

Impact of Demonetization: Cash To Cashless-A Study Of Select Consumer

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Abstract: *The Government has implemented a major change in Economic environment by Demonetizing high value of currency notes -Rs. 500 and Rs.1000 denomination. Demonetization is a sudden stop in terms of currency availability; it created a situation of currency jams on consumption, investment, production, employment etc. This paper examined the impact of Demonetization on the growth of Indian Economy and also made an attempt in evaluating the awareness and usage of cashless payment by consumers after Demonetization. A study was conducted in Hyderabad Region and the data was collected with the help of structured Questionnaire and was further analyzed using (SPSS)and percentage method. A Cashless economy is an economy in which all types of transaction carried through digital means. It includes E- Banking, mobile banking, Debit and Credit card, Digital wallet etc. The paper tries to throw a light on the rising trend of digital transaction in India being carried out in various cashless modes after Demonetization .The study shows that Impact of Demonetization has felt by every Indian Citizen and Introduction of Cashless Economy in India can be seen as a step in right direction as it helps in growth and development of economy in India.*

Keywords: *Cashless Economy, Demonetization, Digital Payment, India*

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. The recent data shows that new digital payment methods are building momentum. These innovations offer simple, universal tools that may help India to reach a cashless economy.

II. Literature Review

Deepika 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.

Piyush 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 transaction system.

Saini, B.M(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 cyber crime, 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.

III. Objective Of The Study

- To study impact of Demonetization on the growth of Indian Economy
- To evaluate the awareness and usage of cashless payment by consumers after Demonetization.

IV. Research Methodology

The study is based on descriptive nature, both primary and secondary source of data were used. The primary source of data collected through self constructed questionnaire. A sample of 100 respondents from Hyderabad region was taken for the study. The collected data was analyzed using Statistical Packages for the Social Sciences (SPSS) and percentage method. The Secondary data was collected from journals, magazines and websites for the study.

V. Demonetization Of Indian Economy

Demonetization refers to an economic policy where a certain currency unit ceases to be recognized or used as a form of legal tender. In other words, a currency unit loses its legal tender status and a new currency comes into circulation. From time to time the Government formulates fiscal policies that are meant to encourage economic growth. A lot of black money circulates in the economy and most of them are unaccounted because the sources of income are not known to the government. To wipe this money out of circulation, the government can demonetize currency notes, so that the money holders are forced to deposit their money in banks or lose their wealth. It is a strategy that worked quite well for many countries. Demonetization is also referred as the process of moving people from a cash-based system to a cashless system (digital system). Keeping hard cash is a practice that is not encouraged by the government and other financial institutions. Therefore, moving people to a cashless system is a favorable economic policy for the development of the country.

On November 8th 2016, the Prime Minister of India Mr.Narendra Modi announced one of the boldest moves in the history of India by banning Rs.500 and Rs.1000 currency notes. The impact of banning the currency notes was felt by every Indian Citizen. Now Let's analyze the political, economic and social impact of the demonetization in detail.

V.1.1 POLITICAL IMPACT

The political impact of demonetization was felt by the whole country with majority of the educated people offering support to the demonetization. The speeches against black money made by Prime Minister Mr. Narendra Modi are attracting huge crowds turning into vote banks for BJP. There is a growing support for BJP from the educated people and especially the youth for the bold step taken to curb black money.

The opposition parties however oppose the demonetization drive. The continuous adjournment of both the houses indicates this scenario. Dr. Manmohan Singh, ex- prime minister of India has said this move as unlawful against democracy. His statement came out in the Rajya Sabha in the presence of Mr. Narendra Modi. Opposition parties strongly oppose the demonetization implementation process.

V.1.2 SOCIAL IMPACT

The banning of Rs.500 and Rs. 1000 notes was released suddenly and the worst affected was the common man. The social impact was drastic with marriages facing severe issues with cash transactions. People conducting marriages must produce the marriage invitation to withdraw 2, 50,000 and above. This has caused great difficulty among the public.

The impact on the health care sector was huge with hospitals refusing to accept the old currency. The common man faced severe issues transacting in the hospitals with old currencies and several cases of death had been registered for not attending the patients due to demonetization

Salaried employees faced the issue on the opening day of the month with their salaries credited in the bank account but they were able to withdraw only 2,000 rupees from the ATM machines. Many salaried people have gone to the bank branch to withdraw their full salary amount with loss of pay.

Social problems in the form of road blockades and quarrels arouse with people waiting in long queues before the banks and ATM machines. People become restless spending an entire day to withdraw money. Several deaths have been registered as a result of waiting in long queue. Pensioners are worst affected with no special provisions made for senior citizens in banks.

