



Impact of Demonetization on Digital Payments

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Abstract

Government of India announced demonetization of the high regard money related guidelines of Rs. 500 and 1000 with an objective to reveal the dim money and to check the debasement, fake cash and also fear financing. This decision is considered as most prominent neatness drive against the dull trade out the verifiable setting of Indian economy whose points of interest will be acquired over the long haul. Regardless, the impact of this sudden move is causing genuine exchange crush out the economy affecting regular essentials of the fundamental man and business. In this study impact of demonetisation on digital payments have been discussed.

Introduction

Demonetization is the exhibition of stripping a cash unit of its status as legal fragile. It happens at whatever point there is a distinction in national money. As a rule, a country thoroughly replaces the old cash with new money. The backwards of demonetization is remonetisation, in which a sort of portion is restored as genuine tender. The cash was demonetized first time in 1946 and second time in 1978. On Nov. 2016 the cash is demonetized third time by the present Modi government. This is the solid advance taken by the govt. for the progression of the economy and country.

The current sudden move to demonetize Rs 500 and Rs 1,000 cash notes isn't new. Rs 1,000 and higher class notes were first demonetized in January 1946 and again in 1978. The most essential segment note at any point printed by the Reserve Bank of India was the Rs 10,000 note in 1938 and again in 1954. Regardless, these notes were demonetized in January 1946 and again in January 1978, according to RBI data.

In 2016, the Indian government demonetized the 500-and 1000-rupee saw, the two biggest divisions in its cash system; these notes spoke to 86% of the announced to the citizenry on Nov. 8 that those notes were futile, starting at now and they had until the complete of the year to store or exchange them for as of late exhibited 2000 rupee and 500 rupee bills.

WHY DEMONETIZATION IN INDIA?

The primary purposes behind demonetization are:

1. To handle dark cash in the economy.
2. To decrease the defilement in the nation.
3. To take out phony cash and dodgy assets which have been utilized by fear gatherings to subsidize psychological warfare.

What is Digital Payment?

Digital payment is a method for portion which is made through cutting edge modes. In automated portions, payer and payee both use propelled modes to send and get money. It is in like manner called electronic portion. No hard exchange is incorporated out the propelled portions. Each one of the trades in cutting edge portions are done on the web. It is a minute and supportive way to deal with make portions.

Objectives

To study the impact of demonetisation on digital payments.

Audit of Literature

Care Ratings (Professional Risk feeling) on November 09, 2016 on Economic results of demonetization of 500 and 1000 Rupee Notes : notwithstanding the initial hiccups and disturbances in the framework, inevitably this change will be well assimilated and will demonstrate positive for the economy over the long haul. Dark money hoarders will miss out, in the end boosting the formal economy in the long run, here and now fall in land costs may profit working class subjects, and this move by the Government alongside the usage of the GST will eventually make the framework more responsible and effective.

Dr.S.M.Jayasudha and Dr. M.Thangavel in IOSR Journal Of Humanities And Social Science (IOSR-JHSS) [e-ISSN: 2279-0837, p-ISSN: 2279-0845. PP 18-20] on An Empirical Study on the Major Problems Faced Due To Demonetization by the Small Retailers in Erode City.

Data Collection

Secondary data has used for the study. Secondary data is collected from library, text

books, and journals, articles from newspapers and from relevant websites available on internet.

Data Analysis and Interpretation

An outcome of demonetisation was that the propelled strategies for portions got firmly. After demonetisation, there has been a basic highlight on cutting edge strategies for portion. The Government of India and the Reserve Bank have begun a movement of measures, some of which are short lived, to raise improvement from cash to non-cash techniques for trades. They consolidate, bury alia, (i) diminishment in the dealer refund rate (MDR) and reason for offer (POS) costs; (ii) monetary persuading powers as discounts and prizes; (iii) advantage force lightening on MDR for little trades; (iv) waiver of charges for little regard trades under Immediate Payment Service (IMPS), Unified Payment Interface (UPI) and Unstructured Supplementary Service Data (USSD) based *99# organize; (v) growing Prepaid Payment Instrument (PPI) reach by change of limits; (vi) introduction of another grouping of PPIs; (vii) enabling banks to issue PPIs to a greater course of action of substances; and (viii) permitting National Payments Corporation of India (NPCI) to dispatch (a) the ordinary application for UPI; and (b) National Electronic Toll Collection (NETC) structure.

