

A STUDY ON THE EFFECT OF DEMONETIZATION IN DIGITAL BANKING

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ABSTRACT: On 8th November 2016, Govt. of India decided to demonetize all 500 and 1000 rupee notes. Demonetization changed the traditional banking to digital banking. The study has been undertaken to evaluate the effect of demonetization in digital banking. The present study compares transactions before after demonetization. For this various banking transactions were taken into consideration.

Index Terms: *Demonetization, Digital Banking*

INTRODUCTION

India is changing at an increasing rate and the technology also adopts these changes. Simply we can say that we are in a “connected” and “digitalized” world. With over 460 million internet users, India is the second largest online market, ranked only behind china. Two out of three Indian mobile users are planning to upgrade their phones in the next year. The figures were increasing day by day. We can see the growth, in users of digital banking also. So we can say that everything is digitalized now. Education, marketing, service, industry and also in banking. Yes, the banks also digitalized now and we can say that we are in digital era.

The Indian government has long struggled with the issue of the fake currency and black money. In 1946 and in 1978, the Indian governments decided demonetization to find out a long-term solution to the problem. The same had take place in India on 8th November 2016, by The Indian Prime minister, Narendra Modi, that demonetization of all 500 and 1000 rupee notes. It was a surgical strike to put an end to tax evasion and black money.

It badly influenced the economy, and it leads to stop operations of Each and every sectors of the economy for a while. If we are ranking the sector according to the effect of demonetization, the first one is banking sector. Because of demonetization the banking operations had disturbed and affected the employees also. They had to work under unconditional stress and it leads to extend the working hours of a day. Most of the reputed banks were not able to discharge their banking services while exchanging the banned currency notes. Hence, the present study is made to figure out the impacts of demonetization on digital banking. Digitalization made cash less transactions. The customers use their smart phone, internet and plastic cards instead of cash.

The backbone of all the economy is the banking industry and every other industry needs banks to invest or move financially. In developing countries the trend of digital banking is spreading fast. So the banks are compelled to provide internet banking services to its national and international customers. It minimizes the cost for banks. It leads to better relationship with customers by providing them easy to operate mechanism for banking functions. Many of the banks introduced innovative banking products that are customized to cater individual customer’s needs. It provides a greater choice in terms of channel they can use to conduct their business and convenience in terms of when and where they can use digital banking. A digital banking user is expected to perform transactions online such as checking account balance, transaction history, paying bills etc.

Digital banking simply means that digitalization of all the traditional banking activities and programs that were only available to customers when physically inside of a bank branch. This includes all the monetary transactions like Money Deposits, Withdrawals, and Transfers. The digital banking can be done by online banking or mobile banking etc.

STATEMENT OF THE PROBLEM

The present study is more relevant, because India faced demonetization in 2016. It affected our whole monetary system, which means banking system. The present study is to **study the effect of demonetization in digital banking.**

SCOPE OF THE STUDY

In this present era, which is also known as digital era, digital banking plays a significant role in every individual’s life. Banking through digital channels is very popular now -a -days. The technological development that has taken place recently influences people also in banking area. Everyone try to make use of the possibilities which the digital world gives us. It is because of Demonetization. The study helps to improve knowledge about the Demonetization and digital banking. The study helps to know the different transactions in digital banking, awareness of digital banking in common people and how they make use of it. This study also helps to know the difference between before and after demonetization in case of digital banking

SIGNIFICANCE OF THE STUDY

People use banks for different transactions. But there is a common factor in all transactions, that is money. This study says how people are affected by demonetization and their banking transactions.

OBJECTIVES OF THE STUDY

The primary objective of the study is:

1. To study the impact of demonetization in digital banking.

The secondary objectives of the study are:

1. To study the awareness of digital banking.
2. To study the usage of digital banking.
3. To study which age group uses digital banking mostly.
4. To know whether they are satisfied with the digital banking.

HYPOTHESIS

• HYPOTHESIS 1

H0: There is no significant relationship between customer's occupation and the reasons to use digital banking.

• HYPOTHESIS 2

H0: There is no significant relationship between age of the respondents and their use of digital banking.

• HYPOTHESIS 3

H0: There is no significant relationship between smart phone holders and digital banking holders.

• HYPOTHESIS 4

H0: There is no significant relationship between the source led to digital banking and occupation.

