

# Digital Payments and Demonetisation

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## ABSTRACT

*Demonetisation's unexpected announcement and prolonged cash shortages created an increase in digital transactions across the country. Digital transactions can be done through banking cards, USSD, UPI, Mobile Wallets, prepaid cards, POS, Internet banking, Mobile Banking, etc. Benefits of internet banking for customers include ease of operation, convenience, available for 24x7, fast and efficient, safe and secured mode, specialized services, transaction from anywhere and transaction from any device with internet access. This paper studies the impact of demonetization on different age groups and payment modes. From the study it came out that banks need to launch special digital promotion programmes for people in order to make India - DIGITAL INDIA.*

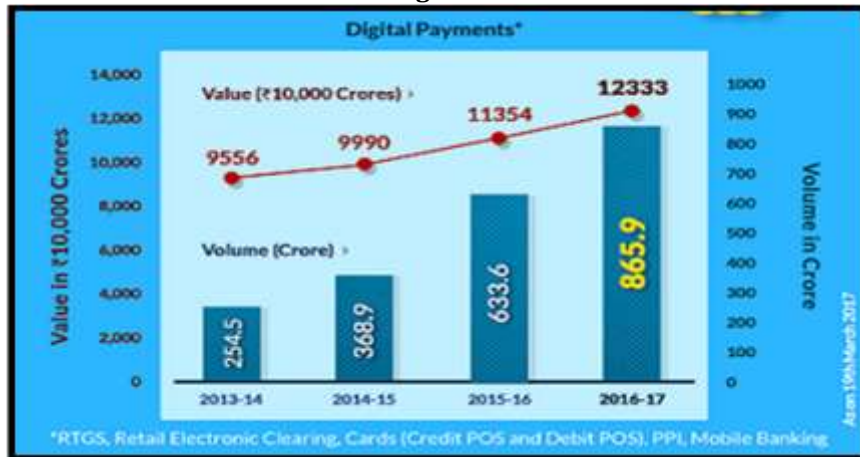
**Keywords:** Digital payment, demonetization, online transactions.

## Introduction

Government of India boldly announced the demonetization on 8 November, 2016. The unexpected announcement and prolonged cash shortages worked as an impetus to increase in digital transactions. Post demonetization banks witnessed a spurt in digital transactions across the country. People can perform online transactions such as checking account balance, bill payment, funds transfer, etc. through internet banking. It is available 24x7 for the customer's convenience. Banks offer online services under two categories:

- Transactional activities like funds transfer, bill payments, loan applications, transactions, etc.
- Non-transactional activities like request for cheque book, stop payment, online statements, updation of some information, etc.

Figure 1



Source: <https://www.boomlive.in/india-adopting-digital-payments-yes-but-a-long-way-to-go/>

Some benefits of internet banking for customers include ease of operation, convenience, available for 24x7, fast and efficient, safe and secured mode, specialized services, transaction from anywhere, transaction from any device with internet access, etc.

Payment through digital modes include banking cards, USSD, UPI, Mobile Wallets, prepaid cards, POS, Internet banking, Mobile Banking, etc. Banking cards offer consumers more security, convenience and control than any other payment method. The wide variety of credit, debit and prepaid cards from some 751 banks offer enormous flexibility. Eg. RuPay, Visa, MasterCard. The innovative payment service \*99# works on Unstructured Supplementary Service Data (USSD) channel which allows mobile banking transactions using basic mobile phone even without internet data facility. It is meant to financial deepening and inclusion of underbanked society in the mainstream banking services. It is currently offered by 51 leading banks & all GSM service providers and can be accessed in 12 different languages. AEPS (Aadhar Enabled Payment System) is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale /

Micro ATM) through the Business Correspondent (BC)/Bank Mitra of 118 Banks using the Aadhaar authentication.