V.1.3 ECONOMIC IMPACT

Demonetization is viewed as a measure of sterilizing the money. RBI plays the pivotal role in this demonetization drive. All the banking experts welcome this demonetization measure. Considering the banking sector, both public and private sector banks are facing the severe issue of Non-Performing Assets (NPA) or Bad loans to the tune of 10 lakhs crore including the stressed assets according to RBI sources. This demonetization measure will help banks to recover some bad loans and improve their financial position.

Considering the entire economy of India as a whole, demonetization will make most of the transactions to be done through the formal banking sector. This will increase the transparency with people and corporate paying tax properly. Income Tax department has reported that only 4 percent of the individuals pay income tax while this figure has to be increased to 28 percent. The demonetization will help achieve this target of the Income tax department. When black money within India gets curbed, it will result in the overall economic development of the nation.

V.2. CASHLESS ECONOMY IN INDIA

The Digital India is a flagship program by the Government of India with a vision to transform India into a digital society and knowledge economy. “Faceless, Paperless, Cashless” is one of professed role of Digital India. India continues to be driven by the use of cash; less than 5% of payments happen electronically, however the finance minister, in the budget speech, spoke about the idea of making India a cashless society, with the aim of mopping black money. Even the RBI has also recently announced a document — **“Payments and Settlement Systems in India: Vision 2018”** —with a plan to encourage electronic payments and to make India to move towards a cashless economy in the medium and long term.

Benefits of Cashless economy:

- In Financial year 2015, RBI spent Rs. 27 billion on just the activity of currency issuance and management. This could be avoided if we become cashless society.
- It will pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital.
- There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients. Thus once money is transferred directly into a beneficiary’s bank account, the entire process becomes transparent. Payments can be easily traced and collected, and corruption will automatically drop, so people will no longer have to pay to collect what is rightfully theirs.
- There will be efficiency gains as transaction costs across the economy should also come down.
- 1 in 7 notes is supposed to be fake, which has a huge negative impact on economy, by going cashless, that can be avoided.
- Hygiene – Soiled, tobacco stained notes full of germs are a norm in India. There are many such incidents in our life where we knowingly or unknowingly give and take germs in the form of rupee notes. This could be avoided if we move towards Cashless economy.
- Reduced costs of operating ATMs.
- Speed and satisfaction of operations for customers, no delays and queues, no interactions with bank staff required.
- Reduction of tax avoidance because it is financial institutions based economy where transaction trails are left.
- It will curb generation of black money
- Will reduce real estate prices because of curbs on black money as most of black money is invested in Real estate prices which inflates the prices of Real estate markets.

VI. Hypothesis Of The Study

- H0 – It is assumed that there is no impact of demonetization and no changes in spending pattern before and after demonetization by consumers.
- H1 – It is assumed that there is an impact of demonetization and also changes in spending pattern before and after demonetization by consumers.

VII. Analysis Of Data

The data is cross tabulated and chi-square is applied to understand the association between Income of the respondents and

- Perception of the respondents with respect to their level of difficulties faced after demonetization.
- Perception of the respondents with respect of the idea to go cashless.

- Perception of the respondents with respect to the spending pattern shifting from cash to cashless.
- Perception of the respondents with respect to the mode of payments before and after demonetization.

VII.1 Income vs. Affected by Demonetization

Table 1 – Income Vs. Affected by Demonetization

INCOME	VERY MUCH	MODERATE	SLIGHTLY	TOTAL
Up to Rs.2,50,000	20(20.8%)	8(8.3%)	4(4.2%)	32(33.3%)
Rs.2,50,000 to Rs.5,00,000	18(18.8%)	6(6.3%)	2(2.1%)	26(27.1%)
Rs.5,00,000 and above	6(6.3%)	2(2.1%)	2(2.1%)	10(10.4%)
None of the above	16(16.7%)	8(9.3%)	4(4.2%)	28(29.2%)
Total	60(62.5%)	24(25.0%)	12(12.5%)	96(100%)

Chi –square = .033

Source: Primary Data

Data Interpretation & Analysis

1. Table 1 indicates that 60(62.5%) of the respondents under various Income group are very much affected by Demonetization, while 24(25.0%) of the respondents are moderately affected and only negligible 12(12.5%) of the respondents under various income group are slightly affected by Demonetization.
2. From the above Table, it is inferred that the Pearson Chi-Square is 0.033 which is less than 0.05. So H₀ is rejected and H₁ is accepted, hence it is clear that there is an impact of demonetization on consumers. This clearly states that the impact of Demonetization was felt more by poor and common people.