1.14 LIMITATIONS OF THE STUDY

1. This study conducted in a very short period.
2. Accuracy and reliability of this study depends upon the respondents.
3. Lack of prior research studies on this topic.
4. Sample selected at random from the population. It may or may not be the representative of the population.

REVIEW OF LITERATURE

It is important for any systematic study to review all relevant literature in order to design the study meaningfully. It will provide the researcher with diversified view on research problem. In view of the effect of demonetization in internet banking, small number of studies has been made by research institution, government, academicians, committee appointed by RBI, working groups etc. The available literatures relating to committee, journals and research papers have been presented.

PROFILE OF THE STUDY:

This Research is Empirical Research. The study is done through observation using a structured questionnaire.

SAMPLE DESIGN:

The study is conducted in Kozhikode Corporation, situated in Kozhikode also known as Calicut, one of the districts in Kerala.

DATA SOURCE:

Both primary and secondary data used for the study.

Primary data:

Primary data are collected by using survey method; a structured questionnaire is designed with structured questions and that were distributed among the people of Calicut District in Kerala. These information was later analyzed to obtain the required interpretation and the findings.

Secondary data:

Secondary data also used for the study. It collected from various Books, Journals, Articles and news papers and web sites.

RESEARCH SAMPLE

Sample Technique – Convenient Sampling

Sampling Units – Account Holders

Research Instrument – Structured Questionnaire

Sample Size:

For the purpose of the present study the sample size used is **256**.

Period of the study:

The period of the study is 6 months.

RESULT & DISCUSSION

TABLE 4.1 CLASSIFICATIONS OF RESPONDENTS BY GENDER

S No.	Gender	Frequency	Percentage
1	Male	153	59.8
2	Female	103	40.2
	Total	256	100.0

INFERENCE

The above table shows that 59.77% of the respondents are Male and 40.23% of the respondents are Female.

TABLE 4.2 CLASSIFICATION OF RESPONDENTS BY AGE

S No.	Age	Frequency	Percent
1	18-30	110	42.97
2	31-50	120	46.88
3	>50	26	10.16
	Total	256	100.0

INFERENCE

The above table reveals that 42.97% of the respondents are between the Age of 18-30, 46.88% of respondents are between 31-50 and 10.16% of respondents are Above 50.

TABLE 4.3 CLASSIFICATION OF RESPONDENTS BY OCCUPATION

S No.	Occupation	Frequency	Percent
1.	Business	58	22.66
2.	Profession	64	25.0
3.	Employee	47	18.36
4.	Student	38	14.84
5.	House wife	39	15.23
6.	Retired	10	3.91
	Total	256	100.0

INFERENCE

The above table shows that 22.66% of the respondents are doing Business . 25% of respondents are professionals, 18.36% are employees ,14.84% are students, 15.23% are house wives, and remaining 3.91% are retired person.

TABLE 4.4 CLASSIFICATION OF RESPONDENTS BY SMART PHONE HOLDERS

S No.	Whether own a smart phone	Frequency	Percent
1	Yes	231	90.2
2	No	25	9.8
	Total	256	100.0

INFERENCE

The above table reveals that 90.2% of the respondents own a smart phone and remaining 9.8% of respondents didn't own a smart phone.

TABLE4.5 CLASSIFICATION OF RESPONDENTS BY TIME PERIOD OF BEING AN ACCOUNT HOLDER

S No.	Time period of being an account holder	Frequency	Percent
1	Below 2	18	7.0
2	2-5	98	38.3
3	5-10	52	20.3
4	Above 10	88	34.4
	Total	256	100.0

INFERENCE

Table 4.5 shows that 7% of the respondents are account holders in less than 2 years, 38.3% of respondents are between 2- 5 years, 20.3% of the respondents are between 5-10 years, and remaining 34.4% respondents are above 10 years.

TABLE 4.6 CLASSIFICATION OF RESPONDENTS WHO HAVE COMPUTER WITH INTERNET CONNECTION

S No.	Computer with internet connection	Frequency	Percent
1	Yes	181	70.7
2	No	75	29.3
	Total	256	100.0

INFERENCE

Chart 4.6 shows 70.70% of the respondents have computer with internet connection and 29.30% of respondents have no computer with internet connection.

TABLE 4.7 CLASSIFICATION OF RESPONDENTS WHO CAUSED PROBLEMS BY DEMONETIZATION

S No.	Problems caused by demonetization	Frequency	Percent
1	Yes	163	63.7
2	No	93	36.3
	Total	256	100.0

INFERENCE

Table 4.7 reveals that 63.7% of the respondents agreed that they had problems because of demonetization and 36.3% of respondents disagree with that.

