

# Demonetization impact on Digital Finance Transactions - A Study in Selected Districts of South Rajasthan

Dr. Nidhi Nalwaya

Assistant Professor

Pacific Business School, Pacific University, Udaipur (Raj.)

Nishta Bansal

Student

MBA (Finance)

Pacific University, Udaipur (Raj.)

## Abstract

The First demonetization in the Indian Economy took place on 12th Jan 1946, a second time on 16th Jan 1978, and third time on 8th November 2016. A stated goal of demonetization as per the RBI and the MoF was decreasing the Cash component of the economy- by increasing digital cash transactions. World over it has been observed that Information Technology has brought about comprehensive changes in the financial systems, especially the banking industry. During the demonetization exercise, with cash transactions facing a drastic reduction, alternative forms of payment saw a surge in usage. The Specified Bank Notes (SBNs) were permitted to be exchanged RBI Offices till December 30, 2016 and till November 25, 2016 at bank offices/Post Offices and to be deposited at any of the bank offices of business banks/Regional Rural Banks/Co-operatives banks (just Urban Co-operative Banks and State Co-operative Banks) or at any Head Post Office or Sub-Post Office amid the period from November 10, 2016 to December 30, 2016.

Substantial increase was observed in the use and application of the Digital transaction systems such as e-wallets and apps, online transactions using e-banking, usage of Plastic money (Debit and Credit Cards), etc. during the demonetization proved. The trend has declined a bit subsequently but a multi-fold growth is still observed. This should sooner or later lead to strengthening of such systems and the infrastructures required. The primary objective of the present research work is to assess and study the digital finance transactions in selected districts of South Rajasthan during Demonetization.

---

**Keywords:** Demonetization, Digital Cash, Cashless Economy, Banking Services, Southern

---

## Introduction

The demonetization of Specified bank Notes (SBN's) of denominations of 500 and 1000 was a sudden and swift decision that shook the nation, as a bolt from the blue. Prime Minister Shri Narendra Modi, on an unscheduled live TV address to the nation on November 8th, 2016 announced that the currency notes of Rs. 500 and Rs. 1000 would be deemed invalid as legal tender from midnight. The PM hailed this as a war against black money and corruption. This measure as per the GoI was taken by the PM in an attempt to address the resolve against corruption, black money, terrorism and counterfeit notes. As an aside this move also would increase the Tax payers, as just 1% of the total country's population has been paying income tax. This move was expected to cleanse the formal economic system and discard black money at the same time.

The MD & CEO, ICICI Bank, Ms Chanda Kochhar stated that, this move will definitely bring about a whole amount of transition to no cash or low cash kind of transactions.

## Demonetization

Demonetization is the mechanism by which the government states to pull back the cash which is

presented legitimate delicate. The legislature being sovereign can take such a decision. The impact of this declaration is that the cash notes available for use will now stop to be legitimate delicate and must be traded at the banks.

There are three significant issues with respect to the latest demonetization.

**Firstly**, that the notes ceased to be legal tender from midnight of 8th November, 2016 just 4 hours after announcement. So in effect the only places where they would be accepted will be banks.

**Secondly**, even the banks had been given time until when they can accept the notes - 30th December, 2016.

**Thirdly**, the cash swap carried restrictions. Thus, in effect the announcement forced these SBNS into the bank's deposits within a short period of time.

## Exposition of Digital Finance Transactions - Internet Banking

Most Banks in the country offer a wide range of services and products through Digital platforms (internet banking). The Table presented below shows the major banking services and products thereof:

**Table 1: Major Banking Service and Products**

<b>Statements:</b> Give account information, Balance enquiry, adjust articulation and exchange reports utilized.
<b>Online Fund Transfer:</b> Transaction between accounts, regardless of whether they are in various branches or cities. Client can likewise exchange assets to any individual having a record with a similar bank whenever, anyplace, utilizing outsider assets exchange alternative.
<b>Bill Payment Service:</b> Banks Bill Payment is the least demanding approach to oversee bills. Record holder can pay their customary month to month bills i.e. phone, power, cell phone, protection and so on at whenever, anyplace for nothing. Saves time and efforts. Make charge installments whenever it might suit client frame their home or office. Lets account holders check their bill sum before it is charged shape their record.

