



Demonetization and its impact on Consumers' Perception towards E-Banking Services in India

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Abstract: The government's decision on November 8, 2016 to immediately demonetize the Rs 500 and Rs 1,000 notes in circulation, which account for 86% of all currency in circulation, has impacted a raft of sectors. Consumers have turned frugal, causing a sharp drop in demand for goods and services. While farmers and small industries will bear the brunt and sectors like transport and real estate will visibly be in pain, several other industrial sectors will have to scale back services or production. The aim of this study is to understand consumer perception towards E-banking regard to recent demonetization in India. The popular consumer behavior models like theory of planned behavior, theory of reasoned action and technology acceptance model are reviewed for developing the proposed model in this study. The dependent factor in the proposed model is consumer perception towards E-banking and independent factors are demonetization knowledge, convenience, social status and convenience. The items for the proposed constructs in the proposed model are given in this paper. This research paper helps the scholars to use the measurement scale to study consumer perception towards E-banking in the era of demonetization.

Keywords: Demonetization, consumer perception, E-banking, internet banking, net banking.



INTRODUCTION

Digital payments have increased manifold after demonetization came into effect. It may be recalled that the government had withdrawn currency notes of ₹500 and ₹1,000 on November 8, 2016, which created a cash crunch that continued for more than a year in different parts of the country. As per data available with the RBI and National Payments Corporation of India (NPCI), the increase in digital payments has been profound in popular channels such as National Electronic Fund Transfer (NEFT) and mobile banking between September 2016 and September 2017.

The strategic decision taken by Government of India (GOI) on November 8th 2016 had tremendous impact on all the sectors in India. Earlier only people who are having through knowledge about computers, internet and electronic gadgets used to perform banking transactions in online mode. At present the government is encouraging and sometimes making compulsion to perform online financial transactions. The elimination of corruption and eradication of poverty etc are some of the primary reasons for implementing demonetization in India. The primary aim of this study is to propose a theoretical model for understanding consumers' perception towards E-banking. In this paper the E-banking means using mobile banking, internet banking and electronic fund transfer through automated teller machines (ATM). Throughout this paper the terms internet banking, E-banking, online payment and electronic fund transfers are used interchangeably.

LITERATURE REVIEW

E-banking can be referred as using internet portal for variety of banking services ranging from bill payments to investments. Earlier banks used to provide information about their products on their respective websites and gradually they have given opportunity to customers for making financial transaction like bill payments and fund transfers etc. E-banking is logging into an online account with direct access to funds in that account. Internet banking had initiated in India from mid nineties and ICICI had been pioneer with regarding to implementation of Internet Banking in 1998.



The factors like importance, complexity, trialability, compatibility, perceived risk and orientation were considered while studying consumer perception towards internet banking. For understanding internet banking usage Yoon and Steege had considered factors like usability dimension, personality dimension, security dimension, and social influence dimensions. The usage of internet banking is beneficial to both banks and consumers and it also lead to cost savings and convenience. The factors like perceived usefulness, ease of use, social influence and self-efficacy have an impact on consumers perception towards internet banking adoption.

The security concerns and lack of knowledge about online transactions are some of the major barriers to adopt online or internet banking according to survey of Internet and Mobile Association of India (IAMAI). Yang *et al.* had developed a model for understanding impact of trust on behavioral intention towards online payments by integrating various models like theory of planned behavior, decomposed theory of planned behavior theory of reasoned action and technology acceptance model etc. The perceived risk negatively impacts trust of consumers in adoption of online payment systems. The impact of perceived risk not significant on consumers' intention among Indian young while adopting internet banking for performing financial transactions.

The internet banking service quality can be measured by factors like personal need, site organization, user friendliness and efficiency of website. The customer internet banking service quality positively influences e-customers satisfaction. In spite of online transaction the paper bills usage displays consumers trust online payments but at the same time they want to retain electronic bill due to mistrust.

RESEARCH GAP

There are many studies about analyzing consumer perception towards internet banking and mobile banking. In post demonetization scenario government is encouraging people to adopt for online transactions. The present study fulfills the research gap by studying the consumers' perception towards E-banking in the era of demonetization.



