



DEMONETISATION AND ITS IMPACT DURING COVID-19

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ABSTRACT- With four years after demonetisation and a pandemic hitting India the economy is hit hard and majority of the people especially the rural population have been severely affected. Never the less, digital payment has made life simpler and has reduced social interaction for cash based transactions. The shift towards digital payments comes with a cost, proper internet connection which is one major limitation especially rural population.

Key words- Demonetisation, digital payments, pandemic, transactions.

INTRODUCTION

Economy of a country progresses with help of advancement of good organisations and institutions. Indian economy is still on the development stage and on 8th November 2016, midnight it took a major and unprecedented step, where Rs500 &1000 rupee notes would no longer be valid and that new Rs 500 and Rs2000 notes would be introduced. The motive behind such an unpredictable action was to sort out against black money issues, corruption, uncover trade evaders and fake and bogus notes. This unprecedented step was challenge to polish the economy clean. It was also a step for starting a new economy with a clean slate where every individual would play a keen role to contribute and also tackle the challenges, under the Modi government. According to techARC, India has around 502.2 million of smart phone users as of December 2019, meaning more than 77% of the citizens have access to internet¹. Before demonetisation, Indian was basically cash centred economy with 95% of major transactions done through cash and around 90% of the vendors had no means of accepting digital payments with 85% of wagers were paid in terms of cash and more than half of the residents did not hold their own bank accounts². Through this article, we get to notice the current situation of our country and how it has tried to move on after the demonstration decision.

However with the demonetization step, there has been a wave of changes affecting the economic activities and public life of the people in the country; specially the rural areas were severely affected due to the deficit in supply of currency notes³. Social activities and the agricultural sector suffered huge amount of loss with price of fruits, flowers and vegetables declining at tremendous rate that resulted to huge setback to the farming group⁴. With the society progressing forward towards cashless transactions, the farming sector is forced and bound to follow the trail with the rest of the country.

Date of demonetization	Currency note banned (Rs)
1. 12 th January (1946)	500,1000,10000
2. 16 th January (1978)	500,1000,10000
3. 8 th November (2016)	500,1000

Causes for demonetisation

Demonetisation - The process of removing a currency unit from its monetary value and replacing a new one with the old currency.

Black money- With existence of black money, it has been a major threat to the economy and has weakened the national security with passage of time. The various efforts presented by the officials has not been effective over the years, with activities of crime and criminal groups, with boosting of communal riots, trafficking, gangs related to drug and extortion, which has consistently threatened the security and integrity of our country. To deal with this necessary evil, GOI has taken several steps and approaches to reduced cash based business and encouraged digital means of transactions which would result in elimination of black money and allow the growth of the economy. RBI reported that the main objective of demonetization step was to challenge and handle the counterfeiting of currency notes to effectively eliminate the hoard of black money in cash and restrain the sponsor towards terrorism through fake bank notes⁴. **Fake currency-** India has remained a cash dependent economy from the beginning and with the motion fake currency notes or (FICN), has been jeopardy towards the economy. A study conducted by the ISI, Indian Stastical Institute reported that over about Rs 400 crore of fake currency².

Progress towards digital transaction and cashless economy

There has been numerous steps and initiatives for digital India covering all sectors of the country. With the rise of digital India, a campaign introduced by GOI to allow services and businesses available for citizens of the country, through online system and along with proper internet connection brining the digital world at our door step. During the period of 2018-19, there was a major rise in the digital payment sector of about 383% (Razorpay's 'The Era of Rising Fintech' report). Hence, this thrust focuses on expanding the digital sector with internet connectivity making payments digitally through mobile apps, internet banking, E-wallets, e-governance, delivery services. Launching of individual bank accounts and being operative was a big move towards cashless society. A study showed that farmers around 80% possess their own accounts either in Commercial banks or RRB under the scheme Pradhan Mantri Jan-Dhan Yojana. Further, reports showed that about 64% of the farmers could operate accounts by themselves, while 60% owned ATM cum debit cards². Given below are some initiatives launched by the GOI⁵-

1. A mobile app **MyGov.in** deals with citizens to engage them alongside GOI, which provides a platform for citizens to discuss and participate by giving their views, ideas and suggestions to the concerned authority.
2. A system has been provided by the GOI to minimise the use of paper documents and allow sharing and access of e-documents ensuring the originality and authenticity. Digi-Locker is an approach where citizens can share their documents online, anytime.
3. E-sign is an electronic service that allows digital signature of a document using Aadhaar identity as proof of authentication.
4. One major step taken to eliminate the scholarship process of students submitting their application form and creating confusions is through, National scholarships portal which allows the verification, authorization and disburses of the scholarships to the students.
5. With numerous Panchayats all over the country GOI has introduced BharatNet, which accounts for the worlds largest rural connectivity connecting over 2.5lakh.

