

IMPACT OF DEMONISATION ON DIGITAL PAYMENT

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Abstract

On 8 November 2016, the Government of India announced the demonetization of all ₹500 and ₹1,000 notes of the Mahatma Gandhi Series. The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism. Prime Minister of India Narendra Modi announced the demonetization in an unscheduled live televised address at 20:00 Indian Standard Time (IST) on 8 November. In the announcement, Modi declared that use of all ₹500 and ₹1000 banknotes of the Mahatma Gandhi Series would be invalid past midnight, and announced the issuance of new ₹500 and ₹2000 banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes. After demonetization, the Prime Minister of India Mr. Narendra Modi has dreamt of cashless economy. To promote digital payments and to reduce the use of cash in the economy, RBI and government both are making several efforts. The attempt made by the government to use digital payment system and avoid cash payment by people as possible as. So by this way government giving pushback to people towards cashless economy. This study also going to analyses the rapid increase in digital payment transactions post demonetization.

Cashless transaction economy doesn't mean shortage of cash rather it indicates a culture of people settling transactions digitally. In a modern economy, money moves electronically. Hence the spread of digital payment culture along with the expansion of infrastructure facilities is needed to achieve the goal. The RBI and the Government are making several efforts to reduce the use of cash in the economy by promoting the digital/payment devices including prepaid instruments and cards. RBI's effort to encourage these new varieties of payment and settlement facilities aims to achieve the goal of a 'less cash' society. Here, the term less cash society and cashless transaction economy indicate the same thing of reducing cash transactions and settlement rather doing transactions digitally. The RBI and government have launched several

measures for the spread of electronic and other non-cash settlement culture. The Vision-2018 for Payment and Settlement Systems in India brought by the RBI in June 2016 reiterates the commitment to encourage greater use of electronic payments by all sections of society so as to achieve a “less-cash” society. “The broad contours of Vision-2018 revolve around five Cs coverage, convenience, confidence, convergence, and cost. To achieve these, Vision-2018 will focus on four strategic initiatives such as responsive regulation, robust infrastructure, effective supervision and customer-centricity,” – RBI.

The vision statement highlights following plans:

- The regulator wants to reduce the share of paper-based clearing instruments
- It aims to raise growth of the digital payments space.
- It wants to ensure accelerated use of Aadhaar in payment systems. Government also made fiscal measures for the encouragement of card culture in the 2016 budget. Exempting service charge on card-based and other digital payments was one such step.

People Preferred Cash Transactions. Why?

We are all familiar with the convenience of credit and debit cards, and there’s no denying that they’re the preferred method of payment for many transactions. But sometimes good old hard currency is preferable.

Here are some points which are better choice than plastic.

- When you’re buying something you might have to return.
- When you’re shopping at a mom-and-pop store or a farmers’ market.
- When you’re trying to stick to a budget.
- When you’re leaving a tip at a restaurant.
- When you’re at a flea market or craft show.

Risk of Cash Transactions: Cash transaction has its prospective benefits and drawbacks. Sometimes cash transactions have their drawbacks too. Firstly, some businesses who usually make bigger transactions do not like cash being involved. They’re transactions are relatively huge and they prefer to be allowed to pay at a future settlement date. So the seller in this case

is the one who bears the risk of non payment. Other than this he also compromises on a numerous number of clients because he does not allow credit. Most people involving in transactions would prefer to make payment at a later date so that they have cash available to them for longer periods. Moving on, there is always a risk when cash is involved. Cash can be easily stolen or manipulated.

