

**A STUDY ON THE GROWTH OF DIGITAL BANKING IN INDIA BEFORE AND
AFTER DEMONETIZATION**

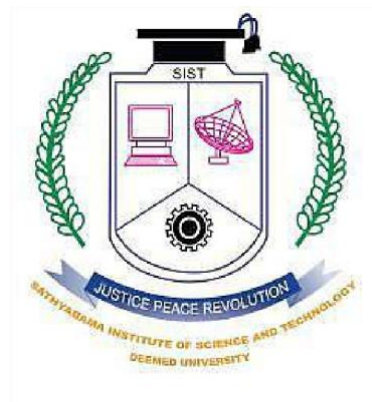
Submitted in partial fulfilment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

PRATHEESH B

REGISTER NO: 42410181



SCHOOL OF MANAGEMENT STUDIES

**SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Category – 1 University by UGC
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119**

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SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY
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SCHOOL OF MANAGEMENT STUDIES

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bona fide work of **PRATHEESH B 42410181** who carried out the Project Training “**A STUDY ON THE GROWTH OF DIGITAL BANKING IN INDIA BEFORE AND AFTER DEMONETIZATION**” under my supervision from September 2023 to November 2023.

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DECLARATION

I **PRATHEESH B (42410181)** hereby declare that the Project Report entitled “**A STUDY ON THE GROWTH OF DIGITAL BANKING IN INDIA BEFORE AND AFTER DEMONETIZATION**” done by me under the guidance of DR.M. RAJA is submitted in partial fulfilment of the requirements for the award of Master of Business Administration.

DATE:

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SIGNATURE OF THE CANDIDATE

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PRATHEESH B

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ABSTRACT

This study delves into the impact of demonetization on the growth of digital banking in India, exploring trends, adoption rates, and challenges faced by the banking sector before and after the policy. The objectives encompass assessing customer awareness, analysing digital transaction increases, gauging dependency on digital banking versus cash transactions, studying trends, and evaluating accessibility and convenience. The scope emphasizes insights into awareness campaigns, the influence of policy changes on accessibility, and evolving preferences in electronic transactions. This research aims to unveil the nuanced dynamics of India's digital banking landscape in response to a pivotal economic event.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

India, a nation with a significant focus on cash transactions for most of its B2C dealings, exhibits a remarkable reliance on physical currency. Approximately 14.07% of its GDP is represented by the total cash in circulation, underscoring the pivotal role of cash in the Indian economy. Unlike some other countries, cashless payments are not widely favored by the populace here, with people typically opting for cash payments. Given that only half of the population has access to banking services; the task of transitioning this economy towards greater digital and financial literacy remains a formidable challenge.

In the old days, banking used to be a time-consuming business. If you wanted cash, for instance, you had to go to the bank branch, hand over a cheque to a bank employee, get a token and wait until the cashier called your number. In the first week for a month, when there was a scramble for cash among customers, you had to wait a long time indeed.

Today, Digital banking has transformed the way things are done. Now all you have to do to get cash is to get to the nearest ATM, use your card and get cash in under a minute! Moreover, going digital allows you the perfect opportunity to enjoy a paperless banking experience, where you no longer need to keep track of your transactions or banking history through physical documents.

Digital Banking has completely changed the way we bank in today's times. With Digital Banking, you can transact with higher speed, ease and convenience.

What is Digital Banking?

The Digital Banking definition is banking done through the digital platform, doing away with all the paperwork like cheques, pay-in slips, Demand Drafts,

and so on. It means availability of all banking activities online. Digital Banking gives you the luxury of freely accessing and performing all traditional banking activities 24*7 without having to personally go to a bank branch to get your work done. Digital Banking can be done either through a laptop, tablet or your mobile phone.

Digital India

Digital India is a campaign initiated by the central government to empower citizens digitally, and it was launched on the 1st of July 2015. Mr. Narendra Modi, the prime minister of India, incorporated it. Digital India ensures that government services are provided to the citizens via numerous digital channels. As a responsible citizen, one should leverage the power of Digital India initiatives for added convenience. Digital India seeks to transform India into a digitally empowered society and knowledge economy. The Digital India project motto was – Power to Empower. The 3 key areas of the Digital India scheme were digital literacy, digital infrastructure creation, and digital delivery of services.

What is a Cashless Economy?

The cashless Economy is a part of the 'Digital India' initiative taken by the Government of India. This is a type of economy where the economic system is based on the transactions done through debit cards, credit cards, digital wallets and modes. In a Cashless Economy, limited amounts of money transactions can be done.

A cashless economy refers to a system where digital transactions and electronic forms of payment, such as cards, mobile wallets, and online transfers, replace physical cash transactions. In this economy, the electronic representation of money is promoted over transactions by physical notes or coins.

Demonetization

On 9th November, 2016, the Indian government took a huge step of '**Demonetization**', which is the act of canceling the legal tender status of a currency unit in circulation. As the government had announced the decision to

withdraw Rs. 500 and Rs. 1,000 denomination notes, it shook the entire country over night. The key objectives of demonetization were to wipe out black money, eradicate fake currency notes, and create a cashless economy by pushing digital transactions. Following demonetization, digital payments grew significantly, particularly as the government and banking regulator worked to turn India into a "less-cash economy." The Covid-19 Pandemic ignited the massive shift towards digital transactions in India. As per the NPCI Data, the UPI payment in June 2020 was recorded as an all-time high of 1.34 billion in terms of volume, with transactions worth INR 2.62 lakh crores. In a span of just six years, India, primarily a cash-based economy, now leads the world in real-time digital payments, accounting for almost 40 per cent of all such transactions. Therefore, this study is undertaken to examine the before and after effects of demonetization in growing India into a more digital intensive economy.

The increase in internet and smartphone penetration in India has also played a major role in the growth of the digital payments ecosystem. E-commerce has also been a major driver of the growth of the digital payments ecosystem in India. The e-commerce market in India is expected to grow at a CAGR of 31% and reach \$200 billion by 2026[6]. The growth of the e-commerce market has led to an increase in the number of online shoppers in India, which is expected to reach 220 million by 2025. The digital payments ecosystem in India is also supported by a number of other private players as well. These players offer a range of digital payment services such as mobile wallets, UPI payments, and QR code-based payments.

With the aggressive stakeholder consultation with Ministry of Finance and Reserve Bank of India, it was envisaged that there are 16 different digital payment modes which are as follows:

S.No.	Payment Modes
1.	AEPS
2.	BHIM Aadhaar
3.	BHIM UPI
4.	Closed Loop Wallet
5.	Credit Card
6.	Debit Card
7.	IMPS
8.	Internet Banking
9.	Mobile Banking
10.	NACH
11.	NEFT
12.	NETC
13.	Others
14.	PPI
15.	RTGS
16.	USSD

Digital India programme and is aimed at digitizing the economy with consequent benefits of efficiency, transparency and quality. During the last nine years, the number of digital transactions in India has increased from a mere 127 crore in 2013-14 to 12,735 crore transactions in 2022-23 (as on Mar 23, 2022), which is over 100 times increase.

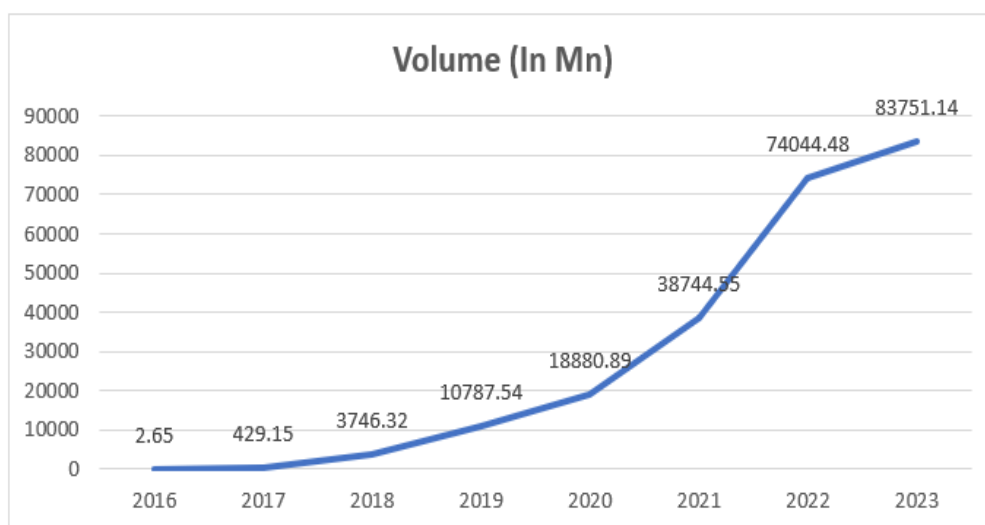


India's unique payment systems such as BHIM-UPI and BHIM-Aadhaar are getting recognized globally.

