

A Study of the Impact of Youth towards Digital Financial Instruments in the Wake of Demonetization of 2016 in India

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Abstract – Indian economy today has been dynamic and is ready to accept various changes particularly pertaining to technology to meet global standards so as to attract growth prospects more widely and sustainably. In this process one of the major objectives has been digitalization and the efforts of the present government has geared up its implementation and Banking and Financial sector is one of the major areas where digitalization has been initiated in the recent past. The major benefits of digitalization in this area may be better accountability of the consumer expenses along with better consumer experience in terms of payments. Moreover, benefits are also in terms of network effects leading to immense market dominance and big data availability which would help enhance competition in the market. The financial sector digitalization has been majorly transaction intensive, hence innovation and automation has been on the forefront. In this process, demonetization acted as something that is called shock treatment to boost digitalization. In the wake of the issue of information protection brought out The Cambridge Analytical and Facebook brouhaha, digitalization has been criticized. However, the educated young have opted towards using digital instruments. This paper evaluates whether demonetization has influenced their digital behavior in terms of using various digital financial instruments, using primary data.

JEL classification: J08; J23; J24; J63; J64; O3

Keywords: Cash Substitutes, Digitalization, Financial Instruments, Financial Literacy, Demonetization

I. CONCEPTUAL BACKGROUND

Demonetization was a grand step towards economic consolidation and it was proposed that digitalization will develop along with demonetization. Niti Aayog CEO Amitabh

Kant made a very ambitious announcement that ATMs, credit and debit cards and POS machines will be redundant by 2020. He claimed that “**they will all become redundant in India, and India will make this jump because every Indian**

will be doing his transaction just by using his thumb in thirty seconds". Initially the drive was strong and we saw immense growth in upcoming financial instruments. Even RBI proposes the fact that over couple of weeks the narrative goals of demonetization shifted from black money and fake currency to digital benefits. But this paper analyzes the impact of digitalization over the years and studies the behavioral pattern of customers in using digital instruments after about more than year since digitalization.

II. OBJECTIVES

- (a) To Study the usage attitude of digital instruments of youth (Delhi NCR region) after demonetization.
- (b) To study different modes of digital instruments used for payments and their perception towards safety of digital instruments and other related factors.

III. LITERATURE REVIEW

Impact of Demonetization on Rural India, AyashYousuf Shah, International Journal of Scientific and Research Publications, march 2017, states that demonetization is a one stage of numerous means in battling debasement, dark showcasing, and financing insurrection. Over time the arrangement of demonetization was not well planned and its repercussions on the Indian public was painful. The cities were still privileged but towns and villages had to share the larger chunk of financial brunt. In the event that 86% of money is taken out, with a pitiful sum accessible, all market exchanges have

been murdered. The general population, who were focused on, did not have any ahead avenues, and the regular societies were dismantled from their work puts and also homes.

Demonetization and Its Impact on Indian Economy Rakesh Jangid (14531) Prof-Dr. SohiniSahu, UGP Project-Report (feb, 2017), UGP Project-Report, estimates the impact of demonetization on different countries world over and has found out that most of the countries have suffered under the process. Further they have studies the process of transaction demand for money and the effect of interest rates. If the transaction of the economy goes up by a multiplier than two, then we don't need double cash rather we need less than that. Demonetization has been a big push towards cashless economy and with decrease in the supply of money; interest rates will fall, which would in turn boost the availability of loans from banks leading to better entrepreneurial skill support. But in order to achieve success from demonetization, the govt should first cover the informal sector under strong digitalization drive by preparing specific policies for them and strongly implement the same.

Enabling digital development, Digital finance, world development report 2016 has come up with certain interesting and thought provoking facts. Women participation can increase in economic activities through increase in digital finance. The computerized accounts would effortlessly help females to take strong economic decisions as the payment system can be managed secretly as compared to

cash transactions. Access to reserve funds instruments additionally expands female strengthening aiding the utilization and beneficial venture of female business people. There is an essentially positive connection between female work interest and female financial balance proprietorship. If we talk about the concerns of digitalization the customer protection is a dark area which needs policy formation. In fact banks have been majorly concerned for developing secured transaction mechanism. But smaller and non-financial institutions seem to be more at risk.

Demonetisation: Impact on the Economy, NIPFP working paper series, Nov 2016, proposes that the trade out flow would be generously crushed since there are limits put on the sum that people can pull back and in the months to come, this crush might be casual to some degree. The reasons offered for demonetization are two-overlap: one, to control fake notes that could be adding to fear based oppression, at the end of the day a national security concern and second, to undermine or on the other hand dispense with the "dark economy". The extinction of the currency will drag the informal sector towards a formal sector with greater inclination and in case of high value transactions more of bitcoins and cryptocurrencies can be used. The impact of demonetization on government finances has to be estimated on three important variables: the impact through RBI's finances, the impact through taxes and the impact through credit available to finance deficits.

According to **FICCI, Digital Banking New horizons in a cash-light India, April 2017**

(financial foresights report), there are three patterns that are forming the fate of the advanced management of account space in India. To begin with, it is the quick development of the more deft Fintech players that are attempting to convey benefits in a way never observed. Banks will need to work close by such players to enhance the client confronting side of their business and in addition their own inward procedures. Second, the experience of clients in different ventures be it web based business, social insurance, training or transportation is enhancing at such a quick pace, to the point that they are presently expecting comparative conveyance and interface even in the keeping money industry. Third, and this maybe the most vital, is the entire push government is providing for computerized economy in the nation and which itself is prompting an adjustment in buyer conduct and influencing clients to request more accommodation from their banks.