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience. A **mobile wallet** is a way to carry cash in digital format. One can link credit card or debit card information in mobile device to mobile wallet application or money can be transferred online to mobile wallet. Instead of using physical plastic card to make purchases, payment can be done with smartphone, tablet, or smart watch. An individual's account is required to be linked to the **digital wallet** to load money in it. eg. **Paytm, Freecharge, Mobikwik, SBI Buddy etc.** 40 companies are working on it. A point of sale (PoS) or the point of purchase is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. Internet banking or online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet.

### Review of literature

Demonetisation affected the economy through the liquidity side. It was a progressive shift to a cashless economy with a greater focus on electronic transactions. Increased use of credit/debit cards, net banking and other online payment mechanisms would not only lower transaction costs (Kaur 2017). Singhal (2017) studied that with the introduction of smart phones and mobiles application the usage of internet banking has been increased. But there is a long way to go as rural population of India is still waiting for some program from banks that will facilitate their usage of e-banking services. The demonetization undertaken by the Indian government turned the public towards cashless transaction or internet banking (Mounika 2017). On the one side it will be beneficial for the country and on the other side it may bring the transparency in the system. New banking products and services will be introduced in the market place at a rapid pace. Customers will prefer better products and services irrespective of who offers it and the technology will develop leaps and bounds and change everything. Banks are able to offer new products and service in the market and gain a larger market share. Banks should also develop an effective Risk Assessment and Mitigation system in this era of highly innovative cybercrime (Venkatesvaran 2017). Technological stride has changed the way banking is done in the present scenario. Internet banking has become a convenient and common phenomenon with increased and easy access of internet over smart phones, tablets and computers. Introduction of 3G and 4G network has enabled more and more people to go for internet banking for banking facilities (Sanjay 2017). Furthermore, demonetization and remonitization of currency by hon'ble Prime Minister has necessitated the usage of internet banking. Even after the advent to secured internet banking facilities and easy access to internet there are several psychological and behavioral aspects affect usage of internet banking. Digital wallets are adopted by shoppers at an incredibly rapid pace, largely due to convenience and ease of use.

### Research Gap

The increasing use of digital modes for payment in India is bringing in many changes in retail sector. The payment mode selection decision by consumer after demonetisation has brought revolutionary changes in economic scenario. Thus here exists a scope for further study for identifying the impact of demonetisation on digital payments.

### Statement of problem

In the present scenario, digital payments are becoming the need of hour for all. Businesses offering option in payment modes are able to effectively handle the challenges of remonitization. It benefits customers through saving time, reduced chances of loss and theft of cash, user friendly approach, convenience, etc. This paper focuses on finding the benefits and risks associated in customer's mind before and while making digital payments.

### Objectives:

- To study the impact of age on digital payments
- To find out the change in payment modes pre and ost demonetisation.

- To study the impact of age groups o usage on debit and credit cards
- To study the impact of vendors with digital payment facility on different age groups
- To identify the prevailing reasons behind choosing payment mode in customers while buying FMCG products.

### Hypotheses

1. There is no significant difference between age groups and the preference of respondents in making digital payments for buying FMCG products.
2. There is no significant difference between age groups and vendor selection with provision of digital payments.
3. There is no significant difference between age groups and use of debit and credit cards.

### Research Methodology

#### A. Type of research

Descriptive research was taken into consideration for the topic.

#### B. Data Collection

The present study is primarily based on primary data. Secondary data from various newspapers, reports, etc. was also collected. The data was collected from 50 respondents of Ajmer City, Rajasthan. The tool used for data collection was questionnaire.

#### C. Limitations

- The present study is based on the response pattern of 50 respondents only from Ajmer city.
- Availability of limited time period makes the study restricted to specific areas, therefore there may be having some shortcomings to draw conclusion or find out problems for the limited study period.

