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Demonetization issues and challenges

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Demonetization issues and challenges- in reference to senior citizen
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ABSTRACT

Every activity has its own perils and boons. Demonetization too has both negative and positive effects. We all got so camouflaged by this launch pad to curb black money that we forgot the effects of it on the elderly people who constitute 90 million of our population in 2011 as per the report of United Nations Population Fund and HelpAge India report 2011.. The policy makers forgot the pains which the senior citizen had to go through for this sudden change in life. The research paper focuses on the anguishes and hardships of senior citizens because of demonetization and suggests suggestions to patch up the fury .The analysis are based on secondary data.

Key words: Seniors Citizens, Training, Cashless Economy.

1. Introduction

On 9th November 2016 Prime Minister NarendraModi announced the demonetization of 500 rupees note and 1000 currency note at 8pm through a national broad cast on television. These two currency notes would no longer remain legal tender with immediate effect. The surprise element was demon itself for

middle class and lower middle class families. The aim for this move was to counter foil parallel economy which was running on black money. The idea was good, intention was good but the preparation for the launch pad was not brainstormed properly. The resultant was long lines of queues outside the ATM machines from the next day morning. No

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policy was framed for the senior citizen who constitute 7.4% of our population¹. As we are approaching towards Demographic dividend² all our efforts are directed towards framing the policy for young Millennials. It's an irony that we are forgetting our roots in quest for new branches.

2. Aim of Demonetization

On 9th November India had gone demonetized. The aim was to curb black money, tax cheating, counterfeiting corruption which constitutes a parallel economy. It was assumed that eliminating big currencies would forfeit the accumulation of large chunk of money. As per Reserve Bank of India (RBI) on March 2016 currency in circulation amounted to Rs16, 415 billion of this, Rs500 notes accounted for 47.8% in value and Rs1, 000 notes another 38.6%. Together, they were more than 86% of the value of the notes in circulation. This was a large chunk of the loaf to be freeze in one go.

Unfortunately the people who are hoarders of large chunk of money usually don't accumulate the wealth solely in the form of currency notes. As per Prof Rajesh

Chakrabarti³ (by some estimates as low as less than 6%) of the unaccounted wealth is held in cash. They have farm houses, gold, deposited in foreign bank. Actually its just 4% which amounts to black money, another aim was to decrease the lending rates so that fiscal deficit could be curtailed.

In reality it's the small farmers, labourers, middle class working people who are in dire need of cash transactions daily. India is still in the nascent stage for going cashless especially the baby boomers and Generation X and our elderly citizens who have the dearth of plastic money knowledge.

3. Elderly Citizens of India

As per the report of United Nations Help Age 2011 India has at present 100 million elderly which as per assumption would be 18% of the total population by the year 2050. The report suggests that India had 90 million elderly persons in 2011, with the number expected to grow to 173 million by 2026. Of the 90 million seniors, 30 million are living alone, and 90 per cent work for livelihood. As per Indian law a person above 60 year of age is considered to be senior citizen.

¹ United Nations Help Age report 2011

² Demographic Dividend means India will have the youngest population by the year 2020 in relation to world.

³ Rajesh Chakrabarti, professor and executive vice dean of the Jindal Global Business School at Jindal Global University

