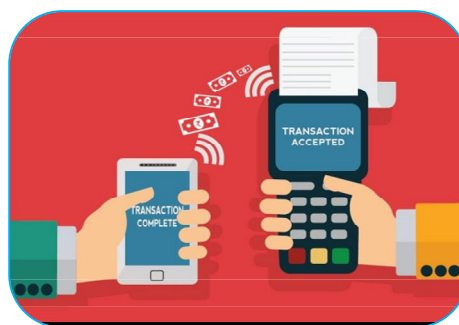
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ABSTRACT

Over the past decade, India's economic path has been defined by a series of drastic policy measures that have focused on improving financial inclusion and transparency, as well as formalising the economy. Among the most significant ones are demonetisation (2016), the JAM Trinity (Jan Dhan-Aadhaar-Mobile), the push towards a cashless economy, and the introduction of the Goods and Services Tax (GST). In this research paper, the author critically examines the impact of these reforms on India's economic growth. Demonetisation aimed to curb black money and promote digital payments, albeit at a short-term cost to consumption and job creation. The JAM Trinity has enabled the inclusion of large populations in financial services and facilitated the direct transfer of benefits to beneficiaries, thereby reducing leakage in welfare programmes. Cashless transactions have only added more momentum to the digital shift, promoting greater levels of transparency and formalising the economy. However, infrastructure and digital illiteracy remain issues. Meanwhile, GST has created a single tax system, improved compliance, and facilitated interstate trade, despite initial implementation difficulties. All these reforms have played a crucial role in transforming the Indian economic system by expanding the tax base, enhancing financial inclusion, and increasing digitalisation. However, they are only able to achieve sustainable and inclusive growth with complementary policies that include employment, rural internet connectivity, and policy predictability.



KEYWORD-Demonetization, JAM Trinity, Jan Dhan-Aadhaar-Mobile, Financial Inclusion, Cashless Transactions, Digital Payments, Unified Payments Interface (UPI).

INTRODUCTION

Over the past decade, the Indian economic environment has undergone significant changes due to a combination of ambitious policies aimed at enhancing transparency, financial inclusion, digitisation, and tax compliance. Among these, four major reforms can be singled out as having considerably affected India's growth trajectory: demonetisation (2016), the JAM Trinity (Jan Dhan-Aadhaar-Mobile), the popularisation of cashless transactions, and the establishment of the Goods and Services Tax (GST) in 2017. All reforms were driven by the twofold purpose of containing systemic inefficiencies and propelling the economy into a modern, digitised system that is consistent with international practices. The watershed moment was demonetisation, which was intended to address the problems of black money, counterfeit currency, and the parallel economy.

At the same time, the JAM Trinity project aimed to enhance financial inclusion by integrating bank accounts, biometric identity, and mobile connectivity, thereby providing a robust platform for

direct benefit transfer and digital empowerment. Cashless transactions, alongside these efforts, were complementary, as they promoted the use of electronic payment systems, minimised cash usage, and enhanced the transparency of financial transactions. Additionally, with the introduction of the GST, several indirect taxes were unified into a single system, making it easier to comply and shaping a more unified national market. Although these reforms were more focused on long-term structural advantages, they also elicited considerable debate regarding their short-term upheavals and their overall ability to stimulate economic growth. Their aggregate and separate effects are crucial in determining the policy direction India is taking toward sustainable development and inclusive growth.

This research paper examines the impact of demonetisation, the JAM Trinity, cashless transactions, and GST on India's economic development, focusing on their efforts, challenges, and outcomes.

OBJECTIVES OF THE STUDY

- 1) To evaluate the economic impact of demonetization on India's growth.
- 2) To assess the contribution of JAM Trinity in advancing financial inclusion.
- 3) To analyze the role of cashless transactions in promoting transparency and efficiency.
- 4) To study the effect of GST on tax revenues, trade, and business competitiveness.
- 5) To understand the combined influence of these reforms on India's long-term economic growth.

LITERATURE REVIEW:

Researchers have extensively studied the impacts of economic reforms, including demonetisation, the JAM Trinity, cashless transactions, and GST, and their success has yielded mixed results. Chodorow-Reich et al. (2018) analysed the 2016 demonetisation in India and found that short-term consumption and employment decreased sharply, especially in sectors that largely relied on cash. On the same note, Rao et al. (2016) of the National Institute of Public Finance and Policy pointed out that the rate of remonetisation would determine the effectiveness of demonetisation in the long run, whereas Aggarwal (2017) noted the disproportionate effects on the informal labour market and agriculture. Conversely, the policy commentaries (2017–2018) pointed out that the anticipated gains in curbing black money and corruption remained inconclusive. JAM Trinity has garnered significant interest due to its contributions to financial inclusion. Khera (2017) also criticised the integration of Aadhaar into welfare, highlighting the issues of exclusion and authentication failure. However, Gelb and Clark (2019) clarified that JAM signifies a paradigm shift, facilitating direct benefit transfers (DBT) and mitigating leakages. Household surveys (Ghosh, 2017) also found that, although the Jan Dhan and Aadhaar linkages enhanced access to benefits, a large number of accounts remained unused. The introduction of the Goods and Services Tax (GST) marked a historic shift in indirect taxation in India. Subramanian (2018) and the World Bank (2018) documented the unification of India's fragmented tax system resulting from the implementation of GST and the efficiency gains that could be achieved in the medium term, despite initial compliance issues. The literature generally indicates that, although these four reforms were disruptive in the short term, they have led to structural changes in India's economy. The long-term advantages of demonetisation are controversial, yet they have brought about faster digitisation of transactions. JAM broadened financial coverage at the cost of exclusion. Digital payments (and UPI, in particular) transformed retail payments, and GST modernised taxes despite initial start-up challenges. However, scholars in the literature agree that the effectiveness of these reforms primarily depends on their effective implementation, the development of digital infrastructure, and the implementation of comprehensive safeguards.