Research And Impacts Of Digital Financial Services, Working Paper 22633
<http://www.nber.org/papers/w22633>,

identifies the fact that the amalgamation of mobile industry and financial services pose unique policy dilemmas for the policy makers and that government has to identify the fact how it can assist the poor and the women in achieving financial services and benefits out of it. Also the government sponsored schemes can be better monitored through digitalization but it has been noticed in major government policies that during the election years the disbursement of credits increases by 5-10 %, but the credit fails to improve the productivity of the agricultural

sector. In South Asia, for illustration banks have traditionally had a monopoly for subsidized credit in geographically defined regions. However the results have not been very welcoming.

Digitization And Its Impact On Economy, Saima Khan Research Scholar, Dr. Shazia Khan, MohsinaAftab, april-june 2015 (International Journal of Digital Library Services) has conveyed the fact that the digitization procedure mirrors a move in the financial status and this deliberate change is analyzed for its impacts on monetary development, work creation and welfare. Amid the most recent couple of decades, solid living has turned into the real worry of society. There has been an expanded spotlight on wellbeing related issues. This has prompted more individuals working out, eating right and utilizing things like autos and electrical extensions less and different methods to profit the earth. The activity has brought about people investigating the earth and inspecting their part in making the —Earth more maintainable for a considerable length of time to come. Digital items should be selected with care and maximum benefit should accrue to the administrator and the user.

Role of Digitization and E-commerce in Indian Economic Growth: An Employment Generation Perspective Ms. Payel Chaudhuri and Dr. Abhishek Kumar,(98th Annual of Conference of Indian Economic Association, December, 2015) , has investigated the impact of digitalization on economic growth and its relative impact on employment generation.

Amid worldwide downturn 6 million employments were made worldwide by the digitization impacts and 94% were from rising economies and 6% from North America what's more, Western Europe. This exhibits the capability of the digitization in making business openings. Inquiries about show creating economies has more conceivable outcomes of picking up favorable circumstances of web based business than the developed economies as emerging economies have more wide-ranging extent of decreasing wasteful aspects and increment generation. In India, expanding web infiltration, quick innovation selection and high offer of specialized devices like cell phones, tablets, and so on, have prompted an appeal on the web client base and phenomenal development of internet business.

Financial Inclusion in India: Select Issues Charan Singh RBI Chair Professor, Akanksha Mittal PGP Student, IIMB etcIIMB-WP N0. 474, novemeber 2014, says that the infiltration of monetary administrations in the country regions of India is still low. The elements capable for this condition can be taken a gander at from both supply side and request side and the real purpose behind low entrance of monetary administrations is, presumably, absence of supply. The explanations behind low interest for budgetary administrations could be low pay level, absence of money related proficiency, other financial balances in the family, and so on. On the other hand, the supply side elements incorporate no bank office in the region, absence of reasonable items addressing the

requirements of the needy individuals, complex procedures and dialect boundaries.

Cashless Economy: Opportunities and Challenges in India Suman Bansal, WWJMRD 2017, have observed that Web infiltration in India is consistently bringing up in most recent three years. As per a report distributed by Internet and Mobile Relationship of India and statistical surveying firm IMRB portable web clients came to 420 million by June 2017. What's more, the extent of information part rose from 45% to 65% inside a brief time of five years. Additionally propelling of Reliance Jio a year ago and other telecom organizations think of reasonable information packs persistently expanding the web infiltration in India. Because of expanding web infiltration Indianbanks persistently expanding their mechanical foundation to give development, moderate, client neighborly administrations to improve buyer encounters and increase upper hands. Web and versatile saving money increased a dependable balance in Indian economy particularly in most recent years.

IV. RESEARCH METHODOLOGY

This study has quantitatively described the characteristics of urban youth in a descriptive manner. Primary data has been used to find out the usage attitude among youth towards digital instruments in the wake of demonetization. The data has been collected through a questionnaire surveyed among 257 urban youth. For the referred study we have used percentage analysis.

Age: The age of young population has been taken under consideration falling in the range of 17-26 years.

Percentage analysis: A percentage is a part of the whole and it takes values between 0 to 100. The whole is called a base and the base must always be stated whenever we have to determine the percentage.

V. DATA ANALYSIS AND INTERPRETATION

Usage frequency of digital instruments: with the growth of modern economy digitalization of financial instruments have become imperative. The major lookout of digitalization has been better record maintenance of transaction, convenience of customers to conduct various transactions, support e- governance scheme etc.

