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IMPACT OF DEMONETISATION ON THE CASHLESS MODES OF TRANSACTIONS AMONG PEOPLE IN INDIA WITH REFERENCE TO AYMANAM GRAMA PANCHAYAT OF KOTTAYAM DISTRICT

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Abstract: Cash plays a dominant role in most of the economies of the world. It plays a crucial role in Indian economy. People used liquid currency to do most of their transactions. However, the implication of demonetisation policy by the Government of India on 8th November in the year 2016 brought about a change in this pattern among people. People began to use more of cashless modes for doing transactions. Cashless methods include transactions using debit card, credit card, wallets, UPIs, Net banking and so on. It was found from the study that the demonetisation reduced the use of currency notes among people. In addition, it was analysed that the dependency of people on cashless methods to make transactions increased after the onset of demonetisation.

IndexTerms - Demonetisation, Cashless methods, Currency notes, Economy.

I. INTRODUCTION

Money is a life blood for every economy. Currency notes or cash can never be completely avoided soon from an economy but its use can be reduced. Thus, nations aim to achieve a cashless economy through a less cash economy.

Cashless Economy can be defined as a situation in which the flow of cash within an economy is non-existent and all transactions must be through electronic channels such as credit cards, debit cards, electronic clearing, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT) and Real-Time Gross Settlement (RTGS). A number of cashless payments methods like credit cards, debit cards, Unified Payment Interfaces, net banking, etc. are also available in the country. The implication of demonetisation policy did not have any direct impact on turning the economy to a cashless one. It is however it can be seen as an inbuilt outcome or unexpected outcome of the demonetisation policy. The struggle of getting new currency notes and the demand for currency to make day-to-day transactions forced people to shift their payment mode. Thus, developed the use of online and cashless payment habits among the Indians. Despite these, a transition to a cashless economy is still challenging for the Indian economy.

II. SIGNIFICANCE OF THE STUDY

Cashless transactions, at present. are used in most of the commonly accessed areas of the economy. Such a transition to the payment methods of people happened after the demonetisation policy introduced on Nov 8th 2016. So, a study on how the demonetisation policy affected the use of cashless economy is highly relevant under the present scenario. It seeks us to understand the transition of a highly cash-based economy to a merely cashless economy.

III. RESEARCH METHODOLOGY

The relevant data for the study has been collected using the primary method. In order to collect the primary data from various parts of the panchayat, 160 youngsters of the panchayat (8 persons from each 20 wards) were selected using the random sampling method. A mailed questionnaire survey was conducted among these samples. Information was collected using a structured questionnaire. Collected data was analysed and presented in the forms of tables and diagrams.

IV. OBJECTIVES

- To evaluate the effect of demonetisation on the use of cashless modes of transactions among people.
- To analyse the dependency of people on cashless methods after the implementation of demonetisation policy.

V. REVIEW OF LITERATURE

Garg and Panchal (2017) studied about "Introduction of cashless economy in India 2016: benefits and challenges". For this study, data has been collected from Delhi region and analysed by percentage. Response shows that cashless economy helps in curbing black money, counterfeits fake currency, fighting against terrorism, reduce cash related robbery, helps in improving economic growth of our country. Major hindrances are illiteracy rate, attitude of people and lack of efficiency in digital payment.
Deepika Kumara (2016) pointed out that the challenge behind the use of cashless transaction is the authentication of user especially a multilevel authentication, token-based authentication and biometric authentication method are used for security of cashless transaction. So hacking is important issue for cashless transaction which need to be resolved.
A study conducted by Kumari & Khanna, (2017) examines the effect of adopting cashless payment on economic growth and development of the developing countries. The paper found that the adoption of the cashless economy policy can enhance the increase of financial balance within the country.
Thomas and Krishnamurthy (2017) in their study centered in the direction of expertise the impact of demonetisation on rural India and to keep a check on the government initiatives to make rural market a cashless economy. The studies show that the government of India ought to provoke various schemes to make the dream of cashless economic system a reality.