Cashless: Cashless economy or cashless means all the transactions carried out between two individuals will occur by payment through payment gateways or through the plastic money. It is done with the primary aim of uncovering the non-registered transactions. The Indian government with another aim to promote the economy through non-cash transactions has introduced mediums such as: Banking cards, USSD, AEPS, UPI, Mobile Wallets, Banks Pre-Paid Cards, Point of Sale, Internet Banking, Mobile Banking, Micro ATM's. Reducing the economy's dependence on the cash and making it more deviated towards these mediums would result into the betterment of the country and the economy. The cashless economy important by following ways:

- A cashless economy is required to make the transactions more convenient for the layman rather than carrying the bulk of cash in the wallet along with plastic money.
- Cashless economy is needed to reduce the taxes that are charged by the government due to the lack of funds in the government bodies.
- The other need for the cashless economy is that every shady transaction that is left unrecorded will now come into the picture making India one of the fastest-growing economies in the world. Cashless Payment Options: From the event of demonetization many Indians have made up their minds to become used to the cashless economy. It's very convenient, easy and most importantly safer than the cash exchange. Ultimately, it is not just convenient for the user but also facilitates to keeping nation and national economy accountable. For a citizen of India, there are many ways to go cashless. Out of them here some common and very popular types of doing cashless transactions options are discussed. Payment through Card: These cards are the most common form of cashless money handling in India. All you need is bank account with some money in it.

Bank cards are available in two types

• **Prepaid Cards**– These cards can be loaded with cash from your bank accounts. Recharge them like prepaid mobile phones and start shopping, paying and receiving money. There is the added benefit of security. Apart from cashless use, there is no direct link to your bank account. So at the most only the card balance is vulnerable Your bank account details and transactions are safe.

• **Debit Cards**– The only difference between prepaid and debit cards is that these are operated right from your bank account. These have slightly more ease-of-use. Once there is money in your accounts you are eligible to use it. **Mobile Banking:** For using this cashless transaction type we require a mobile phone with GSM network and an account with a bank. Now a day everyone has a smart phone so it is most popular type for doing cashless transactions. Once the mobile phone is connected to the bank account get access to numerous services. A unique Mobile Money identifier (MMID) and Mobile Pin (MPIN) is given to each registered user. specially, cash transfers become very easy with this facility. **E-Wallets:** E-Wallets are the most popular technology sweeping world and India alike. Online shopping or physical shopping all you need is a bank account, internet access and a computer or a smart phone. Just as in prepaid cards, load your wallet with money using debit card, credit card, mobile banking or net banking system. Similarly, a merchant establishment can use these wallets to collect payments. An added benefit of e-wallet is the loads of discounts; cash back offers and range of goods and services to choose from. This creates a win-win situation on either end of the deal! Paytm, Freecharge, MobiKwik are some of the most popular e-wallets in India. Going cashless is easy, fun and of course relatively very safe.

This system is similar to using an e-wallet except banks themselves act as the gateway for cashless transactions and services. After registering mobile number with your bank, download the bank application on your mobile. Key in your unique user login and password and voila! The world is out for you to purchase or sell. Moreover, you can also check account balance or perform money transfer using the same interface.

Point of Sale (POS): This facility of cashless transfer is primarily useful for shop owners or businesses to receive payments. Customers are turned down for lack of change or because of uselessness of 500 or 1000 denomination notes. But this affects businesses adversely as much

as it affects customers. Therefore, shop owners must avail POS services. This is the most common type and available for legal, recognized and taxpaying shop owners easily.

Broadly, there are three types

1. **Physical POS** – The customer simply swipes the credit or debit card at merchant establishment and/or enters pin to pay.
2. **M-POS** – Mobile POS are used to transfer money from the card holder to the seller by means of the seller's phone. The mobile swiping device attached to the seller's phone is a classic example of this type. Once attached, the customer can swipe the card on this device and the cashless transfer is initiated. The customer email and phone number along with signature on the recipient's phone completes the transaction.
3. **V-POS** – In Virtual POS or V-POS, cashless transfer is done by simply scanning the unique bar code on the recipient machine. The required money is transferred securely transferred from the scanning to the scanned machine holder's account. Advantages of Cashless Payment Options: Convenience: The ease of conducting financial transactions is probably the biggest motivator to go digital. You will no longer need to carry wads of cash, plastic cards, or even queue up for ATM withdrawals. It's also a safer and easier spending option when you are travelling. It will be especially useful in case of emergencies. You have the freedom to transact whenever and wherever you want. You don't have to be physically present to conduct a transaction or be forced to do so only during office hours. No more bulky wallets: Yes! If you decide to go cashless you can get rid of those bulky wallets. You need not have to face further discomfort while sitting with those heavy wads of paper bills in your back pockets. Deposit your cash into the bank and join the millions who are enjoying the ease of digital transactions using credit cards, debit cards, mobile wallets, UPI apps and USSD Banking. Having these also means that you don't need to stand in the long queues of ATMs anymore. Just swipe your plastic money or flash the QR code while making payments for your purchases. Freebies, discounts and lucky draws: Your decision to adopt the digitization process and to go cashless can help you enjoy many incentives, freebies, and discounts. While government themselves have announced a list of incentives for going cashless, one should not forget the offers, discounts, and cash backs provided by various mobile wallet operators like PayTM, Mobikwik etc. A lot of e-commerce websites provide you

