

Demonetization: A Way to Cashless Payment System in India

Rajat

Research Scholar Department of commerce Baba Mastnath University, Rohtak (India)

Date of Submission: 15-10-2020

Date of Acceptance: 15-11-2020

ABSTRACT: De-monetization has given a big boost to the digital payment platforms in India. They are fast, reliable, and easy to learn. Which platform an individual decides to choose is dependent on many factors. While an extremely handy and useful software component, it is not without its share of faults and glitches that needs to be resolved soon. Security is still a major concern regarding these platforms. Demonetization has to promote the India's money exchange economy and constrained individuals, and specifically the little vendors to look for alternatives. 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 postdemonetization.

Keywords: Cashless Economy, Demonetization, Digital Payments.

I. INTRODUCTION

Demonetization is the act of changing the existing currency in another form. It also means either introducing new notes of the same currency or fully replacing the old currency with new one. Some of the reasons why government demonetized their nation's currency is because resisting inflation, resist corruption, discouraging cash system in the country etc. In November 2016, The Indian government has taken a bold step to demonetize the Rs.500 and Rs 1000 (fully ban). These two biggest denominated notes accounted 80% of the currency supply. The government's main objectives of note ban is, "to eradicate counterfeit currency, resist tax evasion, destroy the black money and terrorist financing activities, and to encourage the country towards the cashless economy". Nearly a year after India's momentous

demonetization, the government continues to expand options for digital payments to reduce the economy's dependence on cash. 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". 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 Aadhar in payments 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.

II. CASHLESS TRANSACTION

A cashless transaction is an automated or online operation that may take place between two people, business or organizations. A digital transaction is a cashless transaction which specifically involves no paper for completion of the transaction. Purchasing goods from e-commerce websites, signing of business contracts online, or even buying movie tickets through your smartphone app fall under the umbrella of digital transactions. Such operations are accurate, quicker, convenient, and certainly easier. Many are unwilling to accept that there are benefits to a cashless transaction simply because they cannot navigate their way around digital devices, or are just happier to transact using cash. 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.

III. LITERATURE REVIEW

- **Kumar (2015)** conducted a study an analysis of growth pattern of cashless transaction system concluded that the cashless transaction system is reaching its growth day by day, as soon as the market become globalized 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 transactions system.
- **Saini (2015)** in his studies of Demonetization, Metamorphosis for Cashless India', conclude that cashless transaction will lead to e-transactions. There has been a drastic improvement in electronic transactions which may boost cybercrime, so we make people

aware of ways to keep credit, debit cards safe and to train them to teach the measures to keep our transactions hassle free. We need a specially trained cyber police, forensic labs with state of the art evidence gathering tools, public prosecutors who understand technology and cyber courts to punish cyber criminals. Hope India will be in line of developed countries in the days to come.

- **Kumari (2016)** in her studies of Cashless Transaction: Methods, Applications and Challenges concluded that the as the demonetization applied by government of India, Government trying to aware its people for cashless transaction by various kinds of advertisement method but still a large number of people are awaiting for the introduction of cashless transaction. This paper is a study of cashless transaction its different methods, advantages and challenges. This paper will help to understand the basic of the cashless transaction.
- **Shendge (2017)** in their article "Impact and importance of cashless transaction in India". They used descriptive approach to analyze the impact and importance of cashless transaction. They said that financial safety over digital payment channel is important for pushing the cashless economy idea.
- **Balaji & Balaji (2017)** in their article "A study on demonetization and its impact on cashless transaction" said that more than making transaction convenient, it hinders the spread of unaccounted money. He discussed the demonization in various countries like Myanmar, Soviet Union, Australia, Ghana, Nigeria and Pakistan as well.

IV. OBJECTIVES OF THE STUDY

1. To have an insight about the concept of cashless payment transactions.
2. To understand the Important of Cashless economy.
3. To understand advantages and disadvantages of cashless economy in India.

V. RESEARCH METHODOLOGY

This study is conceptual & descriptive in nature with a detailed review of literature, the official websites, research papers and journals were also required during the study.

IMPORTANCE OF CASHLESS ECONOMY

1. Cashless economy means more and more use

of digital mode and less use of cash in transactions.

2. The World Bank's World Development Report-2016 envisages that in many instances, digital technologies have boosted growth, expanded opportunities and improved servicedelivery.
3. Larger size of digital economies in the developed economies is one of the factors of less corruption in these countries as compared to developingcountries.
4. Therefore, in order to escape from adversaries of corruption and black money and to have more transparent and cleaner economic growth with social Justice, less use of cash is one of the suggestedmeasures.

Types Of Cashless Payment Methods

- Cheques and DemandDrafts
- Debit and CreditCards
- UPIApplications
- MobileWallets
- NEFT &RTGS
- IMPS
- QR Codes
- NetBanking

ADVANTAGES OF CASHLESS PAYMENT

- Being a cashless economy furthers the cause of digitization and takes us one stepcloser to utilizing technology at itsfinest.
- Physical thefts and robberies will reduce with a reduction in cashcirculation.
- The printing cost for currency will come down by and large. Fake currency issueswill alsoreduce.
- Cards and Mobile Wallets are handier to carry around and take up less space thancash.
- It becomes easier to follow your expenditure because everything is trackedonline.
- Discounts and cashbacks are being offered for making online payments. Reward points are also being offered by mobile wallets and UPI applications to entice moreusers.
- Servicetaxhasbeenwaivedoncardtransactions upto Rs2000.
- Transacting online improves your budgetary discipline. Having less cash in your wallet forces you to cut down on the smaller yet regular expenses that sneak up into your expenditureelist.
- Transacting online can help you with exact amounts. This means that there is no fighting for small change or paying an extra rupee because you are short ofcoins.
- In case of loss or theft of cards, it can be

blocked within minutes to preventmisuse.

DISADVANTAGE OF CASHLESS PAYMENT

- 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 easymethod.
- 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 cashlessociety.
- Many people who are above 50 years are not tech savvy. Educating them of digital transactions is again a bigtask.
- The works of the banks would change fully and their routine works are going to become complicated andvoluminous.
- 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 hasto 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 digitalinfrastructure.
- 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 thehackers.
- 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.

VI. 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.

REFERENCES

- [1]. Das & Agarwal (2010). Cashless Payment System in India- A Roadmap Technical Report, <http://dspace.library.iitb.ac.in/jspui/handle/10054/1732>.
- [2]. EconomicTimes.Indiatimes.Com.
- [3]. <https://Whatistheurl.Com/Cashless-Economy>.
- [4]. Kumar(2015).“AnAnalysisofGrowthPatternofCashlessTransactionSystem”.Vol. 3, Issue 9.
- [5]. Kumari (2016). Cashless Transaction: Methods, Applications and Challenges. International Journal of Enhanced Research in Educational Development (IJERED) Vol. 4, Issue 6.
- [6]. Patel, Urvi &Amin (2012). Plastic Money, Roadmay towards Cash less SocietyParipex. Indian Journal of research Volume 1, Issue 11.
- [7]. RBI Bulletin December 2016.
- [8]. Saini (2016). Demonetization – Metamorphosis for Cashless India. International Journal of Science and Research (IJSR), Volume 5, Issue 12.