However, the major aftermath of demonetisation was on the farming community in two phases- firstly affecting the daily wagers and decline of bargaining ability of farmers in availing attractive and appealing price of their product .Through a study, there has been several support towards cashless payments, however a considerable part of the country still suffers with the fact that basic mobile connection is unavailable along with their basic necessities. The shift

towards digital transactions has made life simpler but comes with the cost of good internet connection with over 60% of the population belonging to the rural areas, are not well adapted to phone and computers for payments and tend to rely on people for assistance which sometimes results to misuse of the person's account and so majority of the rural people prefer cash payments over digital. With cash dominance and limited bank or ATM accessibility in the rural areas, additional digital services – POS and ATM booths are still limited with immobilize infrastructures⁶. Marginal and small farmers were most hampered and affected in comparison to large scale farmers on subject of procuring inputs and selling their agricultural produce and commodities.

Present day scenerio

Four years after the decision of demonetisation, cashless economy is progressing up to reality. India has been cash dependent since time in memorial, with about 87% of cash based transactions has occurred during 2012⁷. Digital transactions have bloomed after the rise of cashless India, from food to medicine delivery to clothing's and electronic devices have boosted the economy. With different mode of payments from apps like BHIM, googlepay, PayTM, Amazon pay, Phone pe – that allows and helps bank transfer simply with a code and a phone number. After the demonetisation decision, it has been noted that there has been around 800 million transactions done monthly in over three years, with help of UPI system⁸.

The pandemic showed to be more successful than what demonetisation tried to achieve four years ago. It emphasised and involved the use of digital transactions for payments of electricity bills, cab charges, groceries etc. The total number of payments on UPI, a sage introduced by the largest bank in India in 2016, highlighted and grossed highest of all time last month. The digital transactions in India per capita raised up to more than five times after 2015 and by end of March 2019 it was 22.4 times more. China is still in the lead in terms of cash withdrawals from ATM, which is followed by India. From a study, it was reported that one of the major reasons why we still depend on cash payments is one third of the population of our country has access to internet but also face internet connectivity issues; while , 20% of the citizens don not have bank accounts which is a major limitation⁹

With the nationwide lockdown in 2020, there was a boost in the digital transactions of Rs2.18 lakh crore till May, foremost with the fear of developing Corona disease through cash deals and agreements. Surprisingly, RBI has also encouraged citizens to make use of digital banking and avoiding contact with people. With the pandemic taking over the country and striking the economy hard, the rate of digital transactions have almost doubled, from bill payments to tv recharges to bank transfers, online grocery stores, online pharmacy, Ed-Techs which encourages the people to maintain distancing. Besides easy mode of payment, digital transactions provide better transparency with thus reduces reliance towards the middleman and traders¹⁰. With limited contact with online payments could be the new mode of lifestyle as we progress forward, with net banking and mobile wallets. According to IAMAI, India has adopted to internet connectivity at a rapid rate over the years. By 2019, November there has been about 205 million internet users in the cities however, 227 million users are from the rural areas which shows that there is more potential for growth in the coming days. Internet usage primarily is through online gaming, educational purpose and entertainment with some content using regional or local dialect making it more feasible and easy for the rural population. This has slowly resulted to the rise of digital transactions over the years¹¹. Since the initial period of COVID 19 lockdown, there has been about \$5billion of cash distributed among the citizens of the

country entirely by means of digital programme and planning. Digitalisation has penetrated into every point in our lives; every Indian is now digitally verified with their Aadhar identification code. Almost every Indian now has their Aadhar connected with their bank accounts and mobile phones. To efficiently monitor and track the increase of COVID 19, an app, Aarogya Setu has been set up by India's National Informatics Centre and till today it has been downloaded further than 127 million. The citizens provide feedback and participate in MyGov.in platform which receives about 10,000 posts weekly¹². The utilisation of technology is to assist in decision making issues and in bridging the gap between local bodies and governments over towns and cities. With the use of digital tools and technologies, innovative and new solutions along with ideas have impacted our lives whether it is easy access towards education or services or in our daily lives. Example- with aggregator apps local vendors or shop keepers who pull rickshaws or sell their fruits and vegetables are able to give door to door services while relying their payments on digital payments thus earning their income. In the same way, many institutions and schools have now adopted to online classes and classrooms via mobile and computers with internet connection. The COVID-19 pandemic has proved to strengthen the way we look at digital payments and has helped the common man to adapt with it.

CONCLUSION

Demonetisation was a major step taken to stand against corruption, in terms of financial aspect. Since then, digital payments and transactions have bloomed up the economy, especially during the time of pandemic and with the nationwide lockdown, digital payments has lessened social interactions and with the aid of technology providing easy access to all kinds of payments. Digitalisation has penetrated into every point in our lives and has made life easier.

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