TABLE4.8 AWARENESS OF INTERNET BANKING

S No.	Awareness of internet banking	Frequency	Percent
1	Yes	220	85.9
2	No	36	14.1
	Total	256	100.0

Table 4.8 shows 85.9% of the respondents are aware about internet banking and 14.1% of respondents have no awareness about the same.

TABLE 4.9 CASH DEPOSITS BEFORE AND AFTER DEMONETIZATION

S No.	Cash Deposit	Before demonetization		After demonetization	
		Frequency	Percent	Frequency	Percent
1	Cash Depositing Machine	24	9.4	187	73.0
2	Cheque	232	90.6	69	27.0
	Total	256	100.0	256	100.0

TABLE 4.10 CASH WITHDRAWALS BEFORE DEMONETIZATION AND AFTER DEMONETIZATION

S No.	Cash withdrawals	Before Demonetization		After Demonetization	
		Frequency	Percent	Frequency	Percent
1	Automated Telling Machine	196	76.6	233	91.0
2	Cheque	60	23.4	23	9.0
	Total	256	100.0	256	100.0

INFERENCE

Above Table shows medium used for cash withdrawals by respondents before and after demonetization. 23.4% of respondents used Cheque before demonetization and after it is 9%. 76.6% of respondents used ATM before demonetization and after it is 91%.

TABLE 4.11 METHOD OF PURCHASING BEFORE DEMONETIZATION AND AFTER DEMONETIZATION

S No.	Method of Purchasing	Before Demonetization		After Demonetization	
		Frequency	Percent	Frequency	Percent
1	Shops	234	91.4	100	39.1
2	E-Commerce	9	3.5	101	78.4
3	Both	13	5.1	55	21.5
	Total	256	100.0	256	100.0

INFERENCE

The above table reveals medium used for purchasing by respondents before and after demonetization. 91.4% of respondents used Shops before demonetization and after it is 39.1%. In case of E-commerce 3.5% of respondents used it before demonetization and after it is 39.5% and 5.1% of respondents used both before demonetization and after demonetization it is 21.5%.

TABLE 4.12 MODE OF PAYMENT BEFORE DEMONETIZATION AND AFTER DEMONETIZATION

S No	Mode of	Before Demonetization		After Demonetization	
		Frequency	Percent	Frequency	Percent

	payment				
1	Cash	191	74.6	79	30.9
2	Card	42	16.4	126	49.2
3	Both	23	9.0	51	19.9
	Total	256	100.0	256	100.0

INFERENCE

The above table reveals mode of payment used by respondents before and after demonetization. 74.6% of respondents used Cash before demonetization and after it is 30.9%. In case of Card 16.4% of respondents used it before demonetization and after it is 49.2% and 9% of respondents used both before demonetization and after demonetization it is 19.9%.

TABLE 4.13. REASONS TO USE DIGITAL BANKING

	Mean	SD
Time Consuming	4.305	1.175
Easy	4.336	1.050
Service	4.277	1.080
Direct Transaction	4.281	1.174
Any Time Any Where	4.500	1.006

INFERENCE

Table 4.13 reveals the mean and standard deviation of reasons to use Digital Banking. Based on mean score, Any time & Anywhere(4.5) is the most one of the reason to use digital banking followed by Easy (4.336), Time consuming (4.305), Direct Transaction(4.281), and service (4.277).

TABLE 4.14. SOURCE LEAD TO DIGITAL BANKING

	Mean	SD
Advertisement	4.074	1.252
Influence from Friends & Colleagues	4.164	1.177
Internet	4.105	1.265
Exposure to the technology	4.531	1.102
Family	3.918	1.229
Previous Experience	4.074	1.340

INFERENCE

Table 4.14 reveals the mean and standard deviation of source lead to Digital Banking. Based on mean score, Exposure to the technology(4.531) is the most one followed by Influence from friends and colleagues(4.164), internet(4.105), Previous experience(4.074) and Advertisement(4.281), and family (3.918).

TABLE 4.15A. SATISFACTION IN DIGITAL BANKING

	Mean	SD
I am satisfied.	4.137	1.317
I am a regular customer.	3.930	1.472

INFERENCE

Table 4.15A reveals the mean and standard deviation of Satisfaction in Digital Banking. Based on mean score, I am satisfied(4.137) is the most one followed by I am a regular customer (3.930).