Over the past four years digital payment transactions have grown multifold from 316 crore transactions in 2014-15 to 2071 crore transactions in 2017-18. Today, BHIM app has become one of the main digital payment instrument for sending, collecting the money and to pay for various utility bills. In November, 2018, more than 173 lakh transactions of value ₹ 7,981 crore were made using BHIM app.

One of the key initiatives is the launch of the Unified Payments Interface (UPI), which allows for real-time inter-bank transactions, and the Bharat Interface for Money (BHIM) app, which simplify the process of making digital transactions.

UPI (Unified Payments Interface) has seen significant growth in India since its launch in 2016 by National Payments Corporation of India (NPCI). Here are some highlights of the UPI journey in India with YoY (Year-on-Year) growth statistics till Jan 2023:

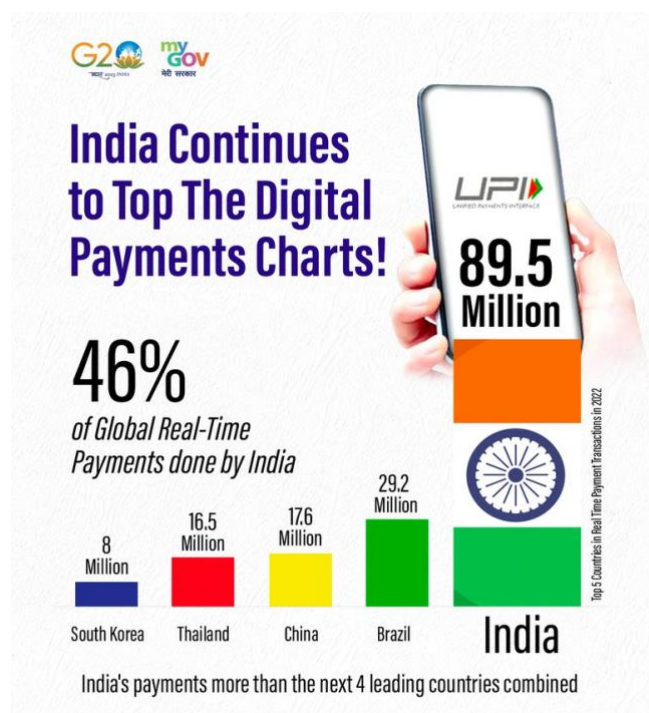


- In 2017, UPI recorded a YoY growth of 900%, processing over 100 million transactions worth INR 67 billion.

- In 2018, the YoY growth was 246% with transactions worth over INR 1.5 trillion processed.
- In 2019, the YoY growth was 67% with transactions worth over INR 2.9 trillion processed.
- In 2020, UPI recorded the YoY growth of 63% with transactions worth over INR 4.3 trillion processed in December 2020.
- In 2021, the YoY growth was 72% with over 1.49 billion transactions worth INR 5.6 trillion processed in June 2021[5].
- At the end of the calendar year 2022, UPI's total transaction value stood at INR 125.95 trillion, up 1.75 X year-on-year, as per the NPCI. Interestingly, the total UPI transaction value accounted for nearly 86% of India's GDP in FY22.
- At the end of the calendar year 2023, UPI's total transaction volume stands on 83.75 Billion.

India with 89.5 million digital transactions in the year 2022 has topped the list of five countries in digital payments, according to government data.

As per the data, India in 2022 accounted for 46 per cent of the global real-time payments, and digital payment transactions in India is more than the other four leading countries combined.



1.2 INDUSTRY PROFILE

FINANCIAL SERVICES INDUSTRY

Financial services refer to services provided by the finance industry. The finance industry consists of a broad range of organizations that deal with the management of money. These organizations include banks, credit card companies, insurance companies, consumer finance companies, stock brokers, investment funds and some government sponsored enterprises. The Indian financial services industry has undergone a metamorphosis since 1990. Before its emergence the commercial banks and other financial institutions dominated the field and they met the financial needs of the Indian industry. It was only after the economic liberalization that the financial service sector gained some prominence.

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. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

Now this sector has developed into an industry. In fact, one of the world's largest industries today is the financial services industry. Financial service is an essential segment of financial system. Financial services are the foundation of a modern economy. The financial service sector is indispensable for the prosperity of a nation.

The future of financial services in India: Driven by extensive use of digital technologies, India's financial services sector is undergoing a

significant transformation with evolving consumer preferences, and increased competition. The financial services industry around the world has been transformed by technology-enabled financial services known as fin-tech. This disruptive technology is reshaping financial products, business models, markets and even the concept of money itself offering new ways to collect and use data, create new investment assets, and extend innovative services. The ongoing digitization of financial services and money creates opportunities to build more inclusive and efficient financial services and promote economic development.

BANKING SECTOR:

India's banking sector is a critical component of the financial services industry, comprising public sector banks, private sector banks, and cooperative banks. Before demonetization, traditional banking methods dominated the landscape, but the industry underwent a transformative shift towards digitization in the post-demonetization era. The advent of digital banking introduced innovative services such as online transactions, mobile banking, and digital wallets. This shift aimed to enhance financial inclusion, convenience, and efficiency. Demonetization acted as a catalyst, accelerating the adoption of digital financial services as people sought alternative payment methods.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPII).^{*} India's Unified Payments Interface (UPI) has also revolutionized real-time payments and strived to increase its global reach in recent years.

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of March 2023, the total number of ATMs in India reached 14,74,548. Moreover, there are 1,21,894 on-site ATMs and Cash Recycling Machines (CRMs) and 96,243 off-site ATMs and CRMs. Banks added 2,796 ATMs in the first four months of FY23, against 1,486 in

FY22 and 2,815 in FY21. 100% of new bank account openings in rural India are being done digitally.

GOVERNMENT INITIATIVES

In March 2023, India Post Payments Bank (IPPB), in collaboration with Airtel, announced the launch of WhatsApp Banking Services for IPPB customers in Delhi.

In October 2022, Prime Minister Mr. Narendra Modi inaugurated 75 Digital Banking Units (DBUs) across 75 districts in India.

The RBI introduced new auto debit rules with a mandatory additional factor of authentication (AFA), effective from October 01, 2021, to improve the safety and security of card transactions, as part of its risk mitigation measures.

In September 2021, Central Banks of India and Singapore announced to link their digital payment systems by July 2022 to initiate instant and low-cost fund transfers.

In August 2021, Prime Minister Mr. Narendra Modi launched e-RUPI, a person and purpose-specific digital payment solution. e-RUPI is a QR code or SMS string-based e-voucher that is sent to the beneficiary's cell phone. Users of this one-time payment mechanism will be able to redeem the voucher at the service provider without the usage of a card, digital payments app, or internet banking access.

As per the Union Budget 2023-24, digital banking, digital payments and fintech innovations have grown at a rapid pace in the country. Taking forward this agenda, and to mark 75 years of our independence, it is proposed to set up 75 Digital Banking Units in 75 districts of the country by Scheduled Commercial Banks.

The government also proposed to bring all the 150,000 post offices under the digital banking core business to enable financial inclusion.

1.3 STATEMENT OF THE PROBLEM

The study aims to investigate the growth of digital banking in India by analyzing the trends, adoption rates, and challenges faced by the banking sector before and after the demonetization policy. The problem statement revolves around understanding how this significant economic event influenced the shift towards digital financial services and identifying key factors that either facilitated or hindered the growth of digital banking during these distinct periods.

1.4 OBJECTIVES OF THE STUDY

- To study analyze the customer awareness of digital banking before and after demonetization.
- To examine the increase in digital transactions since demonetization.
- To examine the level of dependency on digital banking over cash transaction.
- To study the trends of digital banking in India.
- To analyze the accessibility and convenience in digital banking since demonetization.