RESEARCH METHODOLOGY:

The study assesses the impact of demonetization, the JAM Trinity, cashless transactions, and GST on India's economic growth, employing a descriptive and analytical research design. Data sources include government publications, international sources, academic journals, and industry reports. The study focuses on the Indian economy at the national level, examining both direct and indirect effects.

The Impact of Demonetization, JAM Trinity (Jan Dhan–Aadhaar–Mobile), Cashless Transactions, and GST on the Economic Growth of India:

The economic growth experienced in India over the last decade has been influenced by a succession of policy reforms that seek to modernise the financial system, formalise the economy, and reinforce revenue collection. The most significant initiatives have been the demonetisation of high-value currency notes in November 2016, the introduction of the JAM Trinity (Jan Dhan-Aadhaar-Mobile) as an inclusion and governance platform, the frenzy of cashless transactions mediated through digital platforms such as the Unified Payments Interface (UPI), and the introduction of the Goods and Services Tax (GST) in July 2017.

The most disruptive intervention was demonetisation, which nullified 86 per cent of money in circulation overnight with the following objectives: stopping black money and counterfeit notes, and encouraging digital payments. The economic consequences were dire in the short term as consumption was cut, small and medium-sized businesses were facing cash crunches, and millions of people in the informal sectors, reliant on liquid cash, were facing income and employment insecurity. The significant decline in India's GDP growth rate in the quarters following the move underscores the profound impact on the country's cash-based economy.

The JAM Trinity, which comprised the bank accounts of Jan Dhan, Aadhaar biometric identification, and mobile connection, came to be the foundation of a more grounded and productive finance system. The Jan DhanYojana made a verifiable digital identity possible by radically giving households not previously served by formal finance access to a bank account and to mobile connectivity to facilitate last-mile access to services. This system empowered low-income households because it ensured that a greater part of the benefits they were receiving transformed into real disposable income, which stimulated consumption and had an indirect effect on growth. However, the challenges of inactive accounts, authentication, and the digital divide deterred all the potential of the JAM system; hence, the need to invest in the field of literacy and infrastructure supplementation.

The second radical reform was the introduction of the Indian fragmented indirect tax regime, the GST, in July 2017, which was meant to bring together the destination-based tax on the Indian fragmented indirect tax regime. The reform would boost the tax base and revenue through enhanced compliance, especially since the input tax credit system would ensure that the firms report properly with the system. The initial years of GST adoption were, however, marked by large transitional problems, and small businesses were facing a hustle when it came to compliance requirements and becoming acquainted with electronic filing systems.

The demonetisation and GST shocks disrupted the growth trajectory of India; nonetheless, JAM-designed, long-term design, cashless payments, and GST are the future of a more inclusive, transparent, and resilient economy.

FINDINGS:

The new structural reforms in India have not only been successful, but the most prominent ones are GST and JAM Trinity. GST has harmonised the indirect taxation environment, which cascades taxes, and has also opened up a more transparent business environment. JAM has improved in the disbursement of welfare benefits, reduced leakages, and promoted financial inclusion. However, the most debatable reform is the one of demonetisation, which encouraged the accelerated rate of conversion into the digital and the expansion of the formal tax base that was linked to the economic shocks in the immediate period and limited efficacy in the context of the elimination of black money.

The Indian digital transformation has been exemplary, with the Unified Payments Interface (UPI) and mobile banking services being developed at a rapid pace, altering the manner in which individuals and enterprises carry out transactions. This has witnessed the economy switching to a cashless system that has reduced transaction costs and enhanced the transparency and efficiency of financial transactions. The JAM framework has strengthened and consolidated financial inclusion by incorporating millions of unbanked people in the formal financial system, which has both empowered

low-income households and enhanced their consumption capacity. However, several challenges, such as authentication errors and a lack of digital literacy, prevent the majority of beneficiaries from fully utilising these services.

The GST-tax modernisation has made the taxation system more transparent, has developed a common national market, has minimised inefficiencies, has widened the tax base, and has promoted compliance via the input credit mechanism. Nevertheless, GST presents compliance costs, particularly for small and medium-sized businesses that can usually find it difficult to file and go online.

The reform actions in India have preconditioned increased formalisation, efficiency, and inclusiveness of the economy. Nevertheless, the benefits have been unevenly distributed among the policies; GST and JAM have shown long-term strengths, digital payments have revealed the transformative power of technology, and the threat of disruptive policy development can be witnessed because of demonetisation.