VII.2 Income vs. Preferences

Table 2- Income vs. Preferences

INCOME	Cash payments	Cashless payments	Total
Up to Rs.2,50,000	10(10.3%)	22(23.0%)	32(33.3%)
Rs.2,50,000 to Rs.5,00,000	2(2.1%)	24(25.0%)	26(27.1%)
Rs.5,00,000 and above	0	10(10.4%)	10(10.4%)
None of the above	6(6.2%)	22(23.0%)	28(27.1%)
Total	18(18.8%)	58(81.2%)	96(100%)

Chi – Square = 0.000

Source : Primary Data

Data Interpretation & Analysis

1. Table 2 indicates that 58(81.2%) of the respondents under various Income group prefer cashless payments and only negligible 18(18.8%) of the respondents prefer cash payments.
2. From the above Table, it is inferred that the Pearson Chi-Square is 0.000 which is less than 0.05. So H₀ is rejected and H₁ is accepted, hence it is clear that there is an impact of demonetization and also changes in spending pattern before and after Demonetization.

VII.3 Income Vs. cash or cashless

Table 3- Income vs. cash or cashless

INCOME	Yes	No	Can't say	Total
Up to Rs.2,50,000	12(12.5%)	0	8(8.3%)	20(20.8%)
Rs.2,50,000 to Rs.5,00,000	16(16.6%)	2(2.1%)	4(4.2%)	22(22.9%)
Rs.5,00,000 and above	16(16.7%)	4(4.2%)	4(4.2%)	24(25.0%)
None of the above	16(16.7%)	0	12(12.5%)	28(29.2%)
Total	60(62.5%)	6(6.3%)	28(29.2%)	96(100%)

Chi – Square = 0.025

Source data: primary data

Data Interpretation & Analysis

1. Table 3 indicates that 60(62.5%) of the respondents under various income group felt that it is a good idea to go cashless, while 28(29.2%) of the respondents felt that they can't say whether it is a good idea to go cashless and only negligible 6(6.3%) of the respondents felt that it is not a good idea to go cashless.
2. From the above Table, it is inferred that the Pearson Chi-Square is 0.025 which is less than 0.05. So H₀ is rejected and H₁ is accepted, hence it is clear that there is an impact of demonetization and also changes in spending pattern before and after Demonetization and most of the consumers felt that it is a good idea to go cashless.

VII.4 Income vs. Spending Pattern

Table 4 – Income vs. spending pattern

INCOME	Very much- most of my transaction are in cash	Slightly- But I have started to get a hang of Digital payment	Not at all- most of my transactions are cashless	Total
Up to Rs.2,50,000	8(8.3%)	18(18.75%)	2(2.1%)	28(29.1%)
Rs.2,50,000 to Rs.5,00,000	10(10.4%)	12(12.5%)	4(4.2%)	26(27.1%)
Rs.5,00,000 and above	2(2.1%)	4(4.2%)	4(4.2%)	10(10.4%)
None of the above	14(14.6%)	16(16.7%)	2(2.1%)	32(33.3%)
Total	34(35.4%)	50(52.1%)	14(14.6%)	96(100%)

Chi – Square = 0.030

Source: Primary data

Data Interpretation & Analysis

1. Table 4 indicates that 50(52.1%) of the respondents are moving towards digital payments, while 34(35.4%) of the respondents transaction are in cash, while the remaining 14(14.6%) already adopted cashless payments.
2. From the above Table, it is inferred that the Pearson Chi-Square is 0.030 which is less than 0.05. So H₀ is rejected and H₁ is accepted, hence it is clear that there is an impact of demonetization and also changes in spending pattern before and after Demonetization.

VII.5 Income vs. Comfortability

Table 5 - Income vs. comfortability (using digital payment)

INCOME	Very comfortable	Somewhat comfortable	Somewhat uncomfortable	Very uncomfortable	Total
Up to Rs.2,50,000	6(6.3%)	14(14.6%)	6(6.3%)	0	26(27.1%)
Rs.2,50,000 to Rs.5,00,000	14(14.6%)	10(10.4%)	4(4.2%)	6(6.3%)	34(35.4%)
Rs.5,00,000 and above	6(6.35%)	4(4.2%)	0	0	10(10.4%)
None of the above	4(4.2%)	14(14.6%)	8(8.3%)	0	26(27.1%)
Total	30(31.3%)	42(43.8%)	18(18.8%)	6(6.3%)	96(100%)

Chi – Square = 0.016

Source: Primary Data

Data Interpretation & Analysis

1. Table 5 indicates that 42(43.8%) of the respondents under various income group felt that somewhat comfortable using digital payment, while 30(31.3%) of the respondent felt that very comfortable using digital payment, 18(18.8%) of the respondents felt somewhat uncomfortable using digital payment and only few 6(6.3%) felt very uncomfortable using digital payment.
2. From the above Table, it is inferred that the Pearson Chi-Square is 0.016 which is less than 0.05. So H₀ is rejected and H₁ is accepted, hence it is clear that there is an impact of demonetization and also changes in spending pattern before and after Demonetization and the consumers are very much comfortable using digital payment.

