



“A STUDY ON THE IMPACT OF DEMONETIZATION ON ELECTRONIC PAYMENT SYSTEM”

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ABSTRACT Demonetization is a generations' memorable experience and is going to be one of the economic events of our time. Its impact is felt by every Indian citizen. It is a radical monetary step in which a currency units status as a legal tender is declared invalid. The demonetization has several aims of eradicating black money, removing counterfeit notes, stopping money laundry and so on. Apart from these direct and primary aims it focuses on encouraging cashless transactions as well. Cashless transaction uses credit and debit cards, online payment gateways and digital wallets for financial transactions. This conceptual paper attempts to study the demonetization process in India and its impact on cashless transactions and E-Payment System.

KEYWORDS : Demonetization, Electronic Payment System, Paytm.

I. INTRODUCTION

Demonetization is the withdrawal of a particular form of currency from circulation. Through demonetization the old currency is replaced by the new currency or a currency circulation is blocked. This is usually done whenever there is a change of national currency, replacing the old unit with a new one. Demonetization affects the economy through the liquidity side. Recently the Indian government has demonetized the biggest denomination notes i.e. 500-1000 Rupees notes, this step has been declared as a master stroke for the Indian economy. This helped in promoting cashless payments. Demonetizing is the progressive shift to a cashless economy with a greater focus on electronic transactions being envisage. With increasing adoption of electronic payments, particularly those driving e-commerce and m-commerce, there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions

II. LITERATURE REVIEW

Veerakumar, K (2017), “A Study On Impact Of Demonetization On People “, analysed demonetization is taken for several measures such as tax evasion, counterfeit currency and funding of illegal activities. Some people are depositing currency notes in excess of specified limits directly into bank accounts and have showed the unaccounted income subject to higher tax and other penalties. Alternative payment methods such as e-wallets, online transactions using e-banking, debit and credit card usage have been increased and this will shift an efficient cashless infrastructure.

Geeta Rani (2016), “ Effects of demonetization on retail outlets”, explained that initially the demonetization effects on market were painful but this investigate the shopkeepers and consumers to adopt cashless means such as paytm, debit card use, internet banking to buy goods. By adopting the cashless means economy will be sound in coming time and India Economy will get benefits of early and hassle free transactions.

Ashish Das, and Rakhi Agarwal, (2010) in their article **“Cashless Payment System in India- A Roadmap”**, stated cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.

Alvares, Clifford (2009) in their reports **“The problem regarding fake currency in India”**, said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

Jain, P.M (2006) in the article **“E-payments and e-banking”**, opined that e- payments will be able to conduct an analysis of growth pattern of cashless transaction system. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of e-payments and communication networks.

III. STATEMENT OF THE PROBLEM

Demonetization is a step of the central government that mainly aims at eliminating black money. Another important advantage of Demonetisation is that it has boosted cashless transactions at a larger rate which ensures transparency in every transaction. More than making the transactions convenient, it hinders the spread of unaccounted money. The mobile wallets and digital payment happen to be the clear winner since demonetization. This study helps to analyse the impact of Demonetisation on Digital Payment System

IV. OBJECTIVES OF THE STUDY

- To study about Demonetization.
- To study the impact of demonetization on Electronic Payment System.

V. METHODOLOGY

The study is analytical as well as descriptive in nature. Both primary and secondary data has been collected for the study. Primary data was collected from fifty respondents from Thiruvananthapuram District and for secondary data, different books, journals, newspapers and relevant websites have been referred.

5.1 DEMONETIZATION OF CURRENCY

Demonetization is the act of stripping a currency unit of its status as legal tender. It is the process of ceasing to produce and circulate particular forms of currency. This is necessary whenever there is a change of national currency. The old unit of currency is retired and replaced with a new currency unit. Legal tender is a medium of payment recognized by a legal system to be valid for meeting a financial obligation. It can be anything which when offered in payment extinguishes the debt. Coins and banknotes are usually defined as legal tender whereas personal cheques, credit cards, and similar non-cash methods of payment are not considered legal tender as debt obligations is not relieved until the payment is tendered.

5.2 ELECTRONIC PAYMENT SYSTEM

With the developments in the information and communication technology, world over, different kinds of payment instruments and innovations in the instruments and the payment systems evolved.

Today we can boast of a strong retail payments framework in the country comparable to that of any advanced country, and perhaps even better than some of them in terms of the variety and efficiency. Various types of payment instruments exist to meet the requirements of different users in different circumstances – bank accounts, cheques, debit and credit cards, prepaid payment instruments, etc.

5.3. BENEFITS OF ELECTRONIC PAYMENT

- The ease of conducting financial transactions is probably the biggest motivator to go cashless.
- It will help in filing income tax returns.
- It reduces real estate price because most of the transaction in real estate is done through black money.
- The cost of maintaining ATM can be reduced.
- If stolen, it is easy to block a credit card or mobile wallet remotely, but it's impossible to get your cash back. .
- It helps to avoid huge amount of money which is spent on cash creation and transportation.

