

## IMPACT ON E-BANKING AFTER DEMONETIZATION IN INDIA

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### ABSTRACT

*Demonetization had been implemented two times in India i.e. in 1946, 1978, and 2016. Demonetization's Success depends on its implementation in a good manner. For effective implementation of demonetization in India banks plays a strategic and vital role. Because bank is backbone of financial system in India. During the year 2016 in Indian Banks faced various problem right from physical cash shortage at the limitless and many more problem of less withdrawal limits, inadequate withdrawal etc, this resulted in heavy crowd in banks and ATMs leading to affront of common people. Transactions on E-Banking system i.e. NEFT, RTGS are started by many people. On the other hand, Digital India scheme is also promoted for online banking transactions by Government of India. In this study we look for the long term impact of demonetization on E-Banking system. Banks are foundation of any economy for make a channel for the money to the smooth functioning of unlike sectors and the key contributors to the growth of overall economy of any country. Efforts are made in this study to point out the role of E-Banking before and after the demonetization. The paper also makes an attempt to assess the importance, enlargement and implication of E-Banking after demonetization.*

**KEYWORDS:** UPI (Unified Payments Interface) NEFT, RTGS, Demonetization.

### Introduction

8 November 2016 Prime Minister Narendra Modi announced the government decision to demonetize 500 rupees and 1000 currency notes, which compound for 86 % of currency in circulation. Although the fact initially Modi government sold this to move as surgical Strike on black money or untaxed wealth and terror funding the chronicle has since shifted to transforming India into a economy that is cashless. Previous demonetization held in India in the year 1978. Where the banks were the only option to make over all transaction but now we are well familiar with technology to support the cashless transaction. In India, Government is promoting online banking, online shopping, E-wallet, debit and credit cards, mobile banking. The demonetization's aim was to restraint the black money under by increase E-transaction in the country.

### Demonetization

Demonetization is essential monetary step is that where currency unit's status as a legal tender is announced aberrant? Normally whenever there is a change of national currency of a country replacing the old note with a new one. Demonetization in the year 1978 the government's shifted to demonetize was to solve the issue of Black Money, which were quite major issues at the point of time. In the year 1978 the Indian government demonetized rupees 2000, 5000 and 10000 notes the under the high demonetization rule implemented in the act 1978 under the law after 16 January 1978, bank notes cancel to be legal tender. In both of the previous demonetization the main difference between then and now is that currency of higher demonetization was barely in circulation online the rupees 500 and 2000 notes today. After the demonetization E-banking plays a major role because people are familiar with the e-banking transaction. The consumers switch to less cash transactions after demonetization in India.

- Debit and credit cards are the part of plastic money that is used at ATM for cash withdrawal and at the time of shopping Point of sailing machines are used.

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- By using aadhaar number Aadhaar card it leads to make payment e-banking system. It allows a person to pay using his account if it is linked with aadhar in his bank account when you have an account in bank you can make payment through use of your fingerprints with security.
- E-Wallet become a popular now a days because E wallet is a paying method in a easy manner after demonetization because e-wallet is easy to use and safe for consumers E-Wallet has been used large scale. E-Wallet allows users to make payment by using of mobile number (or) Quick Response code
- UPI (unified payment interface) UPI facilitates all bank accounts holders to send and receive money by their smart phones, laptop and other equipments with the need to enter bank account information.

#### **Impact of Demonetizations on the Indian Economy**

- On Gross Domestic Product (GDP)
- On Daily Wage Workers
- On Small Scale Industries
- On Black Money
- On the General Economic Situation
- On Inflation
- On Terror Funding
- On Political Parties
- Towards a Digital Economy

#### **Review of Literature**

**Manpreet Kaur (2017)** conducted a study on demonetization and collide on Cashless Payment System. He said that in the economy of a country the cashless system has many advantageous benefits less time-consuming; less cost paper less transaction etc. he also expected that is cashless transaction system the future transaction system in all the sectors.

**Lokesh Uke (2017)** researched on demonetization and its effects in India. He studied pros and cons on collide of demonization in India. This study based on secondary data available in newspaper, magazines, journals and websites etc. Demonetization's main purpose is to annihilate the black money and donnish the corruption. He also said that that Government of India has become success to some intensity. Demonetization had adverse impact for a short period on Indian financial markets. But he also expressed that the actual impact will be shown in future.

**Sweta Singhal (2017)** accomplishes research on Demonetization and E Banking in India. It was a case study to check out the consciousness level of people of rural areas in India about e-banking facilities and how much it has improved after demonetization. It was constructing that urban male people have greater awareness and usage of e-banking. She thought that this study shall also helpful for banks to enhance their e-banking facilities

**Rakesh H M & Ramya T J (2014)** in their research paper titled "A Study on Factors Influencing Consumer Adoption of Internet Banking in India" tried to check out the factors that manipulate internet banking adoption. Using PLS, a model is successfully proved and in this study it is found that internet banking is influenced by its anticipated reliability, Perceived ease of use and Perceived usefulness.

**Amruth Raj Nippatlapalli (2013)** in his research paper "A Study on Customer Satisfaction of Commercial Banks: Case Study on State Bank of India". This paper study Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or eclipse customer expectation.

