

# A STUDY ON IMPACT OF DEMONETIZATION ON ONLINE TRANSACTIONS

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**Abstract:** Demonetization is the act of stripping a currency unit of its status as a legal tender. In other words, it is the withdrawal of particular form of currency in circulation. Technically, it's a liquidity shock which jams consumption, investment, production and employment as well. India is one of the key growth countries for the companies with huge potential in e-commerce. With the unmatched move of the Indian Government, Reserve Bank of India has withdrawn the old Rs 500 and Rs 1000 notes as an official mode of payment. It is a brave step to transform the country into a "Cashless" economy where 90% of the transactions are carried out in cash. The present paper studies the factors which enhance the online transactions due to demonetization. The paper also deals with one of those problems: what are the effects on online transactions during this huge transformation period and what are the changes in the trend of online transactions (encouraged or discouraged) from a cash dominant economy to a cashless economy.

**Key Words:** Demonetization, e-commerce, cash, economy, currency.

## 1. INTRODUCTION:

Many people whose debit cards were inactive are becoming active, the transaction limits on the debit cards have been increased, their values have gone up, the value of mobile banking transactions have also been increased. With these facilities people are trying to get used of the online transactions. When only the lower denomination currency is being used as a medium, people are trying to go for online transactions and online payment systems to handle their daily expenses. Online transactions have witnessed a massive increase in app download.

Demonetization is the act of stripping a currency unit of its status as a legal tender. In other words, it is a withdrawal of particular form of currency circulation. This move is usually undertaken when the old currency is replaced by new one. This paper is focusing on the issue of making the Indian society a "cashless society". This is correct that 100% cashless society is never possible in a country like India but people can make the start with less-cash society, after this start, the dream of a cashless society will not be a far-off destination. Many youths are indulging in the process of teaching people and families how to conduct cashless transactions through mobile apps, mobile banking and debit/credit cards. But with this, there are many problems which are to be tackled and it would take time to get emerge out of its impact. This great move has been taken for many important purposes such as to reduce untaxed black money, to reduce the wild corruption, to encourage cashless transactions etc. This move will definitely bring about a whole amount of transition to no cash or low cash kind of transactions.

India is one of the key growth countries for the companies, with a huge potential for growth in e-commerce. The cash crunch may bring the cash on delivery sales down significantly of e-commerce and increase the online payments". For e-commerce companies such as Amazon, Flipkart, Jabong.com, Snapdeal etc. already have a digital payment system, pointers to higher online payment which ultimately eliminates the troublesome cash on delivery options as well as there are e-wallets like paytm, oxizen, freecharge and mobikwik etc., plastic money (debit cards and credit cards) etc. for the digital transaction system.

But with these positive things, there are many problems that the people are facing during this cash crunch move. There are many mishandling on the part of the Banks and third party who manage the ATMs. There is a shortage of liquidity whether it be a bank, people or anything else. This paper deals with the objective mentioned below and its effects on online transactions during this transformation period.

## 2. OBJECTIVES:

The main objective of study are:

- To study the factors affecting/influencing the usage of online transactions.
- To study its short term as well as long term aspects.
- To study the reasons why there is a substantial increase or decrease in digital transaction system.
- To analyse the fact that whether language is a barrier dealing online.
- To study the challenges being confronted by the Government.

## 3. RESEARCH METHODOLOGY:

The present study is descriptive type of research. Descriptive research is used to describe the characteristics of a phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred. Rather it

addresses (What are the characteristics of the population or situation being studied?). The characteristics used to describe the situation or population is usually some kind of categorical scheme also known as descriptive categories. The study is based on the secondary data. Secondary data has been collected through the entire relevant sources:

- Discussions
- Newspapers
- Internet
- Government reports and publications
- Other Research Article

#### 4. FACTORS AFFECTING /INFLUENCING THE USAGE OF THE ONLINE TRANSACTIONS:

People are trying to get used of online transactions to make economy a cashless economy.

**Mismanagement of ATM – Calibration of Rs.500 and Rs. 2000 (Work of Third Party) :** - ATMs are not receiving the proper cash during the cash crunch period, has not been calibrated properly, only Rs 100 notes are being fed. Earlier guards use to visit once in a day to check cash and other facilities but now nobody comes for even in the week.

**Mismanagement in Circulation of Money in rural and Urban area as per requirement:-** the initiative of demonetization has caused a chaos across the country. People want bank notes, but the current supply of currency is not meeting the demands of rural as well as urban areas as per their requirement. Needs are huge but the circulation of money is scarce. It has created headache as ATMs and banks regularly run out of cash.

**Long Q in front of Bank and ATM :-** banks and ATMs are hit by the shortage of currency but the needs of the people are abundant which results in the long queues in front of banks and ATMs which is a wasting their precious time standing in queues.. Many of the ATMs are shut for the long time from the period of demonetization came into effect. This has led to the increase in the demand of online transactions.