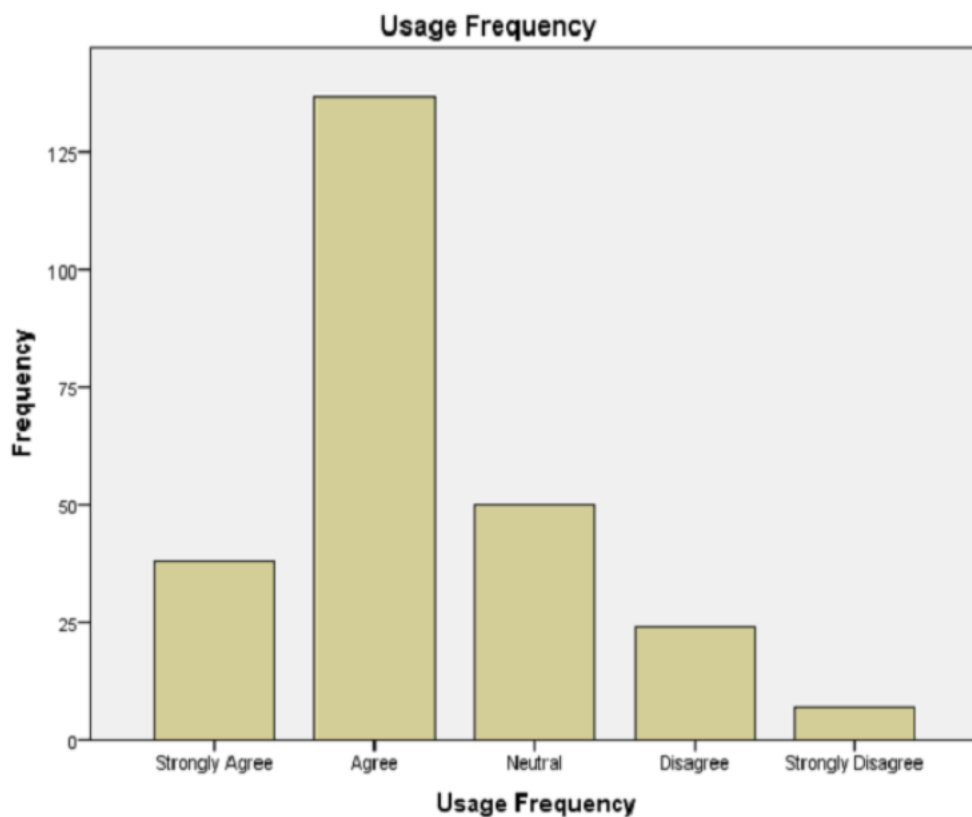
Digital banking services are the application of expertise to ensure seamless and end-to-end processing of banking operations. In case of banks, the online system has been preferred by the educated and young people as it is beneficial to them in many ways. The historical methods of banking functions have been revamped and online banking activities are on a rise. As the process is customer friendly and more convenient and is the quickest way to see the financial details, young generation is gradually moving towards online system of banking mechanism. The basic benefits of digital banking have been observed to be as following: a) Reduction of back – office maintenance which makes banks more cost effective, b) wider improvised services, c) online banking allows the customer to be more mobile and accessible, d) it is easy to

use and little knowledge of technology can allow us to make online transactions without physically visiting the bank branches.

The research paper has been developed to study the impact of digital financial instruments on youth of Delhi NCR with

reference to the demonetizations drive initiated in 2016. The questionnaire has three important aspects: usage attitude of digital instruments, awareness among youth about the security of digitalization and exploring different payments modes available in the economy.

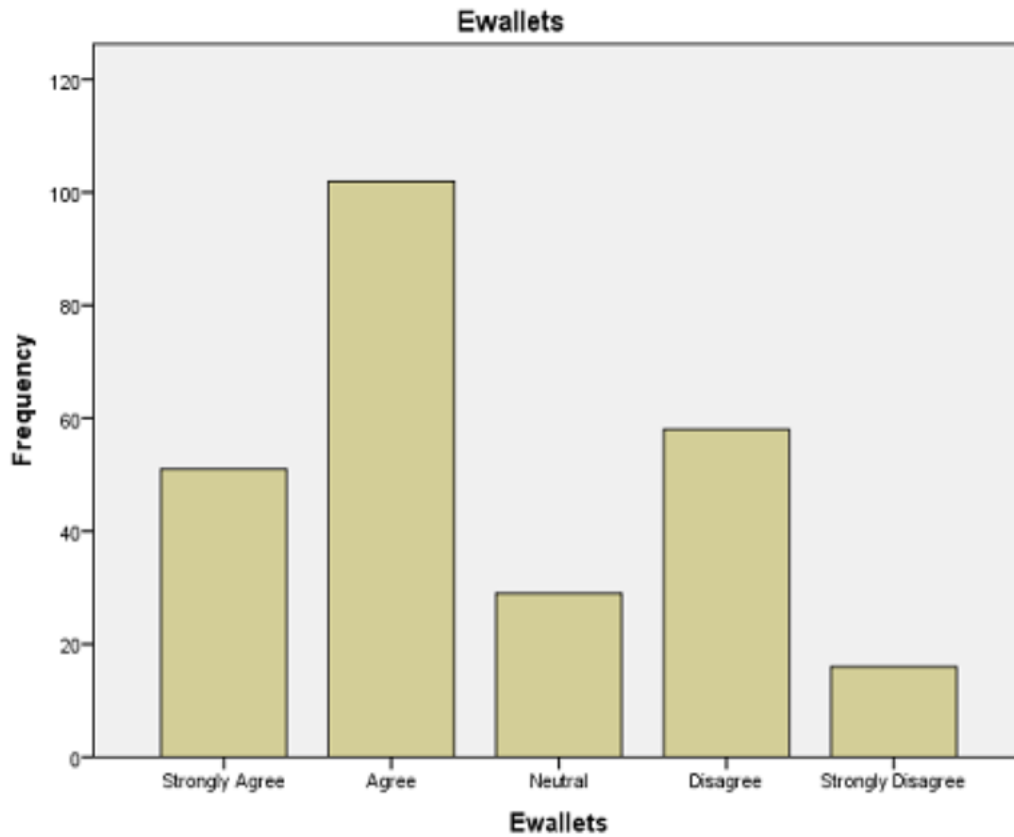
Q.1. I have increased the frequency of using digital financial instruments after demonetization



Interpretation: Scarcity leads to options .The above mentioned graph indicates that majority of the respondents started using digital financial instruments. As the demonetization put a stop on bulk cash

transactions and also cash crunch is being observed at regular intervals, thus enforced the masses to shift their usage towards digital financial instruments.

