

EFFECTS OF DIGITALISATION POST DEMONETIZATION

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ABSTRACT

This paper aims to study the effects of the cashless economy before and after demonetization. Our Research examines if there was growth in digitalisation after the new rule came into existence. This study also examines whether people are shifting towards cashless economy. It also looks into other aspects like mobile wallets which is gaining importance since 2016.

Keywords: *demonetization, digitalisation, growth, liquid cash*

I. INTRODUCTION

“Demonetization is an act of stripping a currency unit of its status as a legal tender. It occurs whenever there is a change of national currency. The current form of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with the new currency.” November 8, 2016 was the when Prime Minister Narendra Modi, suddenly announced that the current existing higher denomination currencies, which are Rs.500 and Rs.1000 will be ceased to the legal tenders. He also said that, this step of his would help to fight back black money and also end to corruption.it had both advantages and disadvantages, but once it’s been adapted, it is within safe mode. Digital payment companies saw the huge usage of their market and also earned profit, as a result of demonetization, where after the ban of few notes people shifted promoting towards cashless transaction or economy, which was really hard in case of few people who were under the areas where there was no proper supply of electricity, internet, network connection and also few people who weren’t exposed to the digital world. Not only people, it also affected the nation’s economy, where we came across that GDP raised by 2%. And not only economy, it also affected the stock markets, real estate, large-scale and small-scale industries and many other sectors.

II. REVIEW OF LITERATURE

- 1) Ayash Yousaf Shah in his article (2017) ‘Impact of Demonetization in Rural India’ where he analysed through Secondary data, said that, Demonetization was a step for fighting against corruption, black money and financing insurgency. It was very difficult for common public when it was suddenly imposed, but targeted veil were not recognised. Rather than getting the news of impact of the new policy, news channels released few unwanted information which was unnecessary. This made a major impact on the parallel economy and the surprise announcement left people with chaos and also discomfort among the general public where they were unprepared for this huge step. He also mentioned that, there was a huge difference or hike in the GDP of the country with the expansion of the country in few aspects and industry.
- 2) Divya Munjal in her article ‘Digitalisation - Solution to Demonetization’ said that, Demonetization is an instrument of government to eliminate the black money. It is also been referred as the Cashless System or Digital system. She used Secondary data and made a descriptive study on Demonetization and concentrated on qualitative data than quantitative, and tried to find its effects, impacts, black money eradication, corruption and etc. It is also mentioned about the short-term plans and few contemporary measures were also been adopted to control black money and improve transparency in the economic transaction even before Demonetization was announced (The Benami Transactions Amendment Act, 2016 and Jan Dhan Yojana). Due to the upliftment of the digital technology usage for transaction, it helped in the reduction in tax evasion. She described that the most difficult part was post the Demonetization as to how to widen cashless transaction in the economy. Though digitalisation was widen in large, still people used liquid cash for transaction, maybe due to lack of internet accessibility, lack of knowledge about the new digital system and etc.