**Special Discount offer on online payment/ Money saving:-** economic policy in the country can impact the growth of online transactions. E-commerce companies are boosting their sales by attracting and provoking the population by providing special discount offers on the usage of online payment system, making them understand that it will save their time as well as money also. Due to these offers, people have started using modes of online payment.

**Threat of Income Tax Department:-** the threatening statement that the cash deposits will be taken up for the income tax enquiry was a serious and true statement. Income tax department has made mandatory rules to furnish PAN and reporting to them by bank has made people alert and alarming.

**Non Availability/ short availability of Cash at Bank:-** when cash is not available at the banks and ATMs, people who are well equipped with the plastic money and other modes are not wasting their time lined up outside the banks and ATMs. They have increased the usage of online transactions and trying to get habitual of the online transactions.

**Non availability of Cash in Market as near about 86% of cash has been wiped out from the market:-** India is a country dealing with 90% of transactions in cash and when suddenly 86% of cash has been wiped out from the market, it brings people with shock. Non availability of cash in the market forcing the people to meet their daily demands through the online transaction systems or modes.

**Transparency:-** online tools brings transparency to the dealings. It make things easy for others to see what actions are being performed. All the information is being disclosed to everybody making use of it.

**Threat of robbery, pick-picketer:-** plastic money like debit card and credit card can be carried with, mobile apps, e-wallets can be used without the fear of theft and cash robbery from home. Online transactions lessens this fear pf people using online tools as compared to people using cash for their transactions.

**Audit trial/ Track all transaction anytime anywhere:-** dealing online helps in tracing all the details of the transactions in a one click. It gives convenience to track all the details of the day to day dealings anywhere and anytime. It is simple, secure and free and ensure the entire payment process traceable.

**Recording for Future as evidence – For Bank, People, Government and Tax Department:-** the transactions dealt in the electronic modes can be recorded as evidences for future. It can be preserved by banks, people, income tax departments as well as for the government. It maintains authenticity and reliability of the records maintained electronically.

**Easy and Fast:-** dealing online is easy and cost effective for both seller as well as the purchaser. It is a dealing that saves your time and money simultaneously.

**Advertisement / campaign / Motivation to use people- Television Newspaper:-** people are influenced by the advertisements and campaigns which are undertaken to motivate them to try and go cashless. These adds and campaigns are shown in the television and newspapers again and again to encourage people towards online transactions.

**Threat to the people that Money do not become paper due next move of Government:-** one of the important factor influencing the usage of online transactions is the fear of another move to be taken by the government. Demonetization was the move that brings people in the big shock and now people are trying to be transparent as possible as they can in terms of money because of the fear and threat of the next unexpected move by the govt.

**Time constraint (Leaving Job and standing in a Q) Costing and easy of doing payment for people:-** wasting time in the long queues in front of the banks and ATMs is making people angry all the time. It is making their life very difficult. For the small amount only they have to take leave from their jobs and standing in the Q and then too people need to be lucky for the cash because it don't take time to ATMs running out of cash.

**Easy to carry debit and Credit Card:-** it is very easy to carry plastic money in the pockets without the fear of theft. Even if it is misplaced, it can be blocked and many more facilities are there to come out of the difficult situations.

**People thought that country near to corruption less:-** the objective behind the decision of demonetization is the reduction of corruption from the economy and people are supporting this move even when they are facing so much of problems in their daily lives. E-payment will help in the reduction of the corruption because it is a transparent payment system.. it will ensure a good governance system and it will be an important tool in the reduction of the corruption.

**It will get rid of terrorist activities:-** when everything becomes transparent, it will help in tracking the terrorist activities as well. One of the Motive of demonetization was the end of terrorism and digitization will be helpful in getting rid of the terrorist activities.

## 5. IMPACT OF DEMONETIZATION ON THE E-COMMERCE IN SHORT TERM AND LONG TERM:

Demonetization has the short as well as long term effect in terms of the trend of online transactions. In the short term, because of this cash crunch/liquidity crunch, people are not able to meet their daily expenses and this is creating a big problem for the lower income people/ daily wage earners, small traders and producers but in the long term it is beneficial to the whole economy. These benefits are as follows-

- Lot of businesses using cash to conduct their business and their income goes unaccounted, taxes are not paid on it. With the excessive use of online transactions, this income will turn into an accounted income.
- Many people will move to banking including Jan Dhan, post office and mobile banking.
- Reduction in operational expenses of government and increasing productivity.
- Bringing more awareness regarding online transactions.

Hence, in the long run it is very beneficial to the individual, society as well as to the economy as a whole.

### **The reasons why there is a substantial increase/ decrease in digital transaction system.**

There are various reasons of a substantial increase in the digital transaction system.

1. Reducing the volume of cash transactions is the best way to eradicate black money.
2. There is a consistent initiative to educate the group of people towards usage of online transactions.
3. Various new and innovative ideas are being developed to attract customers. *Eg. My mobile, my bank, my wallet!!! Use mobile payment app or USSD(\*99#) for cashless transactions anytime and anywhere.* These messages are being forwarded to the general public by Government of India.