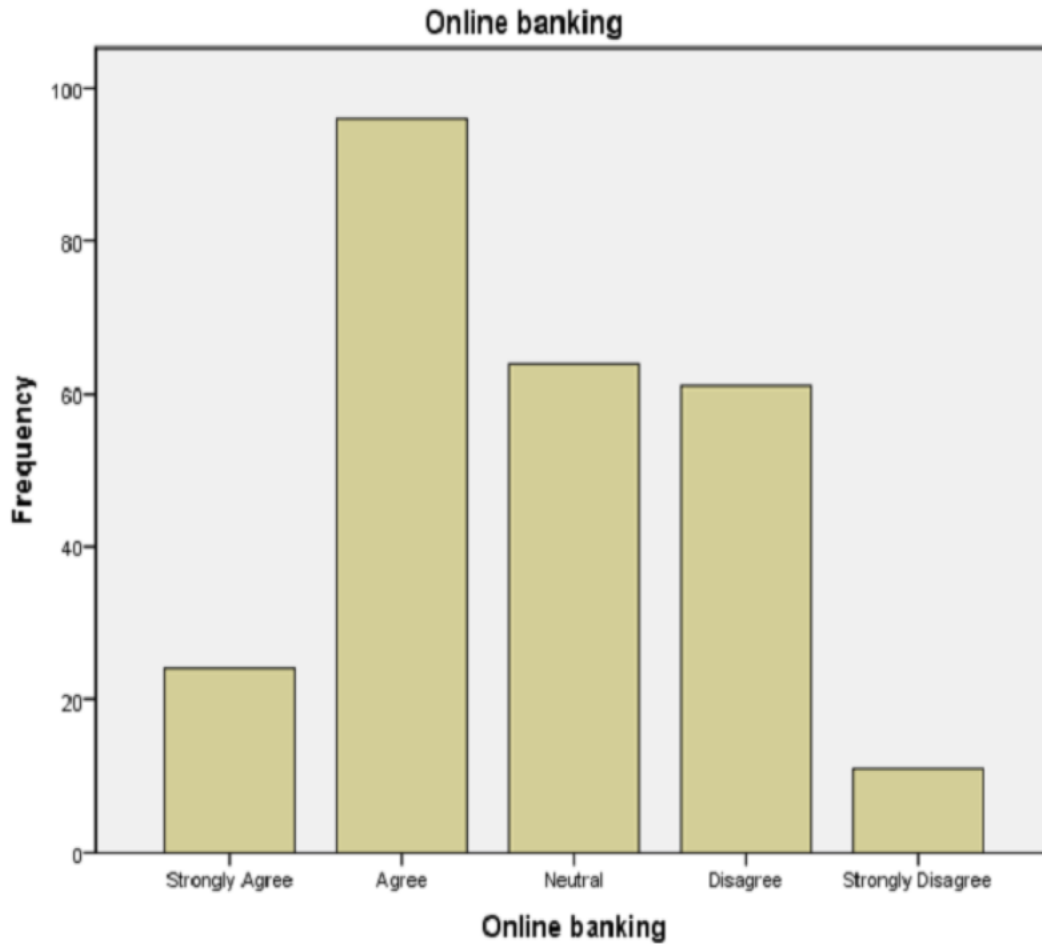
Q2. I started using e-wallets like paytm only after demonetization



Interpretation: E-wallets are considered most useful due to ease of usage, ability to pay anywhere, facility of discount etc. Paytm has been the most frequently used in India. The graph above also shows that the

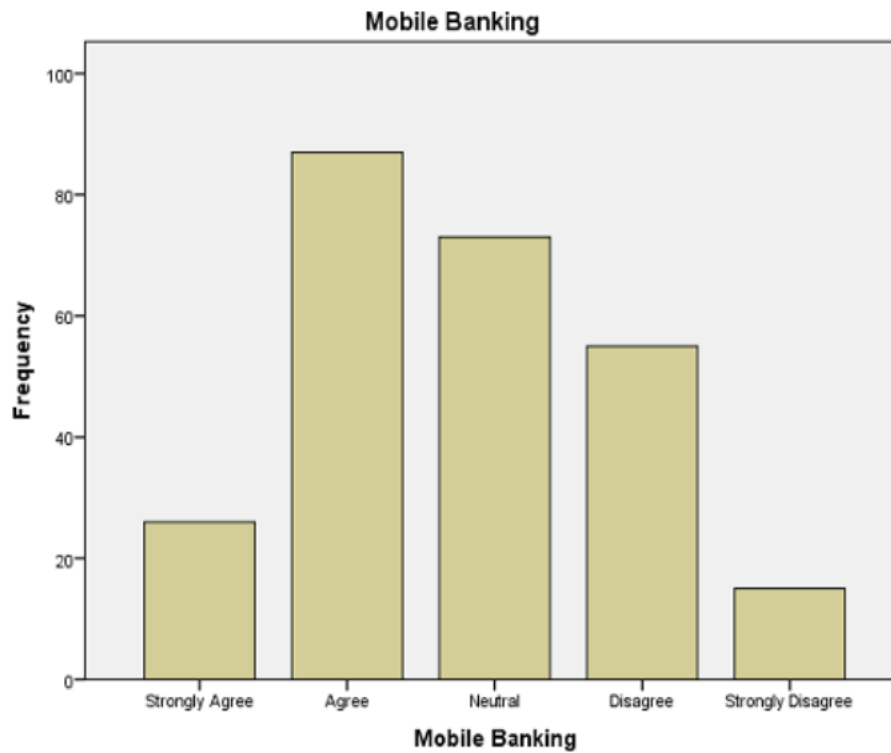
young generation respondents considered using more of e-wallets like Paytm applications for availing all the convenience for conducting online transactions.

