

TOPIC: INCLUSIVE BANKING IN DEMONETIZED ERA –A REVIEW

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Abstract

Inclusive growth is possible only through proper mechanism which channelizes all the resources from top to bottom. Financial inclusion is an innovative concept which makes alternative techniques to promote the banking habits of the rural people because, India is considered as largest rural people consist in the world. Financial inclusion is aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. Households with low income often lack access to bank account and have to spend time and money for multiple visits to avail the banking services, be it opening a savings bank account or availing a loan, these families find it more difficult to save and to plan financially for the future. Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit.

KeyWords: Financial Inclusion, E Bank, Inclusive Growth, Demonetization, Technology, Paperless banking.

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1.INTRODUCTION:

Banking sector plays a very pre dominant role in the progress of our country. It is the life blood and one of the very important barometers to measure the growth of the economy. It can be very well witnessed that the banking sector in our country is undergoing a drastic change from the past few decades. When it comes to innovations in the sector especially in the field of technology, in terms of the kind of products and services that is being created and offered by the banks to their customers there is a lot of transformation that is happened. Electronic banking or conducting the banking transactions with the help of the internet is very important as it provides a number of benefits to different stakeholders especially the customers. It increases the choice and convenience to the customers, helps to enhance the image of the organization, increases the revenue, becomes much easier for expansion and also helps in cost reduction. Demonetization has held banks to achieve their targets of inclusive banking system. Demonetization is a generations' memorable experience and is going to be one of the economic events of our time. Its impact is felt by every Indian citizen. Demonetization affects the economy through the liquidity side. Its effect will be a telling one because nearly 86% of currency value in circulation was withdrawn without replacing bulk of it. As a result of the withdrawal of Rs 500 and Rs 1000 notes, there occurred huge gap in the currency composition as after Rs 100; Rs 2000 is the only denomination. Absence of intermediate denominations like Rs 500 and Rs 1000 will reduce the utility of Rs 2000. Effectively, this will make Rs 2000 less useful as a transaction currency though it can be a store value denomination. Demonetization technically is a liquidity shock; a sudden stop in terms of currency availability. It creates a situation where lack of currencies jams consumption, investment, production, employment etc. In this context, the exercise may produce following short term/long term/, consumption/investment, welfare/growth impacts on Indian economy. The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks.

1.1DEFINATION:FINANCIAL INCLUSION AS DEFINED BY RBI

- Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.

1.2DEFINATION:DEMONETIZATION

- Demonetization is the act of stripping a currency unit of its status as legal tender.
- Demonetization is necessary whenever there is a change of national currency.
- The old unit of currency must be retired and replaced with a new currency unit.

1.3FOLLOWING ARE THE MAIN IMPACTS:

1. Demonetization is not a big disaster like global banking sector crisis of 2007; but at the same time, it will act as a liquidity shock that disturbs economic activities.
2. Liquidity crunch (short term effect)
3. Welfare loss for the currency using population
4. Consumption will be hit
5. Loss of Growth momentum
6. Impact on bank deposits and interest rate
7. Impact on black money.
8. Impact on counterfeit currency.

Demonetization as a cleaning exercise may produce several good things in the economy. At the same time, it creates unavoidable income and welfare losses to the poor sections of the society who gets income based on their daily work and those who doesn't have the digital transaction culture. Overall economic activities will be dampened in the short term. But the unmeasurable benefits of having more transparency and reduced volume of black money activities can be pointed as long term benefits.

2. REVIEW OF LITERATURE:

Joseph Massey (2010) said that, role of financial institution in a developing country is vital in promoting financial inclusion. The efforts of the government to promote financial inclusion and depending can be further enhanced by the pro activeness on the part of capital market players including financial institution. Financial institution have a very crucial and a wider role to play in fostering financial inclusion. National and International forum have recognized this efforts are seen on Domestic and Global level to encourage the financial institution to take up larger responsibilities in including the financially excluded lot.

This is corroborated by RBI governor Urjit Patel's assertion that "The decision was not taken in haste but after detailed deliberations Demonetization is not a 'monumental blunder'. It has fulfilled its objective— to garner

people's money into the banking system. In one month, almost all the Demonetized currency notes in the country were back in bank vaults."

3. OBJECTIVE OF THE STUDY:

- 1) To know the successes ratio of Jan-DhanYojana in Mumbai after 8th November 2016.
- 2) To study the awareness among the respondents about electronic banking.
- 3) To analyse how many respondents conduct their banking transactions with the help of internet as against those who personally visit the bank for their transactions.
- 4) To understand if the Indian banks are actually moving towards the digital banking system.