VII.6 Income vs. mode of payment

Table 6 – Income vs. Mode of payment

INCOME	BEFORE DEMONETIZATION				AFTER DEMONETIZATION			
	DAILY COMMUTE	ENTER TAINMENT	UTILIT Y BILLS	GROCERIES	DAILY COMMUTE	ENTERTAINMENT	UTILIT Y BILLS	GROCERIES
CASH UP TO RS.2,50,000	29(30.2%)	24(25.05%)	22(2.9%)	25(26%)	24(25.0%)	7(7.3%)	11(11.5%)	20(20.8%)
RS.2,50,000 TO RS.5,00,000	22(22.9%)	14(14.6%)	11(11.5%)	18(18.8%)	22(22.9%)	9(9.4%)	10(10.4%)	11(11.5%)
ABOVE RS.5,00,000	10(10.4%)	4(4.2%)	5(5.2%)	6(6.3%)	6(6.3%)	3(3.1%)	3(3.1%)	4(4.2%)
NONE OF THE ABOVE	24(25%)	17(17.7%)	16(16.6%)	21(21.9%)	22(22.9%)	9(9.3%)	13(13.6%)	14(14.5%)
TOTAL (A)	86(89.6%)	60(62.5%)	55(57.3%)	71(74%)	75(78.1%)	29(30.2%)	38(39.6%)	50(52.1%)
CASHLESS UP TO RS.2,50,000	3(3.1%)	8(8.3%)	10(10.4%)	7(7.3%)	8(8.3%)	25(26.0%)	21(21.9%)	12(12.5%)
RS.2,50,000 TO	4(4.2%)	12(12.5%)	15(15.6%)	8(8.3%)	4(4.2%)	17(17.7%)	16(16.7%)	15(15.6%)

RS.5,00,000		%)	%)				%)	
ABOVE RS.5,00,000	0	6(6.3%)	5(5.2%)	4(4.2%)	4(4.2%)	7(7.3%)	6(6.3%)	6(6.3%)
NONE OF THE ABOVE	2(2.1%)	9(9.3%)	10(10.4 %)	5(5.2%)	4(4.2%)	17(17.7%)	13(13.5 %)	12(12.5%)
TOTAL (B)	9(9.4%)	35(36.5 %)	40(41.7 %)	24(25%)	20(20.8%)	66(68.8%)	56(58.3 %)	45(46.9%)
GRAND TOTAL(A+B)	96(100%)	96(100%)	96(100%)	96(100%)	96(100%)	96(100%)	96(100%)	96(100%)

Source: primary data

Data Interpretation

The table 6 studies about the mode of payment of various expenses by consumers, before and after demonetization using percentage method. While comparing the cash payments before and after demonetization, the percentage has been reduced from 86(89.6%) to 75(78.1%) for daily commute, 60(62.5%) to 29(30.2%) for entertainment, 55(57.3%) to 38(39.6%) for utilities, and 71(74%) to 50(52.1%) for groceries. While comparing the cashless payments (like debit card, credit card, online banking etc.) before and after demonetization, the percentage has been increased from 9(9.4%) to 20(20.8%) for daily compute, 35(36.5%) to 66(68.8%) for entertainment, 40(41.7%) to 56(58.3%) for utility bills, 24(25%) to 45(46.9%) for groceries. Thus, we can conclude from the above table that consumers started preferring cashless payments after demonetization.

VIII. Suggestion

The cashless transaction activity had a great step to enhance the transparent economic development, empower the financial inclusion and integrates the parallel economy with main stream. In present scenario the country needs to move away from traditional cash based transaction towards a cashless or digital payment system. Therefore the following suggestions will help to improve cashless transaction among the consumers.

- The Government of Telangana along with banks should be organize intensive awareness program about the benefits and need of cashless transaction or digital payments to students of colleges, higher educational intuitions.
- The banks should organize camp at village to educate the people about digital payment system.
- The Government of India and Telecom ministry should make necessary step to enhance broadband speed and wide coverage of internet to all areas.
- The government should continue and give some incentive benefits to those who are using regular digital payments because it will motivate not only the regular user but also new user.

IX. Conclusion

The Government has implemented various reforms for sustainable and transparent economic development. The Demonetization and Digital payments are most important among the reforms. The impact of demonetization was felt more in the social sector and the worst affected was also the poor and the common people. The cash less transaction is not only requirements but also emerging need of today for transparent economic development. In Hyderabad City cashless can be achieved easily because most of them already adopting cashless payment, there is only need of Government should ensure first availability and quality of telecom network in all parts of country. Financial institutes or intermediaries like banks and related service providers will have to constantly invest in technology in order to improve security and ease of transaction. People as a customer will only shift when it's easier, certain and safe to make cashless transactions. Government and banks should adopt strategy of incentivize cashless transactions and discourage cash payments by the way of proper implementation and supervision of restrictions for using cash based transaction then the cashless India will come to true in future.

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