1.5 NEED FOR THE STUDY

- This study helps to assess customer awareness of digital banking pre and post demonetization.
- It helps to examine the increase in digital transactions since demonetization.
- This study helps to analyse the level of dependency on digital banking versus cash transactions.
- It helps to investigate changes in accessibility and convenience of digital banking post demonetization.

1.6 SCOPE OF THE STUDY

- Assessing the growth of digital banking before and after demonetization can provide insights into the effectiveness of awareness campaigns and educational efforts on digital banking.
- Investigating accessibility and convenience factors before and after demonetization can help understand how policy changes might have influenced the ease of use and availability of digital banking.
- Examining the rate of dependency on digital banking over cash transactions can shed light on the evolving preferences and reliance on electronic means for financial transactions.
- Analyzing the current trends of digital banking in the market landscape.

1.7 LIMITATIONS OF THE STUDY

The study uses the data collected from respondents through surveys. The data collected are then analyzed to get results. The results can change according to the size of the sample i.e., the number of people allotted to answer the questions. The size of the sample here is 110 respondents. When the sample size increases the results probably might also vary.

CHAPTER 2

REVIEW OF LITERATURE

Revathi, Palanisamy (2019)

Online banking is one of the most significant developments for the banking industry in its long history. However, despite the many benefits that online banking provides to customers, there are also a number of major concerns and challenges for marketers in the online banking sector.

Haralayya, Bhadrappa (2021)

Previously Banking was a time-consuming process. Customers had to keep a track of transactions or banking history through physical documents. However, digitalization has now allowed everyone to experience paperless banking. The technological expansion has been a major driving force behind the growth of the banking sector in India.

Sardana, Varda, and Shubham Singhania (2018)

Digital banking technologies have escalated over the years, with the availability of a large portfolio of products such as deposits, ATMs, debit cards, mobile payments, and the like. There is an immense possibility of using the infrastructure of the digital age to create opportunities-both local and global. The increase in competition and various other challenges in the banking sector are pushing the banks to adopt new digital models that present unique sources of value to them.

Kaur, Jasdeep (2017)

The impact of technological revolution is being experienced in all walks of life and banking sector has also witnessed the same. Indian banking sector has also gone under complete transformation. Banking is no longer limited to traditional brick and mortar systems rather it is shifting to brick and click systems and virtual banking.

Gupta, Pankaj Kumar (2008)

Internet banking has attracted the attention of banks, securities trading firms, brokerage houses, insurance companies, regulators and lawmakers in developing nations since the late 1990s. With the rapid and significant growth in electronic commerce, it is obvious that electronic (Internet) banking and payments are likely to advance. Researches show that impact of Internet banking on cost savings, revenue growth and increased customer satisfaction on Industry is tremendous and can be a potential tool for building a sound strategy.

Chavan, Jayshree (2013)

Online banking has a lot of benefits which add value to customers' satisfaction in terms of better quality of service offerings and at the same time enable the banks to gain more competitive advantage over other competitors.

Ahmed, Shafique, and Samiran Sur (2021)

In the ever fast-changing modern world, through the use of digital banking services (DBS), the old concept of banking in a traditional way has been completely changed. It was made possible through the use of modern artificial intelligence embedded technologies. It was done to meet the ever-growing demands of customers through more user-friendly and time-saving uses of technologies.

Kumar, Piyush, and Dhani Shanker Chaubey. (2017)

The digital payment changed the buying behavior of Indian society. It prevents black money market. It helps the government to maintain a record of all transaction. Digital Payment Habit has changed after demonetization. People have no other option for transactions so Indian society moves slowly from cash to digital transaction system. On the earlier, when digital payment was introduced, people hesitate to change their transaction habits

but after demonetization, they force them to do their transaction with digital payment.

Singh, Renu, and Garima Malik (2019)

Moving on from the physical clearance of the cheques to the CTS technology, from brick and mortar model of the banks to the internet banking and mobile banking, launch of BHIM and UPI application, digitalization has become a buzz word in today's era. Information Technology today has a crucial role to play in an efficient banking system, and Indian banks have placed a strong infrastructure to leverage its benefits by moving on to contextual banking and open Application Programming Interface.

Dash, A (2017)

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 the bulk of it. As a result of the withdrawal of Rs 500 and Rs 1000 notes, there occurred a huge gap in the currency composition as after Rs 100; Rs 2000 is the only denomination.

Alnaser, Feras Mi, et al. (2023)

In the era disruptive technology the emergence of artificial intelligence has fundamentally improved banking operations. The execution of artificial intelligence is no longer discretionary for financial institutions and now it is considered an essential tool to meet customer expectations. Although artificial intelligence enabled digital banking is faster efficient and effective however user acceptance of digital banking driven by artificial intelligence is in its initial stages.

Kumar, Arun. (2017)

The nature of money supply and its link with transactions in the economy are discussed, with necessary modifications on account of the presence of

the unorganized sector and the black economy. This helps incorporate differentiation in the Indian economy that is useful to understand and analyse the impact of demonetization.

Ganesan, G., and B. Gajendranayagam (2017)

In the global environment, India has multiple strengths of larger youth population, growing middle class people, increasing literacy level and improving technical knowledge among the work force which would address favorably any proactive change in the present setup. Moreover, demonetization, coupled with Digital India and Jan Dhan Yojana, is aimed at strengthening transparency in money transactions by curbing black money, corruption and financial crimes.

Agrawal, Alka, Raees Ahmad Khan, and Md Tarique Jamal Ansari (2022)

In India, e-governance has progressed from the computerized system of government units to programmes that encompass the finer elements of governance, including the citizen-centric approach, responsiveness, and accountability. Lessons learned from prior e-Government programmes have helped to shape the country's advanced e-Government policy.

Kaur, Simran Jit, et al. (2021)

The purpose of digitization is to bring disconnected rural remote regions into the formal financial sector through electronic banking channels which in turn will contribute to economic development. Digital banking mediums help to connect the underserved masses with the mainstream banking system by offering various innovative banking services. The modern mobile banking apps also enable customers to use non-financial services.

Nithin and Sharmila (2016)

They studied demonetization and its impact on Indian Economy. They opined that demonetization has short term negative impact on different

sectors of the economy and such impacts are solved when the new currency notes are widely circulated in the economy. They also argued that the government should clear all the problems created due to demonetization and help the economy to work smoothly.

Nikita Gajjar (2016)

deliberated a study on Black Money in India: Present Status and Future Challenges and Demonetization. She described the framework, policy options and strategies that Indian Government should adapt to tackle with this issue and the future challenges to be faced by the Government.

Vijay and Shiva (2016)

examined demonetization and its complete financial inclusion. They felt that the rewards of demonetization are much encouraging and the demonetization is in the long-term interest of the country. They expressed that it had given temporary pain but it taught financial lessons. It influenced banking industries to do considerably investment on digitalization of banking services.

Manpreet Kaur (2017)

conducted a study on demonetization and impact on Cashless Payment System. He said that the cashless system in the economy has many fruitful benefits less time-consuming, less cost, paper less transaction etc. and he expected that the future transaction system in all the sectors is cashless transaction system.

Lokesh Uke (2017)

researched on demonetization and its effects in India. He studied positive and negative impact of demonization in India. The study was based on secondary data available in newspaper, magazines etc. The main purpose of demonetization is to eradicate the black money and diminish the corruption. He expressed that Government of India has become success to some extent. Demonetization had negative impact for a short duration on

Indian financial markets. But he said that the real impact will be shown in future.

Sweta Singhal (2017)

carried out research on Demonetization and E Banking in India. It was a case study to check the awareness level of people of rural areas in India about e-banking facilities and how much it has increased after demonetization. A sample size of 100 was used with ANNOVA test to show that rural people differ much with urban people in their awareness level as well as usage level of e-banking. It was found that urban male youth have higher awareness and usage of e-banking. She felt that the study shall also helpful for banks to improve their e-banking facilities.

Roy.A (April, 2017)

posits in his article has Demonetization has made major changes in our economy. It has been implemented with a motive to create a more clear and transparent economy through digitalisation which in return will make our economy favourable for FDI, boost our economy in the long run.

Ananya Mitra, Sonali Rath, Jayant Kumar Nayak (July, 2017)

posits that the success of digital economy is influenced by the success of electronic payment systems. The success of electronic payments depends on the availability of bank accounts, connectivity and mobile devices.