The legislature in like manner detailed that it would ensure that trades cost/MDR blames related for portion through cutting edge means won't not be passed on to clients .These measures are enabling migration of buyers from cash to automated techniques for portions.

After the statement of demonetisation, propelled activity levels were low in the basic weeks as people were possessed with putting away/exchanging SBNs. Regardless, in

December 2016, propelled portion activity extended near to dynamic remonetisation. The use estimations exhibit that the y-o-y improvement for noteworthy strategies for electronic portions was extraordinary in October 2016, mainly in light of bubbly season. The continuation of that high Table 1. Growth in select electronic modes of payment

advancement with a further get in a couple of parts from November to January 2017 (Table 1) was a positive result of demonetisation. In any case, the pace of improvement coordinated to some degree in February 2017.

CATEGORY		OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	JANUARY 2017	FEBRUARY 2017
NEFT	volume	16.2	23.3	39.0	38.0	34.5
	Value	37.6	38.3	40.8	60.2	49.5
CTS	volume	-1.1	23.0	58.4	52.3	20.2
	Value	2.9	8.6	13.0	19.3	0.8
IMPS	volume	116.7	89.6	157.2	177.7	150.4
	Value	150.7	135.9	186.6	196.7	184.2
NACH	volume	53.0	30.8	58.3	19.8	-0.9
	Value	89.8	76.3	116.7	22.0	54.2

Source: RBI Bulletins and Press Releases on Electronic Payment Systems - Representative Data

The current get in cutting edge portion development is better reflected in the progressive improvement in the months following demonetisation. The case of mechanized trades in February 2017 over November 2016 exhibits that the improvement rates surged in both regard and volume terms differentiated and the relating time of a year back for most electronic techniques for portion, even as there was some reduction in the use of cutting edge portions after December 2016 (Table 2).

Of the distinctive automated portion benefits that grew distinctly post demonetisation, some require particular indicate.

Beginning, a sharp pickup is seen in UPI trades, a lead aftereffect of the NPCI, however on a low base. The amount of trades rose from around 0.3 million in November to 2.0 million in December and further to 4.2 million in January and February. The estimation of trades extended 20 overlay from ` 0.9 billion in November to about ` 19 billion in February. The ordinary ticket size of trades using UPI furthermore extended from ` 3,150 to about `

4,600 inside the short window of three months, showing some extension in assurance among the customers. The UPI organize is worked through an application for money trade between monetary adjusts using a PDA in both on-line and detached (at physical shops) modes. UPI offers straightforwardness to individual to-individual and furthermore individual to vendor trades. Starting not very far in the past, the front-end flexible application was given by two or three banks. In Table 2:Growth in Digital Modes of Payment

any case, with the introduction of Bharat Interface for Money (BHIM), there is right now a front-end application, made by NPCI, which will fill in as a run of the mill application for any bank. Associated with a record at the back-end, BHIM empowers sending and tolerating money to/from other UPI records or addresses, and moreover empowers settlements to customers who don't have an UPI-based budgetary adjust.

Category	(Volume in million, Value in ` billion)					Change (%)	
		Nov16	Dec-16	16 -Jan	Feb-17	Feb-17 over Nov16	Feb-16 over Nov15
NEFT	Volume	123	166	164	148	20.4	10.4
	Value	8808	11538	11355	10878	23.5	14.3
	Average ticket size (Rs)	71583	69376	69159	73397	2.5	3.5
CTS	Volume	87	130	118	100	15.3	18.0
	Value	5419	6812	6618	5994	10.6	19.2
	Average ticket size (Rs)	62236	2395	55873	59677	4.1	1.1
IMPS	Volume	36	53	62	60	65.2	25.1
	Value	325	432	491	482	48.5	23.2
	Average ticket size (Rs)	8982	8183	7870	8071	10.1	1.4
UPI	Volume	0.3	2.0	4.2	4.2	1346.1	-----
	Value	0.9	7.0	16.6	19.0	2001.2	-----
	Average ticket size (Rs)	3150	3565	3995	4577	45.3	-----
USSD	Volume	0.007	0.102	0.314	0.225	3091.9	-----
	Value	0.007	0.104	0.382	0.357	4789.4	-----
	Average ticket size (Rs)	1037	1015	1215	1589	53.2	-----
Debit and	Volume	206	311	266	212	3.3	3.9
	Value	352	522	481	391	11.1	-5.6

