



IMPACTS OF DEMONITIZATION AND DIGITALISATION ON INDIAN RURAL PEOPLE

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ABSTRACT

The Indian economy mainly deals with larger corporate are likely to by-pass banks for their funding requirements. Rural Credit cooperative come into existence essentially as an institutional mechanism to provide credit to farmers at affordable cost and address the twin issues of rural indebtedness and poverty. There's an urban-rural digital divide in terms of internet access in India. India has 342.65 million internet subscribers as of March 2016, according to the Telecom Regulatory Authority of India (TRAI). 111.94 millions of those are rural subscribers, in short, the majority of the country's connected people live in rural areas with this a need has aroused to discuss the rural e-banking problems and prospects in this paper, an attempt is made to discuss the present digital banking and demonetization impacts on rural transactions.

Key Words: Rural banking, Digitalization, Demonetization & Cash less transactions,

INTRODUCTION

India lives in Villages. If we wanted to understand the India, we have to understand the formation of villages and their composition. In India there are about 5,00,000 villages and in villages still at about 40 to 50 crores of people are living by depending on agriculture, allied agricultural oriented jobs/profession like poultry forming, fish forming and cattle, goat, sheep feeding etc., and other small and cottage industrial productions. Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs

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whenever there is a change of national currency: The current form of forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency. The opposite of demonetization is remonetization, in which a form of payment is restored as legal tender.

The villagers need finances and cash flow for their daily needs and to run their profession. The demonetization of high denomination currency, cash less transactions/wireless transfer of currency plays vital role in the lives of the villagers. Most of the villagers in the country are un-educated and un-aware how to operate online and Cashless transactions. This type of financial illiteracy must be discarded and make them financial literates. The cash less transactions may be operated through banking facility. So without expanding banks/ banking facility, the aim of achieving Cash less society will become a day dream and most of the rural people are illiterate, even though they do not know the process of getting the cash through electronic payments.

The Indian economy mainly deals with larger corporate are likely to by-pass banks for their funding requirements. Even medium enterprises may find alternate avenues of finance. Under the circumstances, banks should need to look at substitutes for development of funds. The assessment of credit needs of Small & Micro enterprises and retail is a different task altogether. Declining trends in domestic savings and investments in recent years have been a cause of concern for the Indian economy. The gross domestic saving rate declined for the second consecutive year to around 30% of Gross National Discipline Income (GNDI) in 2013-14 largely reflecting the reduction in the household saving rate, even as the saving rate of private corporations improved and public sector (including central government) saving rate hovered around at relatively low level ¹.

THE NEED OF THE RURAL BANKING:

Rural Credit cooperative came into existence essentially as an institutional mechanism to provide credit to farmers at affordable cost and address the twin issues of rural indebtedness and poverty. With its phenomenal growth in outreach and volume of business, rural credit cooperative have a unique position in the rural credit delivery system. Economic and financial reforms initiated in early 1990's were focused mainly on commercial banks which have pan-India and international operations. In that period other banks were not enjoyed the fruits of economic reforms. Cooperative banks were kept outside the reforms since these banks had limited area of operations, Simple banking products, low volume of business and insignificant share in the total assets and liabilities in the banking system. After 1990's financial & economic reforms, there are tremendous changes in the Banking Sector in the usage of cashless financial transactions. Recently MODI's Government announced "0"

interest rate on Micro Finance on some certain amounts, and 0.25 percent interest rates on certain slab rate loan amounts. This type of reforms moderately encourages the small and medium farmers to enhance their crops and related products. All this encouraged to study the topic “Digitization of banking sector – A study on Rural Cash less Society”.

OBJECTIVES OF THE STUDY:

1. To give an understanding of demonetization & the digital revolution in banking industry in India.
2. The impact of implementation of demonetization and digitalization in lives of people mainly focusing on rural people.
3. To study the importance of micro finance in the rural areas, and to know the impact of demonetization on the normal citizens.

METHDOLOGY:

The data required for the study is collected through secondary sources i.e. from journals, articles, newspapers and from relevant websites available on internet. The collected data is arranged in a systematic order to draw conclusion.

RURAL BANKS IN INDIA:

The under mentioned table-I shows the overall growth of Banks in all over India including urban/rural areas. However, going through the table it is understood that there is a growth in banks but it is very slow in growth and not in population and banks ratio. Hence, the policy makers /the Reserve bank of India have to look into in increasing in bank branches with micro finance outcome based policy.

TABLE-I BANK BRANHCES IN INDIA

Sl. No	PARTICULARS	2010	2015	2016
1	Total branches	85,393 (100)	1,25,863 (100)	1,31,866 (100)
2	Rural branches (in rural areas)	32,624 (38.20%)	48,033 (38.16%)	49,181 (37.30%)
3	Urban branches (in Urban areas)	20,740 (24.28%)	33,523 (26.63%)	37,704 (27.08%)
4	City branches	17,003	23,522	24,794



	(Towns)	(19.19%)	(18.69%)	(18.80%)
5	Metro branches (in Metro cities)	15,026 (17.61%)	20,785 (16.59%)	22,187 (16.83%)
6	Total ATM's	74,505	1,81,398	1,99,099
7	Average population per branch	13,800	13,700	13,550
8	All village branches	33,378	49,571	57830
9	Villages outlets	34,316	5,04,142	5,34,477

Source RBI statistics (Every year march 31st)

DEMONETIZATION:

In November 2016, the Indian Government has taken a bold step to demonetize the 500 and 1000 Rupees, currency notes, these two biggest denominated notes accounted 80 percent of currency supply. Demonetization creates so many hurdles for the citizens of India. Citizens of India faced so many problems due to the demonetization drive, they faced queue problems in the banks and ATM's for depositing and withdrawing money. Citizens of India faced problem of less consumption of goods due to the lack of cash liquidity. With cash transactions facing a reduction, alternative forms of payment will see a surge in demand. Digital transactions systems, E-wallets and apps., online transactions using E-banking usage of plastic money etc., will increase in demand. This should eventually lead to strengthening of such systems and the infrastructure required.

