



**Economic Debacles or Triumphs Under the Impact of
demonetization**

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ABSTRACT

The primary purpose of this research is to comprehend the effects that India's cashless financial system has had on its small and medium-sized enterprises. The demonetization of strong-denomination currencies has the government of the country ecstatic. The transition from an economy based on cash to a system that depends increasingly on technology for making payments is one of the most feasible company plans for the years to come. Due to the nation's recent decision to demonetize the rupee, every economic transaction must now be completed online. The fast adoption of demonetization hurt the MSME sector, which likes to do business traditionally. The company in question is going to be governed by strict oversight from regulators in order to succeed in the cashless era. Without MSMEs, economic advancements would be detrimental to the economy. In response to shops and customers using digital infrastructure increasingly regularly, a digital economic concept has arisen. The results of the study show how small and medium-sized enterprises in India would be impacted by a cashless society. According to the survey, SMBs may run into issues with both a cashless economy and other alternatives. The results of this investigation were examined utilizing supplementary data and standard methodologies for statistical analysis.

Keywords: Small and medium-sized businesses, digital behaviors, electronic payments, cashless economy

INTRODUCTION

They may use it to promote equitable growth via commerce and economic planning. Supervisors need to be adept in a variety of strategies in order to accomplish the budget's goals. The Indian market hasn't had any money since a couple of months ago. Opponents

have asked officials to overcome difficulties with small firms that demonstrate a reluctance to embrace innovations in order to soothe public and commercial worries regarding India's aim to build a cashless society. Today's technically evolved world makes it conceivable and desirable to live in an atmosphere beyond money.

Notwithstanding extensive promotion on the benefits of a paperless budgetary constraints, many individuals and organizations remain resistant to making the switch. Barter arrangements have changed considerably since the invention of marketplaces and currency. Information and communication technology (ICT) expansion has led to technological advancements. Rapid advancements in electronic devices have improved lives of individuals and promoted economic success. Traditional business digital economy processes are not the main reason why people are moving toward online platforms. Public participation in governance is taken into consideration in addition to subjects like entertainment, health, education, commerce, and politics. Trades in a cashless world are made feasible by ICT technology. Digital money, a form of cash, is now legal because to the advancement of the internet and technologies. A society that solely conducts business using digital means does deal with the need for physical money. This initiative aims to encourage transparency and trust in business dealings. A currency-based civilization will inevitably collapse, as predicted by academics, corporations, and government leaders from all around the world. The broad use of electronic banking in the 1990s ushered in a time when the majority of people handled barely any cash. There has been a rising number of electronic payments since 2010. In accordance with the World Payments Report (2015), there were a total of \$358 billion greater non-cash transactions in 2013 than there were in 2012. Developed countries are increasingly accepting the shift into a cashless society. A world without cash where digital currency takes the place of legal tender has been advocated in a number of literature. More and more countries are embracing digital economic systems on a global scale. This research will look at how a cashless payment system would affect the small company industry. The results of this research highlight the necessity of a robust legislative structure to protect small businesses from the upcoming transition to a society without cash.

Literature Review

Virtual trades of products and services take the place of actual currency exchanges in an economy without money. ICT integration is a method of incorporating cutting-edge technology into continuing business operations. E-currency transactions are difficult, according to The Basel Committee (1998), because of the intricate nature of the economics that underlie them and technologies. Pursuant to an ECB announcement from 1998, e-money

may be used to send payments to recipients other than the actual issuer who do not have a bank account. As stated by Jain (2006), electronic transfers could render it easier to locate lost money. It could be beneficial for the Indian economy, banks, and the general public. The author underlined the value of electronic payments and communication networks repeatedly during his address. Ajay (2014) asserts that, in addition to their simplicity and security, electronic transactions provide a number of additional advantages. Electronic payments are expected to boost the quantity of money accessible for economic activities. Das (2010) argues in his article "Cashless Payment Service in India- A Roadmap" that the Indian administration is unable to allow money as transaction. To progress, the country needs an electronic payment infrastructure. As a consequence, it will be more affordable to manage currencies, monitor actions, spot tax fraud and evasion, and integrate the second economy into the main economy. According to Vincent's 2005 essay "Credit cards: Modern Payment System," using a credit card has a number of benefits for both consumers and companies. In a "cashless economy" (2013), using a credit or debit card to make a purchase is preferred.