Q.3. I started using online banking more after demonetization



Interpretation: Demonetization has been supported by the government along with the policy of digitalization. Hence after the spree of demonetization, we saw rise in

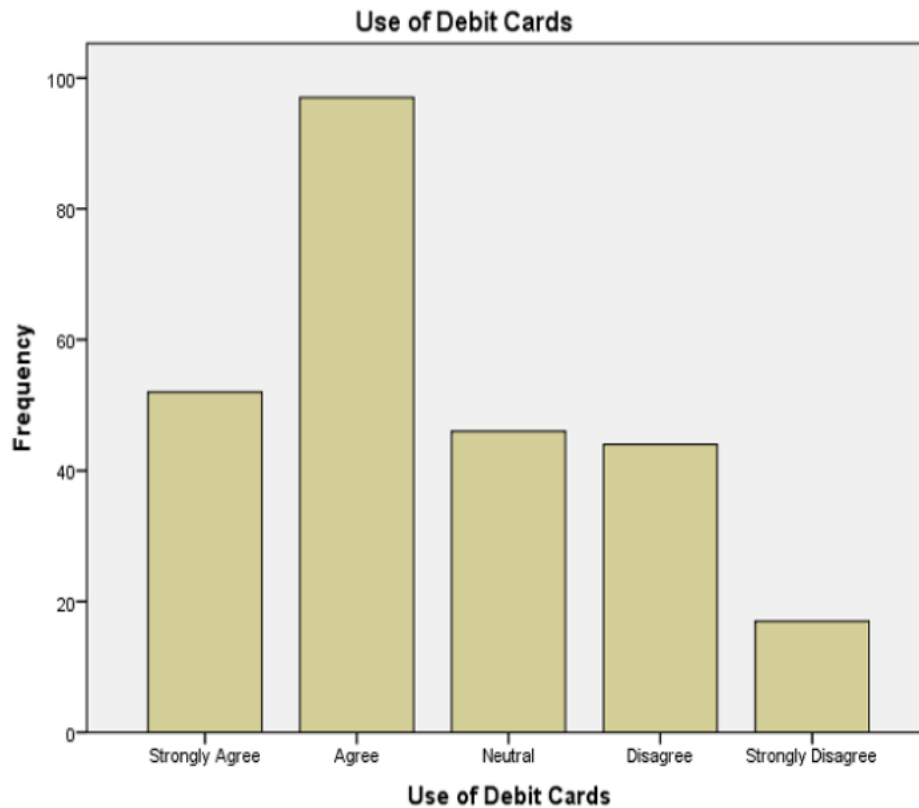
online banking habits of the young population under consideration. The govt and the RBI have also seriously persuaded the goals digitalization.

Q.4. I have started using mobile banking more often after demonetization

Interpretation: Mobile banking through different applications has made banking transactions more cost – effective and with time more and more usage of mobile

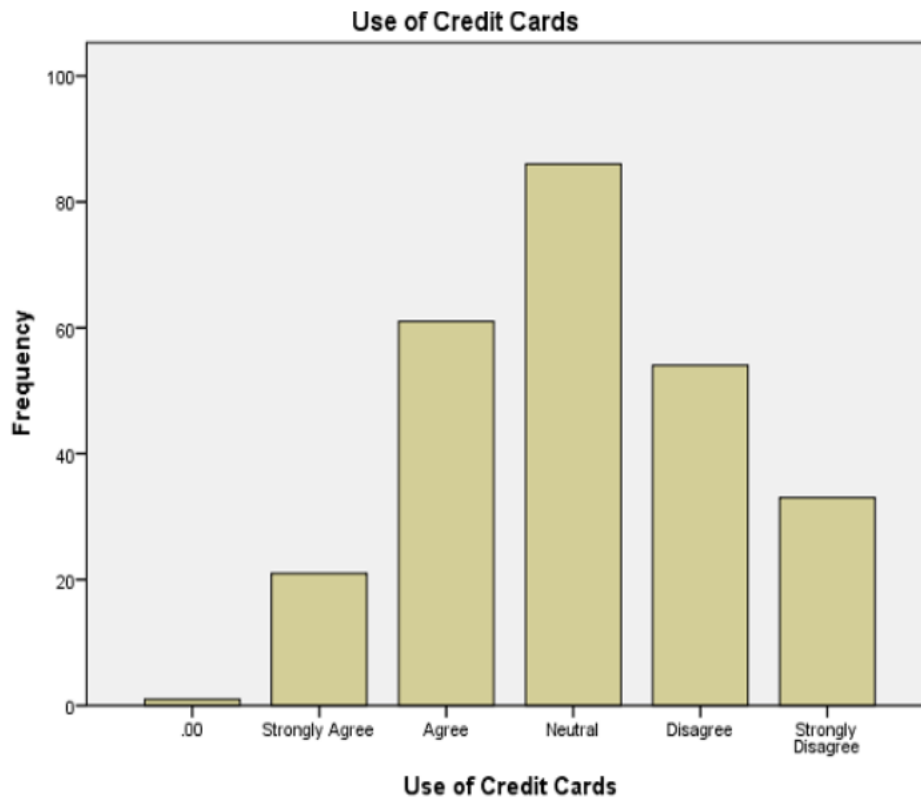
banking habits have been noticed. The graph above shows clearly that out of the total respondents, more people are inclined towards using mobile banking.