- 3) Ms. Vaishali Punia, Dr. Aman Khera, Dr. J.S. Sehrawat in their research 'A Critical of Demonetization in India: Its Success and Failure', analysed the impacts of Demonetization on sectors like Agriculture, household, poor strata of the society, manufacturing sector, retail sector, stock exchange, banking sector, payment methods, GDP, real estate, health and wealth sectors, political, automobile sector and few other sectors of the industry, with the help of the Secondary data as a Descriptive research. They also found that people with black money divided their money into various sectors and converted them as legal money during the process and let themselves free from the huge fraud. They concluded that Demonetization was not successful as it was unsuccessful in letting out the corrupt people and bring out their black money and also failure to widen Cashless system as maximum population of India rely on Cash for any transaction. Though few improvements were realised in direct tax collection, but the end result was its failure as it was an ill-formulated scheme, ill-planned and poorly implemented and executed.
- 4) Ms.Rahmath Unnisa & Mrs. Dhivya Kumari. G in their article 'Impact of Demonetization: Cash to Cashless - A Study of select consumer' analysed the impacts and the effects of cashless transactions on the Indian economy due to Demonetization and also preaching the awareness and usage of cashless payment or transaction by after Demonetization. Their study was based on Descriptive nature including both primary and secondary data. They conducted their research within Hyderabad region and also used percentage method for analysing the population votes and opinions based on the usage of cashless transaction. Indian Government also came up with few reforms for sustainable and transparent economic development. The end result was that Demonetization affected poor and the common people badly and was a worst situation where they were not accessible to liquid cash and faced difficult times then. But then, Hyderabad could achieve this cashless system easily as most of them are already using it and only need from the Government is to provide telecom network all over.
- 5) R.Darshan, M.Naveen & N.Neethu in their paper "A Study on E-Banking in India before and after demonetization" studied the effect of demonetization on E-Banking in India. They examined the knowledge of rural and urban area citizens about electronic modes of transaction usage before and after Demonetization. They have used Chi-square test to find out how the urban people differ considerably more compared to rural people in their awareness level and the usage level of e-banking services. Their study was based on both Primary and Secondary data collected from various websites. They also said that, by 2020 the whole system of money transaction would change into digitalisation. And at the end of their findings and research, they mentioned that, after Demonetization there have been increase in the ownership in number of bank accounts and gradually even rural area is been interested in storing their savings in a digital payment modes.

III. RESEARCH DESIGN

STATEMENT OF PROBLEM

Demonetization was introduced as a move to uplift the corruption practices and black money. It was considered as both boon and a bane, where few youngsters and people who had knowledge about operating computer and all these mobile transactions felt easy to get addicted to this system. But the most difficulty was faced by the urban area based people who had minute knowledge about these digital techniques and moreover, they were in the region where there was lack of network facility, lack of knowledge among the people about digitalisation and also were unable to afford digital instruments which would help them for money transaction. There was also threat of cyber-crime (bank account hacking), hence people were hesitant to accept the modern technology.

OBJECTIVES

- To review various channels of electronic transactions accessibility to the people.
- To analyse the progress of digitalisation and online transactions, due to Demonetization.
- To know the impact of Indian economy globally after the introduction of digitalisation.
- To identify if Cashless system can stand against liquid cash transaction.

DATA SOURCE

The study is based on Secondary data, where the past year's progress and growth of the digital transactions are been analysed. Few resources have been collected from the Reserve Bank of India website, National Sampling Survey websites and also from few of the articles. The numerical representation of the growth of the digitalisation has been pictorially indicated through charts.

IV. DATA ANALYSIS & FINDINGS**CHANNELS OF ELECTRONIC TRANSACTION ACCESSIBILITY TO THE PEOPLE:**

Electronic transactions do existed before Demonetization too, but its overall usage and effect was comparatively lower than what it's currently functioning like. Post-Demonetization, when there was unavailability and insufficient liquid cash, people were compelled to opt and use these mobile wallets and electronic mode of cash transactions. A lot of people use mobile wallets on daily basis transactions, say like mobile recharge, bill payments, ticket bookings and etc. Hence, the society replaced cash by digital media, where money absolutely exists and been taken into account but the exchange was done only in electronic digital form.

With the use of UPI (Unified Payment Interface), QR Codes (Quick Response), NFC (Near Field Communications), Sound wave, Virtual Cards, Aadhar Pay, Digital wallets and many more digital modes, the smartphones have become the bridge for all these modes of transaction.