**Requests and Intimations:** Can electronically submit a request for Cheque-book, Stop payment instructions, Opening a fixed deposit, Opening a recurring deposit, Intimate for the loss of ATM card, Register online for phone and mobile banking, Cheque status, Online application for debit card, Issue a DD or a Banker's Cheque form account at special rates.

**Trading Demat Account:** Demat is commonly used abbreviation of Dematerialization, which is a process whereby securities like share, debentures are converted from the material (paper documents) into electronic data and stored in the computer of an electronic Depository. A depository is a security bank, where dematerialized physical securities are held in custody, and form where they can be traded. This facilitates faster, risk-free and low cost settlement.

**Debit Card & Credit Card:** Debit cards allow bank customers to spend money that they have by drawing on funds that they deposited with the card provider. Credit cards allow consumers to borrow money from the card issuer up to a certain limit in order to purchase items or withdraw cash.

**Mobile Banking:** Portable saving money is an administration gave by a bank or other monetary organization that enables its clients to direct financial exchanges remotely utilizing a cell phone, for example, a cell phone or tablet. It utilizes programming, as a rule called an application, gave by the financial establishment to the reason.

Source: CSO

## Review of Literature

Laukkanen, P., Sinkkonen, S. & Laukkanen, T.(2008) the motivation behind this paper is to facilitate the comprehension of advancement protection by separating web saving money non-adopters into three gatherings in light of their goals to utilize the development. From that point, the point is to distinguish how the protection varies in these client gatherings. This investigation recognizes three gatherings of web keeping money non-adopters, in particular defers, rivals and rejecters.

Jayshree Chavan (2013) paper presents the information about the challenges in the emerging economy. Paper inferred that one of the advantages that banks encounter when utilizing ebanking is expanded consumer loyalty.

Mihir B. Chavda and Dr. Ashvin Solanki (2014),

Internet banking reception end up well known in the year 2000 and began cresting up from the year 2012 onwards. Most clients who have embraced web managing an account administrations trusts that it has got parcel of favorable circumstances while on the opposite side some trusts that due to security and protection issues inventive saving money has inconveniences.

Sejal M. Vithalani (2015), compared to developed nations, quite less number of Indian female is availing banking services independently which can be due to lack of awareness or dependency.

Internet Banking: Internet banking is an improvement over PC banking and it is done over a highly accessible public network. It is accessible to anyone using the Internet not just the bank's customers.

## Significance of Study

An overview by KPMG, an expert administrations organization, refers to "consistently expanding cell phone entrance" as one of the key impetuses for the spread of computerized installments. The BHIM application, it notes, was downloaded in excess of 17 million times in the two months after demonetization was reported. A survey demonstrated that almost 88% respondents favor cash-less installments over money installments, with 48% utilizing computerized installment for over 75% of their exchanges.

Digital banking companies have also risen to the challenge, setting up shop in more convenient places to allow people to sign up and use their money as they wish. Paytm, an e-wallet firm, has seen a huge surge in transactions, for example – even the roadside stalls have started to accept payments through e-wallet.

In the context of banning bank notes, financial inclusion is crucial. People who have access to credit cards and operational bank accounts are much better prepared for a demonetization crisis than those marginalized people whose money is all in cash, primarily in the form of these decommissioned notes. But smart phone and internet access is yet to reach the majority of Indian households. After demonetization, according to a more recent Media Nama report, the number of mobile wallet transactions increased 475% and the amount transacted grew 207%. In March 2017, Paytm wallet users increased to 218 million, with 700,000 added per day. During the month of demonetization (November 2016), 70,000 merchants were being signed up daily.

## Statement of the Problem

The present paper is undertaken to analyze the

impact of Demonetization on Digital Finance transactions in selected Districts of South Rajasthan during the recent demonetization of SBN's in the country.