**Mr. Vijay Prakash Gupta & Dr. P. K. Agarwal (2013)** in their research paper "Comparative Study of Customer Satisfaction in Public Sector and Private Sector Banks in India". In this paper it gives with the introduction of liberalization policy and RBI's easy norms to many private and foreign banks have enrolled and started its business in Indian banking sector which has given birth to big contention between the banks for improving large customer base and market share.

#### **Scope of the Study**

In this study analysis of the associated to demonetization on e-banking which consist the move by the government was to tackle the black money, corruption, terror funding and fake currency continue to be a threat for India because it is cashless economy. The fake currency is used for illegal activities in India. Aim of this study is to impact of demonetization on e-banking in India.

### Statement of the Problem

Banking services has undergone radical change and the adoption of the most of modern technology is predetermined to cater to the diverse requirement of custom economically and effectively. The demonetization on e-banking has changed customer's expectations significantly.

### Objective of the Study

- To figure out the impact of demonetization on E-Banking (Pre and Post Demonetization) using variables like NEFT, RTGS, and POS
- To evaluate the growth of E-Banking and bring out the issues and challenges faced in effective utilization of E-Banking services in India

### Research Methodology

The study is based on literature review basis and questioner filled by respondent. The data used for this study in the form of secondary sources like RBI bulletin, NPCI and relevant websites. As secondary source of information it also includes different e-books, newspaper, journals and relevant websites articles. Regression Analysis is used to analyze the impact of demonetization (then and now) on E-Banking.

### Challenges in E-Banking

- **Challenges of Security Risk in E-Banking:** The major challenges of E-Banking are security risk. Security has become one of the major concerns for banks in e-banking. Due to security concerns customers refuses to opt for e-banking facilities.
- **Implementation of Global Technology:** As a developing country, in India there is gap between the infrastructure and human capacity building in adopting the global technologies for local requirements. This poses an barrier for consumer as they do not either trust or do not access to the necessary infrastructure to be able to process e-banking services available.
- **Privacy Risk:** On account average computer literacy in India, many consumers are influenced by the risk of disclosing private information and fear of identity theft. This act as a barrier to the accessibility of e-banking services provided.
- **Managing Technology:** In India the major challenge for banks is developing or acquiring the right technology, deploying it effectively is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable returns to shareholders.

### Future Prospects of E-Banking

- **Inaugural Rural Market:** Around 70% of India's population is rural. Only 20% of the rural population has the knowledge about the technology development in banks. RBI and government of india have been continuously working to accomplish 100% financial inclusion i.e. timely and sufficient approach to financial services and credit at an acceptable cost, in the ample expanse of the country.
- **Multiple Channels:** With the development of information science and innovative technologies banks are able to provide their services by different channels like ATM, telephone or mobile banking etc which has increased banking business in a new dimension. Developing the channels to provide banking services in the most effective and efficient ways is challenge to many banks.
- **Competitive Advantage:** E-Banking is a phenomenon which in itself has added competitive advantage to the banks over other players. E-Banking has resulted in the cost effective management of banks, improve customer relations, increase the reach of the bank to its remotest area etc and has contributed to manage their business in a good way.

### Increasing Internet Users & Computer Literacy

Today internet user and computer awareness is increasing at an alarming rate which has provided the biggest opportunity for E-Banking system. Banking industry still needs to improve a good system to appeal to more internet users to adopt internet banking services.

### Suggestions and Conclusion E-banking Services

Over the last decades India has been one of the fastest adoptions of the information technology, particularly because of its capability to provide software solution to organization around the world. The e-

banking system helps to provides customer-specific information like account balance, transitions details, and account statement. General purpose information are provided in the banks websites like rates of interest, location of the branch, loan and deposit calculation the transmission is normally done through e-banking. E-Banking is a non-reversible aspect which will gain more strength in the following years.

In Indian economy after digitalization move to turn India into cashless society, e-banking is would be more strengthened. Demonetization had a strongly positive effect on financial inclusion leading to increases in e-banking facility availed by the people. 'While digital transactions had been consistently growing over the years, demonetization gave it an additional leg up,' In Indian banking outline E-Banking has gravel way to the paradigm shift from the seller's market to buyer's market.

This shift has changed the approach of banks from traditional banking to modern banking and from mass banking to class banking. The shift has heightened the accessibility of banking facilities to a larger number of common people. In years to come E-Banking will not only be respectable mode of banking but will be the adopted mode of banking in India.

Demonetization undertaken in a large concern by the Indian government because of that the public shifts to cashless transaction that is Internet banking. It accomplishes High success rates by co-ordination by different banks in India. Demonetization is like two sides of coin become of one side it will be benefit to Nation and other side is going towards digital economy may bring the clarity in the system. Internet banking brings easy and delightful service people develop the ability to use E-banking but the same time at the earlier time the people affected in this changes by the limit of withdrawal people are facing problems because the cash has not been kept at the high level it difficult to adapt illiterate people. But even all these difficulties overcome and due to this implementation make the banking transactions effectively increase Internet users and also action taken by government Agencies to make the India developed in future.

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