- It helps in implementing welfare schemes more effectively because the fund is directed directly to the beneficiaries account.
- If all transactions are on record, it will be very easy for people to keep track of their spending and this will result in better budgeting.
- Going digital get the following discounts:
 - Service tax: Waiver of service tax of 15% on digital transactions up to 2,000.
 - Fuel: 0.75% discount on digital purchase of fuel through credit/debit cards, E-wallets or mobile wallets.
 - Rail tickets: 0.5% discount on monthly and seasonal suburban railway tickets from 1 January 2017. Online rail ticket buyers get up to `10 lakh free accident insurance too.
 - Rail catering: 5% discount on digital payments for railway catering, accommodation, retiring rooms, etc.
 - Highway toll: 10% discount on NH toll payment via RFID or fast-tags in 2016-17.
 - Insurance: 10% discount by government general insurers on premium paid online via their portals. 8% discount on new LIC policies bought online via its site. POS: Rs 100 a month is the maximum rent that PSU banks can charge for PoS terminals.

5.4. DEMONIZATION EFFECT ON ELECTRONIC PAYMENT SYSTEM

The government wants India to go cashless, but doing so is not easy. Cashless transactions have their downsides for consumers. Traditionally, online transactions were done either by providing debit and credit card details or through net banking interfaces. While there were issues of security, which kept improving, the payment experience was not very user-friendly. These options were also largely restricted to computers with access to internet. But after the smart phone revolution, things have changed entirely. India has seen an explosion in digital payment options, from e-Wallets to the Unified Payment Interface to a combination of the two. There are many cashless payment options available in India. 5 Best cashless payment options in India.

1) E Wallets – E Wallets have become very famous nowadays. After demonetisation, use of e wallets has been implemented at a very large-scale. These e wallets allow users to make payments using your mobile number or by scanning a QR code which takes place in a jiffy. All you need to do is simply download a wallet like paytm.

2) UPI –UPI also known as Unified Payments Interface is another great way to go cashless. Unified payments interface also called UPI is system of payments. Using unified payments interface, people can transact using their smart phones. To pay using this system called unified payments interface, you need 2 important things: Smartphone and a Bank Account.

3) Plastic Money – Plastic Money means debit cards and credit cards that are used at ATM s for cash withdrawal and POS machines while shopping. Having a debit or credit cards make you burden free from carrying cash.

4) Net Banking – Net Banking is another handy way to get cashless transactions done. All you need is a bank account with e banking facility enabled on it. You can transfer funds to others account from the comfort of your home. There is no need of going to your bank to get transfers done. You can make all payments and transfers yourself. This is a very convenient way to go cashless in India as well.

5) Aadhaar Card – Aadhaar Card enabled payment system allows a person to pay using his aadhaar card if it is linked to his bank account. Once you link your aadhaar card to your bank, you can make payments using your finger prints.

VI. DATA ANALYSIS AND INTERPRETATION:-

**TABLE 6.1
PAYMENT MODE PRIOR TO DEMONETISATION**

PAYMENT MODE	NO. OF RESPONDENTS	PERCENTAGE
Cash	30	60
Debit/Credit card	13	26
E-wallet	3	6
Others	4	8
Total	50	100

Source: primary data

It's evident from the table that most of the respondents used cash payments prior to demonetisation and only few of them chose cashless mode of payments.

**TABLE 6.2
DEGREE OF DIFFICULTY TO CARRY OUT TRANSACTIONS DURING DEMONETISATION**

Degree of difficulty	No. of respondents	percentage
Extremely difficult	30	60
Moderately difficult	14	28
Not much difficulty	6	12
Total	50	100

Source: primary data

The above table states that the respondents found it very difficult to carry out the transactions at the time of demonetisation.

**Table 6.3
Demonetisation-a Motivator to access digital facility**

Opinion	No. of respondents	percentage
Yes	43	86
No	7	14
Total	50	100

Source: primary data

It's clear that majority of the respondents turned to digital payment for carrying out the transactions.

**Table 6.4
Commonly used digital facility**

Facilities	No. of respondents	Percentage
Net Banking	13	26
Debit/Credit Card	19	38
E-wallet	8	16
All the above	3	6
None of the above	7	14
Total	50	100

Source: primary data

It can be inferred that 38 percent of the respondents have accessed debit/credit card facility as a result of demonetisation and 7 percent have no access to any of the e-payment facility.

**Table 6.5
People continuing with the digital facility**

Opinion	No. of respondents	Percentage
Yes	36	72
No	7	14
No access to E-payment	7	14
Total	50	100

Source: primary data

The table reveals that 72 percent continue to use e-payment facilities while 7 ceased using the same.

VII. FINDINGS

- Prior to demonetisation, cash was widely used as the mode of payment.
- Demonetisation has acted as a motivator in going digital.
- People widely use the Debit/credit card and Net Banking facilities for carrying out their transactions.
- People continue to use the digital payment facility for settling their transactions, even after the serious effects of demonetisation.

VIII. CONCLUSION

The cashless transaction system is reaching its growth day by day , as soon as the market become globalised and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of

carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction system.

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