

A COMPARISON OF THE STATE OF E-BANKING PROVIDERS BEFORE AND AFTER THE IMPLEMENTATION OF DEMONETIZATION

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Abstract:

When a government decides to stop issuing a given currency and follows the necessary steps to have it taken out of circulation, this is called demonetizing the currency in question. This process is known as demonetizing. To rephrase, the currency will be devalued to the point that it is no longer accepted as legal tender everywhere it is used. When this happens, the currency is usually taken out of circulation. When a country completely adopts a new currency, it usually destroys all of its old money and replaces it with brand new bills and coins. The term currency reform describes this change. All Rs. 500 and Rs. 1,000 banknotes will be demonetized on November 8, 2016, and the Government Taking Back of issued 2000 Notes will begin in May 2023. Notebandi is the term most often used to describe this pastime. The approval of demonetisation lent credence to this theory. They reasoned that because of this, once the new currency was introduced, the black market would be rendered obsolete. The news came as a total surprise, and in the weeks that followed, there was a severe shortage of money that played a role in the broad chaos that spread across the economy. When used together, these two factors caused widespread economic turmoil. Since its Demonetisation, its use in digital monetary transactions has been mandated. These changes have directly resulted in Indian banks implementing world-class customer care methods and systems. The banks need to do this to keep up with the needs of their expanding client base. After Demonetisation was implemented, using an internet banking platform to conduct monetary transactions became mandatory. The research team behind this project hopes to answer questions about the evolution of online banking, including whether or not customers knew about the services' existence before the Demonetisation and how the latter event affected and encouraged the general public to make use of online services. The foundation for the current investigation is a research conducted in the past that analyzed information from one hundred different clients in Hyderabad.

Keyword: E-banking, Convenient sampling, Post-Demonetisation, Information Technology, Pre-Demonetisation

Introduction

The financial industry has been at the forefront of embracing new forms of technology to facilitate commercial transactions. Not only have technological advancements made their way into consumer banking and other financial services, but they have also increased businesses' capabilities for sustained and widespread expansion. The development of IT has aided the transition from traditional banking to mass banking and internet banking. Increased competition, more advanced technology, and the introduction of novel products and services have all contributed to significant shifts in the Indian banking sector during the last 50 years. When there is an adjustment to the value of the national currency, Demonetisation is an action that must be taken. It is necessary to track down the previous monetary unit in order to replace it with the new unit of currency. There has been three instances of Demonetisation in India. The first one took place on January 12th, 1946 (which was a Saturday), the second on January 16th, 1978 (which was a Monday), and the third on November 8th, 2016 (which was a Tuesday). This research aims to examine and assess the effect of Demonetisation as well as their relevance in relation to electronic banking services. The RBI has made the decision to stop issuing Rs. 2,000 bank notes and has set the deadline for note exchange for September 30, 2023. The Reserve Bank of India (RBI) said on Friday that despite the note being out of circulation, it

would still be accepted as legal money in accordance with its Clean Note Policy. The RBI has mandated that banks maintain deposit and exchange services until September 30, 2023, to provide the general people enough time to participate in the exercise. People will be able to more easily change their legal assets into currency notes of lesser denominations thanks to this phased transformation, it added.

Literature of Review

Per the RBI According to a statement released by the RBI, almost nine out of ten 2000 denomination banknotes were created before March 2017, meaning they are rapidly reaching the end of their expected lifespan of four to five years. The value of these banknotes in circulation has decreased dramatically from its all-time peak of 6.73 lakh crore on March 31, 2018 (37.3% of Notes in Circulation), to its all-time low of 3.62 lakh crore on March 31, 2023 (10.8% of Notes in Circulation). It's also been noted that this denomination is seldom utilized in actual purchases. Additionally, there is still a sufficient quantity of banknotes available in various denominations to suit the public's monetary needs. The Reserve Bank of India (RBI) announced that anyone may now deposit or exchange Rs 2,000 banknotes at any bank branch. It said that deposits to bank accounts might be made in the usual way, as is customary and in accordance with current instructions and other relevant legislative rules.