Roopali Batra, Neha Kalra, (Jan.2016)

posits that India is moving towards a major digital revolution. Digitisation of the payment modes in India will be a landmark in the era of Indian history. This research concentrates to examine the acceptance of respondents towards digital wallets. It also identifies the various challenges faced by a person to adopt such a system where he has been used to cash transactions since very long. The market for digital wallets is still untouched in India and many more advancements are yet to be made.

James Wilson, (July, 2017)

posits in his article about how Demonetization move has boosted the Indians to use cashless transactions. However the increase what we have seen is just like a drop in the large pool of retail payments. Then the article shows the data of increase in usage of UPI modes of payments and various other modes. However, the large pool of retail payments will take a little time to shift towards digital economy.

Anurag Pahuja, Sukhmani Virk, (2012)

posits in their article that with the ever changing and developing world, it has become necessary for banks to provide a variety of financial services at one stop and assume the role of financial supermarkets. These changes and developments majorly are through technology advancements. Also, the study shows the potential of Indian market to adapt to e banking services.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 METHODOLOGY

This study has included data collection, sample selection, contents of questionnaire and processing of data analysis. Quantitative and Qualitative research approaches have been embraced for the purpose of research by this study. The simple random sampling technique was used to choose the sample.

3.2 RESEARCH DESIGN

The research design of the study is Descriptive research which depicts the participants more accurate. More simply put, descriptive research is all about describing people who take part in the study.

3.3 SAMPLING TECHNIQUE

Convenience sampling method: A convenience sample is one of the main types of non-probability sampling methods. The sample is made up of people who are easy to reach.

3.4 SOURCES OF DATA

As this study is of descriptive in nature, primary data had been collected by questionnaire survey method and secondary data had been collected from various available resources such as review of literature from various published reports, research journals, reference books and online databases.

3.5 SAMPLE SIZE

A total of 110 respondents have been collected randomly through online survey.

3.6 HYPOTHESES

Hypothesis-1

- H0: There is no significant difference in the observed dependence on digital payment over cash payment.
- H1: There is a significant difference in the observed dependence on digital payment over cash payment.

Hypothesis-2

- H0: There is no significant association between respondent type and digital banking preference.
- H1: There is a significant association between respondent type and digital banking preference.

3.7 ANALYTICAL TOOLS

- PERCENTAGE ANALYSIS is a statistical tool or technique that helps compare samples with different numbers of observations. It is calculated by dividing the frequency in a category by the total number of participants and multiplying by 100.
- ONE-SAMPLE T-TEST is a statistical hypothesis test used to determine whether an unknown population mean is different from a specific value.
- CHI-SQUARE TEST is a statistical hypothesis test used in the analysis of contingency tables when the sample sizes are large. It is primarily use to examine whether the two categorical variables are independent in influencing the test statistic.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 PERCENTAGE ANALYSIS

4.1.1 AGE OF RESPONDENTS

AGE GROUPS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
BELOW 18 YEARS	2	1.8%
18-25 YEARS	88	80%
26-40 YEARS	8	7.3%
41-65 YEARS	10	9.1%
ABOVE 65 YEARS	2	1.8%
TOTAL	110	100%

Table 4.1.1

2) Age

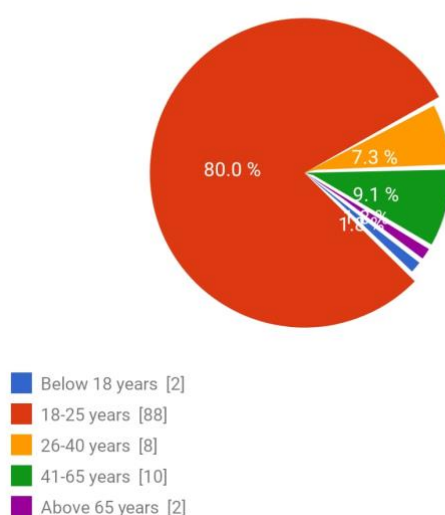


Fig. 4.1.1

INTERPRETATION:

- Most of the respondents were between the ages of 18-25 years which is 80% of total respondents.
- 7.3% of respondents belong to the ages between 26-40 years.
- 9.1% of respondents belong to the ages between 41-65 years.

4.1.2 GENDER OF THE RESPONDENTS

GENDERS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
MALE	61	55.5%
FEMALE	49	44.5%
TOTAL	110	100%

Table 4.1.2

3) Gender

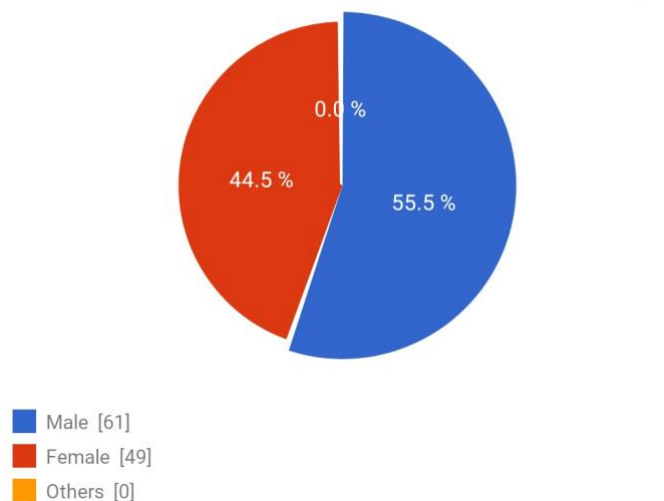


Fig. 4.1.2

INTERPRETATION:

- The sample population was almost equally shared by the two genders as shown in the chart.
- 55.5% of the respondents were men and 44.5% were women.

4.1.3 OCCUPATION OF THE RESPONDENTS

OCCUPATIONS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
STUDENT	64	58.2%
EMPLOYED/SELF-EMPLOYED	32	29.1%
UNEMPLOYED/HOMEMAKER	13	11.8%
RETIRED	1	0.9%
TOTAL	110	100%

Table 4.1.3

4) Occupation

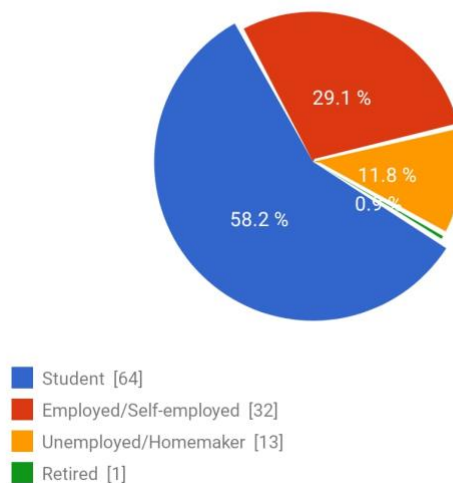


Fig. 4.1.3

INTERPRETATION:

- 58.2% of the total respondents were students.
- 29.1% of respondents were employed.
- 12.7% of the respondents were unemployed/ retired.

4.1.4 TIME PERIOD AS A BANKING MEMBER

TIME PERIOD AS A BANKING MEMBER	NO. OF RESPONDENTS	PERCENTAGE ANALYSIS
LESS THAN 2 YEARS	35	31.8%
2-5 YEARS	41	37.3%
5-10 YEARS	23	20.9%
MORE THAN 10 YEARS	11	10%
TOTAL	110	100%

Table 4.1.4

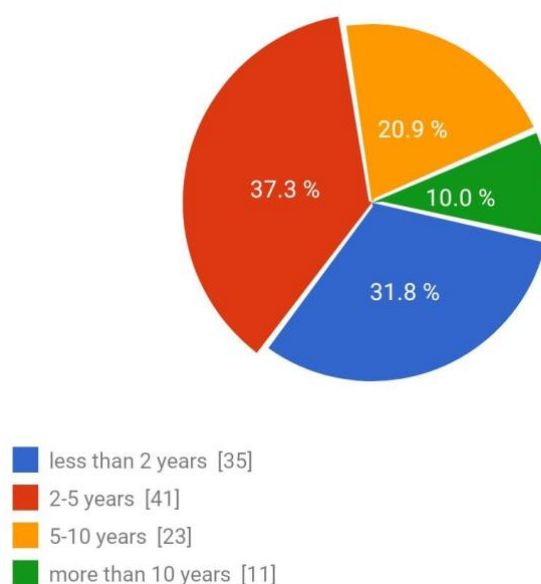


Fig. 4.1.4

INTERPRETATION:

- Only 10% of total respondents were banking customers for more than 10 years.
- 37.3% of respondents were banking customers for almost 2-5 years.
- 31.8% of respondents were banking customer for less than 2 years.
- Then 20.9% of respondents were banking customers for around 10 years.