Objectives of the Study

- The purpose of this investigation project is to learn more about India's transition to an economy without money, which started with demonetisation, in order to better comprehend the idea of an economy without money and the manner in which it has developed.
- To assess the advantages and disadvantages of a society without money for small and medium-sized enterprises in India.

Research Methodology

The current research lacks the ability to analyze the impact of digital legislation on Indian small companies in a context of swiftly changing financial circumstances due to an absence of data. To fully understand the economy without cash and its effects on small and medium-sized enterprises (SMEs), supplementary data collection was required. In this analysis, descriptive statistical techniques were employed.

Concept of Cashless Economy

In an economy without currency, the flow of real cash is controlled instead of halted. According to Adewale, the electronic payment market refers to "a progressive or sudden change in the development of the economy payment method from the addition of actual

currency to the network." Billboards, corporate marketing, local and international trade, in addition to personal contacts and tasks, are all included in the term "public and private" (2012). As an example, users of a system that does not require cash can use their gadgets to trade currency with other individuals and buy and sell goods and services. Every party to a purchases must have access to such services. You may use it to cover your rent, lodging costs, tuition, and utility costs. Modern alternatives to cash include electronic cards (POS), ATMs, implanted devices (AEDs), mobile banking, web banking, telephone banking, and numerous additional devices. The globe may not even have attempted to eliminate currency until Sweden adopts one. In Sweden, the idea of a society without currency has been considered for a while. Any business that accepts digital payments can accept debit and credit cards. Other nations, like Belgium, France, and the UK, are time in addition to Norway and the US. We are currently in this situation as a result of developments in information and communication technology (ICT).



Figure 1 depicts the shift from a cash-based economy to a cashless one.

India's Transition to a Without Cash World

The decision to move toward an economy without money was carefully considered. In order to encourage the use of digital payments and prohibit the use of money, the authorities started a number of fresh initiatives in February of that year. Indian Prime Minister Narendra Modi endorsed electronic payments in his Man Ki Baat speech in May 2016. He further underlined the importance of technological devices like smartphones along with additional smartphones, and additional electronic gadgets like tablets and laptops. Inclusion in finance is the aim of the substantial effort made by the Indian government, that employs RuPay cards and a voluntary reporting process for unreported funds. The shift to a cashless society was expedited after the Indian authorities eliminated its 500 and 1,000 rupee notes on November 8, 2016. as money was demonetized, a number of myths regarding the new economy have

been spread. Several people are in risk if they spend more of their paychecks in cash. Making the switch from a cash-based to a cashless economy would be very labor-intensive. Due to ongoing problems with financial institutions and the widespread use of ICTs for settlement and payment, India has an economy without cash. Just 27% of PDS funds, corresponding to the Planning Commission, were distributed to low-income households in 2009. Transparency company practices aim to reduce illicit operations including the black marketplace, laundering of funds, and government commissions and increasing tax collection. Admin costs will be kept to a minimum. Incredibly, the Reserve Bank of India spent Rs. 27 billion in 2015 on managing and issuing currency. Reforming and enhancing the financial system is simply one of several long-term goals, along with ending all illicit economic activity and moving commercial operations from the unofficial to the official sectors. Regardless of the likelihood that growth in the economy may make things simpler, the current debate related to a Universal Basic Income (UBI) is still difficult.

Governmental Schemes in Action

We continue to make significant progress into a society without currency notwithstanding official attempts. Both consumers and companies will get cash rewards for using electronic payment systems for the purchase of goods for personal use under two new programs that go into effect on December 15th, 2016. All personal purchases in India must be paid in cash, which severely restricts the government's capacity to levy taxes and collect money. There were 3.85 million more Ru-Pay transactions, 16.3 million more e-wallet transactions, 48.238 million more USSD transactions, and 98.1 million more PoS (point-of-sale) transactions on November 8 than there were on November 7. The ten key elements of the 2017 budget are all geared toward strengthening the effectiveness, transparency, and accountability of the present procedures. The government will build more than one million new post terminals in an effort to increase the convenience of cashless transactions and widen the digital payment ecosystem. In order to help unorganized employees, open 24,54,009 bank accounts, the Philippines' Ministry of Labor and Employment and Regional Government built more than 2,73,919 camps within the country.