special discounts when you make the payment digitally instead of going for COD option. If those were not enough, then you should know that government has launched special lottery and lucky draw schemes especially for consumers who indulge in less of cash transactions and more cashless transactions.

No hassles of odd change: Remember the last time your auto rickshaw meter was 47 Rs. but the auto wallah didn't have that 3 Rs. change? What had you done? I know what you did then. You begrudgingly succumbed to the situation and left without the 3 Rs. This kind of situations arises in our daily lives. While some may argue that leaving 3 Rs. may not make much of a change, but let me remind you, these small and odd changes over a longer period of time make a lot of money. Well, as an Indian, a major benefit of going cashless would be to not worry about the odd change. The beauty of cashless transactions is that you can make the exact payment to the last paisa, be it 0.90 Rs. or 0.01 Rs.

Less risky: Imagine a situation where you are travelling abroad and all of your cash gets stolen. You are stranded in an alien nation with no money. What will you do then? Cash once stolen hardly ever comes back. The money is lost forever. But if you get robbed of your debit or credit cards, you can easily block them remotely and be assured that you will face no loss of money. That is a major plus of going cashless. With the continuous improvements being made to financial digitization technology, soon we will have cards which will be enabled by our biometrics, and then it will become extremely difficult for anyone to rob us of our hard earned income.

Disadvantages of Cashless Payment Options:

- The Indian public is not much educated with regards to the benefits of using cards or online payment methods. A vast majority prefer using cash as a convenient method of payment. Even the card holders consider cash to be a quick method and easy method.
- The taxes, surcharges and the fees charged on digital transactions need to be made liberal in order to encourage the people to adopt the practice. Otherwise the public would not be willing to move towards a cashless society.
- Many people who are above 50 years are not tech savvy. Educating them of digital transactions is again a big task

- The works of the banks would change fully and their routine works are going to become complicated and voluminous
- Many poor people do not have bank accounts. Although the Jan Dhan Scheme launched by the government succeeded in bringing millions into the banking system, the process is not complete and many of the accounts are non-functional. The government has to rectify this problem and bring the entire poor and marginalized section into the banking system.
- The small retailers in India deal only in cash and have not been able to invest in the digital infrastructure.
- Hacking and cyber theft are grave dangers that plague the digital world. Hackers can steal information and money from anywhere in the world. The challenge before the government is to put strong security systems in place to protect the online transactions from the hackers. Researchers have shown that it is easy to crack the PIN number and gain access to the virtual wallet by using software, if the cybercriminal gets possession of the victim's phone.

Conclusion

As every coin has two sides, demonetization has positive and negative effect on Indian economy. Although it's a good step for overall economic development of our country. A move to cashless payment system in India focused on those tools which are mainly use to most of the transaction instead of cash. Most of the information took from various newspapers and from internet.

The study demonetization – a move to cashless payment system in India shows that the action which is taken by government is in the right direction. This step helps lots of to become a cashless economy in India. By this study it is mark that now after demonetization people have aware and goes to different types of tools use for doing transactions. If like this whole country will cashless economy can be gets lots of benefits.