DIGITAL SUCCESS:

According to a World Bank study, bank accounts in India increased from 35 to 53 percent between 2011 and 2014. Between 2014 – 2015 public-policies aimed at financial inclusion, such as Pradhan Mantri Jan Dhan Yojana (PMJDY) opened additional 25.82 crore bank accounts. Still, a vast majority of citizens do not have bank accounts and some who do have, are dormant accounts therefore many are unable to use cards or mobile-banking services. After demonetization, India has witnessed a surge in usage of credit and debit cards but financial inclusion in India remains low. However, in the long run it is hoped that demonetization would lead to better financial inclusion and push India faster towards digital payment economy. It is evident that there is a great distance in the monetary systems after the demonetization. Almost 70 percent of Indian citizens suffered to exchange their demonetized currency of Rs. 1000/- and Rs. 500/- notes into new currency. It also impacted on micro economy especially in the rural banks. There's an urban-rural digital divide in terms of internet access in India.

DEGITALISATION:

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In table-II there are seven steps which are important for financial sector in order to gain digital value in the development of banking sector.

TABLE-II ROAD MAP TO DIGITAL SUCCESS

Sl. No.	Description
1	Be unreasonably aspiration
2	Acquire capabilities
3	Cultivate talent
4	Challenge everything
5	Be Quick
6	Follow the Money
7	Customer obsession

Source: McKinsey 2014, cited 24.11.2016

According to “Digital Payments 2020,” a Boston Consulting Group (BCG) and Google report released in July 2016, India is on its way to becoming a “digital behemoth” given the rising smart-phone penetration and expanding internet access. The report estimates the total payments through digital payment instruments will be in the range of \$500 billion by 2020. However, that won’t manifest itself evenly across the country. In fact, smart-phone penetration and rising internet access may not necessarily translate into increased digital transactions in rural India. Digital payment system curbs the flow of fake money (stock of money). But as per literacy levels are concerned, India did not touch the 100 per cent literacy. 80 per cent of the rural population is handicapped in the operation of digital receipts and payments. Digital monetary transaction should be simplified at the understanding level of rural people. “Rural areas rely on cash than modern methods of transactions like mobile wallet, credit or debit and therefore the impact is more.

The mobile banking industry, which reported a massive surge post-demonetization, says it’s an opportunity to bring financial transparency to the country. Paytm, a mobile wallet company, reported a 250 percent spike in overall transactions. A similar surge in downloads and transactions were reported by other mobile wallet companies like PayU India, Mobi Kwik, and Free charge. To ensure smooth transition to digital payments in rural India, mobile wallet companies will have to provide services in languages (local languages) other than English and improve digital literacy among those users. Companies like Paytm and Mobi Kwik have already started doing this, a little bit slowly. It is going to be very important, that they create dependable infrastructure which will provide guidance to uneducated and



digitally illiterate people. But the biggest challenge following demonetization will be, how to bring about a behavioral change among people: where cash has long been king.

The flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing and payment systems such as IMPS and NEFT. The technology being used in a cashless age has the potential to offer security benefits to its users and make it convenient for users who like to combine multiple functions onto one handheld device. Making transactions cashless results in curbing black money and in turn makes all transactions accountable. Cashless systems will curb the unfair financial transactions and it will keep the country on healthy financial conditions. Most of the private banks and public sector banks are focused on offering new technology-based services to its customers like mobile banking, mobile banking apps and e-wallets. The biggest advantage of digital channeling in banking is its ability to provide new propositions and customer specific business models by analyzing this banking pattern which explores the customer value to the maximum. To create a digital environment is now the priority of all banks and they need to devote a considerable budget for a full transformation to a completely digitized circle of consumers.

CONCLUSION:

- The Public sector undertaking Banks have to open their branches in rural areas (choosing at least 2000 to 3000 population villages)and try to propagate the need of using the banking facilities as well as the advantages of the cashless transactions .
- Not enough people have mobile connections, an Internet connection (which can survive massive usage in times of emergency), or use it regularly, on a smart phone, which supports all Indian languages, with an application that supports all Indian languages. Internet connectivity is not reliable or available or as cheap for users as cash.
- The typical technology in the process of digital monetary transactions creates hurdles to the common man. It should be simplified.

SUGGESTIONS:

- Giving an indirect tax rebate for using cashless methods of payment, which brings parity between cash and cashless. Even online, merchants can be incentivized to charge less for digital payments, and more for cash on delivery.
- Government/Bankers have to conduct awareness camps in the villages to create awareness about the use of online cashless transactions.



- Arrange the counselors in each bank branch to educate the customers about the advantages of the online process.
- Digital Payments businesses have tried their hand with cash backs, and lower rates for digital purchases have already encouraged digital payments. Incentives could be given to businesses, which they can transfer to customers.

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