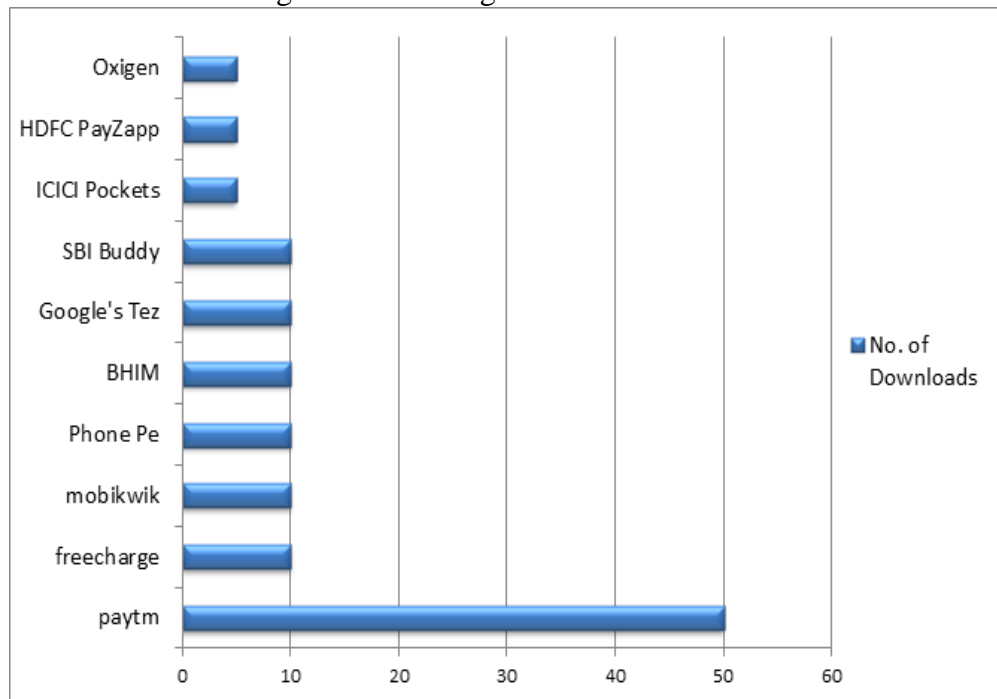
BENEFIT GAINED FROM THIS CASHLESS SYSTEM:

- They had very low maintenance cost, where in few transactions people need not pay service tax.
- Mobile wallets provide plenty Discounts and also during some occasions.
- Easy to use
- Transactions done in very less time
- Safer than liquid cash, with privacy concerns
- Know or track your each receipts and payments
- Overspending is been reduced

Table No. 1: MOBILE WALLETS WITH THEIR NUMBER OF DOWNLOADS AFTER DEMONETIZATION

MOBILE WALLETS	NUMBER OF DOWNLOADS
Paytm	50 Million
FreeCharge	10 Million
Mobikwik	10 Million
PhonePe	10 Million
BHIM	10 Million
Google's Tez	10 Million
SBI Buddy	10 Million
ICICI Pockets	5 Million
HDFC PayZapp	5 Million
Oxigen	5 Million

Figure1: Indicating ROW BAR GRAPH



After the declaration of ban of 500 and 1000 rupee notes, there was serious cash crunch in the whole country where there was shortage of liquid cash availability, even the ATM's couldn't provide for the sufficient cash to the citizens. Hence, people were helpless and unwillingly this scenario made them use the electronic transaction devices for their day-to-day transactions and also to other major purposes. This also made most of the people to enter into the digital world and know about them.