4.METHODOLOGY:

The data is mainly sourced from primary sources by preparing a basic Questionnaire, Interview Method and also from the secondary sources. Newspaper articles, journals, books and websites are used as reference for secondary data. The data is analyzed with the help of simple pie chart.

4.1. SCOPE OF THE STUDY

Selected men and women from various sector of society for the purpose of the study and the mode of conducting their banking transactions is studied and analysed after Demonetization

4.2. LIMITATIONS OF THE STUDY

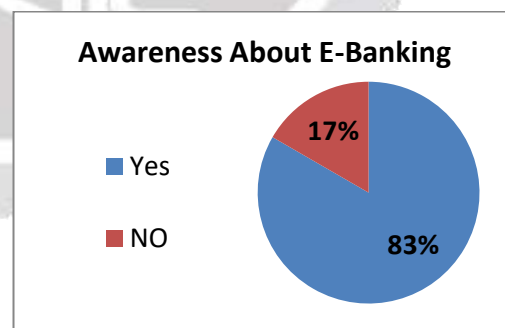
- 1) The study is conducted in the city of Mumbai only. The banking habits of respondents from other places are not taken into consideration
- 2) The data is related to the respondents who have an ATM card. Many of them may not be even having a bank account
- 3) The sample size is a major limitation for the study as the number of respondents are very less

5 SAMPLE SPACE:

A sample size of 60 respondents taken for the study by making them fills a basic Questionnaire and interview method in the city of Mumbai. Around seven basic questions related to the use of ATMs and Cash deposit machines were included in the questionnaire and the respondents were mostly maid servant, graduates and post graduates between the age group of 25 to 55.

6. ANALYSIS AND FINDINGS OF THE PRIMARY STUDY:

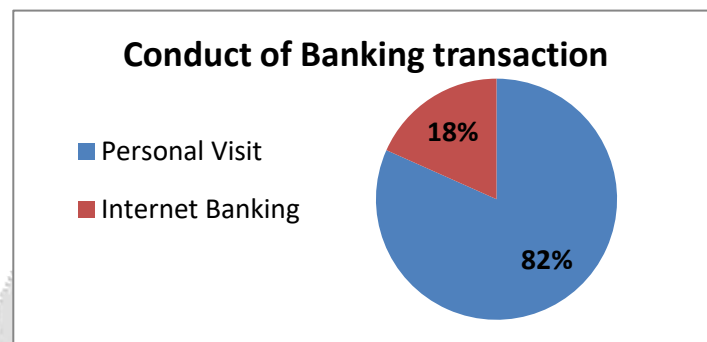
1)Awareness about E-banking	
Yes	No
50	10



Graph 1.1

It was analysed that out of the sixty respondents fifty were aware about the concept of electronic banking and ten were unaware of E-banking system. Fifty respondents were aware that all their banking transactions could be conducted with the help of internet.

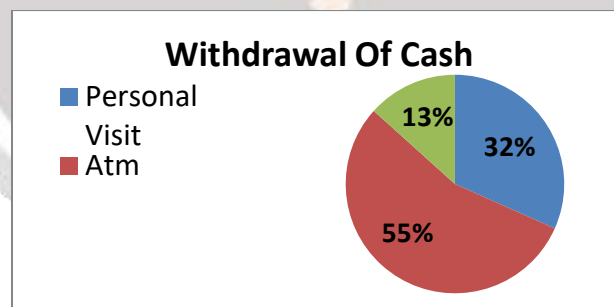
2)Conduct of banking transactions	
Personal visit	49
Internet banking	11



Graph 1.2

From the sixty respondents 49 respondents i.e. 82 percent of the respondents conducted their banking transactions by personal visit to the bank. Very less number i.e. only 11 respondents conducted their routine banking transactions with the help of internet i.e 18 percent .