Q.5. I have started using debit cards while online or off-line shopping more frequently after demonetization



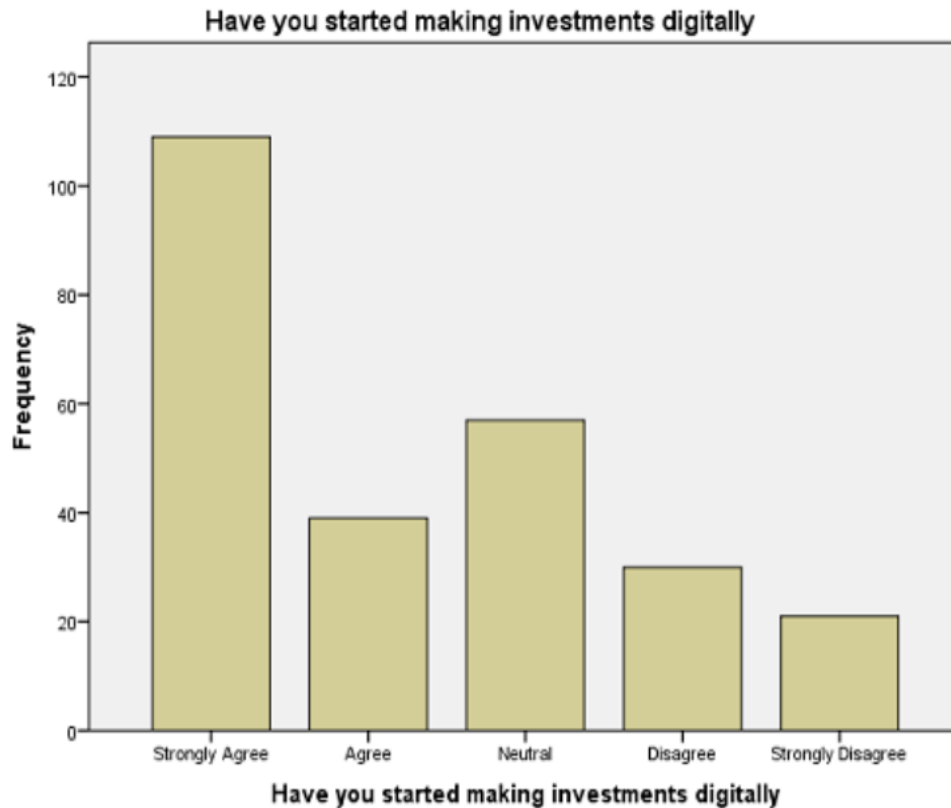
Interpretation: Habit of carrying cash is very traditional in all most all the economies but slowly and gradually young population are using more of debit cards for online as

well as off line transactions. The graph above very well validates the fact that the respondents have started using more and more of debit cards for their daily purposes.

Q.6. I have started using credit cards more frequently after demonetization

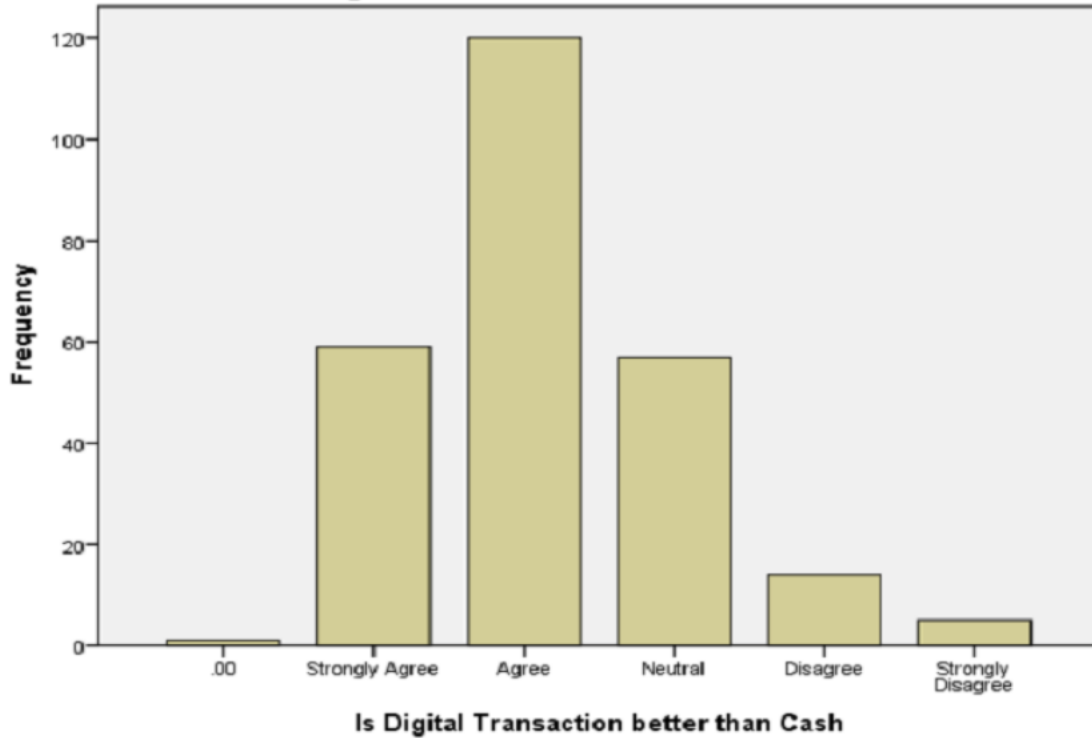
Interpretation: Just like debit cards, credit cards also known as plastic money, are gradually coming in fashion and people with good credit worthiness who can afford credit cards are using more of it. The attraction points of using credit cards are emi options,

reward points, cash back, grace period etc. The graph above shows that as credit cards require better credit score many middle class families fail to avail credit card facilities. Hence debit cards are more familiar than credit cards.