The central bank also said that starting on May 23, 2023, consumers would be allowed to change up to 20,000/- at a time into banknotes of various denominations in order to facilitate operational ease and prevent interruption of ordinary operations at bank offices. On May 23, consumers will be able to exchange Rs 2,000 bank notes up to a limit of Rs 20,000 at a time at any of the 19 RBI Regional Offices having issuing divisions. Based on customer feedback, Ramsay and Smith (1999) rated the various banking options. As Per Dr Naveen Prasadula Customers preferred visiting a branch for assistance, while online banking received the lowest ratings. Next to the actual storefront, telephone service was added. They said that the high quality of service and individual attention provided by the branches were the key draws for customers. Among them include developing side businesses, expanding existing ones, saving money, and innovating. However, other problems, including as privacy and security, were brought forward as causes for worry. Based on their results, Dr Naveen Prasadula (2023) concluded that customers want banking that is quick and easy for them, thus financial institutions should look at other methods of service improvement (both human and technological). E-banking allows users more flexibility by making online banking available 24/7 from any location. In addition, the ease with which one may get access to a computer is seen as an indicator of one's competitive edge (Suganthi et al., 2001). Therefore, it is postulated that ease and availability contribute to the growth of online banking. Instead, they propagated what has become known as the card culture or plastic money by actively encouraging the use of plastic for purchases. The main FMCG companies seem to have just one option left: to lengthen their loan terms. Cash-strapped wholesalers have turned to retailers and distributors for financing, and the practice is ongoing at the time (Chelladurai and Sornaganesh, 2016). Rani (2016) found that once wholesalers cut off their customers' access to credit, store owners provided alternative payment methods including Paytm and checks. Regarding demographic characteristics, there is a link between one's attitude toward online banking and one's sense of safety. The degree of state control in a banking industry is negatively correlated with competition, but the presence of robust financial infrastructure is positively correlated with it.

The Goals of the Research:

1. The goal of this research was to compare the usage of electronic banking by bank customers in Hyderabad before and after the Demonetisation.
2. Find out which metrics made the largest difference before and after the demonetisation

3. Analyzing how people used internet banking before and after the demonetisation.

Research and Methodology:

Researchers developed a 27-question structured questionnaire to help them accomplish the goals listed above. Respondents were asked these questions to gauge how well they understood the idea of online banking. Respondents were questioned on their familiarity with online banking and their openness to giving it a try if their banks had offered enough assistance. The poll was created in such a way that it includes a question that gauges respondents' familiarity with internet banking. Multiple tools and devices were used to ensure that the variables were measured precisely. The claims have been conveyed using a Likert scale with points ranging from one to five. The lowest possible score on this scale is 1, which indicates significant disagreement, and the highest possible score is 5, which shows strong agreement. Women of reproductive age in the Indian city of Hyderabad provided replies for this study. The total number of usable responses was 100; 50 responses were collected from a time period before the demonetization, and the other 50 were collected from a time period after it. Books, periodicals, and articles from both online and print outlets served as our secondary sources. Both primary and secondary information were gleaned from these resources.

To analyze the data, we used SPSS and performed some hand calculations. The research used the following instruments:

E-banking pre- and post-demonetization: a simple percentage analysis and one-sample testing

Evaluating Variables.

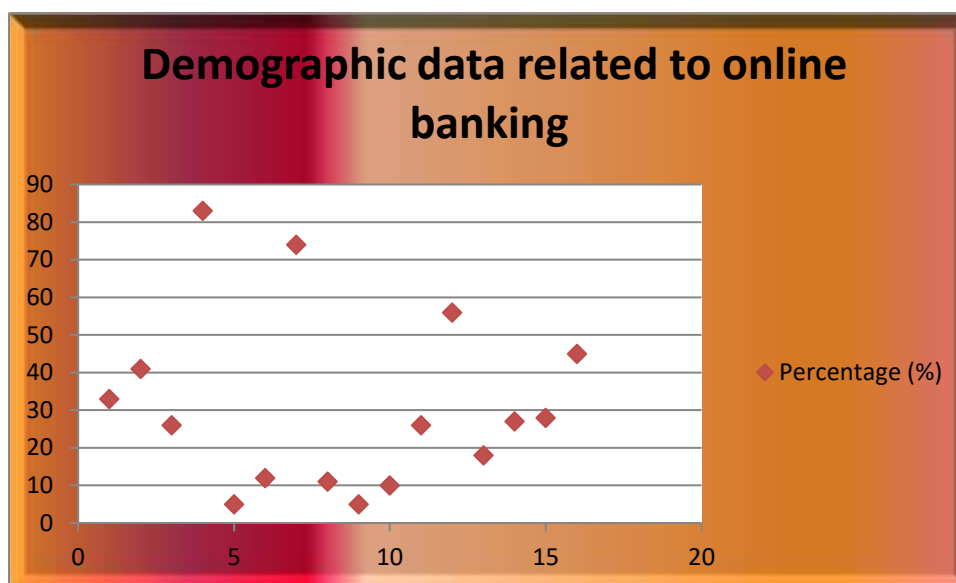
Analysis by percentage takes into account answers to questions on respondents' ages, education levels, marital status, occupations, and average monthly incomes. Table 2 shows that most respondents (41%) are between the ages of 35 and 45, that 83% of respondents have at least a master's degree, that 74% of respondents work in the teaching profession, that 56% of respondents have a monthly income of between Rs15,001 and Rs30,000, and that 45% of respondents have only started using electronic banking since the recent currency devaluation.