4.1.5 AWARENESS OF DIGITAL BANKING BEFORE DEMONETIZATION

AWARENESS OF DIGITAL BANKING BEFORE DEMONETIZATION	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	69	62.7%
NO	41	37.3%
TOTAL	110	100%

Table 4.1.5

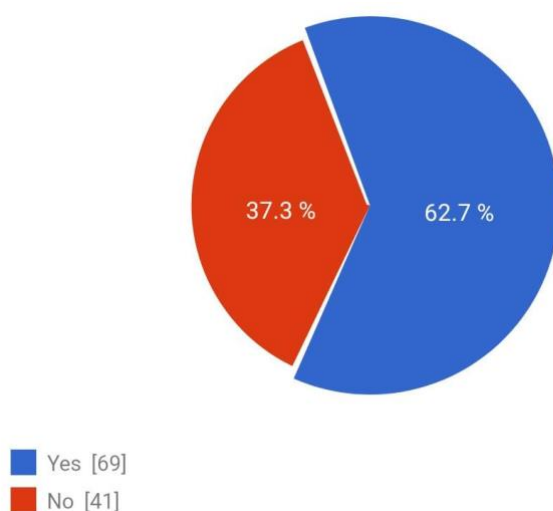


Fig. 4.1.5

INTERPRETATION:

- 37.3% of total respondents were aware of digital banking after demonetization, while 62.7% of respondents were aware of digital banking way before demonetization.

4.1.6 USAGE OF CASH PAYMENT FOR FINANCIAL TRANSACTION

USAGE OF CASH PAYMENTS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
DAILY	37	33.6%
WEEKLY	31	28.2%
MONTHLY	16	14.5%
RARELY	25	22.7%
NEVER	1	0.9%
TOTAL	110	100%

Table 4.1.6

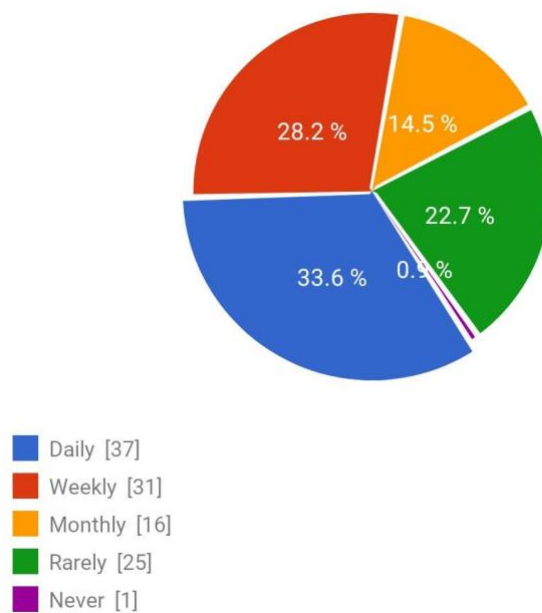


Fig. 4.1.6

INTERPRETATION:

- 33.6% of respondents were still using cash payment on a daily basis and 28.2% of respondents were using it on weekly basis.
- 37.2% of respondents were hardly using cash payment for financial transactions.

4.1.7 USAGE OF DIGITAL PAYMENT FOR FINANCIAL TRANSACTION

USAGE OF CASH PAYMENTS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
DAILY	74	67.3%
WEEKLY	23	20.9%
MONTHLY	6	5.5%
RARELY	6	5.5%
NEVER	1	0.9%
TOTAL	110	100%

Table 4.1.7

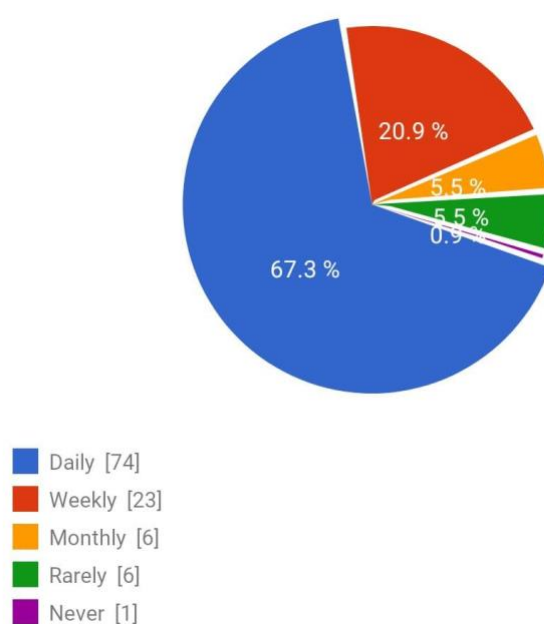


Fig. 4.1.7

INTERPRETATION:

- Most of the respondents were using digital payment methods for day-to-day financial transactions. (67.3%)

- 20.9% of respondents were using digital payments on a weekly basis.
- Only 11% of respondents were not using digital payment methods regularly.

4.1.8 CURRENT TRENDS OF DIGITAL BANKING

DIGITAL MODES	PAYMENT	NO. OF RESPONSES	PERCENTAGE ANALYSIS
MOBILE APPS	BANKING	17	15.5%
UPI		88	80%
E-WALLETS		5	4.5%
TOTAL		110	100%

Table 4.1.8

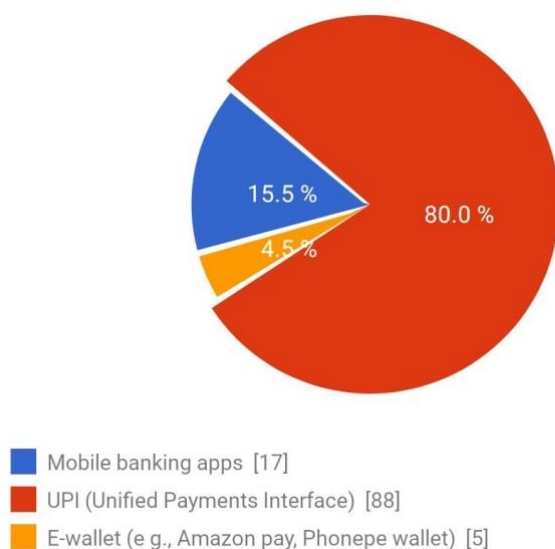


Fig. 4.1.8

INTERPRETATION:

- 80% of total respondents were using UPI method for cashless payments.

- 15.5% of respondents were using mobile banking apps of their respective banks.
- Only 4.5% of respondents were using E-wallets

4.1.9 FACTORS INFLUENCING DIGITAL BANKING

FACTORS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
ACCESS TO WIDE RANGE OF FINANCIAL SERVICES	12	10.9%
EASY PAYMENTS	92	83.6%
CASHBACK & OTHER BENEFICIARIES	4	3.6%
SECURITY REASONS	2	1.8%
TOTAL	110	100%

Table 4.1.9

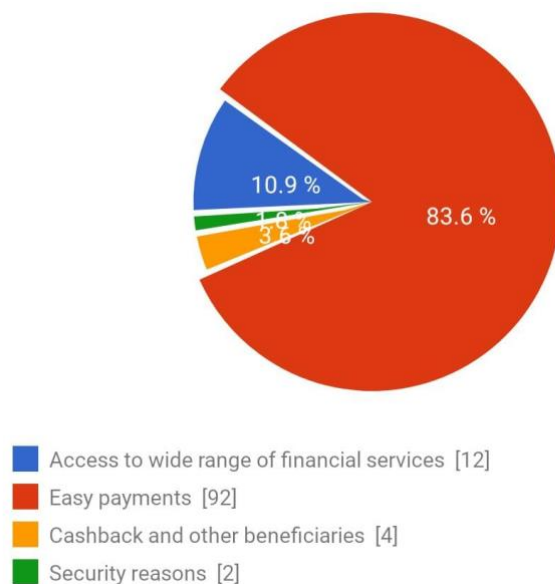


Fig. 4.1.9

INTERPRETATION:

- 83.6% of respondents opted digital banking for its easy payment process.
- 10.9% of respondents were influenced towards digital banking for its access to wide range of financial services.
- 3.6% of respondents were influenced by cash backs and other beneficiaries.