### **Whether language is a barrier dealing online ( Non availability of regional language).**

Yes, language is the barrier for the general and lower class people to deal with online transactions because all the apps, e wallets and other modes of payment are in English language which is difficult to understand by the illiterate people and lower class people though they are well equipped with the smart phones but they cannot make use of it fully. This is a matter of great concern in the promotion of making digital India. And for this various committees are planning to change the language of the modes of digital transaction system.

## 6. CHALLENGES:

**Cyber-crime:-** In the fulfilment of the objective of demonetization, encouraging for cashless transactions as a way to reduce corruption is stepped with cybercrime issue which is needed to be dealt with. This issue will raise questions for the govt to address the cyber-crime.

**Leakage of database / important information:-** Fear of pranksters and hackers have always been there while using the electronic mode. There are many ways through which the important information can be leaked and hacked.

**Necessary amendment need to be done in Cyber Law :-** To tackle with the problem of cyber-crime, the need is to amend the outdated laws with the new laws which can help to minimize the cyber-crimes and make the electronic system more reliable.

**Security of Money:-** Major issue is with the security of money. The government will have to make people fully satisfied and have to maintain trust in the usage of the electronic transactions or e-commerce so that people can go for the cashless economy when they will be satisfied that their money is safe and secured.

**To bring awareness of online technology among the people in Rural area:-** Rural area is full of illiterate people and they are not aware of the latest technologies being introduced in the economy. They have to be updated because this cash crunch move is for the lower class people and they must be given more importance and concern. More and more campaigns must be conducted in rural areas to bring awareness among the rural people.

**Conversion of mind set up of people to pay tax:-** People in India are having the tendency to avoid or evade the payment of tax. This mind set of people need to be changed and for this the loopholes of the income tax law has to be fixed and people should be aware about the importance and benefits of paying tax.

**To bring the people in line of Current scenario, people who are beyond age of 45 years not familiar with current technology:-** Youths of rural as well as urban people are familiar with the technologies being used but the problem comes when we talk about the people who are above the age of 45 years. They don't know how to use the smart phone, they even fear to take the smart phone in their hands just because they are highly illiterate so they need to be bring up with the current technological era so that they can also get the benefits which they are not getting due to their illiteracy.

- Dependency of illiterate people on literate people may lead to take advantage
- Due to Tax invoice bill may raise cost to consumer especially those whose earning below the basic exemption limit

## 7. FUTURE PROSPECTS:

**Cash less economy :-** Moving towards the cashless economy means moving towards making India a developed economy. It is one of the important factor in the growth and development because in India about 90% of transactions are made in the cash which leads to more and more corruption, terrorism and a way to make black money. Cashless economy will bring transparency.

**Job employment:-** More digitization, more development, more growth leads to more job employment opportunities.

**Easy availability of Information:-** Information can be easily available in the technological era. Hence, digitization must be excessively promoted.

**Minimization of Mediator help in reducing unnecessary cost:-** While purchasing and selling goods and services, we are involved with the chain of the mediators. Eg: producer is producing goods when he gets the raw material from supplier, wholesalers and retailers but with the help of digitization, the chain of mediator will be vanished and anybody can make purchases and sales directly which will ultimately cut the unnecessary costs.

**Tax collection for the government:-** With the increased transparency in the processes of dealings or trading, it will be easy and helpful to government to collect tax.

**Easy to collect data:-** People can collect any type of information or data of their use irrespective of the data of household, business, trading, commerce, banking etc. from anywhere and at any time.

**Time Cost and Place:-** Going cashless will be helpful in the cost effectiveness and reduce the operational expenses of government and it will improve the efficiency of their work, it will save the time which can be invested in making other important policies by the government for the welfare of the people.

**Availability of Track record:-** As already discussed, with the usage of the online transactions, easy availability of data will be there for everybody and track records can be maintained easily.

**Safety:-** E-commerce or electronic mode is the safest way of handling the money because it reduces the chances of theft, robbery as well as misplacement of the money.

Hence, in the long run it is very beneficial to the individual, society as well as to the economy as a whole.

## 8. CONCLUSION:

In the country like India which is a cash dominant country, when suddenly a huge transformation comes to change a cash transactions facing a reduction, into a cashless transaction such as online transactions and other modes of payments. In this study, it is concluded that there is a flood in demand of online and other alternative modes of payments during demonetization because of great shortage of liquidity in banks, ATMs as well as in the hands of the people. Digital transaction systems, e-wallets, apps, e-banking, plastic money (debit and credit cards) will certainly see significant increase in demand and strengthening these systems. Decision of Demonetization resulted in the increased use of mobile wallets. Many banks are also promoting and launching the apps for the easy online transactions like state bank of India has launched UBI app for mobile banking, paytm, freecharge another mobile apps have seen a tremendous hike in the online payment system. Customers are using e-commerce or electronic payments at delivery and this has been 10X growth.

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