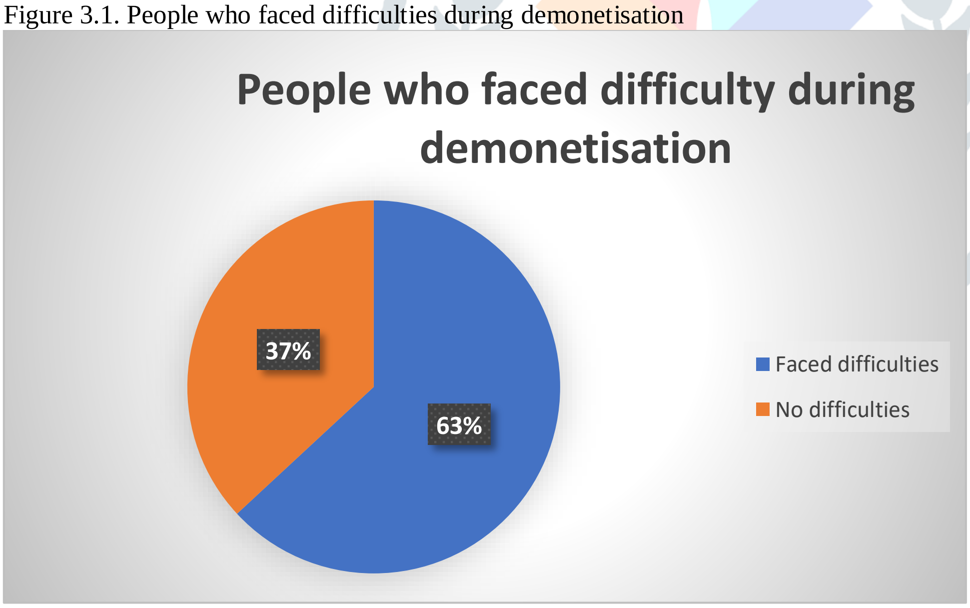
VI. ANALYSIS AND INTERPRETATION

Demonetisation was announced in India on 16th November, 2016 in which the currency notes of denominations Rs 500 and Rs 1000 were withdrawn from the economy. Thus, making them not a legal tender note anymore. Since demonetisation was announced overnight people faced many difficulties. Demonetisation had affected the lives of people to a great extent. 63.1% of the respondents had difficulties during the time of implementation of demonetisation policy by the government. However, 36.9% of people argue that demonetisation did not affect their day-to-day activities.

Table.3.2. People who faced difficulties during demonetisation

Responses	No. of Responses	Percentage
Yes	101	63.1
No	59	36.9
Total	160	100

Figure 3.1. People who faced difficulties during demonetisation



Source: Primary Data

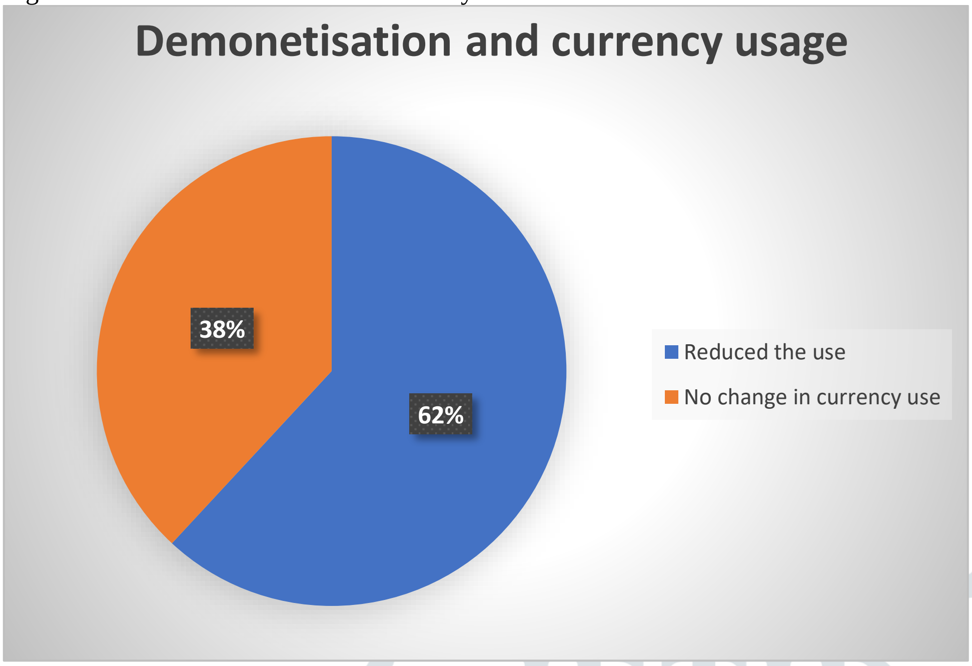
Reduction in the use of currency notes after demonetisation