4.1.10 CHALLENGES IN DIGITAL BANKING

CHALLENGES IN DIGITAL BANKING	NO. OF RESPONSES	PERCENTAGE ANALYSIS
SECURITY REASONS	14	12.7%
CONNECTIVITY ISSUES	37	33.6%
LACK OF DIGITAL LITERACY	4	3.6%
TRANSACTION FAILURES	55	50%
TOTAL	110	100%

Table 4.1.10

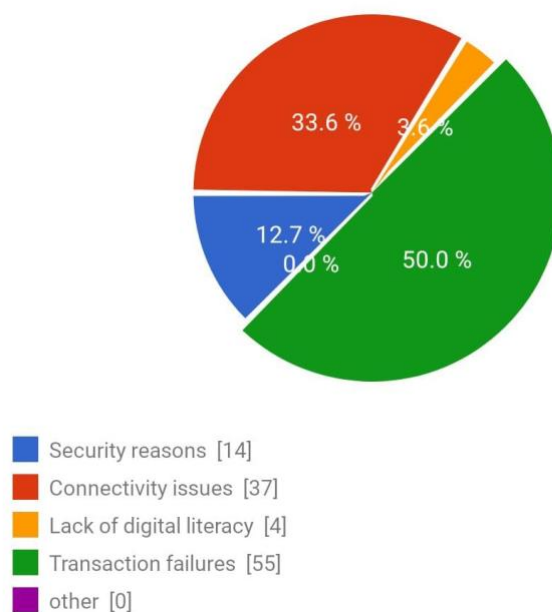


Fig. 4.1.10

INTERPRETATION:

- 50% of respondents were facing transaction failures in digital banking.
- 33.6% of respondents were facing difficulty with connectivity issues.
- 12.7% of respondents were facing challenges with security reasons.

4.1.11 IMPROVEMENT IN FINANCIAL INCLUSION IN INDIA AFTER DEMONETIZATION

IMPROVEMENT IN FINANCIAL INCLUSION	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	76	69.1%
NO	34	30.9%
TOTAL	110	100%

Table 4.1.11

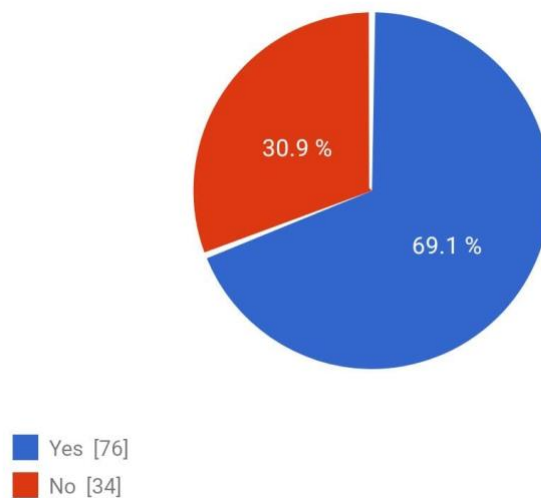


Fig. 4.1.11

INTERPRETATION:

- 69.1% of respondents voted 'Yes' for improved financial inclusion in India after demonetization while 30.9% of respondents voted 'No'.

4.1.12 INCREASED ACCESS TO FINANCIAL SERVICES SINCE DEMONETIZATION

INCREASED ACCESS TO FINANCIAL SERVICES	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	92	83.6%
NO	18	16.4%
TOTAL	110	100%

Table 4.1.12

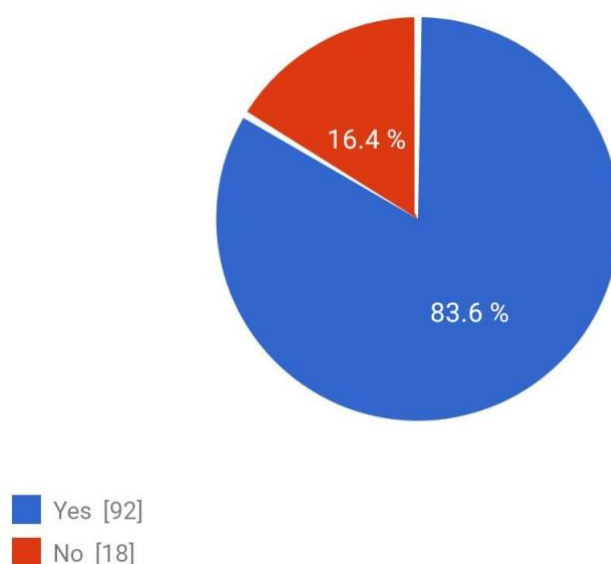


Fig. 4.1.12

INTERPRETATION:

- 92 out of 110 respondents (83.6%) voted 'Yes' for increased access to financial services since demonetization.
- Only 16.4% of respondents voted 'No'.

4.1.13 RATE OF DEPENDENCY ON DIGITAL PAYMENTS OVER CASH PAYMENTS

RATE OF DEPENDENCY	NO. OF RESPONSES	PERCENTAGE ANALYSIS
1 (NOT DEPENDENT AT ALL)	6	5.5%
2	12	10.9%
3	43	39.1%
4	27	24.5%
5 (HIGHLY DEPENDENT)	22	20%
TOTAL	110	100

Table 4.1.13

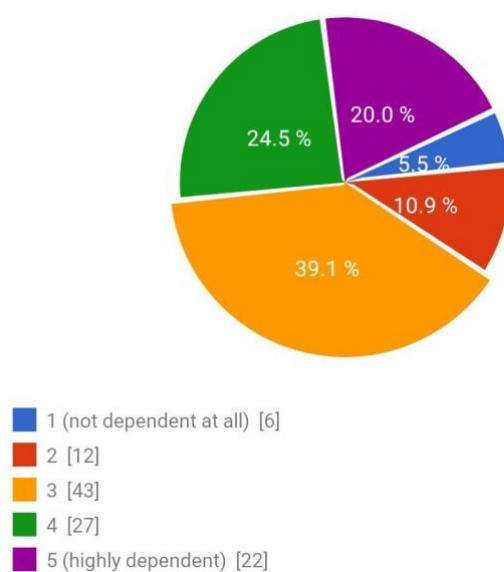


Fig. 4.1.13

INTERPRETATION:

- 39.1% of respondents remained neutral at depending on digital payments over cash.
- 44.5% of total respondents were dependent on digital payments.

- 16.4% of total respondents were dependent on cash payments over digital payments.

4.1.14 EASE OF DIGITAL PAYMENTS INFLUENCED THE SPENDING HABITS

INFLUENCE IN SPENDING HABITS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	93	84.5%
NO	17	15.5%
TOTAL	110	100%

Table 4.1.14

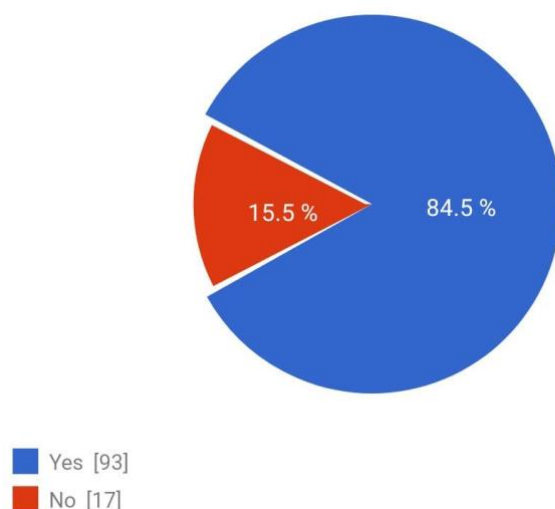


Fig. 4.1.14

INTERPRETATION:

- 84.5% of respondents believe that making digital payments influenced their spending habits while 15.5% of respondents did not.

