

ISSN - No. 2319-9318

*Peer Reviewed International Research Journal*



UGC Approved

# VIDYAWARTA

*Special Issue.*

Ashti Taluka Shikshan Prasarak Mandal's

## Arts, Commerce and Science College, Ashti

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27<sup>th</sup> February 2018

## COMMERCE AND ECONOMICS

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61	Recent Trends in E-Banking	Dr. Markande Madan Rambhau	262
62	A Study on Impact Of GST and its Implementation	Dr. Balaji Rajole	266
63	Structure and Impact Assessment of GST in India	Dr. Kishor P. Bholane	275
64	Impact of demonetisation on Digital Payment System	Dr. Deepak Ashok Nikam	280
65	E-Commerce- Challenges & Opportunities: In Indian Perspective	Dilip S.Chavan	283
66	Impact of e-governance on Rural Population	Prof. Aute P. N.	292
67	A Conceptual Emerging Framework on Recent Trends in Banking Sector in India	Mr. Mangesh Dagadu Jadhav	296
68	Cyber Crime in Banking Sector	Mr. Mangesh Shirsath	300
69	E Banking: Risk and Challenges	Kangune Laxmi Rambhau.	305
70	Steps towards Cashless Economy in India	Chavan Dnyaneshwar R. Hissal Vishwanath P.	311
71	Impact of GST on Indian Small-Scale Industries	Mr. Ankush Gangaram Padle	315
72	Digital Payment System	Asst. Prof. Dr. Shinde G. B.	321
73	Impact of Banking Sector Reforms on the Profitability and Productivity of Banking in India – An Analysis	Mr Sachin S. Rudrawar	325
74	जीएसटीचा अर्थव्यवस्थेवर परिणाम	प्रा. कल्याण सर्जेराव घोडके	330
✓75	Demonetization and E-Banking in India	Mr. Sawant B. S.	333
76	Impact of Modern Technological Practices on Indian Banking Sector	Dr. Archana Keshavrao Deshmukh	338
77	Advantages and Disadvantages of Internet Banking	Dr. Vaibhav Popatrao Kawade	342
78	E-Business: Issues & Challenges in Indian	Dr. Nangre P. Y.	346
79	Digital Payment in India: An Overview	Mr. Donde A.B. Dr. T.M. Gurnule	350
80	Digital Payment System : Advantages and difficulties	Asst.Prof .Ashok K.Hoke	355
81	Consumer Behaviour: An Overview	Asst. Prof. Nilesh Sarjerao Salve	358

## Demonetization and E-Banking in India

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### Abstract:

Demonetizing is Progressive shift to a cashless economy with a greater focus on electronic transactions is being envisaged. India has demonetized before: First time on 12th Jan 1946 (Saturday), second time on 16th Jan 1978 (Monday), Third time on 8th November 2016 (Tuesday). Globally, information technology has brought about far-reaching changes in banking industry. With cash transactions facing a reduction, alternative forms of payment have been seen a surge in demand. Digital transaction systems, e wallets and apps, online transactions using e-banking, usage of Plastic money (Debit and Credit Cards), etc. are definitely having substantial increases in demand during demonetization.

**Keywords:** Demonetization, Internet Banking, signification, Challenges etc.

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### Introduction:

The Indian Prime Minister Narendra Modi announced On November 8, demonetize 500 rupees and 1000 currency notes. Although initially Prime Minister Modi and his government sold this to move as surgical Strike on black money or untaxed wealth the narrative has since shifted to transforming India into a cashless economy. Last demonetization is done in 1978 where the bank was only way to make all kind transaction but now we are well adapted with technology to support the cash and cashless transaction Government encouraging online banking online shopping is E-wallet, mobile banking, credit and debit cards. The intention behind demonetization was to control the black money under to increase E-transaction in the country.

Banking industry is considered as a backbone of economy as every other industry needs banks to invest or move financially. E-banking trend is spreading fast in developing countries. Banks are advised to provide internet banking services to its national and international customers. It is proved as a cost effective way for banks. It has enriched relationship with customers by providing them easy to operate mechanism for banking functions. Many innovative banking products are customized to cater individual customer's needs. It provides a greater choice in terms of channel they can use to conduct their business and convenience in terms of when and where they can use e-banking. An online Banking user is expected to perform transactions online such as checking account balance, transaction history, paying bills, transferring funds between accounts, requesting credit card or cheque books, managing investments and stock trading. These facilities improved daily banking operations and reduced footfalls in banks. It is economic, fool proof, hassle free and demand of smaller infrastructure. It is available 24x7 .there are certain challenges like high set up cost, knowledge about working technology, lack of security etc.

