

# IMPACT OF DIGITAL FINANCIAL SERVICES IN DEMONETISATION PERIOD

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## ABSTRACT

Demonetisation was a high wave like tsunami, that taken away all the black money in the Indian economy. Initially its target was eliminating black money and now it has changed to bring India digital. In an incredibly cash centric economy like India where ninety five percent of the transactions are cash transactions, and being the only country which has the option of 'cash on delivery' for the online shopping, demonetisation has pushed millions of new users into the digital world. The study made an attempt to know how far the demonetisation made the people to aware of the digital financial services. The scope of the study was confined to selected digital financial services like, insurance services, mutual funds, stock market transactions and most importantly the banking services. The data were collected through structured questionnaire. It was send to a sample of fifty. The data were analysed and the results revealed that there has huge increase in the number of people availing the digital financial services after demonetisation who had been using physical money until then. The results also showed that still banking services were the most popular online financial services. The study came to conclude that demonetisation is a great step towards making India Digital. It helped the rich and the poor to reach various financial institutions of the country like bank and insurance companies which were totally unknown to them. But still only ATM/Debit cards were the popular digital mode among the people. Today many banks, insurance companies and telecom operators introduced mobile apps for availing their services at the fingertips of the respondents. It's high time to bring these mobile apps for the benefit of all.

**Key Words:** Digital Financial services, Demonetisation, Online Financial Services

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## INTRODUCTION

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. Financial service sector of the country comprises of commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The recent reports from the respective regulatory authorities revealed that all these sectors are expected to grow from 12-15 percent by 2024. Government has been taken innovative

policies and schemes in each of these sectors to strengthen the growth since the last union budget. The major step among was Pradhan Manthri Jan Dhan Yojna (PMDY) where, 217 million bank accounts were opened and 174.6 million RuPay debit cards were issued. This initiative of the government brought many people to the front face of the country's financial sector and many of the transactions which had not been based on bank until then, is being done through bank.

Cash transactions impose a huge financial burden on an economy. The costs are particularly high in developing economies such as India, where only a minuscule proportion of transactions are carried out through digital platforms. It has reported that in recent years, value of notes and coins in circulation as a percentage of GDP in India is over 12 percent, i.e more than Rs 21,000 crore annually, while it is less than 4 percent in other countries. In other words, only 10 digital transactions per capita are carried out in India compared to 163 in Brazil, 420 South Korea and 429 in Sweden. As an integral part of the Government initiative to convert 100 percent Government – Citizen Transactions to the digital platform, a committee was constituted under the leadership of Mr. Amitabh Kant, CEO NITI Aayog. The aim of the committee was to identify various digital payment systems appropriate to different sectors of the economy and coordinate efforts to make them accessible and user friendly.

During November, 2016 Prime Minister had officially announced the withdrawal of two higher denomination currencies. It was a mad dash to withdraw smaller bills, or deposit bigger ones, at automatic teller machines around the nation before they shut down temporarily. This demonetization decision has been the biggest and most ambitious step ever to crack down on black money and fake currency and to move India towards a digital economy.

### **WHAT HAPPENED AFTER DEMONETISATION TO THE DIGITAL FINANCIAL SERVICES?**

- Different banks and telecom operators had introduced mobile apps for the easy accessibility of financial transactions through mobile. FTcash, HDFC PayZapp, Jio Money, Mobikwik, mRupee, Oxigen Wallet, Paytm , PhonePe , SBI Buddy , Trupay , Vodafone M-Pesa , BHIM App, Chillr, Airtel Money and Axis Bank Lime are some of the examples of mobile apps.
- The commercial banks have reported that there is a high rate of increase in the 'point of sale machines' (POS). The number of POS machines demanding has doubled from 7.41 lakh in September 2012 to 14.96 lakh in December 2016. It has been also reported that steady rise in installation of POS machines not only in big cities but even in Tier II cities across the country.
- Volume of transactions using Rupay card has increased from 3.85 lakh per day to 16 lakh per day and value from Rs 39.17 crore to Rs 236 crore
- It has been seen that more number of customers were opening up to pay premium online rather than paying cash to agents

It was no doubt that demonetisation has changed the trend of the economy from cash dependent to cashless economy. In the midst of this rapid rise of digital transactions, the sources also identified the major difficulties in doing digital transactions and the corners of the society where still do not have the bank account or who does not know how to avail digital financial

services. The study was aimed to identify the awareness level of digital financial services and to identify the problems in doing digital transactions.

