

A Study on Cashless Transaction after Second Wave of Covid-19 in Rural Areas of UP

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Abstract

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless, Paperless, Cashless” is one of professed roles of Digital India. With Digital India, the government aims to make the country a faceless, paperless, cashless society. After Demonetization in India various efforts are made to go digital. This study tries to find out the adaptation of cashless transaction in the rural areas of UP. Findings shows that the rural areas started to go digital with a fear of safe and secure transaction. During Pandemic and after the second wave of Covid-19, the online mode is preferable by the rural population. This paper provides a view on cashless transaction after the second wave of Covid-19.

Keywords: Cashless transaction, digital India, Cashless society, Demonetization, Rural areas, Pandemic.

Introduction

Clumsy and expensive to handle coins and notes are replaced by efficient electronic payments initiated by various types of plastic cards that have a tantalizing prospect for the twenty-first century. There are various cashless transaction methods such as Credit cards, Debit cards, Bank pre-paid cards, Mobile/E Wallets, ATM money transfers, Internet banking transfers, AADHAR Enabled Payment System (AEPS), Unified Payment Interface (UPI), Cheques, Demand drafts, NEFT & RTGS transfers and, E-cash coupons.

Methods of Cashless Transaction

Mode	Cashless Transaction
Paper based cashless method	Cheque Demand Draft
Electronic based methods	Pre- paid card Credit card & debit card Internet Banking Transfer Mobile/Wallet Unified Payment Interface Aadhar Enabled Payment Systems E-cash Coupon Real Time Gross Settlement (RTGS)

According to the website of cashless India, the Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. “Faceless, Paperless, Cashless” is one of professed roles of Digital India. With Digital India, the

government aims to make the country a faceless, paperless, cashless society. It has come up with a six-point formula.

- * All cash counters in government offices should put up BHIM-UPI QR codes for accepting digital payments;
- * Cash counters can send an indent to customers' phones to enable payment through UPI;
- * Campaign to cover all merchants through BHIM-UPI;
- * Getting more vehicles to adopt FASTag;
- * All government utility bills to carry a QR code; and
- * Push to National Common Mobility Card in metros to cover common transportation needs

Source: <https://www.meity.gov.in/digidhan>

Demonetization

Demonetization is done in many countries in order to bring down the hyperinflation, to eradicate black money and counterfeit currency and to bring stability in the economy. One of the best and well known examples for demonetization is adoption of Euro by the European Union countries. The exchange rates for various countries' currency were fixed to facilitate the switch over of different countries' currencies to Euro.

Demonetization in India

India has made many changes time to time in its history after independence 1947. Out of these changes of the biggest change was demonetization in history of India. Demonetization is not happening first time in India. Earlier in 1946, the 1000 and 10,000 denominations notes were demonetised in order to eradicate

unaccounted money. The notes with the denomination of 1000, 5000 and 10,000 were re-introduced in 1954 and once again they were demonetised on January 1978. After around 36 years the demonetization was done in 2016. There are several unorganised sectors in India which are completely based on cash economy. “In a historical move that will add record strength in the fight against corruption, black money, money laundering, terrorism and financing of terrorists as well as counterfeit notes, the Government of India has decided that the five hundred and one thousand rupee notes will no longer be legal tender from midnight, 8th November 2016. The Government has accepted the recommendations of the RBI to issue Two thousand rupee notes and new notes of Five hundred rupees will also be placed in circulation.” – Prime Minister, Mr. Modi on implementing demonetization on 8th November 2016. The following table shows the volume and value of currency notes in India History of demonetization divided into 3 phases-

The first currency ban:

In 1946, the currency note of Rs 1,000 and Rs 10,000 were removed from circulation. The ban really did not have much impact, as the currency of such higher denomination was not accessible to the common people. However, both the notes were reintroduced in 1954 with an additional introduction of Rs 5,000 currency. Rs 500 and Rs 1000 notes were introduced in 1934 and after four years in 1938, Rs 10,000 notes were introduced.

The second:

That came in 1978; the then Prime Minister of India Morarji Desai announced the currency ban taking Rs 1000, Rs 5000 and Rs 10,000 out of circulation. The sole aim of the ban was to curb black money generation in the country.

The third

On 8 November 2016, the Government of India announced the demonetization of all ₹500 and ₹1,000 banknotes of the Mahatma Gandhi Series. It also announced the issuance of new ₹500 and ₹2,000 banknotes in exchange for the demonetized banknotes.^[1] The government claimed that the action would curtail the shadow economy and reduce the use of illicit and counterfeit cash to fund illegal activity and terrorism.