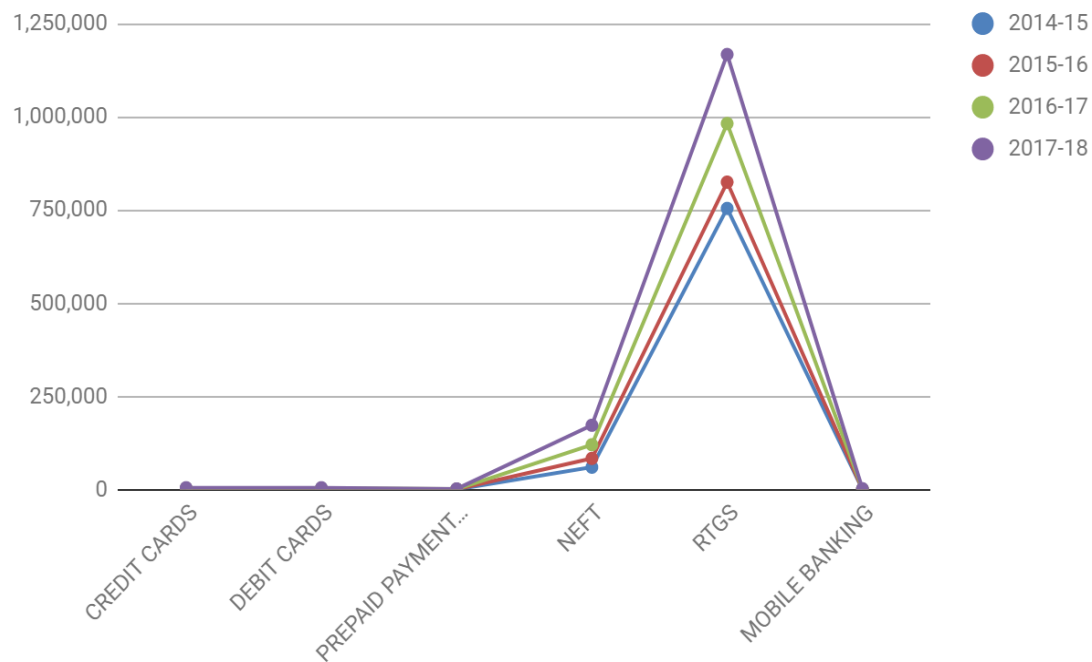
The above table and graph indicates downloads and usage of the mobile wallets by people post Demonetization. This is the cut-out approximates of mobile wallets what people used and downloaded when liquid cash was null.

PAYMENT SYSTEM INDICATORS

Table 2: DATA SHOWING USAGE OF NON-CASH MODE OF PAYMENT

Item	2014-15	2015-16	2016-17	2017-18
Credit cards	1899	2407	3284	4590
Debit cards	1213	1589	3299	4601
Prepaid payments instruments	213	488	838	1416
NEFT	59804	83273	120040	172229
RTGS	754032	824578	981904	1167125
Mobile Banking	171.92	389.49	976.85	1,872.26

Figure 2: LINE GRAPH INDICATING TABLE 2



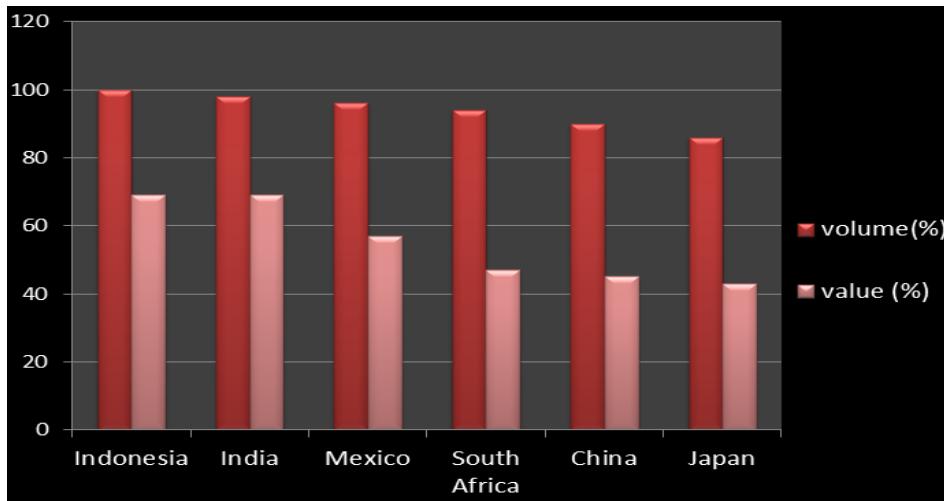
In the above table and graph, we can see the growth of digitalisation year-by-year. To analyse this, we came across Credit cards, Debit cards, prepaid payment instruments, NEFT, RTGS and Mobile banking usages by people before after Demonetization.

From 2014 to 2016, there was a balanced usage of all these digital wallets and people used them not on a very daily basis. But when we come to 2016-17 and 2017-18 data, it is evidently noticed that there is major increase or growth in the electronic modes of transactions. Hence, we can confidently say state that, better growth was seen after the Demonetization. And it was not wrong in shifting ourselves into digitalisation, rather by adapting it, our savings is been secured, can keep track of all our transactions; need to go around bank each and every time.