### Analysis

**Table 1**

Mode of Payment at the time of purchase before Demonetisation					
Age	Cash	Debit Card	Credit Card	Internet Banking	Aadhar Card
18-25 Years	31	14	6	1	7
26-45 Years	11	5	3	1	1
45-70 Years	8	-	-	-	2

It is evident from the Table 1 that respondents from all age groups were using cash as primary mode of payment. While 45 per cent of respondents from the age group of 18-25 years were using debit cards and 19 per cent were also using credit cards. Whereas 45 per cent of respondents from the age group of 26-45 years were also using debit cards and 27 per cent were also using credit cards. No respondent from the age group 45-70 years was using debit or credit card or internet banking. The probable reason behind the same may be security issues related with digital payments.

**Table 2**

Most convenient way for making payments after Demonetisation				
Age	Cash	Card	Both	Total
18-25 Years	11	5	15	31
26-45 Years	5	1	5	11
45-70 Years	6	0	2	8
<b>Total</b>	<b>22</b>	<b>6</b>	<b>22</b>	<b>50</b>

The table 2 signifies that 44 percent respondents were using cash and 44 per cent were using both cash and cards. 48 per cent of respondents from the age group 18-25 years were using both cash and card. 45 per cent of respondents from the age group 26-45 years were using both cash and card. 25 per cent of respondents from the age group of 45-70 years were using both cash and card after demonetization. This indicates that post demonetization use of digital payment has increased in all groups.

**Table 3**

		USE_CARDS				Total
		STRONGLY DISAGREE	DISAGREE	NEUTRAL	STRONGLY AGREE	
AGE	18-25	4	6	3	5	18
	26-45	3	6	7	8	24
	46-70	6	1	0	1	8
	<b>Total</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>14</b>	<b>50</b>

**Table 4**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.750 <sup>a</sup>	6	.033
Likelihood Ratio	13.394	6	.037
Linear-by-Linear Association	1.457	1	.227
N of Valid Cases	50		

Table 4 shows that there is a significant difference between the use of debit and credit cards and age of respondents. Table also indicates that more of the respondents from age group 46-70 years are not making payments through cards. Thus the given hypothesis is **rejected**.

**Hypothesis: There is no significant difference between age groups and use of debit and credit cards.**

**Table 5**

		VENDORS					Total
		STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE	
AGE	18-25	0	2	7	7	2	18
	26-45	2	3	4	11	4	24
	46-70	0	4	4	0	0	8
Total		2	9	15	18	6	50

**Table 6**  
**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.532 <sup>a</sup>	8	.050
Likelihood Ratio	18.723	8	.016
Linear-by-Linear Association	3.536	1	.060
N of Valid Cases	50		

Table 6 shows that there is a significant difference between the choice of respondents in selecting vendors with online and cashless transaction facility and age of respondents. Table 5 also indicates that more of the respondents from age group 26-45 years are choosing those vendors more who give them facility for digital payments. Thus the given hypothesis is **rejected**.

**Hypothesis: There is no significant difference between age groups and vendor selection with provision of digital payments.**

**Table 7**

		ONLINE					Total
		STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE	
AGE	18-25	0	4	2	7	5	18
	26-45	2	2	1	8	11	24
	46-70	0	4	2	2	0	8
Total		2	10	5	17	16	50

**Table 8**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.499 <sup>a</sup>	8	.070
Likelihood Ratio	16.766	8	.033
Linear-by-Linear Association	1.754	1	.185
N of Valid Cases	50		

Table 8 shows that there is no significant difference between the preference of respondents in making digital payments for buying FMCG products and age of respondents. Thus the given hypothesis is **accepted**.  
**Hypothesis: There is no significant difference between age groups and the preference of respondents in making digital payments for buying FMCG products**

### Findings

The middle age group 26-45 years and 18-25 years are making payments more through digital mode. The senior age group 45-70 years is a bit hesitant in using digital mode of payment. Though the respondents from age group 45-70 years changed their payment mode after demonetization.

### Conclusions

It will take some more time for people from age group 45-70 years in learning or changing the old habits of payment only through cash. Banks can launch special digital promotion programmes for people of this age group.

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**Diligence is the mother of good fortune.**  
**~ Benjamin Disraeli**