4.1.15 DIGITAL BANKING HELPS IN MANAGING PERSONAL FINANCES

BETTER PERSONAL FINANCES MANAGEMENT	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	81	73.6%
NO	29	26.4%
TOTAL	110	100%

Table 4.1.15

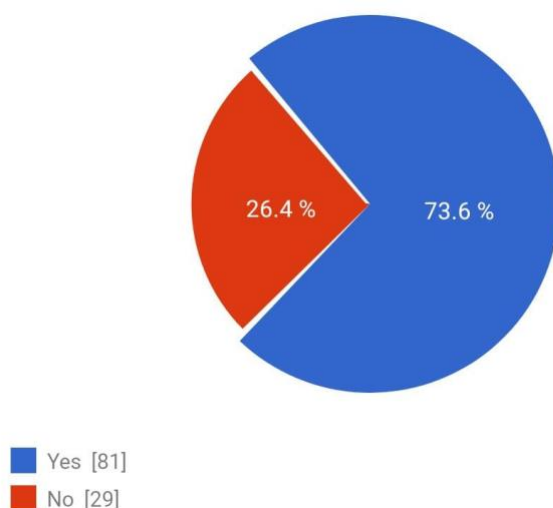


Fig. 4.1.15

INTERPRETATION:

- 73.6% of respondents believed that digital banking helps in managing personal finances better while 26.4% of respondents did not.

4.1.16 DIGITAL BANKING HELPS IN BEING FINANCIALLY AWARE

BETTER FINANCIAL AWARENESS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	92	83.6%
NO	18	16.4%
TOTAL	110	100%

Table 4.1.16

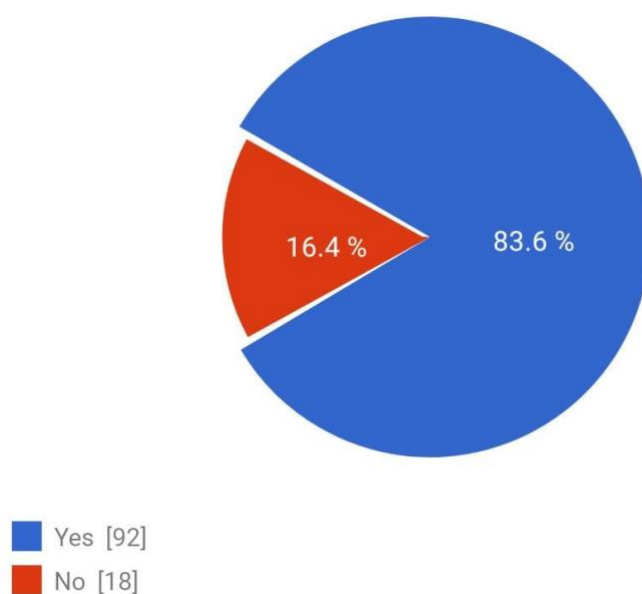


Fig. 4.1.16

INTERPRETATION:

- 83.6% of respondents became more financially aware due to digital banking while 16.4% of respondents not.

4.1.17 AWARENESS TOWARDS GOVERNMENT INITIATIVES OR POLICIES RELATED TO DIGITAL BANKING IN INDIA

AWARENESS OF ANY GOVERNMENT INITIATIVES OR POLICIES	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	64	58.2%
NO	46	41.8%
TOTAL	110	100%

Table 4.1.17

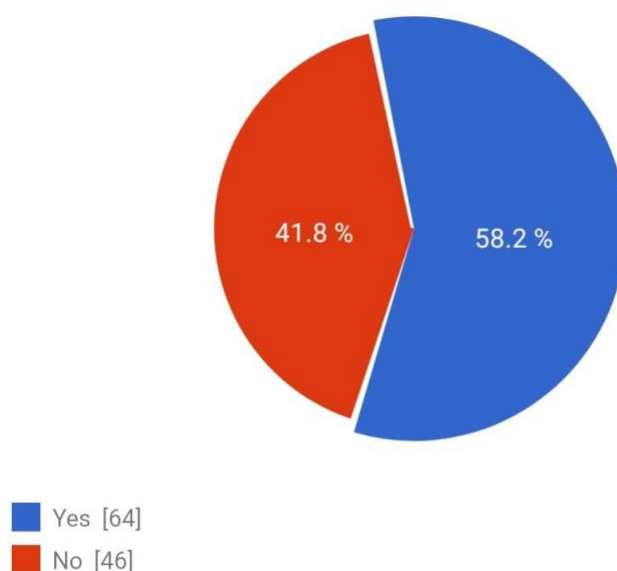


Fig. 4.1.17

INTERPRETATION:

- 58.2% of respondents were aware of government initiatives or policies related to promoting digital banking in India while 41.8% of respondents were not.

4.1.18 IS THE FINANCIAL EDUCATION RESOURCES WITHIN DIGITAL BANKING OR WEBSITES HELPFUL

IS THE FINANCIAL EDUCATION RESOURCES WITHIN DIGITAL BANKING OR WEBSITES HELPFUL	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	81	73.6%
NO	29	26.4%
TOTAL	110	100%

Table 4.1.18

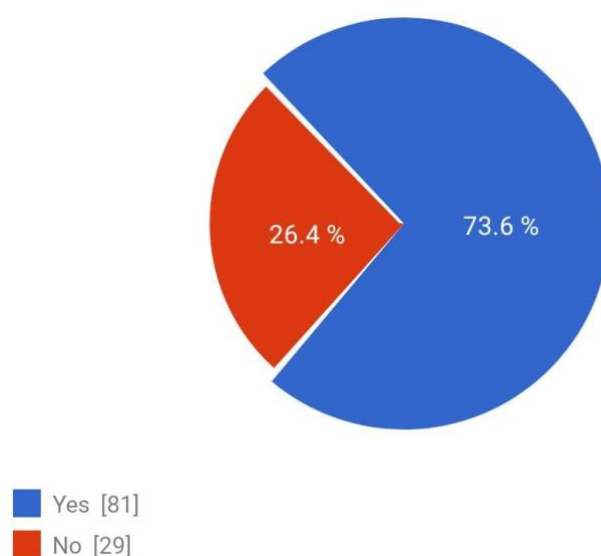


Fig. 4.1.18

INTERPRETATION:

- 73.6% of respondents found the financial education resources within digital banking apps or websites are helpful while 26.4% of respondents did not.

4.1.19 DIGITAL BANKING HAS CHANGED THE APPROACH OF SAVINGS AND INVESMENTS

CHANGE IN APPROACH OF SAVINGS AND INVESTMENTS	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	75	68.2%
NO	35	31.8%
TOTAL	110	100%

Table 4.1.19

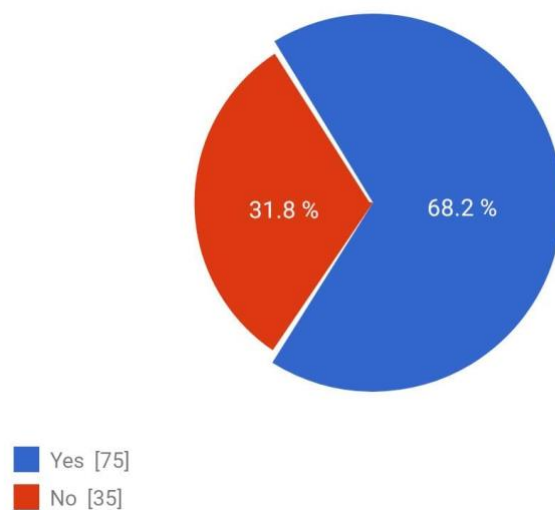


Fig. 4.1.19

INTERPRETATION:

- 68.2% of respondents agreed that digital banking had changed the approach of savings and investments while 31.8% of respondents did not.

4.1.20 MORE CONTROL TOWARDS FINANCIAL DECISIONS

MORE TOWARDS DECISIONS	CONTROL FINANCIAL	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES		75	68.2%
NO		35	31.8%
TOTAL		110	100%

Table 4.1.20

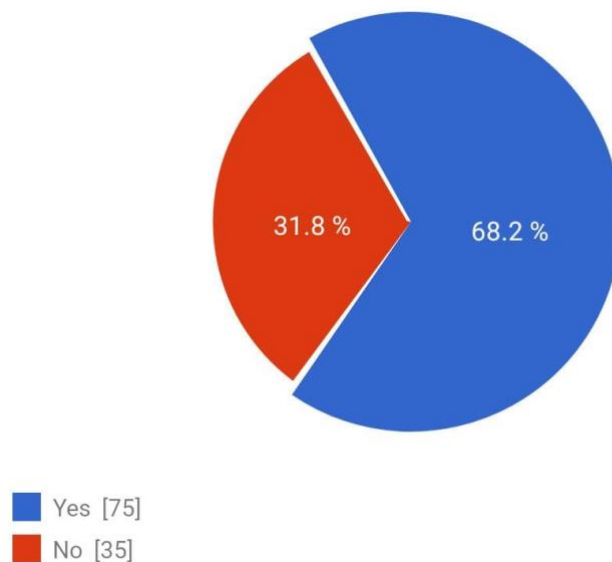


Fig. 4.1.20

INTERPRETATION:

- 68.2% of respondents agreed that digital banking provides more control towards financial decisions while 31.8% of respondents did not.