Demonetisation reduced the use of currency notes among people that out of 160 respondents 61.9% supports this argument. But the policy had no effect on currency usage of 38.1% of people in the area.

Table 3.3. Reduction in the use of currency notes after demonetisation

Responses	No. of Persons	Percentage
Yes	99	61.9
No	61	38.1
Total	50	100

Figure 3.2. Reduction in the use of currency notes after demonetisation



Source: Primary Data

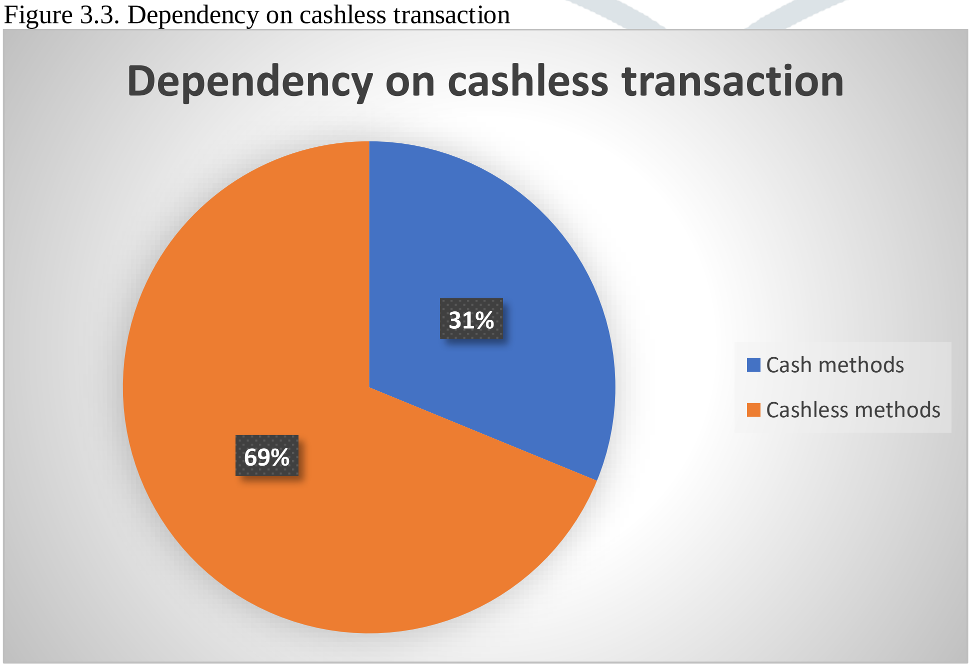
Dependency on cashless transaction

It was found through the study that most of the people began to use more cashless methods on the onset of demonetisation. Out of the total respondents, 110 respondents (68.8%) reduced their dependence of cash after the demonetisation policy.

Table 3.4. Dependency on cashless transaction

Responses	No. of Persons	Percentage
Cash methods	50	31.2
Cashless methods	110	68.8
Total	160	100

Figure 3.3. Dependency on cashless transaction



Source: Primary Data

VII. CHALLENGES

The following factors are a challenge to the Indian economy to go cashless:

- Reluctance of some people to not switch to new modes of transactions.
- Traditional beliefs and misbeliefs regarding cash and non-cash transactions.
- Fraudulent activities and cyber crimes
- Lack of trust in cybersecurity

VIII. CONCLUSION

The demonetisation policy has major impact on narrowing down the currency usage among people. Their dependence on UPIs, credit cards, debit cards and net banking have rosed at an alarming rate. Still, there are some factors that hinders people from completely going cashless. By strengthening cyber security and beginning a 24x7 online service helpdesk will attract more people to cashless methods of transactions.