

Effects of Demonetization on the trend of Digital payments in India

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ABSTRACT

In November 2016, Indian government announced demonetizing of 500 rupee and 1000 rupee notes in an effort to curbing corruption, combating crime and preventing of black money. This research paper examines the effects of demonetisation which led to the adoption of digital payments by consumers in India. It also highlights consumer behaviour changes towards digital payments. The findings suggest that demonetisation had a great impact on the adoption and the usage of digital payments in India, although there are some challenges which need to be addressed. Keywords: Economy, Digital payment, Demonetization

Introduction

Demonetisation refers to withdrawal of 500 and 1000 rupees as legal tender and replacing with the new currency notes. This was done to curb black money and corruption and to encourage a shift towards digital economy. Digital payments means when a payment is done via bank transfer, QR codes using UPI, mobile banking and other payment channels such as prepaid cards, debit cards and credit cards. In this review paper, it highlights the rise in the usage of digital payments in India. Factors leading to rise of usage of digital payments, analyses the initiatives taken by the government, technological advancements, and brings to our attention of benefits and challenges in using digital payments. India has seen a rapid transformation in the payment mode in the last few years, as the usage of digital payment has been increased and reduced usage of cash for financial transactions. Rise in digital payments has positively affected the overall financial ecosystem. Significance of digital payments in our country lies in potentially driving financial inclusion, reduce physical cash transactions, enhance efficiency and convenience, fuel economic growth and foster technological innovation. This helps in reshaping India's economy.

Research objectives

- What were the changes in consumer behaviour Post Demonetisation
- How Demonetisation helped in increasing the usage of Digital payments.
- Challenges faced by consumers in adopting the digital payments.

Literature review

Prior to 2016, Indian Government demonetised the denominations of 1000, 5000 and 10000 rupee notes to control fake currency notes and discourage illicit activities. Even though demonetisation was done in 1978, this was on a much smaller scale when compared to demonetisation which took place in the year 2016. The government of India claimed that by banning 500 rupee and 1000-rupee notes would be a step towards curbing corruption, counterfeiting, and stopping the usage of black money in our economy. Thoti (2023) work stress (JS) impacts employee performance, work satisfaction, and organizational productivity worldwide. Bankers must meet goals and do complicated tasks. This study

examines how JS affects banking EP. Literature study and banking industry employee figures. Study reveals JS reduces motivation, job satisfaction, and absenteeism. Organizational support decreases JS's EP-damaging effects, the study found. Statistics show that helpful supervisors and coworkers reduce JS and improve performance. Banks must manage JS because it reduces EP and productivity. The findings suggest that employers should proactively identify and decrease JS causes and give employees with resources to handle job-related stressors. Employee morale and productivity increase.

The goals of Demonetisation are as follows

- Curtail the shadow economy.
- Cashless transactions should be increased.
- As Counterfeit cash was used to fund the acts of terrorism, to put an end to this demonetisation was brought into the place.

This move had a mixed reaction. As some people praised government for trying to bring a positive change in the society. Others were not so happy as this resulted in people's economic hardship and inconvenience. In the short-term it had a significant impact on the economy, as people struggled to exchange old notes with the new ones, which resulted in the sharp decline in the economic activity.

According to Thoti (2022) Rising populations and costs make healthcare funding difficult in many developing nations. This study evaluates professionals' healthcare endowment intentions. Endowment has improved healthcare access for decades. PLS-SEM was used to examine 169 complete results from 260 Malaysian professionals. Knowledge does not affect Malaysian professionals' group community's healthcare endowment contribution. Attitude, religion, and subjective norms do. This study will expand conceptual understanding of the characteristics that impact Malaysia's professional group community's intention to donate to healthcare endowment, which endowment institutions can employ to attract these donors.

Digital payments are those payments which are made via smartphone, tablet, or a computer. In addition to these, payments can also be made through In-app and point-of-sale (POS).