4.1.21 CONVENIENCE TOWARDS DIGITAL BANKING OVER TRADITIONAL BANKING

DIGITAL BANKING IS MORE CONVENIENT THAN TRADITIONAL BANKING	NO. OF RESPONSES	PERCENTAGE ANALYSIS
YES	99	90%
NO	11	10%
TOTAL	110	100%

Table 4.1.21

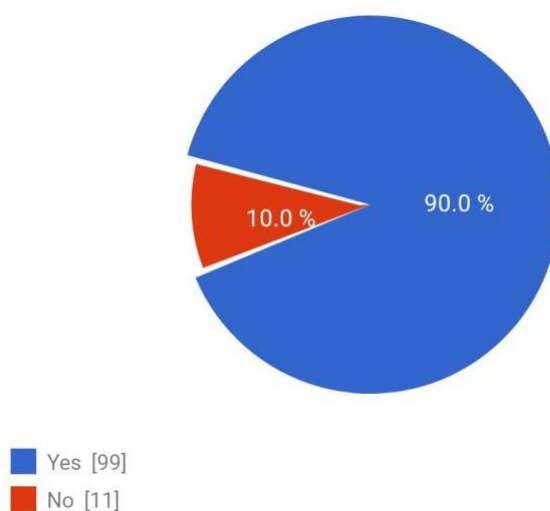


Fig. 4.1.21

INTERPRETATION:

- 90% of respondents agreed that digital banking is more convenient than traditional banking.
- However, 10% of respondents denied that digital banking is more convenient than traditional banking.

4.2 ONE SAMPLE T-TEST (in SPSS)

On a scale of 1 to 5, with 1 being not dependent at all and 5 being highly dependent, how dependent are you on digital payments over cash for your financial transactions?

RATE OF DEPENDENCY	NO. OF RESPONSES
1 (NOT DEPENDENT AT ALL)	6
2	12
3	43
4	27
5 (HIGHLY DEPENDENT)	22
TOTAL	110

Table 4.2

HYPOTHESIS:

- H0: There is no significant difference in the observed dependence on digital payment over cash payment.
- H1: There is a significant difference in the observed dependence on digital payment over cash payment.

OUTPUT:

	1	df	Sig (2 tailed)	Mean difference	95% confidence interval of difference	
Dependability towards digital banking	4.089	109	.000	.427	Lower	Upper
					.22	.63

RESULT:

Since p value 0.000 is lesser than 0.05 we reject the null hypothesis and accept the alternate hypothesis. Hence there is a significant difference in the observed dependence on digital payment over cash payment.

A p-value of 0.000 indicates that the observed result is extremely unlikely to have occurred by chance alone. In practical terms, it means that your result is statistically significant at the chosen significance level. Typically, a significance level of 0.05 is used, so a p-value less than 0.05 would lead to rejecting the null hypothesis.

4.3 CHI-SQUARE TEST (in SPSS)

Do you find digital banking more convenient than traditional banking methods?

RESPONDENTS	YES	NO
STUDENT	56	8
EMPLOYED/SELF-EMPLOYED	30	2
UNEMPLOYED/HOMEMAKER	12	1
RETIRED	1	0

Table 4.3

HYPOTHESIS:

- H0: There is no significant association between respondent type and digital banking preference.
- H1: There is a significant association between respondent type and digital banking preference.

OUTPUT:

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	1.132 _a	3	.769
Likelihood ratio	1.278	3	.734
Linear-by-Linear Association	.821	1	.365
NO. of valid cases	110		

RESULT:

Since p value 0.769 is greater than 0.05 we accept the null hypothesis and reject the alternate hypothesis. Hence there is no significant association between respondent types and digital banking preference.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

- The survey revealed that 69.1% of respondents had been banking members for less than 5 years, a period following the 2016 demonetization.
- Findings from the survey indicate that 67.3% of respondents incorporated digital payments for their daily transactions, contrasting with only 33.6% who relied on cash.
- The survey findings showed that 80% of respondents opted for the UPI method in cashless payments, aligning with the current trend in digital banking.
- The survey revealed that 83.6% of respondents were influenced towards digital banking for its easy payment process.
- The survey revealed that 50% of respondents were facing transactions failures and 33.6% with connectivity issues as the major challenges in digital banking.
- The findings revealed that 44.5% of respondents were dependent on digital payments over cash.
- It was evident that 90% of respondents agreed that digital banking is more convenient than traditional banking.
- In one sample t-test, the result indicates that there is significant dependence towards digital payment methods over cash payments.
- In chi-square test, the result reveals that the digital banking is more convenient than traditional banking.

5.2 SUGGESTIONS

- Considering the significant preference for UPI payments, telecommunication providers and banking institutions could focus on enhancing and stabilizing the UPI infrastructure to minimize transaction failures and connectivity issues.
- Since a substantial portion of respondents became banking members after demonetization, educational initiatives can be implemented to further familiarize users with digital banking features, ensuring they make the most of the available services.
- Encouraging users to adopt two-factor authentication and other security features can build trust in digital transactions.
- Establishing a continuous feedback mechanism can help banks stay informed about user experiences and concerns, allowing them to adapt and improve their digital banking services accordingly.

5.3 CONCLUSION

In conclusion, the study on the growth of digital banking in India before and after demonetization underscores a notable shift in consumer preferences toward digital financial services. The post-demonetization period has witnessed a substantial increase in new banking members and a widespread adoption of digital payment methods. While challenges like transaction failures and connectivity issues persist, the overall sentiment reflects a growing reliance on digital banking for its perceived convenience. Moving forward, addressing infrastructure challenges, enhancing education, and fostering collaborative efforts will be pivotal in ensuring the continued success and improvement of India's digital banking landscape. In navigating the future of digital banking in India, it is imperative for stakeholders to address the identified challenges, invest in infrastructure, and prioritize user education.

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ANNEXURE – QUESTIONNAIRE

1. Name:

2. Age:

3. Gender:

4. Occupation:

5. For how long have you been a banking customer?

- Less than 2 years
- 2-5 years
- 5-10 years
- More than 10 years

6. Were you aware of digital banking services before demonetization?

- Yes
- No

7. How often do you use cash for transactions?

- Daily
- Weekly
- Monthly
- Rarely
- Never

8. How often do you use digital payment methods for transactions?

- Daily
- Weekly
- Monthly
- Rarely
- Never

9. Which digital banking services do you use the most?

- Mobile banking apps
- UPI (Unified Payments Interface)
- Mobile wallets (e.g., Paytm, Google wallet)

10. What influenced you to start using digital banking services?

- Access to a wider range of financial services
- Easy payments
- Cash back and other beneficiaries
- Security reasons

11. What challenges or concerns, if any, have you faced while using digital banking services in India?

- Security concerns
- Connectivity issues
- Lack of digital literacy
- Transaction failures
- Others (please specify):

12. Do you believe demonetization has improved financial inclusion in India?

- Yes

- No

13. Have you observed increased access to financial services since demonetization?

- Yes

- No

14. On a scale of 1 to 5, with 1 being not dependent at all and 5 being highly dependent, how dependent are you on digital payments over cash for your financial transactions?

-1 (not dependent at all)

-2

-3

-4

-5 (highly dependent)

15. Do you believe that the ease of making digital payments influenced your spending habits?

- Yes

- No

16. Do you feel that digital banking has made managing your personal finances much better?

- Yes

- No

17. Have you become more financially aware due to digital banking?

-Yes

-No

18. Are you aware of any government initiatives or policies related to promoting digital payments and banking services in India?

- Yes

- No

19. Do you find financial education resources within digital banking apps or websites useful?

-Yes

-No

20. Has your approach to savings and investments changed with digital banking?

-Yes

-No

21. Do you feel more in control of your financial decisions because of digital banking?

-Yes

-No

22. Do you find digital banking more convenient than traditional banking methods?

-Yes

-No