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4. Impact of Demonetization on Digital Transactions in India

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Abstract

The Government has implemented a major change in Economic environment. Demonetizing high value of currency notes -Rs. 500 and Rs.1000 denomination. Demonetization is the act of stripping a currency unit of its status as a legal tender. Due to Demonetization on the various payment methods in India. De-monetization gives a big boost to the digital transactions platforms in India. They are fast, reliable, easy to learn and navigate. Digital transactions can be done through banking cards, RTGS,NAFT, Mobile Wallets, prepaid cards, Internet banking, Mobile Banking, some applications like PAYTM etc.. From the study it came out that banks need to launch special digital promotion programmes for people in order to make India - DIGITAL INDIA.

1. Introduction

Government of India boldly announced the demonetization on 8 November, 2016. The Indian government has taken a bold step to demonetize the Rs.500 and Rs 1000 (fully ban). 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 digital transactions.

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. India is one of the key growth countries for the companies, with a huge potential for growth in e-commerce and increase the digital transactions".

After some years India's momentous demonetization, the government continues to expand options for digital transactions to reduce the economy's dependence on cash..

On the one side it will be beneficial for the country and on the other side it may bring the transparency in the system. Banks should also develop an effective Risk Assessment and Mitigation system in this era of highly innovative cybercrime.² Even after the advent to secured

internet banking facilities and easy access to internet there are several psychological and behavioural aspects affect usage of internet banking.

2. Objectives

1. To study the factors affecting on the digital transactions.
2. To study its short term as well as long term aspects.
3. To study the future prospectus.

3. What is Demonetization?

Demonetization is the act of stripping a currency unit of its status as a legal tender. This turn is usually undertaken when the old currency is replaced by new one. . It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins.³

3.1. Immediate Impact of Demonetization

Almost all the e-commerce websites suffered major losses in the event of demonetization. People wanted to save whatever money they had. Much of the payment for e-commerce sites is done through cash on delivery.

People wanted to pay without giving away cash. Also, due to the cash crunch, buying even essential items like grocery had become increasingly difficult. A quick, easy and efficient way of payment was needed. As a result, several new online payment wallets had come up.

These wallets are easy to use. Money is first to be put into the app via online transaction (credit/debit card, net banking). The balance amount in the wallet can be used by the customer. When the balance amount is over, money is to be filled again. These wallets added as a payment option. Credit cards and debit cards were already on the rise before demonetization, which was now subjected to an accelerated growth.⁴ These plastic cards are handy as they help us to store our money and then use it whenever we want, without there being no liquid cash involved.

3.2. Factors Affecting on Digital Transactions

1. **People are trying to get used of online transactions to make economy a cashless economy. Mismanagement of ATM :** - 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.
2. **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.
3. **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.
 4. **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.
 5. **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.⁵
 6. **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.
 7. **Transparency: -** online tools bring transparency to the dealings. It makes things easy for others to see what actions are being performed. All the information is being disclosed to everybody making use of it.
 8. **Threat of robbery: -** 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.
 9. **Trackall transaction anytime: -** 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.

10. **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.
11. **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 simultaneousty.
12. **It will get rid of terrorist activities:-** when everything becomes transparent, it will help in tracking the terrorist activities as well. One of the Motives of demonetization was the end of terrorism and digitization will be helpful in getting rid of the terrorist activities.

3.3. Impact of Demonetization on Digital Transextions in Short Term and Long Term

3.3.1.Short Term Impact

Demonetization has the short as well as long term effect in terms of the trend of digital transactions. In the short term, because of this cash 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.

3.3.2. Long Term Impact

These benefits are as follows-

1. 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.
2. Many people will move to banking including Jan Dhan, post office and mobile banking.⁶
3. Reduction in operational expenses of government and increasing productivity.
4. Bringing more awareness regarding online transactions.

4. Future Prospects

1. **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.
2. **Job employment:** - More digitization, more development, more growth leads to more job employment opportunities.