## Objectives of the Study

Digital Banking offers a set of benefits as well as challenges to both its customers and organizations. The study has been undertaken to determine:

1. To study the frequency of bank branch visits per month before and after demonetization.
2. To analyze the level of knowledge regarding Internet Banking facilities among respondents.
3. To study the impact of Demonetization on the usage of Digital Finance services by analyzing the frequency of the usage of different digital banking services before and after Demonetization.

## Limitations of the study

The study was conducted under certain limitations such as, the sample has been taken only from three selected districts of South Rajasthan and the respondents have been selected through convenience sampling. The data has been collected through structured questionnaire; it may restrict the opinion of the customers.

## Data Analysis and Interpretation

The survey has been conducted in three districts of South Rajasthan viz. Pratapgarh, Chittorgarh and Sirohi. A Questionnaire was used as the research instrument, which contained 2 sections: Demographic profile of customers and frequency of using major aspects of Digital finance transactions (internet banking).

A sample of 950 customers was drawn by using convenience sampling technique. Questionnaire was distributed to all respondents & 246 filled questionnaires were received, response rate was 26 percent. Chi-Square test of independence is employed to analyze collected data to determine whether the frequency of using digital banking services is independent or dependent of the demonetization with using the following equation.

**Table 1 : Demographic Statistics of Respondents**

		N	%
<b>Age</b>	18-25	179	72.76
	26-35	39	15.85
	36-45	18	7.32
	>45	10	4.07
<b>Gender</b>	Male	162	65.85
	Female	84	34.15
<b>Education</b>	SSC	8	3.25
	HSC	8	3.25
	Graduate	30	12.20
	PG	193	78.46
	PhD	7	2.85
<b>Occupation</b>	Business	29	11.78
	Service	86	34.96
	Professional	47	19.11
	House wife	1	0.41
	Student	83	33.74
<b>Income</b>	0-15000	103	41.87
	15000-25000	57	23.17
	25001-35000	37	15.04
	35000 or above	49	19.92
<b>City</b>	Pratapgarh	72	29.27
	Chittorgarh	108	43.90
	Sirohi	66	26.83

Source: Author's Computation

**Table 2 : Bank account with any bank**

Opinion		N	%
Opinion	Yes	246	100.00
	No	0	0.00

Source: Author's Computation

**Table 3 : Visits of Respondents in Bank branch per month before demonetization**

Visits		N	%
Visits	1 to 4 times	170	69.11
	5 to 8 times	28	11.38
	9 to 12 times	8	3.25
	More than 12 times	5	2.03
	Never	35	14.23

Source: Author's Computation

**Table 4 : Visits of Respondents in Bank branch per month after demonetization**

Visits		N	%
Visits	Never	47	19.11
	1 to 4 times	131	53.25
	5 to 8 times	46	18.70
	9 to 12 times	12	4.88
	More than 12 times	10	4.07

Source: Author's Computation

**Table 5: Knowledge of Internet/Online Banking services**

Knowledge		N	%
Knowledge	Well known	172	69.92
	Partial Information	54	21.95
	Just known	19	7.72
	Unknown	1	0.41

Source: Author's Computation

**Table 6 : Association with Internet Banking services of Bank**

Opinion		N	%
Opinion	Yes	211	85.77
	No	35	14.23

Source: Author's Computation

Table 7 : Internet Banking Services uses before Demonetization

<b>Payment of Bills/Fees/Taxes</b>		
	<b>N</b>	<b>%</b>
Daily	23	10.90
Weekly	30	14.22
Monthly	97	45.97
Yearly	23	10.90
Never	38	18.01
<b>Balance inquiry</b>		
Daily	25	11.85
Weekly	74	35.07
Monthly	65	30.81
Yearly	11	5.21
Never	36	17.06
<b>Fund Transfers/RTGS/NEFT</b>		
Daily	15	7.11
Weekly	34	16.11
Monthly	78	36.97
Yearly	21	9.95
Never	63	29.86
<b>E wallets and Apps</b>		
Daily	25	11.85
Weekly	65	30.81
Monthly	36	17.06
Yearly	15	7.11
Never	70	33.18
<b>Debit card (ATM)</b>		
Daily	46	21.80
Weekly	89	42.18
Monthly	45	21.33
Yearly	10	4.74
Never	21	9.95
<b>Credit Card</b>		
Daily	15	7.11