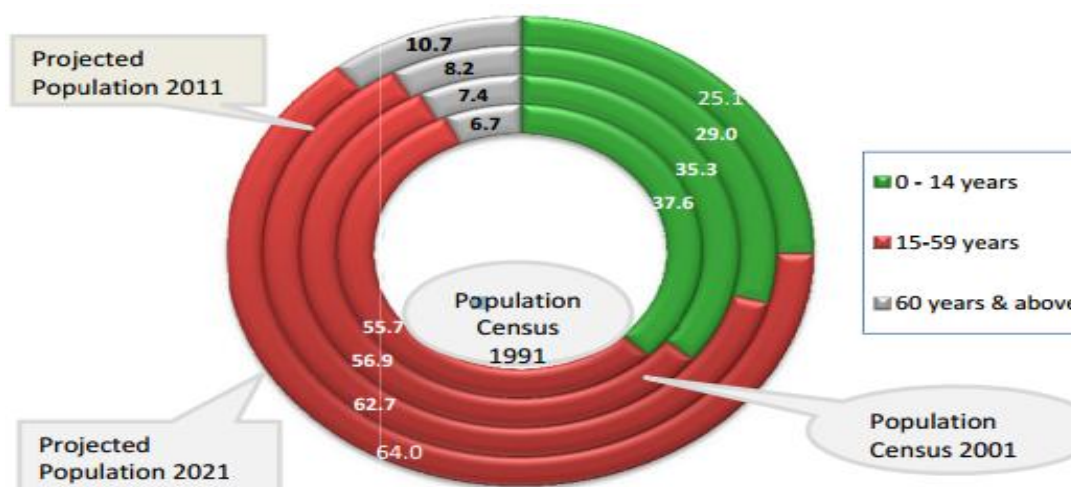


Fig 1.1 Age Distribution of population in India over Decade –

Source: Situation Analysis of the Elderly in India, 2011

The figure should give a moment to rejoice but unfortunately it gives us a moment to think. Gone are the days when it was combined joint family which looked after the welfare of each other. The grand parents always enjoyed the respect and stature in family .But due to modernisation and no interference syndrome the elderly are left alone in their sunset this change in social spectrum calls for deeper brooding to frame the policies for our elderly class and look after their health as well to help them to maintain their daily needs. The rural areas are also not left untouched by this social change. Because of urban migration they are forced to live life of solitude either alone or with their aged

partner. The seniors are left bereft of any emotional, financial support.

The social structure of living together has also changed. As per the Elderly Report⁴ only 75% elderly males and 40% elderly females live with their spouses. When it comes to living with children the percentage is alarming as only 20% of aged men and about 10% of aged women live with their children. .Living alone caters for 2-3%for elderly men while 3% live with relatives. The condition for women is no different as 7-8% live alone and 6-7% live with other relation or no relation.

⁴ Situation Analysis of The Elderly in India, 2011

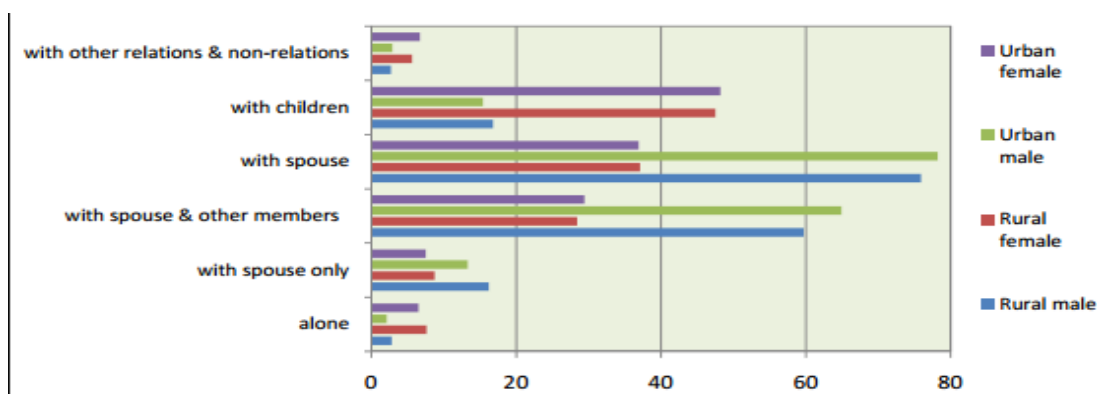


Fig 1.2 Percentage of elderly with different types of living arrangements –

Source: Situation Analysis of the Elderly in India, 2011

As it is evident from figure 1.2 that majority of elderly that is 80% live with their spouse who fall into the same age bracket .In this scenario with demonetization the additional burden of standing in long queues only added further wrath to the already distressed plight. To reap the advantage of demographic dividend, the focus is mainly on the children and the youth and fulfilment of their basic needs for proper development. Though the traditional Indian society and the age-old joint family system have been instrumental in safeguarding the social and economic security of the elderly people in the country with rapid changes in the social scenario and the emerging prevalence of nuclear family set-ups in India in recent years the elderly people are likely to be exposed to emotional, physical

and financial insecurity in the years to come.