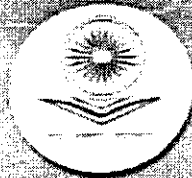
3. **Cost:** - While purchasing and selling goods and services; we are involved with the chain of the mediators.
4. **Tax collection for the government:** - With the increased transparency in the processes of dealings or trading, it will be easy and helpful to government to collect tax.
5. People can perform digital transactions such as checking account balance, bill payment, funds transfer, etc. through internet banking. It is available 24x7 for the customer's convenience.⁷

5. Conclusion

The Government has implemented various reforms for sustainable and transparent economic development. The Demonetization and Digital Transactions 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. Demonetization has opened many inroads in the digital transactions system in India. People are now becoming less apprehensive of technology, and are becoming comfortable with the digital world with every passing day. The software industry has also been given a big boost.

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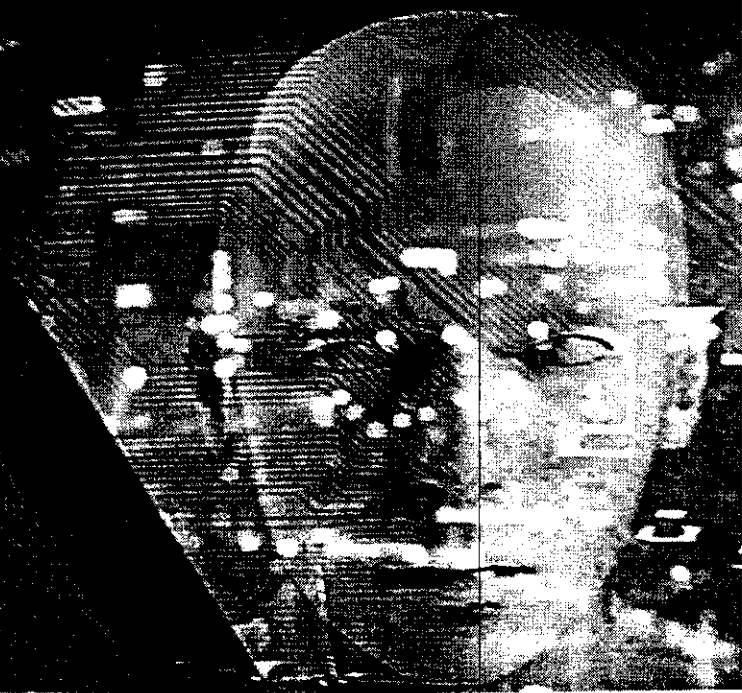
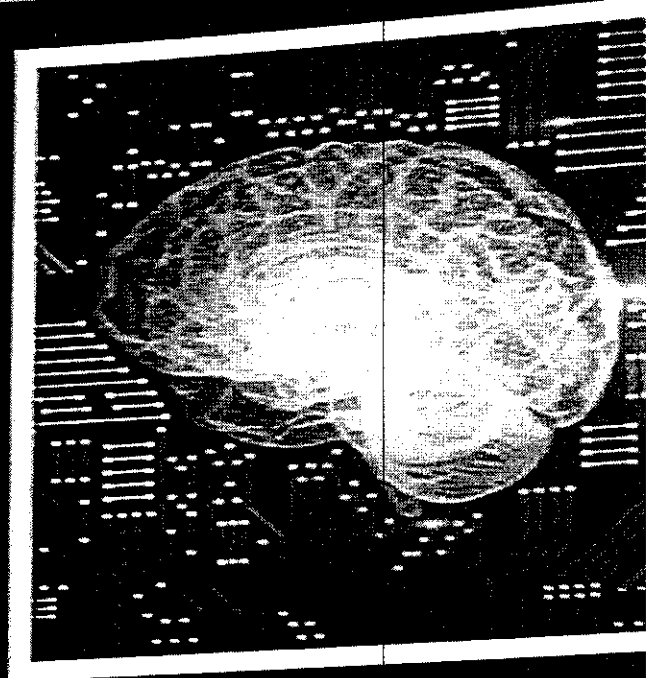


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