DISCUSSION:

Demonetisation, the JAM Trinity, the rise of cashless transactions, and the implementation of the Goods and Services Tax (GST) are among the most ambitious policy interventions of the previous decade aimed at restructuring the Indian economy. All these initiatives had particular goals, though, and in one way or another, they served the larger goals of formalisation, efficiency, and inclusive growth.

In November 2016, it was announced that high-value currency notes would be demonetised to curb black money and counterfeit currency and increase the adoption of digital payments. The demonetisation had an immediate effect, causing a noticeable slowdown in economic growth as GDP decreased from approximately 8 percent to nearly 6.8 percent in the quarters immediately following the move. This impact was especially severe in the informal sector, which depended a lot on cash because the lack of liquidity affected consumption, investment, and employment. In the long run, though, demonetisation actually spurred the use of digital payment platforms, the expansion of the tax base, and the formalisation of economic activity. Despite these structural changes, the policy faced severe criticism for achieving little in uncovering unexplored wealth, while the social and economic costs to ordinary citizens remained high.

A less disruptive yet more basic reform is the JAM Trinity (Jan Dhan-Aadhaar-Mobile). The government has provided a platform to deliver welfare schemes to beneficiaries by ensuring that they have more than half a billion bank accounts (known as Jan DhanYojana), connecting them to Aadhaar-based biometric authentication, and using mobile connectivity. This change greatly decreased leakages, corruption, and delays in delivering subsidies, hence increasing the efficiency of the spending on welfare. JAM, economically, has served to enhance financial inclusion by promoting savings by low-income households, enhancing access to banking services, and increasing consumption by increasing predictability and transparency in transfers. Despite the presence of obstacles such as dormant accounts and authentication issues, the recognition of JAM's role in inclusive growth remains strong.

The other economic change in India was the drive towards the cashless transfer, particularly the one that took place after the demonetisation. Along with the accelerating increase in online payments came the launch of online payment systems, such as UPI, BHIM, and mobile wallets, with UPI payments alone numbering in the billions each month. This e-boundary jump was used to reduce the ratio of cash/GDP in India, increase the transparency of the transactions, and lower the cost of doing business by facilitating payments. Besides this, the introduction of online transactions created electronic records, which facilitated tax collections and expanded the radius of formal finance. Nevertheless, this is not a transition without problems. Cybersecurity risks, the differences in digitisation infrastructure access, and financial illiteracy, especially in rural areas, are still barriers to the opportunities for full-fledged cashless growth.

One of the most significant structural tax reforms in independent India was likely to be the Goods and Services Tax (GST), which came into force in July 2017. GST would simplify the process of taxation by replacing the patchwork of state and central levies with a single and consistent taxation,

which was based on destination to avoid cascading effects of levies, as well as creating a single national market. In practice, GST increased compliance and revenue collection, efficiency between states, and the formalisation of small and medium enterprises (SMEs) by encouraging them to receive tax credits. These findings contributed to reduced logistics costs and increased competitiveness, which resulted in long-term productivity gains. However, the early stages of the reform were characterised by messy compliance processes, technical glitches in the GST Network (GSTN), and the overwhelming challenges faced by small businesses that were not equipped to handle digital filing processes. Over time, as stability established itself, the benefits of GST became increasingly apparent, despite the persistence of compliance issues.

All these reforms have caused tremendous impacts in altering the course of growth in India. The combination of them has broadened the tax base, increased transparency in transactions, and reduced inefficiencies in the provision of government transfers. The strain to shift towards digital payments with the help of JAM enabled the release of a fiscal space, lessening leakages, and GST facilitated the simplification of the taxation system and the decrease in the cost of operations. Meanwhile, in an overlapping process, the disruptive effects of demonetisation and the early teething problems of GST pointed to the risks of mass reform shocks, which put the economy and the labour market into stasis in the short term. On the whole, however, these reforms have preconditioned a more formal, inclusive, and digitally driven economy, and long-term benefits will outweigh the short-term losses.

CONCLUSION:

All the reforms in India, such as demonetisation, the JAM Trinity, cashless transactions, and the Goods and Services Tax (GST), are meant to become more transparent, formalised, and inclusive. The effect of demonetisation has drawn people towards using digital payment methods and increasing the tax base, although its expensive social and economic impacts still exceed its short-term returns. The JAM Trinity has succeeded in promoting financial inclusion, facilitating efficient Direct Benefit Transfers, and empowering the marginalised groups. The increase in digital transactions, especially UPI, has positioned India as a global leader in digital finance, minimised the use of cash, and encouraged transparency and efficiency. Although GST has caused some early shocks, it has harmonised the Indian indirect taxation system, minimised inefficiencies, enhanced trade across states, and broadened the tax base, creating a base that will allow it to grow in the long term. These reforms illustrate a trade-off between short-run economic disturbance and long-run structural gain. The long-term goal is to achieve a more resilient, transparent, and inclusive economy, provided that the obstacles to implementation are removed. These reforms not only led to the transformation in the short-term economic impacts but also the transformation of the model of India to grow in the future.

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