## **LITERATURE REVIEW**

As it is the current scenario of the Indian economy, many experts had shared their opinions and recommendations regarding the benefits as well as drawbacks of the cashless Indian economy.

An article titled “Pros and Cons of Cashless Economy of India” had discussed the both sides of the cashless Indian economy. It identified that the crime rate in major cities like Mumbai had reduced, the size of the parallel economy had reduced substantially and more of the transactions became transparent, reduced rate of tax evasion practices, increased rate of consumption and enhanced the security and convenience of the public as the major positives of the cashless economy. However high chance for cybercrimes, high dependency on government and other financial institutions, reduced liquidity was listed as the drawbacks of the cashless economy. The Economics Times, in its recent report “Demonetisation impact on various sectors” had reported the impact of demonetisation and the role of digital money in various sectors of economy. The report evaluated that the economy itself would struggle to reach the target growth of 8 percent for the current financial year. The other sectors like real estate, tourism, automobile industry, aviation, telecom, gold, metal industry and the agricultural industry also are facing a decrease in their respective transaction rates.

## **STATEMENT OF THE PROBLEM**

The main aim of the sudden demonetisation policy of November, 2016 was to erode the black money in the economy and secondly to bring India completely digital. All the efforts of the government from financial inclusion to current demonetisation policy paved the way for this to a certain extent. But for a country like India, where 95 percent of all transactions are cash centric the demonetisation policy and cash less economy would not be acceptable at short notice. There are people who still do not have bank ATM cards, mobile banking or internet banking facilities and even bank accounts. So the study focus on the how far the people aware of the digital financial services, the usage level of digital financial services and the preference of digital financial services

## **OBJECTIVES OF THE STUDY**

- To identify the awareness of digital financial services
- To know the usage level of digital financial services
- To identify the preferences of people between cash transactions and digital transactions

## **RESEARCH METHODOLOGY**

The study is descriptive in nature. Both primary and secondary data were used in the study. The secondary data were collected from various sources like journals, newspaper reports and online sources. The primary data were collected with the help of structured questionnaire. All those who are doing digital money transactions, constitute the population of the study. From the population a sample of 50, were conveniently selected for the study. Simple arithmetic calculations were used for the analysis.

## FINDINGS OF THE STUDY

- More than 85 percent of the respondents deal with banking transactions over other financial services like insurance services, mutual funds services and online stock market transactions.
- 72 percent of the respondents have done online purchases and online bill payments. But only 28 percent of the respondents availed other financial services like mutual fund transactions, stock market transactions and insurance premium payment through online.
- Easiness of use, reduced time for transactions and cost effectiveness of the transactions were the identified prime factors for the respondents for choosing digital services over offline services
- Only a less number of respondents were not aware of availing the online insurance services (6 percent), online mutual fund transactions(14 percent) and online stock market transactions (14 percent). 100 percent of respondents were aware about the online banking services.
- 54 percent of the respondents opined that the demonetisation has not changed the mode of transactions.
- Many people had started to use the digital financial service even before the demonetisation. But it was responded that after demonetisation 80 percent has switched to online for purchasing the product, 40 percent for paying bills, 16 percent for purchase of insurance products, 52 percent for online payment of insurance premium and 10 percent for stock market transactions.
- 60 percent has opined that demonetisation had made a pathway for digital financial services.
- 96 percent of the respondents had agreed that ATM/Debit cards were more convenient mode for their transactions over any other kind of financial services.
- 66 percent of respondents were have agreed with the assured security for the online transactions

## CONCLUSION

The prime aim of the demonetisation was to eliminate the black money and corruption. The demonetisation has now made an effective pathway to bring India digital. It increased the awareness of digital financial services among the people. The usage of digital financial services shows an increasing trend during the demonetisation period. People prefer digital transactions over the cash transactions because of its convenience. At the same time they are also afraid of fraudulent activities. From the prevailing situations it is evident that digitalisation in India will bring India to the front in the world.

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