Q.7. I have started making investments digitally

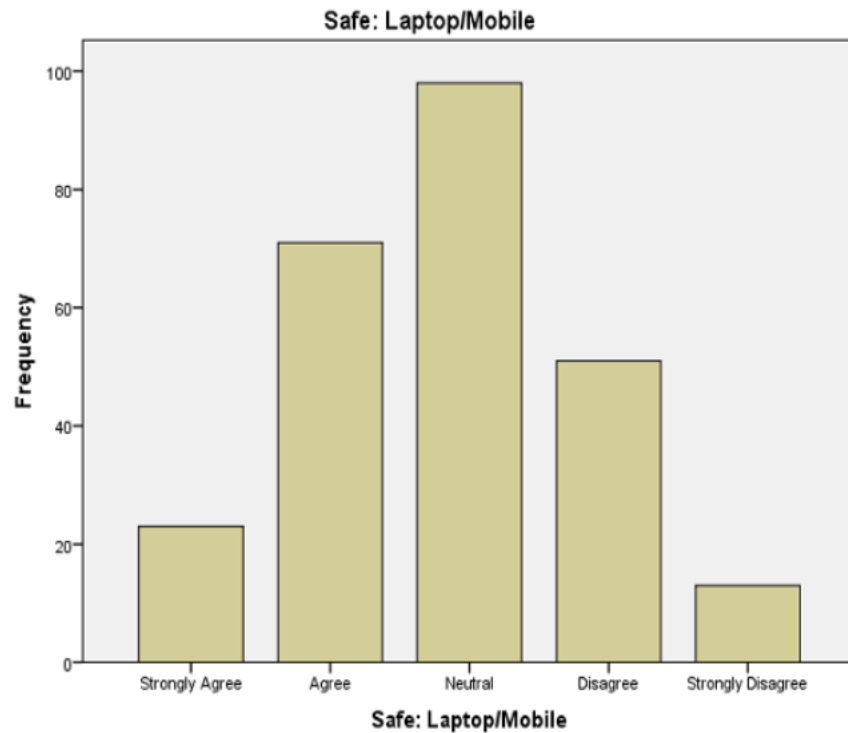
Interpretation: As the above analysis shows, digital banking practices are trending in emerging economies and most of the governments are also perusing the policy of digitalization under the notion that digital

investments can be more rewarding. The graph depicts the fact that the respondents under consideration are young and are more inclined towards new technologies. They believe in digital investments.

Q.8. Is digital transaction better than cash transactions?

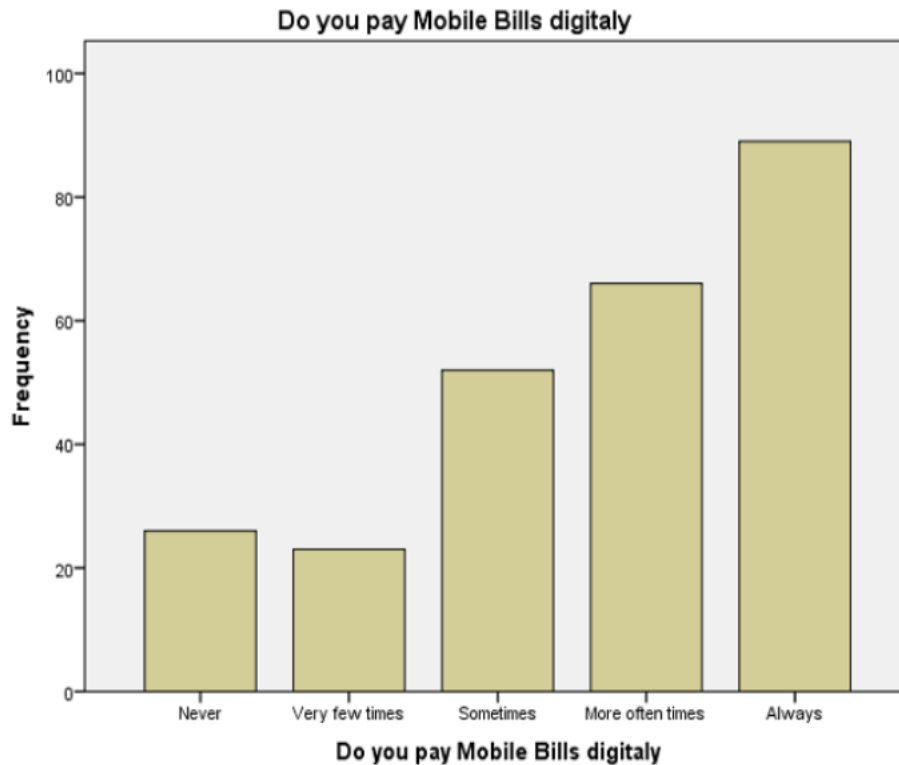
Interpretation: In the changing market scenario, digitalization has become one of the major objectives of the financial literacy program of the government. Most people also agree that digital transactions are better than cash transactions as records can be

better maintained and the same can be kept more accessible. As the concept is new, young respondents have agreed to it but strong conviction about digitalization will come over time.