Weekly	30	14.22
Monthly	40	18.96
Yearly	10	4.74
Never	116	54.98
<b>Retrieving bank statements</b>		
Daily	11	5.21
Weekly	36	17.06
Monthly	66	31.28
Yearly	32	15.17
Never	66	31.28
<b>Email/Text Alerts</b>		
Daily	59	27.96
Weekly	50	23.70
Monthly	43	20.38
Yearly	21	9.95
Never	38	18.01
<b>Trading Demat Account</b>		
Daily	21	9.95
Weekly	23	10.90
Monthly	36	17.06
Yearly	16	7.58
Never	115	54.50
<b>Ticket booking (Air/Railway/Bus/Movie)</b>		
Daily	13	6.16
Weekly	36	17.06
Monthly	72	34.12
Yearly	40	18.96
Never	50	23.70
<b>Other</b>		
Daily	17	8.06
Weekly	25	11.85
Monthly	27	12.80
Yearly	32	15.17
Never	110	52.13

Source: Author's Computation

Table 8 : Internet Banking Services usage after Demonetization

<b>Payment of Bills / Fees / Taxes</b>		
	<b>N</b>	<b>%</b>
Daily	33	15.64
Weekly	62	29.38
Monthly	78	36.97
Yearly	11	5.21
Never	27	12.80
<b>Balance Inquiry</b>		
Daily	50	23.70
Weekly	85	40.28
Monthly	48	22.75
Yearly	4	1.90
Never	24	11.37
<b>Fund Transfers/RTGS/NEFT</b>		
Daily	40	18.96
Weekly	50	23.70
Monthly	63	29.86
Yearly	15	7.11
Never	43	20.38
<b>E wallets and Apps</b>		
Daily	50	23.70
Weekly	72	34.12
Monthly	30	14.22
Yearly	10	4.74
Never	49	23.22
<b>Debit card (ATM)</b>		
Daily	68	32.23
Weekly	98	46.45
Monthly	35	16.59
Yearly	6	2.84
Never	4	1.90
<b>Credit Card</b>		
Daily	32	15.17

Weekly	45	21.33
Monthly	24	11.37
Yearly	7	3.32
Never	103	48.82
<b>Retrieving Bank Statements</b>		
Daily	29	13.74
Weekly	51	24.17
Monthly	49	23.22
Yearly	22	10.43
Never	60	28.44
<b>Email/Text Alerts</b>		
Daily	82	38.86
Weekly	64	30.33
Monthly	33	15.64
Yearly	11	5.21
Never	21	9.95
<b>Trading Demat Account</b>		
Daily	43	20.38
Weekly	36	17.06
Monthly	26	12.32
Yearly	10	4.74
Never	96	45.50
<b>Ticket Booking (Air/Railway/Bus/Movie)</b>		
Daily	31	14.69
Weekly	52	24.64
Monthly	55	26.07
Yearly	32	15.17
Never	41	19.43
<b>Other</b>		
Daily	35	16.59
Weekly	37	17.54
Monthly	20	9.48
Yearly	17	8.06
Never	102	48.34

Source: Author's Computation

**Table 9 : Preference to adopt Internet/Online Banking Services**

	N	%
Within a month	22	8.94
Within a year	7	2.85
May be in future	3	1.22
Never	3	1.22
Not applicable	211	85.77

Source: Primary Data

**Formulation of Hypotheses**

- H<sub>1</sub>:** Frequency of online payment of bills/fees/taxes is not independent of demonetization.
- H<sub>2</sub>:** Frequency of online balance inquiry is not independent of demonetization.
- H<sub>3</sub>:** Frequency of online fund transfers/ RTGS/ NEFT is not independent of demonetization.