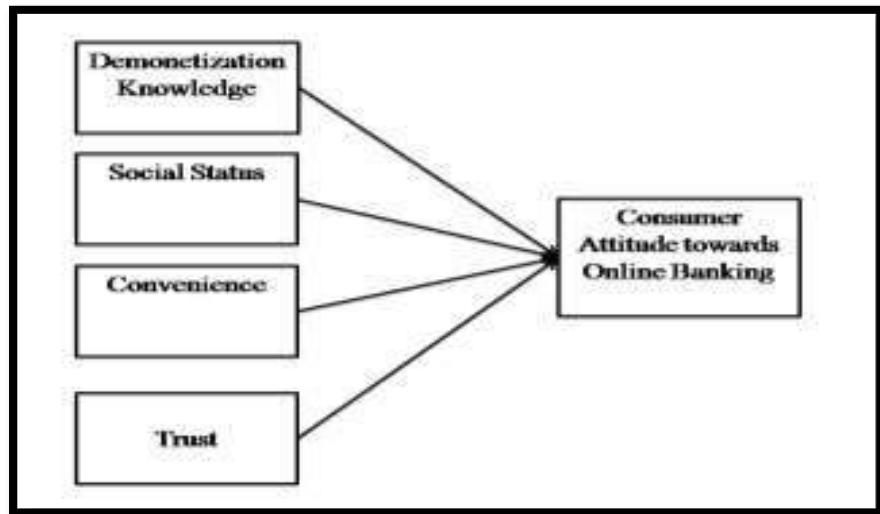
RESEARCH METHODOLOGY

This study develops a theoretical model through review of secondary data. The journals, magazines, books and electronic sources are reviewed to study the existing models from the perspective of consumer perception and consumer perception. The measurement scale based on the proposed model in this study is also shown but it needs to be validated by future researchers. The items for each factor in the proposed model are adopted from previous research papers and they are modified according to the present scenario of E-banking. The sources of items for each construct in the proposed model are shown in Table 1. The proposed model from this study is shown in Figure 1.

Table-1: Proposed Measurement Scale

S.No	Construct	Items	Source
1	Demonetization Knowledge	1. I am aware about demonetization decision taken by Government of India. 2. On November 8 th 2016, the Government had banned higher denominations currency to replace with new currency. 3. I know that people need to deposit old currency and get new currency notes due to demonetization.	Experts opinion
2	Convenience	1. E-banking provides convenience since it is available 24 hours. 2. E-banking enables to complete financial transaction by sitting in home. 3. E-banking helps to save time compared to traditional banking methods.	Gerrard & Cunningham [5]
3	Social Status	1. By using E-banking, I give a modern impression of myself to other people. 2. By using E-banking, I stand out of ordinary people who use traditional bank services	Maenppa [9]
4	Trust	1. I trust E-banking for performing financial transactions. 2. I trust that operations performed by me through E-banking will be correct	Flavian, Guinaliu & Torres [4]
5	Perception	1. I think it is good for me to use E-banking. 2. In my opinion it is desirable to use E-banking. 3. Overall, my perception towards E-banking is favorable.	Grabner-Krauter & Faullant [6]

Source: Developed by the researcher



Source: Developed by the researcher

Fig-1: Proposed model

Hypotheses 1: There is an association between ‘demonetization knowledge’ and consumer perception towards E-banking.

Hypotheses 2: There is positive impact of social status on consumer perception towards E-banking.

Hypotheses 3: The trust may not have significant impact on the consumer perception towards E-banking.

Hypotheses 4: There may not be positive association between ‘convenience’ and consumer perception towards E-banking.

CONCLUSION

The proposed model in Figure 1 helps to understand the major factors which influence consumer perception towards E-banking. The factor ‘demonetization knowledge’ measures the awareness about demonetization. The other factors like social status, convenience, and trust have already been used by various researchers while doing research in the field of E-banking. The statistical techniques like multiple regression



analysis need to be performed to understand the impact on various factors on consumer perception. The measurement scale displayed in Table 1 can be used to collect primary data for empirical verification of the model. All the items mentioned in Table 1 need to be measured on 5-Point Likert type scale. The techniques like structural equation modeling (SEM) help to validate the model after collecting primary data.

FUTURE IMPLICATIONS

The model can be enhanced by adding other factors like intention and adoption with regard to E-banking. The empirical verification can be conducted from respondents and it need to be validated. The confirmatory factor analysis and path diagram should be developed for validating the model. Once the model is validated it can be used in different geographical locations and the results of the study can be used by various stakeholders like banking firms, government and marketers etc.

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