This step was taken by PM Modi to make India a fully cashless economy and to collect black money which is stored in the house of people in form of cash. And very soon PM Modi had made an announcement at midnight of 8 Nov 2016 by putting a stamp of banned over the notes of denomination of Rs.1000 and notes of denomination Rs100, Rs500, Rs10 were re-issued and note of Rs.200 were also came into circulation. This helps a lot to our country in collecting black money from corrupted people. The Reserve Bank of India stipulated that the demonetized banknotes could be deposited with banks over a period of fifty days until 30 December 2016. Cash withdrawals from bank accounts were restricted to ₹10,000 per day and ₹20,000 per week per account from 10 to 13 November. This limit was increased to ₹24,000 per week from 14 November 2016. Public has to suffer a lot from this decision but as it is rightly said “*No pain no gain*”.

Paradigm Shift of Cashless Transaction in India

The term paradigm shift is described as a change in basic assumption within the ruling theory of science. The term paradigm shift has found uses in contexts, representing the notion of a major change in a certain thought pattern. A radical change in the personal beliefs, complex systems, or organizations replacing the former way of thinking and organizing with a radically different way of thinking is paradigm shift. This Paradigm shift is due to the influence of technology with most people preferring online shopping rather than the traditional physical store shopping. The corporate and retail sectors in India have witnessed the shift in consumer behavior in every product or service starting from groceries to commodities. According to The

FICCI Techno pak report, the people of working age between 16 - 60 years which represent 64 per cent of the total population of India² with a rich base of young consumers who have a different set of needs and are more amenable to branded products and services². They want to buy these products and services with fashion, convenience, and speed. In last so many years the use of ATM has Selected Micro ATM or banking Providing bank name and Aadhaar Number Choosing a right transaction to do Providing finger print on the scanner Transfer of funds Generating a confirmation slip Notification Receiver User

12increased significantly given rise to the cashless transactions wherein the debit cards are used for sending money or cash withdrawals. In so many studies it has been found that the factors for customer satisfaction are giving competitive advantage to the companies that are involved in cashless transactions or in providing solutions for cashless transactions. The use of ATMs and other online transactions is a proof that consumer trends are shifting towards positive side which is concluded by several studies. This shift in the paradigm is a result of the behavior of consumers and their preferences for using methods of cashless transactions

Cashless Transaction in Rural Areas

After demonetization in India, the rural people started to know about the other alternatives for money transaction in place of cash transactions. A study was done by Dr. Ravi CS on Digital payment system and rural India: A review of transactions to cashless economy in 2017, in which he focused the challenges for cashless transaction. He explored the problems related to electricity, digital cable, lack of training, lack of smartphones and computer systems. Another study was done on Impact of Demonetization on Rural India by AyashYousuf Shah in 2017, to know the impact of demonetization on agricultural sector and farmers of rural India. Many studies were done to know the impact of demonetization and cashless transaction challenges.

Methodology

A survey was done to know the method of transaction after second wave of covid-19. Interaction with the rural community involved in business activity, tapping the rural market and people of Banki Block, Barabanki, UP.

Target Area

Banki is a Nagar Panchayat city in district of Barabanki, Uttar Pradesh. The Banki city is divided into 13 wards for which elections are held every 5 years. The Banki Nagar Panchayat has population of 21,317 of which 11,724 are males while 9,593 are females as per report released by Census India 2011.

The Banki Nagar Panchayat has population of 21,317 ; out of total population, 6,723 were engaged in work or business activity.

Population and Sample Size:

6,723 engaged in work or business activity in which 700 people were surveyed to know the payment mode.

Data Analysis

Descriptive statistics; Percentage method

Objectives

Primary

To know the method of cashless transaction in among rural community

Secondary

- To encourage for cashless transaction among the rural community
- To motivate for cashless transaction among the rural community in convenient, easy and quick way.

Findings

I was found that during normal days there is a trend of traditional method for money transaction. Rural community believe in safe and secure method dealing in either cash or through bank for cashless transaction. Further there was many challenges to go digital for money transaction. The very common problems with them are electricity problem, internet connection smartphone availability.

After demonetization various campaigns initiated and the government aims to make the country a faceless, paperless, cashless society. It impacted the rural community also, but they are not very much aware due to lack of proper training and the other major reason was that they have fear of security of money. During the pandemic the rural community adapted the different modes of cashless transaction gradually.

After the second wave of covid-19, it is found that due to smart phone usage, the youngsters and shopkeepers in rural areas adapted the different modes of cashless transactions, in which Paytm is very much in use for the same.

Rural Shopkeepers/Businessmen	Rural Community	Preferable mode of transaction
55% among the business men do cashless transaction	45% do not faith on the digital mode of payment	Paytm for digital payment Banks as a traditional method for cashless transaction

Discussion

The rural community is welcoming the cashless transaction. The students, youngsters, educated people want to learn the method and to use it. Due to technological innovations and easy availability of smart phones and internet connections, rural community is ready to go digital. It is found that for small transactions they are using different platforms of cashless transaction, but in case of heavy transaction still they rely on banking systems and traditional methods of cashless transactions. Although they are adapting the modes of cashless transaction but still there is lacking of basic infrastructural facility and proper training to adapt the system at fullest.

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