- H<sub>4</sub>:** Frequency of using E wallets and apps is not independent of demonetization.
- H<sub>5</sub>:** Frequency of using Debit card (ATM) is not independent of demonetization.
- H<sub>6</sub>:** Frequency of using Credit Card is not independent of demonetization.
- H<sub>7</sub>:** Frequency of Retrieving bank statements is not independent of demonetization.
- H<sub>8</sub>:** Frequency of using Email/text alerts is not independent of demonetization.
- H<sub>9</sub>:** Frequency of Trading Demat Account is not independent of demonetization.
- H<sub>10</sub>:** Frequency of using other online banking services is not independent of demonetization.
- H<sub>11</sub>:** Frequency of using other services is not independent of demonetization.

**Table 10 : Application of Chi-square Test**

Criteria	Chi-square calculated value	Chi-square critical value	Decision
Online payment of bills/fees/taxes	21.08	13.28	H1 is accepted
Online balance inquiry	17.32	13.28	H2 is accepted
Online fund transfers/ RTGS/ NEFT	20.78	13.28	H3 is accepted
E wallets and apps	13.94	13.28	H4 is accepted
Debit card (ATM)	18.49	13.28	H5 is accepted
Credit Card	14.45	13.28	H6 is accepted
Retrieving bank statements	15.34	13.28	H7 is accepted
Email/text alerts	14.81	13.28	H8 is accepted
Trading Demat Account	15.14	13.28	H9 is accepted
Online ticket booking (Air/Railway/Bus/Movie)	14.33	13.28	H10 is accepted
Other	14.49	13.28	H11 is accepted

Source: Statistical output

**Findings**

1. There is increase in number of visits to bank branch after demonetization was announced.
2. Out of 246 respondents, 70% are well knowledgeable about the internet banking services, whereby, 22% respondents have partial knowledge for the same.



3. Out of 246 respondents, 211 are associated with any of the internet banking facilities, whereby 35 respondents are still not associated with any online banking services.
4. At the end by applying chi-square test of independence, we found that there is increase in the usage of internet banking services after announcing demonetization by government. That means that online banking services are significantly related with demonetization.

### Conclusion

The results can be interpreted as that there is an impact seen on frequency of using different internet banking services as the result of demonetization. Most of the respondents had a working knowledge about Digital finance transactions /online banking services, whereby some respondents still have partial knowledge about the same. Some respondents who are not associated with any of the online banking facilities also have positive view to get associated with the same within a short period of time. Internet banking services are providing more benefits than the traditional banking.

As the customers have knowledge about the internet and they are willing to adopt the internet banking in future, it is the responsibility of the bankers to create awareness about Digital Finance Transactions/ internet banking and to provide some training to the customers to encourage them to adopt and adapt.

### References

Behera, A. K., Nayak, N. C., & Das, H. C. Service

Quality of Banking Sectors Due To It Adoption.

Dr. Shankar Choudhary, Nidhi Nalwaya and Rahul Vyas : Corporate Financial Reporting On Internet – A Study Of Users’ Perception In Udaipur City International Journal of Research in Management & Social Science, Volume 3, Issue 3 (I): July - September, 2015 ISSN 2322 - 0899 30 – 36

Internet Banking: Challenges and Opportunities in Indian Context Chauhan & Choudhary, Apeejay - Journal of Management Sciences and Technology 2 (3), June – 2015 (ISSN - 2347-5005)

<http://qz.com/843872/indias-rupee-demonetization-could-spark-a-new-digital-economy-in-the-cash-reliant-country/> (Yogesh K Dwivedi, Swansea University; Kuttimani Tamilmani, Swansea University, and Nripendra Rana, Swansea University)

[http://www.business-standard.com/article/finance/7-account-holders-in-india-use-net-banking-study-111072000193\\_1.html](http://www.business-standard.com/article/finance/7-account-holders-in-india-use-net-banking-study-111072000193_1.html)

<http://www.jrfinancial.in/blog/impact-demonetization-rs-500-rs-1000-note-various-sectors-economy/>

<https://theconversation.com/modis-bank-note-ban-has-inflicted-pointless-suffering-on-indias-poorest-69157>

Umrez, M., & Ramanjaneyulu, N. (2016). Customer Resistance towards Internet Banking Among the Literates: An Empirical Study With Reference To Rayalaseema Region. Imperial Journal of Inter disciplinary Research, 2(5)