Table 2 shows the demographic breakdown of internet banking users.

Factors	Options	No. of Respondents	Percentage (%)
Age	Below 35 Years	33	33.0
	35-45 Years	41	41.0
	45 and above Years	26	26.0
Qualification	Post Graduate	83	83.0
	Professional	5	5.0
	Others	12	12.0
Occupation	Lecturers	74	74.0
	Clerks	11	11.0
	Doctors/Software	5	5.0
	Engineers		
	Others	10	10.0
Monthly Income(in Rs)	Less than 15000	26	26.0
	15001-30000	56	56.0
	30001-45000	18	18.0
Status of Usage	More than 5 yrs	27	27.0
	More than 3 yrs	28	28.0
	Post Demonetisation	45	45.0

Comparisons of E-Banking Use Before and After Demonetization, Based on a Single Sample Size
 The instrument uses 27 statements on a likert scale to gauge customers' satisfaction with a bank's E-

Banking services both before and after the demonetisation of the currency.



Pre-Monetization One-Sample Test: H_0 : The estimated sample mean for each service parameter, and the predicted mean, do not vary significantly. (3.00). Hence, $H_0: \mu = 3.00$.

In contrast to H_1 : The sample mean for each service parameter significantly deviates from the expected value (3.0). Hence, $H_1: \mu \neq 3.00$.

The significance level determines whether a test statistic is accepted with a 95% level of confidence or rejected with a 5% level of confidence.

The significance threshold of the sample statistic is set at 5%. There is a statistically significant difference between the test value and the observed mean if the significance value is small, that is, less than 0.05. If the p-value is less than 0.05, the null hypothesis is rejected. This occurs when the test statistic t exceeds the value reported for $(n-1)$ degrees of freedom at the 5% level of significance. The null hypothesis may be accepted for p-values larger than 0.05.

Table 3 shows that there are certain statements that have a p-value of higher than 0.05, indicating that they are statistically significant. This suggests the computed mean for this statement is quite close to the hypothetical mean.

Turning on your air conditioner through the internet is simple. In the event of a banking issue, an online help menu is at your fingertips. Seminars hosted by a bank

Pre-Demonetization One-Sample Statistics, Table 3

Statements	Mean	Std. Dev	Sig (2-tailed)	Mean Difference
Banks websites provides confidentiality	3.80	.756	.000	.800
Bank allows authorized persons only	4.40	.495	.000	1.400
E-Banking provide privacy	2.52	1.199	.007	-.480
Banks Never Misuse my financial info.	3.60	1.069	.000	.600
Online bank provides simple operational Procedure	3.76	.625	.000	.760
Bank websites secure for fund transfer	3.98	.589	.000	.980
Online A/C opening is easy	3.22	.864	.078	.220
Online banking websites are trustworthy	3.46	.762	.000	.460
I trust online banking websites	3.40	.639	.000	.400

Use of online banking increase in future	3.96	.570	.000	.960
Trust on financial info. Remains in registers	3.98	.553	.000	.980
Bank websites are always increase customer interest	3.98	.654	.000	.980
Trust on benefits provided by online banking	3.96	.807	.000	.960
Banks provide useful tips	3.70	.763	.000	.700
Bank conducting seminars	3.30	.953	.131	.300
Intended to use E-banking in future	3.70	.789	.000	.700
Online banking provide problem solution menu	3.60	.782	.052	.600
Online banking web design is very efficient	3.74	.600	.000	.740
Online banking clear and easy to follow instructions	3.78	.679	.000	.780
Banks web keep promises and commitment	3.72	.671	.000	.720
Banks increase the awareness about security of date	3.94	.652	.000	.940
Banks always encourage to transfer fund through online	3.86	.756	.000	.860