4. Problems encountered by elderly

As a country, India slowly graduated from one technology to another like from cordless to mobile, from cash to plastic money transactions .The sudden quest for going cashless from the nation and especially seniors was just too much to ask for. Cash is just not money for seniors. It is a sense of security for them. A feeling of joy for them .And in India majorly it was evident that seniors used to give cards to their children or relations to draw the money from bank. It brought both money and cemented the relationship as trust was there.

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With Prime minister's announcement of going cashless as many as 23 crore people unbanked people geared up for digital transaction. Now the senior citizens were left in doom as for those who never went to even get their money from ATM or sent spouse or relation had to do it on their own this was a 360 degree change for them.

Other possible fall out were

- Standing in long queue with no arrangement from bank
- No shopkeeper would exchange big denomination money for small value of a good.
- Change was difficult to get.
- Spouse left alone at home for long hours
- Ailments further deteriorated with standing in queue.
- Other jobs like visiting hospital, pay utility bills took a back seat.
- No arrangement to train the seniors in digital payment.
- The restriction on cash withdrawal forced them to queue up each day.
- Time consuming
- In some places like bus stop autos real money is required
- With cash there is a feeling of goodness and security which is hard to go in one day
- Reduction in FD rates by banks because of falling interest rates on loans is

a result of demonetization. Given that government has opened another avenue for seniors by announcing 8% assured monthly interest on deposits of up to Rs. 7.5 lacs for 10 years, how will it mitigate their sufferings is not clear. Clubbed with Rs. 15 lacs under senior citizen savings schemes interest reduced to 8.6% the maximum one can earn are Rs 1.8 lacs in a year which is measly Rs. 15000/- per month. It is impossible to meet the expenses of a senior couple particularly when medical expenses are mounting.

- Most seniors want to live an honourable independent life with their retirement fund invested in secured instruments like FDs. They do not want to be dependent on their children for their upkeep. With reduction of income on their investments, they will have no choice but to seek help from their children.
- Low rate will decrease the saving and increase the consumption propensity. This will increase the price of essential commodities including the house helpers. So the seniors who already are on pension will have to face the price of increased good and hospitals along with bearing the expense of rising household helpers.

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5. Indian scenario

According to a Reserve Bank of India's report⁵ usage of debit cards at ATMs still account for 88% of the total volume and around 94% of the total value of debit card transactions. Compared to this, transactions at point of sale (PoS) terminals account for only 12% of volume and 6% of value of transactions.

The concept paper also noted that although transactions have risen over the year, growth in acceptance infrastructure (ATMs and PoS machines) has not kept pace. Between October 2013 and October 2015, the number of ATMs increased by around 43% while PoS machines increased by 28%. As of December 2015, there were 0.19 million ATMs and 1.2 million PoS machines. In this scenario when there is already dearth of infrastructure expecting seniors to cope with this paucity was certainly a long hurdle.

6. Suggestions to cope with demonetization

In a land of goddess where Lakshmi is symbolized with wealth the idea of going cashless is a new measure. As old habits die hard the seniors need to first be geared to cultivate the habit of going cashless. The measures which can be adopted

- Citizens who don't have smart phones can use the service called ***99#**. A person with account in any bank can avail this service. Just registration is required.
- Fear of losing their money through mobile need to be erased.
- More advertisement and information should be providing to seniors regarding e-wallet and other modes of digital payment.
- Using Rupay transaction to get benefit of transaction tax.
- Taking help of family members' especially young generation who are tech savvy.
- Opting for NEFT transactions
- 'Financial Literacy Drive which is being practised by banks in Kendriya Vidyalaya Sangathan (KVS) to be adopted in more institutes.

7. Conclusion

India is a country that thrives on money. Seniors who have always been keeping cash to meet the uncertainties of life going cashless is new paradigm for them at this juncture of their life. Still if proper training, information and convenience are provided to them the goals of cashless society can be attained. Digital literacy is required for our senior citizens along with feel good factor nostalgia of yesteryears.

⁵Reserve Bank of India's (RBI) report released in March, *Concept Paper on Card Acceptance Infrastructure*

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