

Impact of Demonetisation on E-Payment System

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Abstract— Demonetization means an act to withdraw or to deprive of, this is what happened in India on 8 November 2016, which is considered as a “BLACK DAY” because India deprived of using their old currency (500 and 1000) notes and new was introduced in the battle of corruption. This was also called as “Surgical Strike” introduced by PM Modi and has impacted our economy GDP and E- payment Systems. E-payments refer to as electronic payment that is being used as the medium to exchange and transfer funds in the commencement of various activities. E-payment system includes different modes of payment such as plastic cash, Net banking, mobile banking, E-wallet. This paper will put a light on how demonetization has a major impact on E-payments systems.

Key words: Demonetisation, E-Payment

I. INTRODUCTION

Demonetization was drive to clean black money and to put all the money in banks. This forced the strong growth of E-payment or digital payment market. Since 8 Nov’16 the use of E- payment Systems has drastically risen. Transactions on these trebled to 328 million against 109 million in January last year by way of volume. “The acceptance infrastructure of the country has expanded significantly, which allowed card transactions to report the biggest growth post demonetization,” said Lokvir Kapoor, chief executive officer at PineLabs. Digital transactions have trebled and quadrupled in volume and value across various modes from wallets to cards and interbank transfers from a year earlier. Card transactions at point of sale (PoS) terminals at merchant locations have surged, reflecting a positive for the economy as more people start using their debit cards for payments rather than for withdrawing cash at ATMs. Debit card transactions rose to more than 1 billion in January from 817 million last year.

Besides plastic, the government has also been promoting Smartphone-based transactions through the Unified Payments Interface (UPI) and the Bharat Interface for Money (BHIM). Both use the Immediate Payment Service (IMPS) network of the National Payments Corporation of India. IMPS has seen a 160% jump with 67 million transactions in March against 26 million a year earlier.

According to data released by NPCI, of the total IMPS transactions, BHIM and UPI clocked 6.4 million in March of this year, up from 4.4 million in January and a mere 100,000 in October 2016, just before demonetisation.

There are different E-payment modes such as:

- 1) Plastic Money (credit/debit card)
- 2) E-banking(IMPS , RTGS, NEFT)
- 3) M-wallets(paytm , mobiwik)

Digital Drive Gathers Momentum						
	2017			2016		
	JAN	FEB	MARCH	JAN	FEB	MARCH
VOLUME OF TRANSACTIONS (IN MILLION)						
Debit Cards	1,040.97	944.32	981.28	817.51	796.69	844.59
IMPS	62.42	59.75	67.41	22.48	23.86	25.98
PPIs	295.8	280.02	342.09	65.25	65.37	72
VALUE OF TRANSACTIONS (IN ₹ BILLION)						
Debit Cards	2,006.48	2,286.82	2,616.45	2,327.99	2,259.57	2,342.82
IMPS	491.25	482.21	564.68	165.59	169.67	198.73
PPIs	110.01	96.28	106.77	49.09	49.98	59.72

Fig. 1. Volume of transactions using E-banking.

One of the biggest gainers was the mobile commerce sector, as observed in the last 12 months. M-wallet firms like Paytm Freecharge and Mobikwik announced major expansion plans soon after demonetisation partnering with cab operators, vegetable vendors and kirana stores for digital payment.

II. OBJECTIVE

The objective is to study the impact of demonetization on digital payments and the study of growth of m-commerce sector and their security.

III. CASHLESS JOURNEY

Demonetisation has started the journey of cashless India as we were moving to digital India. Demonetisation is being considered as of the major objective to promote digital payments or cashless transactions.

In a survey conducted by CA clubindia, an interactive platform for finance professionals and taxpayers, 64% of the 311 respondents said there has been an increase in the share of digital transactions they make.

Ritesh Pai, Chief Digital Officer, YES Bank says, “Cash has always been the first preference for Indians. Some used debit and credit cards, but the volume had been stagnant for years.” Demonetisation has changed this. According to RBI statistics, card spends grew by 2.75 times during demonetisation. Now, a year later, it stands at 1.75-1.8 times. “Demonetisation has fast-tracked the India’s digital journey by four years,” adds Pai.