Q.9. I feel use of laptop is safer than using mobile while making digital transactions

Interpretation: As mobile as well as laptops are modes of digital instruments, both have similar advantages and the young respondent population is neutral about the

use of any. Though it has been shown through recent research that laptops are safer than mobiles due to bigger screen physical keyboard, more compatibility etc.

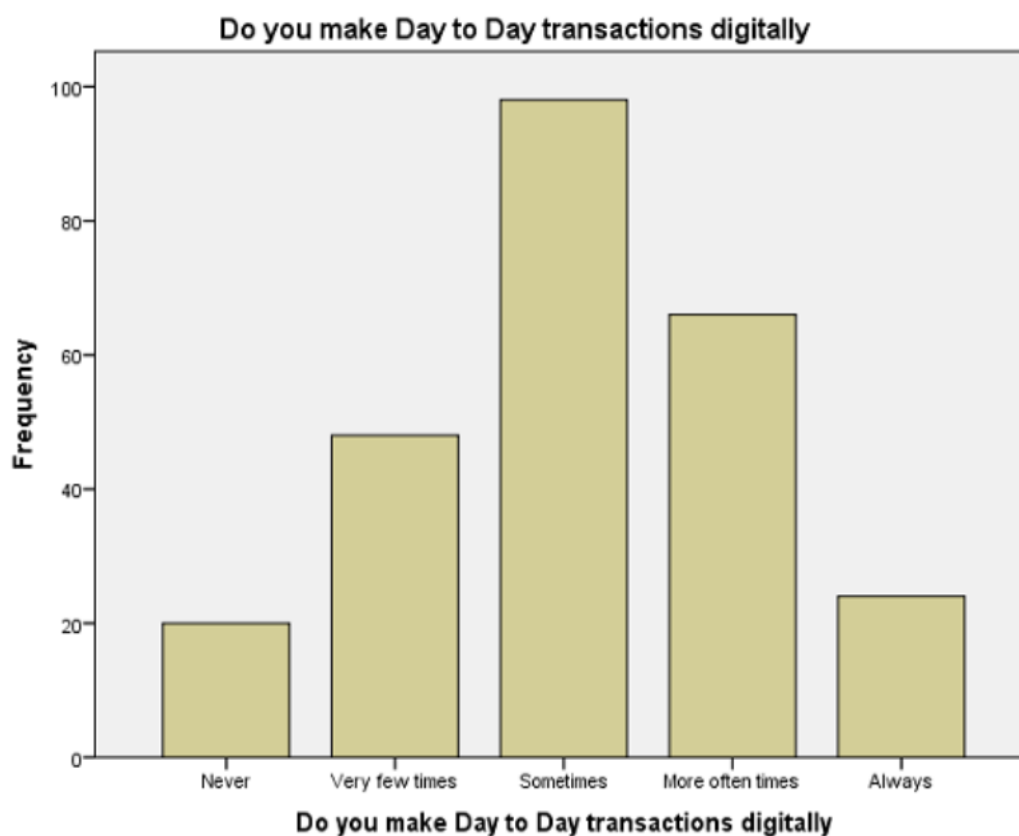
Q. 10. Do you pay mobile bills digitally?

Interpretation: Metro cities have a busy life schedule for most of the residents; hence people do not have time to visit the mobile stores physically to pay the bills. Hence we have noticed rise in the use of mobile applications to pay mobile bills. Further these mobile applications offer certain special services and discounts to their users in order to attract them towards the use of their applications. Hence the above graph shows that young respondents have shown preference towards digital payments.

11. Do you pay your phone bill, water bills etc digitally?

Interpretation: Digital payments help the customers as well as the owners of different service providers to maintain better records of their transactions. It is easier and very handy. But most of the bills are not paid by the young population hence the respondents in the above graph do not influence results here. The young people rarely make such payments.

Q.12. Do you make day to day transactions digitally?



Interpretation: As cash has historically been the most used means of liquidity, it will take some time for the people to become well versed with use of these modern digital financial instruments. Generally digital instruments are used in case of transactions where records are important to be maintained. But with time it has been predicted that digital transactions will become more prominent and with time cash will move out of the economy as all the transactions will be done digitally. The graph above shows that respondents are graduating towards the digital transactions.

VI. CONCLUSION AND DISCUSSION

According to the data it has been observed that digitalization and demonetization are partially connected to each other. As demonetization led to cash crunch in the economy, people were left with no other option but to go for more and more digital transactions but certain activities like buying fuel have remained stagnant. Over a period of one and half years, after demonetization people have started using more of e-wallets and debit cards, yet certain traditional habits will undergo change over longer duration. The recent effect has not been measured rather the change in behavior over long term has been analyzed (one and half year later, to be approx.). The cash crunch has different effects on formal and informal sectors, business class and service class, rich and poor population etc. It has been found that a

certain age group within youth (21-22 years) has reacted to demonetization very strongly and has converted from dealing in cash transactions to digital transactions. And the frequency with which this group has increased their frequency has also increased after demonetization.

Respondents falling in the age of 19, 20 and 21 have also started to use online transactions more after demonetization. The data regarding use of digital modes after demonetization has not shown very positive response. This shows that their behaviors with respect to buying fuel have not undergone much change due to demonetization. The results show that mobile banking in this age group has also picked up after demonetization. The data regarding use of credit cards after demonetization has also not shown any positive response. This shows that the behaviors of the respondents with respect to use of credit cards have not undergone much change.

Use of debit cards has increased after demonetization because of the cashless society but we did not notice any jump in the use of credit card because probably people who had higher credit worthiness were already enrolled for one or the other credit card.

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