Pre-Demonetization One-Sample]

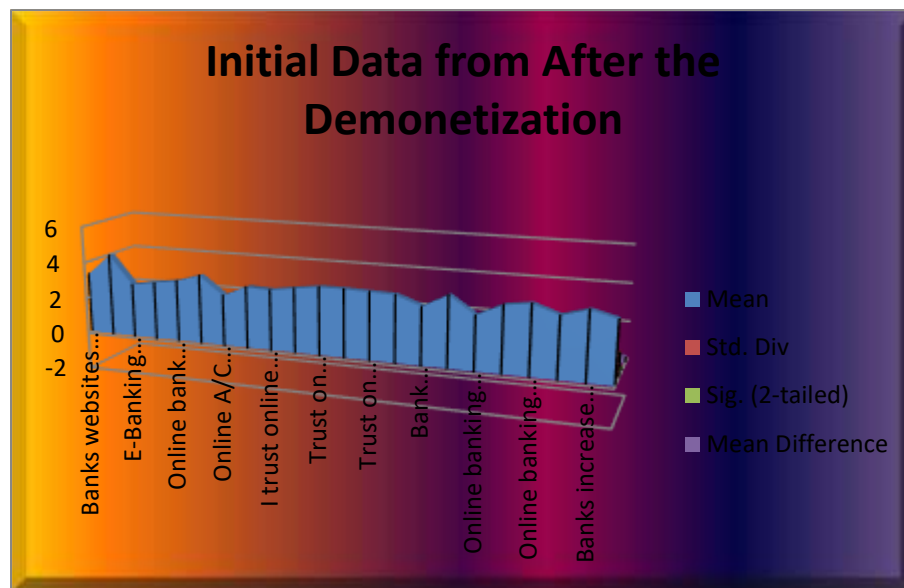


After Demonetization, a Single-sample Test: In this case, we will assume that H_0 , H_1 , and p-value are the same as before. A 95% confidence interval test is performed on the sample mean. To accept the null hypothesis, the sample mean must be less than or equal to the 95% confidence interval; to reject the null hypothesis, the value must be larger than the 95% interval. Statements with a high significance value (i.e., more than 0.05) suggest that the computed mean and the hypothetical mean are statistically indistinguishable. It is clear from Table 4 that the computed mean and the hypothetical mean for the following claims are identical.

Confidentiality is guaranteed on bank websites. Confidentiality is a key feature of online banking. My Bank Will Never Share My Financial Details With Third Parties. Online money transfers are often recommended by banks.

Table 4: Post-Demonetization One-Sample Statistics

Statements	Mean	Std. Div	Sig. (2-tailed)	Mean Difference
Banks websites provides confidentiality	3.30	1.313	.113	.300
Bank allows authorized persons only	4.44	.501	.000	1.440
E-Banking provide privacy	2.90	1.074	.513	-.100
Banks Never Misuse my financial info.	3.12	1.380	.541	.120
Online bank provides simple operational Procedure	3.32	.978	.025	.320
Bank websites secure for fund transfer	3.72	.809	.000	.720
Online A/C opening is easy	2.74	1.139	.013	-.260
Online banking websites are trustworthy	3.32	.741	.004	.320
I trust online banking websites	3.26	.664	.008	.260
Use of online banking increase in future	3.46	1.265	.013	.460
Trust on financial info. Remains in registers	3.64	.921	.000	.640
Bank websites are always increase customer interest	3.64	1.005	.000	.640
Trust on benefits provided by online banking	3.60	1.161	.001	.600
Banks provide useful tips	3.56	.787	.000	.560
Bank conducting seminars	3.08	.922	.042	.080
Intended to use E-banking in future	3.78	.737	.000	.780
Online banking provide problem solution menu	2.88	1.223	.491	-.120
Online banking web design is very efficient	3.52	.646	.000	.520
Online banking clear and easy to follow instructions	3.70	.735	.000	.700
Banks web keep promises and commitment	3.24	.960	.083	.240
Banks increase the awareness about security of data	3.64	.827	.000	.640
Banks always encourage to transfer fund through online	3.30	1.313	.113	.300



The following comments are considered to be supportive of Pre-Demonetisation, and they provide light on the factors that are more significant when attempting to develop a strong connection between banks and the people who utilize their services. Table 5 shows that before demonetisation users had a better positive impression of online banking and the services and security provided by banks. As a result, after Demonetisation was implemented, individuals quickly adjusted to using electronic banking. People were polled on their opinions about 22 statements, and the results were used to draw comparisons between the pre- and post-demonetization periods. As a consequence, the data was analyzed.