Credit Cards at POS	Average ticket size (Rs)	1714	1679	1812	1844	7.5	-9.2
PPI	Volume	59	88	87	78	32.8	4.3
	Value	13	21	21	19	41.9	15.2
	Average ticket size (Rs)	224	242	241	239	6.8	10.4

Second, an important get being developed for two straight months in December and January – in both regard and volume terms, as furthermore in the typical ticket measure – was found in the NPCI's *99# advantage, which tackles a USSD channel. While the volumes coordinated to some degree in February, the ordinary ticket measure continued creating. This organization considers ceaseless settlements for low regard trades, particularly of the under-dealt with a record zones of society, and supports their coordination with standard sparing cash organizations. The USSD advantage joins distinctive natural group accessories, for instance, banks and telecom expert communities and empowers customers to get to cash related organizations by dialing *99# from their adaptable enlisted with the bank. The organization works over all GSM expert communities and an extensive variety of handsets – propelled cell phones and feature phones.

Third, the spurt in cutting edge portion activity in PPIs has also been critical, with the estimation of trades extending from ` 13 billion to ` 19 billion, a development of 42 for every penny in three months. Regardless, as remonetisation progressed, there was some reduction in mo-m improvement in PPI trades in January and February 2017 differentiated

and December 2016. PPIs empower purchase of items and undertakings, including holds trade, against the regard set away on such instruments. Money can be stacked on PPIs with cash, or by charge to a budgetary adjust, or with Mastercard. PPIs are issued as adroit cards, alluring stripe cards, web accounts, web wallets, convenient records, adaptable wallets, and paper vouchers. The post-demonetisation spurt in development among the genuine portion wallet associations, for instance, Paytm, Free charge, Mobikwik, SBI's Buddy, and HDFC's Chillr has been astounding. Both application downloads and broker acquisitions have happened at a brisk pace.

Fourth, charge and Mastercard portions at PoS, the conspicuous and time attempted strategy for cutting edge portions, moreover recorded a sharp get in December yet the improvement coordinated in January and further in February with dynamic remonetisation.

The reactant push from demonetisation hurried development towards cutting edge portions in November and December 2016. In any case, ease in openness of cash by unique remonetisation influenced the pace of improvement of digitalisation in February 2017. Urge attempts are essential to enhance the usage of digital payment going forward, for

instance, (i) continued with tries to incentivize digitalisation; (ii) removing temporary routes in passage of portion development; (iii) handholding of new customers to get behavioral move; and (iv) giving a space to headway of a generous and easily versatile portion organic group that favorable circumstances from the movements in advancement. This will energize determination of cutting edge portions on an oversight preface and help in huge save stores for the country with respect to diminish in cost of exchange out the system¹⁸; and an extension in duty and tractability of trades, along these lines portraying charge evading.

While it is important that undertakings be made for extending affirmation of cutting edge portions, it is correspondingly key to ensure that the modernized portions are shielded and secure. It has been the unfaltering endeavor of the Reserve Bank to overhaul security features of cash notes to keep up confide in India's paper money. Along these lines, there is a need to dependably study and increment security features of cutting edge portions to keep up and enhance trust of its customers, especially, given the low levels of training in India. In this exceptional circumstance, the Report of the Committee on Digital Payments (Chairman: ShriRatanWatal) submitted in December 2016 has furthermore underlined, bury alia, the prerequisite for enhancing the flexibility of the Indian portions and settlement systems; and fortifying the buyer affirmation structure in cutting edge portions.

Conclusion

There has been a significant change in the usage of cutting edge strategies for portions post demonetisation, despite the way that their base is close to nothing. All around, demonetisation has had some negative macroeconomic effect, which, in any case, has been transient as remonetisation has moved at a breathed life into pace in most recent twelve weeks. More basically, demonetisation is required to have a constructive outcome over the medium to whole deal. In particular, there is depended upon to be more noticeable formalization of the economy with extended use of cutting edge portions. The diminished use of cash will in like manner incite more imperative intermediation by the formal budgetary piece of the economy, which should, bury alia, help upgrade financial transmission.

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