

Effect of demonetization on usage of digital banking – An empirical study

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Abstract

The advancements in the field of information technology have led to major changes in the way services are delivered to the customers. Online banking services are developing rapidly after Demonetization. This paper mainly focuses on the effect of Demonetization on bank customers and its effect on their usage of Digital Banking services. Structured Questionnaires used to collect data from bank customers. Chi square and Paired t test are used to analyze the data and interpret the results. The results of the study shows that there is a significant difference in Pre-and Post-Demonetization effects on the overall satisfaction of E-banking services due to increased digital payments post demonetization. This indicates that the digital payments have increased post demonetization.

Keywords: Banks, Demonetization, Digital Banking, Bank Customers.

Introduction

The advancements in the field of information technology have led to major changes in the way services are delivered to the customers. Nowadays, customers are using more and more self-service options, which are convenient and fast. In recent years, usage of the Internet has changed considerably the daily activities of most people, such as shopping, entertainment and banking. The popularity of banking services delivered over the Internet is increasing in recent years.

Online services provided by the banks includes E-banking services(electronic banking services), are becoming more attractive among bank customers as a person can avail facilities without visiting banks. Variety of advantages influence customers to prefer online services over traditional banking such as less cost, convenience, control of the service, 24x7 anytime availing of services and also saves time. As far as online services are concerned, it is very easy for customers to evaluate and compare the benefits of competing services. Service providers in order to retain their customers, must have better understanding of how customers perceive and evaluate the quality, innovativeness, adaptability of electronically services offered. Businesses that have been experienced and successful in offering e-services are more likely to apprehend that besides website electronic service quality.

The online banking services are developing rapidly after Demonetization policy and this policy helped every customer to use cashless transactions. These online services are time saving, easy to exchange, more convenient and faster to use. The services which are providing by the banks are very efficient and useful to customers. The development of cashless transactions will reduce the corruption and develop the Economy. These services are very comfortable to use in any situation, by using internet. Online banking services are easy to use from one's home itself.

Objectives of the Study

The main purpose of the study is to study the effect of Demonetization on the customers and its effect on their usage of Digital Banking services. The study covers perception of customers towards online banking services post demonetization. The study also study how customers moved from cash transactions to cashless transactions after demonetization. The study is conducted on Online Banking services in Hyderabad. The study is on both Private and Public sectors on online banking services like NEFT, RTGS, IMPS and various mobile banking services

The objectives of the study are:

1. To understand customer perception towards online banking services post demonetization.
2. To study the impact of online banking services on customer satisfaction.
3. To study the association between the demographic factors such as age, gender and the customer satisfaction towards online banking services post demonetization.
4. To examine the overall satisfaction of customers with regards to the E-banking services in Pre-and Post-Demonetization period.
5. To provide recommendations to increase the customer satisfaction with respect to online banking services.

Methodology

The study is based on primary data. The Primary data is collected through Structured Questionnaires and the secondary data is collected through websites, Articles, journals.

The sample size of the customers is limited to 100 customers. The sampling technique used is Judgment sampling. The statistical tools such as Chi square and Paired t test are used to analyze the data and interpret the results.

Results of the study

There is no significant difference in Pre-and Post-Demonetization effects on the overall satisfaction of E-banking services.

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There is no significant difference in Age group effects on customer satisfaction post demonetization of E-banking services.

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There is no significant difference in Gender effects on customer satisfaction post demonetization of E-banking services.

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Conclusion Review:

E-banking is referred as Digital banking, Electronic banking, virtual banking or Internet banking. It is an electronic banking system that enables customers of a bank to perform a range of financial transactions on the financial institution's website. The Electronic banking system is connected to the core banking system operated by a bank.

Pre-Demonetization

Wardene and Foley (2000), in their study, listed the advantages of online banking. These include cost savings, increased customer base, innovation, and development of non-core business. However, some concerns were raised such as security issues.

Stein and Williamson (2006) also provide an understanding of how and why specific factors affect the consumer's attitude about internet banking in an Australian context and found convenience as the main motivator for consumers to use internet banking.

Adeniran (2007) empirically examines the impact of online banking in Nigeria's economy and found customers are satisfied with the online banking system which provides convenience and flexibility. Customers feel convenient to access online banking services and some advantages such as easy and speedy money transfers at less cost and time.

Munira, (2009) examined the extent of adoption and usage of e-banking by commercial banks in Zimbabwe and found that customers are using internet banking for checking account balances, payment of bills and fund transfer. They also found perceived benefits of using internet banking as cost reduction, increased loyalty and attracting new customers.

Vijay M. Kumbhar (2011) In his research paper "Factors Affecting the Customer satisfaction In online Banking: Some Evidence from Indian Banks". This study evaluates major factors affecting on customers' satisfaction in online banking services settings.

Muhammad and Rana (2012) found perceived ease of use, perceived usefulness, compatibility, innovativeness and perceived credibility influencing customer's intention to adopt internet banking.

Post Demonitization

Chabi Gupta (2016) had studied about the payment banks and demonetization. To explain her research point, she had explained about the Indian banking sector. Payment banks are generally niche banking set up by RBI, payment banks provides small saving accounts and payment services mainly for low income household, small businesses etc. Then she had explained the overall impact of demonetization move.

In a similar study by Rani (2016), it was studied that when wholesalers denied extending credit span of time, shopkeepers started Paytm and cheque facilities for consumers. There is a correlation between attitude towards online banking and feeling of security with regard to their demographic variables.

Data Analysis & Interpretation :**Test: Paired two samples for mean**

	Pre-Demonetization	Post Demonetization
Mean	2.43	2.11
Variance	0.732424242	0.805959596
Observations	100	100
Pearson Correlation	0.187607756	
Hypothesized mean difference	0	
Df	99	
t Stat	2.862051375	