Here's how the table breaks down:

Statements that were more favorable to pre-monetization are shown in Table 5.

Stmnt.No	Statements	Pre-Demonetisation Mean	Post- Demonetisation Mean
1	Banks websites provides confidentiality	3.80	3.30
4	Banks Never Misuse my financial info.	3.60	3.12
5	Online bank provides simple operational Procedure	3.76	3.32
6	Bank websites secure for fund transfer	3.98	3.72
8	Online banking websites are trustworthy	3.46	3.32
9	I trust online banking websites	3.40	3.26
10	Use of online banking increase in future	3.96	3.46
11	Trust on financial info. Remains in registers	3.98	3.64
12	Bank websites increase customer interest	3.98	3.64
13	Trust on benefits provided by online banking	3.96	3.60
14	banks provide useful tips	3.70	3.56

15	Bank conducting seminars	3.30	3.08
17	Online banking provide problem solution menu	3.60	2.88
18	Online banking web design is very efficient	3.74	3.52
20	Banks web keep promises and commitment	3.72	3.24
21	Banks increase the awareness about security of data	3.94	3.64
22	Banks always encourage through online	3.86	3.30

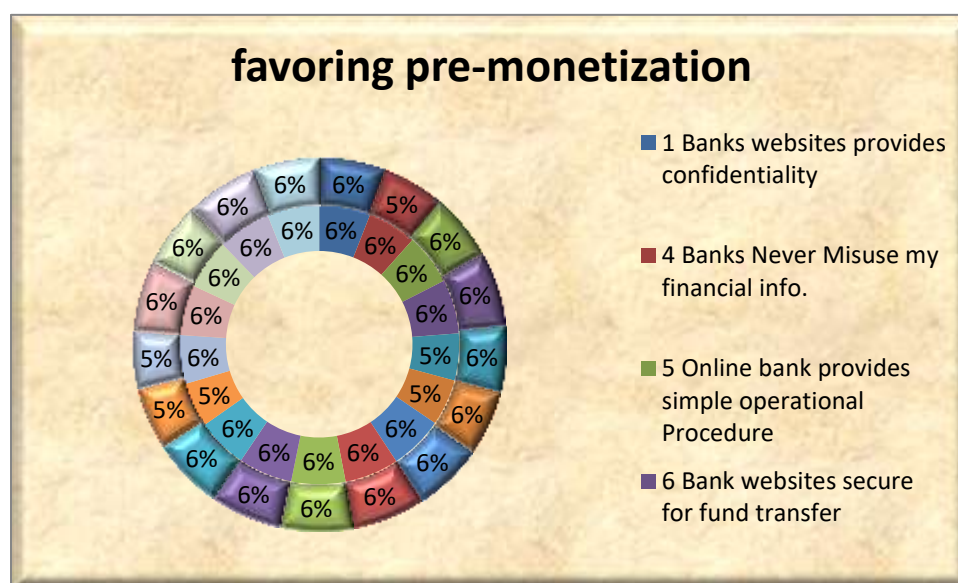
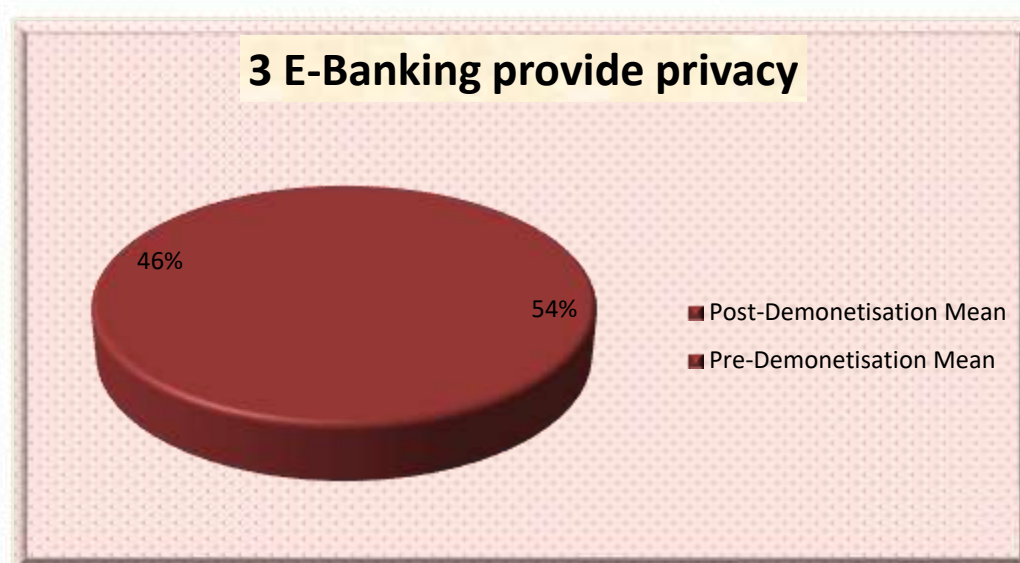