Benefits of making digital payments

- Convenience – With the help of internet connection, payments can be made easily and quickly from any part of the world.
- Security – When people have to carry physical cash from one place to another, they might be subjected to theft or losing them but it becomes more secure when the payment is done digitally.
- Efficient and time saving mechanism – Processing cheques and cash are time consuming process, when businesses make digital payments, it would result in time saving mechanism.

Challenges of Digital payments

- Fraud – Consumers using digital payments should take proper steps to protect themselves from fraud like not clicking on hyperlinks sent by unknown persons on their mobiles, to use a password which has alphanumeric and special characteristics in it. While doing online banking it is best to avoid internet centres.
- Technical problems – In case of power or internet outages, payments via digital payments will result in technical problems.
- Consumer adoption- Not all the consumers are comfortable using digital payments, they need to be educated about the usage of digital payments.

Impact of Demonetisation on digital payments

Demonetisation had a great impact on digital payments in our country. After the announcement, usage of mobile wallets, credit cards and debit cards had increased rapidly. As they weren't having enough cash for financial transactions, had no other option than to use digital payments. Digital payments in the following months increased by 200 % according to the data published by National Payments Corporation of India (NCPI). There were number of factors like increased awareness of digital payments, convenient usage and Government's push for digital payments. Kiran (2022) In a crisis like Covid-19, SME/firms' ability to execute business activities via internal and external social capital networks will increase entrepreneurial orientation (EO), support, and performance. Covid-19 SMEs' entrepreneurial spirit, GSP access, and market success depend on social capital. PLS-SEM interviewed 369 business owners. Social capital, government aid, and proactiveness affect SME performance, but not innovation or risk-taking. Social capital impacts GSP access, innovation, proactiveness, and risk-taking. To improve EO and performance during and after the COVID-19 epidemic, firms should use social capital to seek government, friend, and relation support. Our findings supported social capital and resource base assumptions of impoverished SMEs during pandemics.

Research methodology

Data is collected from secondary sources like Journals, magazines, newspapers, published articles, RBI published data and reports published by private and government agencies.

Findings and analysis on the usage of digital payments

- Post demonetisation, many studies were conducted by government and private agencies which showed that digital transactions surged, indicating that consumers preferred cashless transactions.
- Introduction of UPI emerged as popular and convenient method of digital payments for consumers.
- Due to increased usage of digital payments in India, even the traditional financial institutions started their own digital payment system to meet the growing demand.
- Government initiatives and policies played a crucial role in the higher usage of digital payments like introduction of BHIM (Bharat interface for money) app and implementation of GST.
- It impacted on informal economy as more consumers started using digital payments, accounts became easily traceable which helped in reducing black money and improving tax compliance.
- POs (Point of sales terminal) rose by 63 % according to the data published by RBI. During this period, more than 9 lakhs POs machines were purchased and installed by various businesses.
- Post demonetisation, there is an increased usage of mobile banking services. Both private and public banks started offering mobile banking services through various channels like text messages and mobile applications.
- Several studies were conducted by various government and private agencies showed that adoption of mobile payments by street vendors, shop keepers led to high increase usage of mobile payments.
- According to data published by RBI, there is a decline in ATM withdrawals and increased usage of digital payments in India.

Above points highlighted, shows as how Indian economy is moving towards cashless transactions.

Conclusion and Recommendations

Growth of Digital payments has shown a positive outlook towards our country's economy. As more cashless transactions are taking place, it will help in curbing corruption, black money and combating crime. As digital payments are secure, easy and faster to use, it will provide great opportunities for businesses. Continuous efforts of our Modi's government indicate a very positive outlook for the future

of digital payments in India. Even though there are several benefits of using digital payments, there are certain sections in the society which are not keen to use this system. Government need to take more measures in enhancing digital literacy, improve digital infrastructure, strengthen security measures and conduct public awareness camps in removing misconceptions of using digital payments. Through these measures, India can further strengthen its digital payment ecosystem and pave the way of success of more cashless economy.

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