An Economic Growth Balancing Act: Small and Medium-Sized Businesses

Such small and medium-sized firms, as opposed to major corporations, contribute to the industrialization of rural and underdeveloped regions, the reduction of geographic inequalities, and the generation of a more equitable share of the country's GDP in along with

producing employment. This industry provides a vast range of companies, goods, and services and significantly boosts the Indian economic overall. It has mostly been viewed as a development booster since its launch. Due to the fact that they are smaller, SMEs could have more influence than large enterprises. Lawmakers and scholars thought that this sector was crucial to achieving a certain socioeconomic goal. About 40% of the country's exports are made up of small and medium-sized businesses (SMEs), which run 32 million units and employ 70 million individuals. As a result, there is less economic inequality. It significantly affects how civilization advances. By 2022, it is predicted that small and medium-sized companies (SMBs) would contribute significantly to the rise of manufacturing's GDP share from 16 to 25 percent. The Make in India and Startup India initiatives were formed by the Indian government and legislature to address this problem. The national administration is working hard to defend and aid small companies via laws and programs. Lacking a set of widely accepted guidelines, it is challenging to classify small and medium-sized businesses (SMBs) or SMEs. Micro, Small, and Medium-sized Enterprises (MSMEs) are no longer used to refer to Smallscale Industries (SSI) in India. The Small and Medium Enterprise Act of 2006 mandated that small firms be categorized into several groups based on the amount of cash they had spent on machinery and equipment. S&M enterprises are vital to our culture and geography because of the potential impact of even minor changes in the economy. The economy can only grow if entrepreneurial growth and encouragement are given high priority. This suggests that it is important to consider the results of measures like the cashless system.

Small and medium-sized companies Development and Adaptation in a Cashless Economy

Small companies need to understand what the regulations controlling a cashless economy would impact them before implementing it. What equipment is necessary for survival in this strange environment? Anyone is allowed to handle cash because it is accepted as currency. Small and medium-sized businesses have seen significant adverse effects as a result of the demonetisation. Since digital cash is typically linked to a bank consideration, many individuals and small businesses lack one. It's likely for them to lack technological proficiency as well. It is helpful to comprehend how these folks handle their finances and what adjustments are necessary to maintain their standard of life. Not everything has, nevertheless, always gone as planned. Demonetization has caused an immediate downturn in economic activity. The information technology and safety sectors were not significantly impacted by the new economic waves, but other sectors like textile (construction and building

supplies), automotive logistics, and consumer durables (consumer electronics) were. The difficulty of the unorganized sector to handle digital currency temporarily hindered demand. Figure 2 shows how demonization has hurt a number of businesses.



Fig. 2: Demonetization's Impact on Various Industries

The demonetization process has had an even greater impact on small and medium-sized enterprises than the cash restriction. In response to demonetisation, several Indians are in favor of a society without currency as they think it would only have a short-term effect. By June 2017, over seventy-five percent of respondents believed that all that will go back to normal. In a countrywide study of in excess of 1100 small and medium-sized enterprises conducted between November and December 2016, CRISIL discovered a considerable reduction in transactions made in cash. Following the demonetization of cash, 41% of clients in small and medium-sized businesses reported switching to checks or digital payments. Small and medium-sized businesses already make substantial use of other forms of payment. Textiles, agriculture, metallurgy, consumer goods, construction, and autos are traditional industries that rely significantly on cash transactions. Three-fifths of the disorganized group (37%) predict negative earnings growth in the subsequent half of the year, compared to one-tenth of organized players. In the subsequent half of the current fiscal year, 29% of the participants predict things will become worse while 40% predict improvements, according to our survey (Fig. 3).