Table 5 shows that before demonetisation, consumers had a more favorable impression.
 Table 6 shows that consumers' happiness with their privacy has increased after demonetisation.

Table 6: Post-Demonetization Statements That Are More Positive

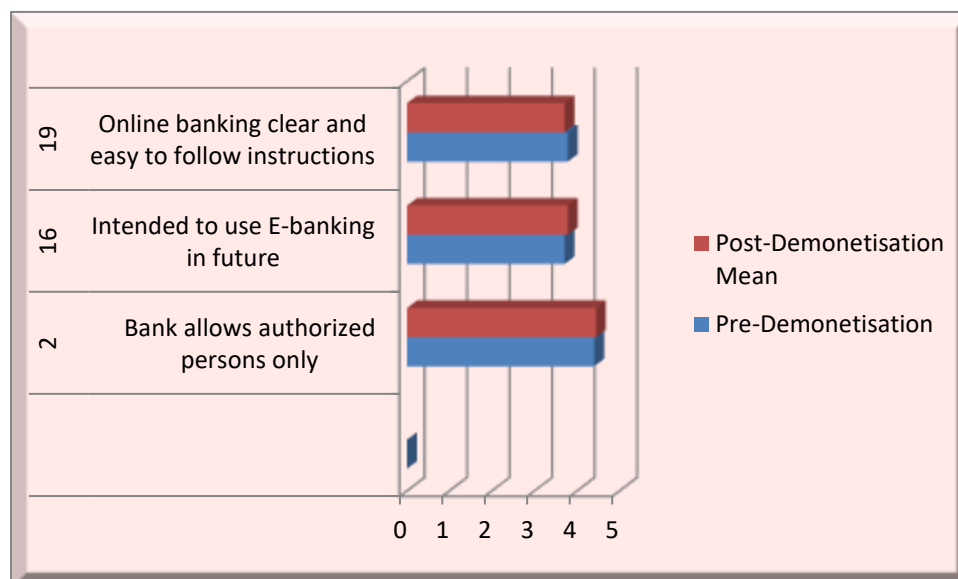
Stmt. No	Statements	Post-Demonetisation Mean	Pre-Demonetisation Mean
3	E-Banking provide privacy	2.90	2.52



Customers both before and after the demonetisation are shown to have a similar level of knowledge of the new banking channels/avenues in Table 7.

Table 7: Statements of Very much near for Pre and Post Demonetisation

Stmt. No	Statements	Pre-Demonetisation Mean	Post-Demonetisation Mean
2	Bank allows authorized persons only	4.40	4.44
16	Intended to use E-banking in future	3.70	3.78
19	Online banking clear and easy to follow instructions	3.78	3.70