After demonetisation there was an immediate impact that made a drastic change in our country’s business activities and now its been more than a year which has completely changed the way people adapting towards their business and day to day transactions. Even the small street vendors have installed Paytm and its good to see that our country s moving towards cashless India at such a fast pace.

Digital India is a programme to transfer India into cashless and literate economy. This demonetisation can be considered as silent revolution which has not just changes the economy and but has also increases the mobile users in India.

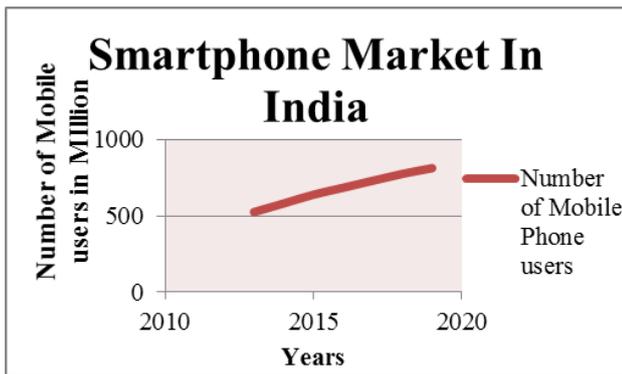


Fig. 2: Mobile users in India from 2010-2010

Payment systems are the way money is being transferred from one party to another in exchange of services and goods. Statistics below shows the increase in number of mobile users in India, with this increase leads to the increase in the payments methods also. The digital payments in India will reach to \$1 Trillion by 2023 and most used apps will be integrated with the payments system.

The different payments systems in India are Cheque, Net Banking, Mobile Banking, E-money, M-wallets. The NPCI (National Payment Corporation of India) has also introduced payments modes as follows in drive of Digital India:

A. Cards

This includes various cards as debit cards, credit cards and prepaid cards.

B. IMPS

IMPS is Immediate Payment Service which can be used anytime and from anywhere even on holidays. It is the real time payment service which is available 365X7X24 and is simple, fast and easy to use.

C. UPI

Unified Payment Interface was developed by NPI, National Payment Corporation of India with RBI to help move country to cashless transactions and more digital society.

D. BHIM App

BHIM is a mobile app developed by National Payments Corporation of India, based on the Unified Payment Interface. It was launched by Prime Minister Narendra Modi, at Digi Dhan mela at Talkatora Stadium in New Delhi on 30 December 2016

E. AEPS

The Aadhaar Enabled Payments System (AEPS) facilitates operations from Aadhaar seeded bank accounts using biometric authentication of customers. AEPS is being increasingly used for BC operations not only of own-bank customers but also customers of other banks, in an interoperable manner.

F. *99#

*99#, a USSD based mobile banking service of NPCI was initially launched in November 2012.

G. NCMC

National Common Mobility Card is again the product of NPCI, which is the dual Interface card and can be used for multiple purposes such as metro, parking, cab, restaurants, retail-shops etc.

H. NACH

National Payments Corporation of India (NPCI) has implemented "National Automated Clearing House (NACH)" for Banks, Financial Institutions, Corporates and Government a web based solution to facilitate interbank, high volume, electronic transactions which are repetitive and periodic in nature. NACH System can be used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc. and also for bulk transactions towards collection of payments pertaining to telephone, electricity, water, loans, investments in mutual funds, insurance premium etc

I. BBPS

Bharat Bill Payment System is one of the services in India that helps anyone to pay their any kind of bills. This is a one integrated platform to pay bills without the intermediary and to reduce the payment of Intermediary.

IV. CONCLUSION

Demonetisation has led to the growth of various cashless payment systems. The better the payment system is, the better is the economy of the country. Demonetisation can be considered as the "silent revolution" that has changed the economic and as well as IT sector and has led to the more advancement of technology. Reserve Bank has been continuously bringing out a Payment System Vision document for every three years, enlisting the road map for implementation. The latest one is for the period 2015-18. This revolution has not just led to the growth of e-payment systems but has also increased the market share of mobile users

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