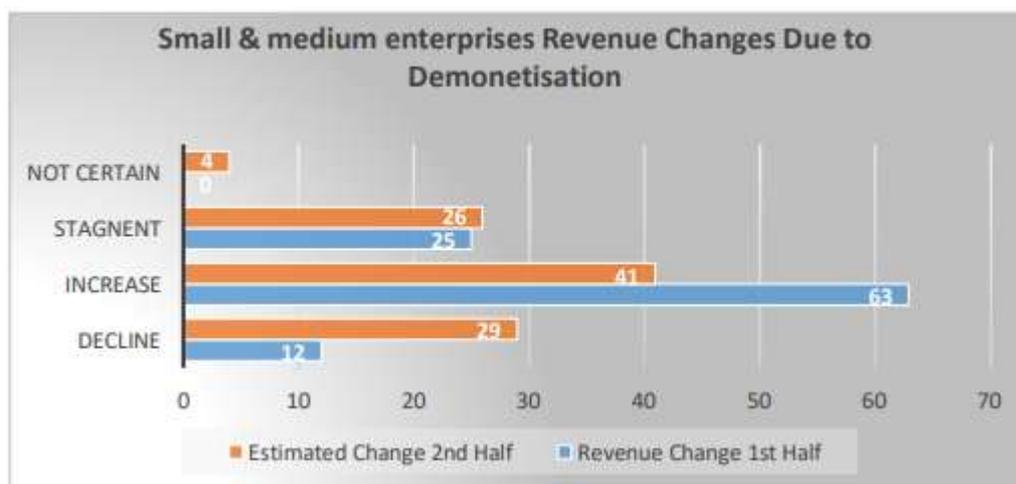


Fig. 3: Revenues of Small and Medium-Sized Businesses Have Changed Since Demonetization

The move from cash to digital or cash deposits has significantly altered how operations are carried out for small and medium-sized enterprises (SMEs) in cities in the second tier and smaller towns (42 percent of the responses), demonstrating that the shift is not location-specific. Rural towns are anticipated to be more seriously affected as urban areas and Tier 1 cities due to a greater reliance on cash for small and medium-sized firm operations. Greater metropolitan areas and Tier 1 cities could see reduced revenue losses in the second half than cities in Tier 2 and smaller towns (which are anticipated to experience revenue losses in both halves). It is anticipated that the south and west will do better than the north and east. In contrast to just 25% in the west and south, small and medium-sized firms in the east and north are predicted to have negative growth (year-over-year) in the second half of this fiscal year.

The Next Steps

While the market has faced some short-term difficulties, other industries are taking some positive actions. The strategy must be carried out while endangering their prospects of living. The steps that follow ought to be taken by small and medium-sized enterprises in order to successfully implement a paperless policy: Education: Illiteracy is a major issue in a nation with a low literacy rate. The general population must be made aware of the significance of policy. Infrastructure: The growth of a civilization that is capable of utilizing information and technology requires expenditures in information and communication technology (ICT). Talk about the possibility of abuse and a cyberattack. The cash must be guaranteed to be safe and secure. In order to deal with incidents of payment-related fraud and other problems, a solid

legal framework needs to be in existence. Users must be informed of the most recent technological advancements. This will allow them to utilize the system's capabilities to their fullest potential. Accessibility to the web and enough wi-fi are necessary for a society without money and a system of digital payments. To ensure every person benefits from this transformation, non-governmental organizations (NGOs) and higher education institutions (HEIs) should work with government agencies to provide free consultancy services.

Conclusion

While talking about without money economic growth, the efforts and electronic ways of life of India caught our attention. Throughout, there were continuing discussions about how demonetization would affect small and medium-sized businesses. All throughout the world, businesses, academics, and lawmakers are contemplating cashless societies. In a world where information is in control, the cashless economy is used to create an open and moral economic system. It is generally acknowledged that creating an economy without currency might stop illicit activity and laundering of funds. The government's ambitions to create a cashless economy would be hampered by a lack of operational processes. Demonetization has improved the feasibility of a cashless economy as a result of government efforts. This endeavor is hampered by issues with culture, literacy, and the condition of the country's electricity supply. Notwithstanding all of the previous attempts, government as a whole still needs to be successful. By informing people of the benefits of a cashless economy, legislation and the creation of monetary facilities may aid Indians in preparing for the worst-case situation. The rapid transition to a cashless world significantly hurts small businesses because they were unable to manage electronic currency. Regardless of this, the shift has been made simpler by company owners' approval of digital deals. More than urban businesses, those in the countryside must embrace a digital mindset. Customers and companies must both alter their ways of thinking, financial infrastructure must be put in place, and general information must be disseminated across the business sector as a whole in order for the digital interaction cycle to be fully completed. Notwithstanding this, there are still many challenges that small and medium-sized firms must overcome. If you don't give this decision some thought, you'll regret it. As an illustration, it is crucial to include SMEs in the implementation of the policy. As a result, small company owners shouldn't be disregarded. Authorities must use extreme prudence while designing the financial sector transition.

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