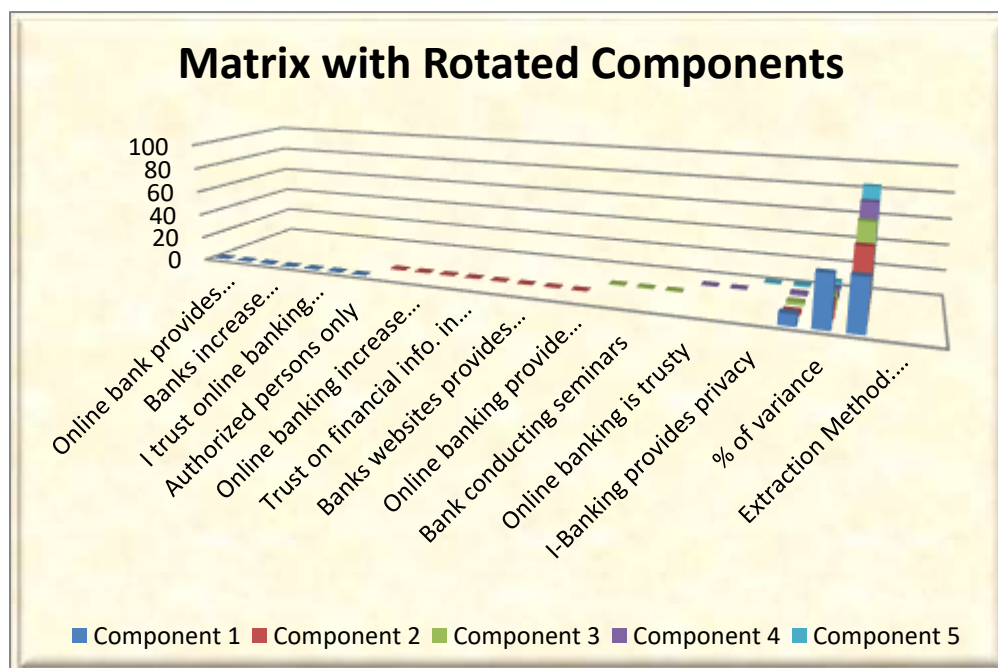


Factor analysis is an effective tool for simplifying data by minimizing the number of independent variables. It was used to the task of determining what makes E-Banking services valuable. As seen in Table 8, the component matrix has been rotated. Loadings of .871, .859, .783, .745, .762, .787, and .561 are found for the variables: Online bank provides simple operational procedure, Bank websites secure websites for fund transfer, Banks increase awareness about security of data, Banks web keep promises and commitment, I trust online banking websites, Trust on benefits provided by online

banking, and Only authorized person can access own account, respectively. Therefore, we may identify Security as Primary Factor 1. The second factor reveals that the variables are always encouraged by banks through the internet. The rise of online banking is inevitable. Getting a bank account is simple and secure online. Menu items Bank Websites Increase Customer Interest, Bank Websites Provide Confidentiality, Banks Never Misuse Customer Information, and Online Banking Offers Problem Solutions have loaded with respective values of .845, .837, .800, .717, .638, .546 and .532. Therefore, trust is called Factor 2 in this case. The loadings of the three variables that make up Factor 3—how simple and straightforward the process of banking online is; how often banks provide educational seminars; and how frequently they offer helpful hints—are respectively .869, .829, and .721, respectively. Both the belief that online banking is trustworthy and future plans to utilize electronic banking are highly loaded on Factor 4. Therefore, originality is a suitable label for Factor 4. I-Banking's ability to protect customer information has reached .911. Therefore, Secrecy might be considered Factor #5.

Table 8: Rotated Component Matrix^a

	Component				
	1	2	3	4	5
Online bank provides simple operational Procedure	.871				
Bank websites secure websites for fund transfer	.859				
Banks increase awareness about security of data	.783				
Banks web keep promises and commitment	.745				
I trust online banking websites	.762				
Trust on benefits provided by online banking	.787				
Authorized persons only	.561				
Banks always encourage through online		.845			
Online banking increase future		.837			
Online A/C opening is easy		.803			
Trust on financial info. in registers		.800			
Bank websites increase customer interest		.717			
Banks websites provides confidentiality		.638			
Banks Never Misuse Customer Information		.546			
Online banking provide problem solution menu		.532			
Online banking clear and easy			.869		
Bank conducting seminars			.829		
Banks provide useful tips			.721		
Online banking is trusty				.858	
Intended to use E-banking in future				.883	
I-Banking provides privacy					.911
Eigen values	9.011	3.212	2.634	2.006	1.553
% of variance	40.959	14.602	11.972	9.120	7.057
Cumulative %	40.959	55.561	67.534	76.654	83.711
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization, a=. Rotation converged in 7 iterations.					



Before Demonetization of Rs 2000 Notes:

Cash Dominance: Cash was the primary mode of payment in India, with a majority of transactions conducted using physical currency .