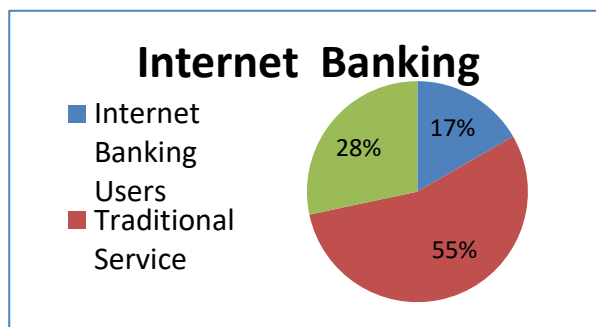
3)Withdrawal of Cash	
Personal Visit	19
ATM	33
Both	8



Graph 1.3

It was further analysed about the withdrawal of cash. It was studied that majority of the respondents i.e. 55 percent of the respondents used ATMs to withdraw cash for their daily needs. 13 percent of them personally visited the bank and around 32% of the respondents used both the means.

4)Internet Banking	
Internet Banking Users	10
Traditional Banking service	33
Both	17

**Graph 1.4**

The next important part of the analysis was about the use of Internet Banking Services for the purpose of Transaction . It was observed that very few respondents used Internet Banking i.e upto 17 percent. Majority of the respondents i.e. 55 percent of them personally visited the bank for the services.

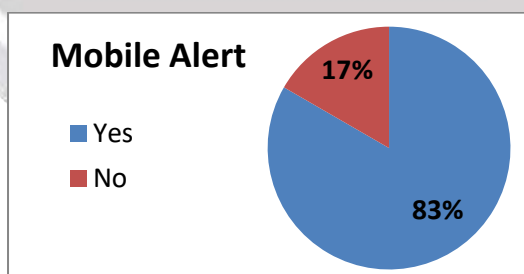
5) Acceptance of receipt from ATM After transaction

Yes	NO
58	2

EXPLANATION

An analysis was made with regards to acceptance of receipt after a withdrawal from the ATM. Almost all the respondents requested for a receipt after withdrawing money from the ATM. Even though an option was given, they preferred to accept the printed advice.

1. 6) Mobile Alert	
2. Yes	3. No
4. 50	5. 10
6.	7.

**Graph 1.6**

It was observed that 50 respondent have opted for Mobile Alert i.e 83 Percent and 10 respondent have not opted for Mobile Alert i.e 17 Percent

7)PROGRESS-REPORT

PradhanMantri Jan - DhanYojana (Accounts Opened as on 28.12.2016)

(All Figures in Crores)

BANK NAME	Rural	Urban	Total	No. of Rupay Cards	Balance In Accounts	% Of Zero Balance Account
Public Sector Bank	11.61	9.30	20.91	16.58	55246.52	24.45
Regional Rural	3.83	0.61	4.44	3.30	13168.27	20.50
Private Banks	0.52	0.33	0.85	0.82	2621.80	35.02
TOTAL	15.96	10.24	26.20	20.70	71036.59	24.13

Disclaimer: Information is based upon the data as submitted by different banks/SLBCs

8. AFTER THE ANALYSIS AND FINDINGS THE FOLLOWING RECOMMENDATIONS ARE MADE:

- 1) It is very clear that the respondent's awareness about the electronic banking. But the disappointing factor is that majority of them do not actually use it. The regulator must take measures to encourage people to use more of E- banking for their basic banking transactions.
- 2) Most of the respondents were unaware of Internet Banking. They ones who were aware also did not use it. Instead they personally visited the bank for Avail the Banking Services. If more people are encouraged to use Internet Banking and lot of paper could be saved thereby promoting Cashless transactions.
- 3) Further analysis revealed that they requested for a printed advice after withdrawing cash from the ATMs although they admitted that they got an alert on their mobile. The respondents still insisted for a printed slip which was needless. If they are educated in this regard, again a lot of paper could be saved, thereby promoting green environment.

9. CONCLUSION

Since most of the Rural Economy is based on Cash, it's going to impact the Rural Economy. Sectors with a sizeable magnitude of Cash transactions such as Real Estate, Construction, Jewellery, high-end retail, White Goods and travel & tourism are expected to adversely affect. It will push the economy because of flow of more money into the banking system. In the long term, the economy will benefit from the reduction of the black money, which will lead to higher tax collection, better business environment, less corruption & transparency. It will improve the situation of Fiscal Deficit of the Country and hence reduce the fiscal deficit. Although the world is moving very fast in the age of technology, where almost everything can be done only with the click of a button, we cannot fully deny the fact that as far as the use of technology is concerned may it be for conducting a banking transaction or shopping online we are still at a very nascent stage. There is definitely a far way to go. The regulators and the intermediaries are doing their bit as far as creating awareness is concerned. More training sessions, workshops and related measures must be taken so that we at least try to save a bit for the future generations to come.

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