TABLE 4.15B. TRUST IN DIGITAL BANKING

	Mean	SD
I can agree.	4.164	1.309
I agree digital banking is trust worthy compared to traditional banking.	4.340	1.276
I can't trust 100% digital	4.508	1.188

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INFERENCE

Table 4.15B reveals the mean and standard deviation of trust in Digital Banking. Based on mean score, I can't trust 100% digital banking(4.508) is the most one followed by I agree digital banking is trust worthy compared to traditional banking (4.340) and I can agree (4.164).

TABLE 4.16 COMBINED MEAN OF USAGE, SOURCE TRUST AND SATISFACTION IN DIGITAL BANKING

	Mean	SD
Usage	21.70	5.32
Source	24.87	6.82
Trust	13.01	3.63
Satisfaction	8.07	2.76

INFERENCE

Table 4.16 shows the combined mean of Usage(21.70),Source(24.87),Trust(13.01) and Satisfaction(8.07).

Following are the Findings of the Study:

1. Majority 59.77% of the respondents are Male.
2. Majority 46.88% of the respondents are between the age group of 31-50.
3. Majority 25% of the respondents are professionals.
4. Majority 90.2% of the respondents own a smart phone.
5. Majority 38.3% of the respondents are account holders in between 2- 5 years.
6. Majority 70.70% of respondents have computer with internet.
7. Majority 63.7% of respondents agreed that they had problems because of demonetization 8. Majority 85.9% of respondents are aware about internet banking.
8. Majority 90.6% of respondents used Cheque for cash depositing before demonetization and after demonetization majority 73% of respondents used CDM.
9. Majority 76.6% of respondents used ATM for Withdrawals before demonetization and after demonetization it is 91%.
10. Majority 91.4% of respondents used Shops for Purchasing before demonetization and after demonetization majority 39.5% used E-Commerce.
11. Majority 74.6% of respondents used Cash for Payment before demonetization and after demonetization majority 49.2% used card.

SUGGESTIONS

To Banks

- Banks should update their websites so that the customers will get up to date information and use digital banking.
- Whenever the banks receive positive reviews about their services, promote them on the websites, apps and social media so that customers who search for the services on internet see the great things others say about the digital banking services of bank and thus be motivated for digital banking.
- Digital awareness should be given to the public by the banks.
- Trust in digital banking must be ensured by banks.
- Understand the customer's needs and wants. It will help to act appropriately.
- Offer tangible and intangible value to the customers.
- Implement a multi-channel digital banking strategy to have a more effective and generating favourable responses from targeted audiences. Thus to enlarge digital banking to everybody.
- Set up a separate desk for digital banking to promote and clarify the doubts of customers about digital banking.
- Make sure that procedures in digital banking are easily understandable and time consuming.

To customers:

- Customers should learn the technology of digital banking.
- Customers must try to use the internet facilities and technical knowledge in using digital banking facilities.
- Be updated about the services in digital banking.
- The digital banking is not only fast growing but also consuming both time and cost.

To Government:

- Digital India campaign by the Government of India should be executed properly.
- Facilities should be provided to public to know about Information Technology and Internet by the Government.
- Provide better net working system to Rural areas.
- Provide more timely assistance to those who have less technical knowledge.
- Honour the banks who provide better and innovative digital banking services.

CONCLUSION

Digital banking is the promotion of banking services via one or more forms of electronic media. Digital banking differs from traditional banking in that it involves the use of digital media which is so pervasive that customers have access to information at any time and any place they need it.

The present study focuses on the customer's perception towards digital banking before and after demonetization. The study also concentrates on the factors affecting customers to focus on digital banking. The analysis and interpretation of the data shows that the banking customers use the digital banking services mostly after demonetization.

In short through this study we can come to the conclusion that digital banking is influenced almost all types of people irrespective of gender, age, occupation, smart phone, internet connection. Apart from these demonetization influenced them a lot. Due to shortage of paper currency because of demonetization many people shifted to plastic card is the main reason of shift to digital banking from traditional banking. Through digital banking they are receiving a number of advantages. Time consuming, easy, transaction at finger tip, 24/7 hours services are some of them. The Government of India launched Digital India the people of India will be advanced in technological knowledge and thus the digital banking will have further more improvement in near future.

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