Limited Digital Transactions: E-banking services existed, but their usage was relatively low compared to cash transactions. Online banking and mobile banking were available, but adoption rates were moderate.

Minimal Emphasis on Security: Security measures for e-banking services were present, but they were not as advanced or widely implemented as they are today. Users generally relied on basic username-password authentication.

Limited Financial Inclusion: A significant portion of the population, especially those in rural areas, had limited access to banking services. E-banking services were primarily utilized by urban and tech-savvy individuals.

Lower Digital Literacy: The level of digital literacy and awareness about e-banking services was comparatively lower. Many individuals were not familiar with the benefits and functionalities of digital transactions.

After Demonetization of Rs 2000 Notes:

Surge in Digital Transactions: Demonetization led to a sudden scarcity of physical currency, prompting a significant increase in digital transactions. E-banking services experienced a surge in usage as people turned to online and mobile banking for their financial needs.

Improved Digital Infrastructure: Banks and financial institutions invested heavily in enhancing their digital banking infrastructure. User-friendly mobile banking applications, improved internet banking facilities, and secure payment gateways were introduced to meet the increased demand.

Strengthened Security Measures: The importance of secure digital transactions gained prominence. Banks implemented stronger security measures, such as two-factor authentication, biometric verification, and dynamic passcodes, to protect user accounts and transactions.

Enhanced Financial Inclusion: Demonetization played a role in promoting financial inclusion. As people embraced e-banking services, individuals who were previously unbanked or underbanked gained access to financial services. Government initiatives like Jan Dhan Yojana and Aadhaar-based banking further facilitated financial inclusion.

Increased Digital Literacy: The demonetization drive created awareness and necessitated education about digital transactions. More individuals became familiar with e-banking services, mobile wallets, and online payment options, leading to increased digital literacy.

Mobile Wallet Adoption: Post-demonetization, mobile wallets gained popularity as a convenient and accessible digital payment option. Companies like Paytm, PhonePe, and Google Pay witnessed a significant increase in user registrations and transactions.

It is important to note that the demonetization of Rs 2000 notes had both positive and negative effects on e-banking services. While it accelerated the adoption of digital transactions, it also presented challenges such as overwhelmed banking infrastructure and difficulties for individuals without access to smartphones or internet connectivity.

Conclusion

There is good reason for customers in a nation like India to assume that they are entitled to get excellent and individualized service from the businesses they support. As a consequence, people have every right to expect this level of care from the businesses they frequent. Institutions with adult consumers have an ethical duty to consider customer feedback when deciding whether or not internet banking is permitted. While many individuals were already familiar with and making use of online banking services before the demonetisation, the study found that it has become more important after the event. Even though many consumers were already aware with and making use of internet banking services, this was still the case. This occurred despite the fact that most consumers were already acquainted with the convenience of internet banking before the demonetisation. Modern forms of communication are relied on not just by the middle and upper classes, but also by the average individual. When creating a website for a financial institution, it's important to bear in mind the worries customers may have about their privacy and security during online financial transactions. Prior to the release of the new currency, financial institutions began educating their customers on the availability of alternative payment methods through the organization of seminars and other activities that are very similar to these seminars. This was done in anticipation of the introduction of the new currency. Customers' concern about their personal information being misused is a direct effect of the rise in internet banking after the demonetization of cash. This is because the elimination of paper currency has led to the elimination of paper currency. This follows directly from the fact that there is less cash available to spend. As a consequence of the convenience of online banking, users are more likely to handle their own financial matters.

Considerations Regarding the Scope of Future Research

The purpose of this study is to serve as the first step in analyzing the perspectives and expectations of consumers about internet banking. On the other hand, it is constrained by the following factors:

The sample was given to clients in the working environment in a manner that was completely at random. Customers with lower levels of education or those who had no prior experience with computers or the internet were excluded from this study. The sample consists of one hundred different clients who have used e-banking at some point. In order to achieve a better level of precision in subsequent study, a bigger sample size is required. The city of Hyderabad was the only location of this study, and its primary emphasis was on the level of consumers' acceptance of online banking as well as their opinions on concerns surrounding privacy and safety. It is necessary to do further study in order to explore the problems associated with online banking in a more in-depth way and to determine what measures banks need to follow in order to improve their level of e-satisfaction and e-loyalty in relation to online banking.

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