### **Demonetization:**

Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary where a change of national currency is needed. The old unit of currency must be retired and replaced with a new currency unit. There are multiple reasons why nations demonetize their local units of currency. Some reasons include combating inflation, to combat corruption, to combat parallel economy and to discourage a cash system. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

On 8th November 2016, the Indian government announced the demonetization of the 500- and 1000- rupee notes, the two biggest denomination notes. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy. By making the larger denomination notes worthless, individuals and entities with huge sums of black money gotten from parallel cash systems were forced to exchange the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200% of the tax owed was imposed.

### **E-banking:**

Online banking is also known as Internet banking (or) virtual banking is an electronic payment any uses with use of personal computer and a browser can get connected to his banks websites to perform any of the virtual banking function the term E-banking electronic banking covers both computer and mobile. The customer needs to register with particulars instructions and setup password and other credential for customer verification. E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. Electronic banking is one of the truly widespread avatars of E-commerce the world over. In simple words, e-banking implies provision of banking products and services through electronic delivery channels.

### **Objectives of the study:**

1. To explain the concept of Demonetization
2. To Examine Status of Electronic Payment System.
3. To study the challenges involved in using e-banking.

### **Advantages:**

- Tracking of money is made easy as the exchange only available by producing valid identity proof like Aadhaar, PAN, and Election Card.

- Higher Education and Healthcare transactions will come in the reach of an ordinary man.
- The New digital Laws: step forward and bring more, new laws, and understand the safety of digital banking.
- It is unable to help make transaction at any time of the day and as many times as you want.
- E-Banking helps as a reduction of burden to branch banking.
- E banking helps as a less waiting time.
- Easy electronic fund transfer facility.
- It can be to view balance of account and statements.
- It's a better efficiency in CRM.
- It is easy and convenient to use.
- It provides 24×7 service.
- E-Banking saves time.

#### Challenges:

- People who are in village, remote areas would not that much aware of demonetization might not be able to exchange their money.
- Farmers who don't have an account in banks won't be able to change their whole cash into new currency as there are limits imposed.
- If somebody and couple who's has left his family was against their marriage without any Identity proof won't be able to change their money, and will be left with nothing but paper in their hand.
- Poor people who work on daily wages won't be able to get their wages as there is shortage of cash.
- A large number of users refuse to adopt e banking facility due to securities privacy risk.
- Less Internet connections available in Indian context.
- E banking the main challenge in infrastructure risk.
- Challenge to E-Banking through social and cultural barriers.

#### Demonization effect on electronic payment system:

The government wants India to go cashless, but doing so is not easy. Cashless transactions have their downsides for consumers. But, for those with access to digital payments, rejecting cashless options or hesitating to embrace technology is also not the answer, especially in the wake of the cash crunch brought on by the government's demonetization move. Questions of access aside, a cashless world has its benefits. Embracing cashless options and being an informed consumer who is aware of the available systems and their designs increases the chances of a convenient and consumer-friendly experience. Traditionally, online transactions were done either by providing debit and credit card details or through net banking interfaces. While there were issues of security, which kept improving, the payment experience was not very user-friendly. These options were also largely restricted to computers with access to internet. But after the smartphone

revolution, things have changed entirely. India has seen an explosion in digital payment options, from e-Wallets to the Unified Payment Interface to a combination of the two. There are many cashless payment options available in India. 5 Best cashless payment options in India.

1. E Wallets – E Wallets have become very famous nowadays. After demonetization, use of e wallets has been implemented at a very large-scale. These e wallets allow users to make payments using your mobile number or by scanning a QR code which takes place in a jiffy. All you need to do is simply download a wallet like paytm.
2. UPI –UPI also known as Unified Payments Interface is another great way to go cashless. Unified payments interface also called UPI is system of payments. Using unified payments interface, people can transact using their smartphones. To pay using this system called unified payments interface, you need 2 important things: Smartphone and a Bank Account.
3. Plastic Money – Plastic Money means debit cards and credit cards that are used at ATM□s for cash withdrawal and POS machines while shopping. Having a debit or credit cards make you burden free from carrying cash.
4. Net Banking – Net Banking is another handy way to get cashless transactions done. All you need is a bank account with e banking facility enabled on it. You can transfer funds to others account from the comfort of your home. There is no need of going to your bank to get transfers done. You can make all payments and transfers yourself. This is a very convenient way to go cashless in India as well.
5. Aadhaar Card – Aadhaar Card enabled payment system allows a person to pay using his aadhaar card if it is linked to his bank account. Once you link your aadhaar card to your bank, you can make payments using your finger prints.

### Conclusion:

E-banking is a buzzword after demonetization. India is now in the list of top countries where major population transacts online. With the introduction of smart phones and mobiles application the usage rate has increased. But there is a long way to go as rural population of India is still waiting for some program from banks that will facilitate their usage of e-banking services. The cashless transaction system is reaching its growth day by day , as soon as the market become globalized and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless transition is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of wear and tear like paper money. It also helps in record of the all the transaction done. So, it is without doubt said that future transaction system is cashless transaction system.

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