CASH TRANSACTIONS DONE IN DIFFERENT COUNTRIES IN TERMS OF VOLUME (%) AND VALUE (%)

Table 3: INDIAN ECONOMY INDICATION GLOBALLY

Countries	Volume (%)	Value (%)
Indonesia	100	69
India	98	69
Mexico	96	57
South Africa	94	47
China	90	45
Japan	86	43
Brazil	85	38
Australia	65	20
USA	55	14
UK	48	11



This graph shows that India has one of the highest percentages of transactions in terms of volume and value done through cash. This is before Demonetization which had occurred during November 2016. 98% of the consumer transactions by volume and about 69% by value in India are carried out through cash. As a result very less number of non-cash transactions happens in India when compared to other emerging markets. India, which was not even there in the list of usage of digital modes of transaction, after Demonetization, people gradually shifted from cash to cashless transactions, India also came into the picture for the usage of digitalisation and thereby reducing the cash transactions.

TRANSACTIONS CARRIED OUT THROUGH MOBILE WALLETS

Table 4: YEAR-WISE DATA OF MOBILE WALLETS (IN MILLION)

YEAR	TRANSACTIONS IN MILLIONS
2012-13	32.7
2013-14	106.1
2014-15	255
2015-16	604

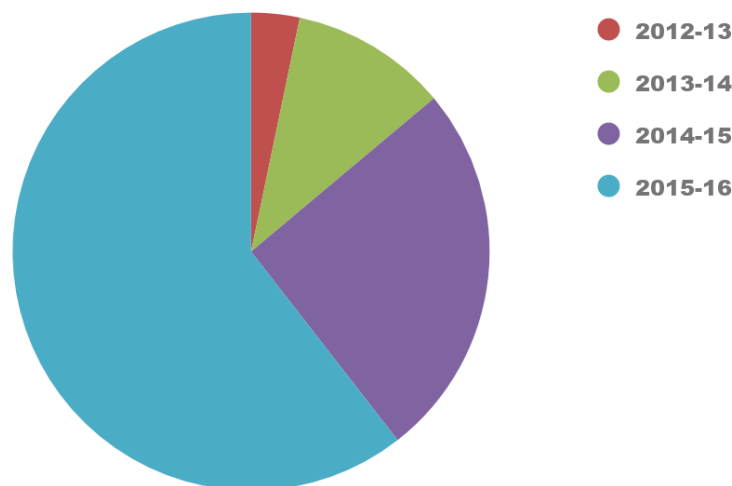


Figure 4: PIE CHART INDICATING NUMBER OF TRANSACTIONS

The above table and graph identifies the transactions using mobile banking done before Demonetization also saying that they were in use by people before Demonetization also, but post-Demonetization it has immensely increased its usage and also users.

In the year 2012-13, 2013-14 and 2014-15, the transactions noticed were in a regular path, later in the year 2015-16, the year when Demonetization was introduced, it was observed that, due to liquid cash crunch, people tend to use mobile wallets and e-wallets and there was increasingly high growth in the transaction made using these mode compared to those of previous years.

V. CONCLUSION

Demonetization has influenced and also brought in few rigorous changes also in the nation's economy and in transaction mode or method of people too. It has both affected the economy and also been the upper hand for the growth of cashless economy. It also made people learn and adapt new technologies for their daily usage. This has made a large impact on reduction of liquid cash usage and increases the safer modes or transactions. Hence, Demonetization is neither a curse, nor a gift to people and economy. This paper studies the effects of Demonetization on digital mode of transactions and also liquid cash. Through the study, four objectives were been established a) to review various channels of electronic modes of transaction accessibility to people, b) check the progress of digitalisation, c) digitalisation and Demonetization impacts of Indian economy globally and d) cashless economy vs. liquid cash, and all these objectives are been efficiently satisfied.

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