ISSN: XXXX XXXX
PRAGYANA – Peer Reviewed International Journal of Multidisciplinary Research
Vol.-1 (1), Jan.-Jun. 2023, pp. 95-99

DEMONETIZATION LEADS TO FUSION OF FINANCE AND TECHNOLOGY

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ABSTRACT

Demonetization has acted as milestone for Indian economy because aftermath of this attack alerts the banks and customers about the digital transaction or cash less transaction. Now customers make up their mind for learning and adopting innovative methods of transaction such as mobile apps, net banking, mobile banking etc. Demonetization act as a punishment for customer for not access technology based medium for transaction. This not only teaches lesson to customers but also to bankers to develop strong Information communication technology based infrastructure. There arises a need of digitalization of banks too. The world Economy is moving toward the fusion of finance and technology which leads to the fintech world. The Indian banking customer varies to two end, one who are highly educated and busy persons and want to deal only with screens but on other extent there are people who are illiterate and don't want to become a part of virtual world. Main challenge in front of bankers is to change the negative perception of customer toward digital transaction and conduct education programs for customers. Banks have to enrich their technology for protecting their customers from adverse effect of Demonetization. In this study we are covering the customer perspective toward demonetization and technology up gradation of banks.

Keywords: *Fintech, Demonetization, digital transaction, customer perspective*

1. INTRODUCTION

Demonetisation is the process of currency cancellation by the government of the country or by the authorized unit. The currency is demolished from its status as legal tender. In this process the particular national currency is withdrawal from the economy of the country. Either it is totally pulled out and got retired or may be replaced by new notes or coins. Some time only those currencies are withdrawal which is in minimum use like 10 paisa, 20 paisa, 25 paisa coins. In this case only few people get affected as the currency unit is quite low. But when this process occurs with currency having large value like Rs 500 or Rs1000 notes the consequences are different. Before implementing such a big step government has to think twice as it affect the large and small business houses, service man, shopkeepers, vendors etc. Almost each and every person who contributes something to the economy gets affected by it. Some of them not get wage and salary; goods supply gets low, people are unable to purchase things and many more.

To make beautiful jewellary the gold smith has to heat it at very high temperature and then mould it. In this process metal was highly affected but the long term outcomes are very good So in the same way Demonetisation is effecting adversely in short term but in long term it will be act as milestone for major economic changes. To teach a lesson to the naughty students teacher has to use stick in the same way economist are using Demonetisation like a stick which punished the people for not using digital network for transaction. If we go through the figure we will find that in India less than 5% of all payments are done electronically and the rest 95%is done through cash. The ratio of cash to gross domestic product is one of the highest in the world- 12.42% in 2014. If compare the ratio of cash to gross domestic product to other countries having similarly economy as china it is 9.47%, Brazil it is only 4%. If comparison is done in respect of currency note in circulation , it reveal that India had 76.47 billion currency notes while the United State having a developed economy had 34.5 billon currency note during the period of 2012-13. The above data reveal that the Indian economy is very backward in terms of Digital transaction as compare to other developing and developed countries. So the acts of demonitisation in India motivate the people for electronic transaction and lead an Indian economy to pace with the world economy.

2. FINTECH

The World economy is moving toward FinTech revolution. FinTech is a fusion of finance and technology. It means the technology invade in finance to fundamental level. There is a fundamental change in telecom industry from what Graham Bell invented and our smart phones. Similarly in banking also from brick and motor banks to cashless and presence less banks but this transformation required many building blocks specially in India. The present fundamental structure is based on high value, high cost and low volume transaction instead of low value, low cost and high volume. In India average transaction size of typical cheque transaction is Rs.75000, ECS Rs. 7500, IMPS Rs. 8000, credit card at POS Rs.3000, debit card at POS Rs.1200, Mobile Wallet usage is Rs. 300-500 and mobile recharge is Rs.30. So through mobile structure we can get efficient and effective banking transactions of low value, low cost and high volume. Second thing is clearance of funds. In last few years it was seen that the electronic clearance has surpassed the paper clearance. The electronic clearance such as ECS, ACI, IMPS has growing up by 50% in banking which show the dramatic change will occur in future. There is a company NPCI (National payment corporation of India) which is non profit company set up and owned by banks. They come out with lot of financial products in which IMPS is mostly acceptable. It is an essentially a 24/7 instance credit card. In India the debit card transaction is of 16000cr and credit card is about 24 to 42000cr and the IMPS transaction are now increasing and cross Rs 52000cr. Its share will kept on increasing in future also.

The fintech is the outcome of intersection of financial service and technology where the focus is on the startup and the new young entrants. Who are providing traditional finance aid product and services through an innovative way? The investment in FinTech industry is continuously increasing in 2008 it was less than a billion but in 2014 it reaches $5.6 billion. The investment is so speedily accelerating that within one year in 2015 it reaches $12.2 bn. There seems an incremental rate of investment in this field. The FinTech companies and some other new entrant players are redesigning the new business models which are redesigning the new business model which is IT base. They are acting as a whistle blower which is delineating the new notion, concept and rule of thumb for the competitors. The financial sector which are going to be effected are consumer banking, fund transfer and payment, investment & wealth management, SME banking, Brokerage services, property insurance & life insurance, commercial banking, Insurance intermediary, market operators & exchangers fund operations investment banking and reinsurance. Among above all the most effected one in first phase are consumer banking, payment system and commercial lending. The online system has brought the lenders and borrowers at one platform. So the role of intermediaries is minimizing. The local money lenders have got a global floor for operations. These internet base lending companies have low operating cost, tumid customer oriented, in-depth credit model. All these attributes provide them competitive advantage over the traditional banking system. The landscape of payment system is also restructuring by the continuous bombardment of technology driven payment instruments. There are many digital applications operate on smart phone and various processing networks and emergence of various electronic devices through which one can transfer fund from one account to other . The online shopping, utility bill payments trains, aviation booking, fuel refilling, retail payment and almost every kind of payment is going to be electronically. The mobile apps of e-wallets have brought the revolution of cashless economy. The mistral of fintech has affected not only a payment system but it also significantly disrupting the insurance and asset management system. The fintech is festinating in traditional banking due to changing behavior and lifestyle of customer advance digital technology and the new market place in added in our distribution channel model. Fintech is providing a customized solution to the individual customers. This will entrance the convenient and tailored made products. Many companies are offering the digital experiences such as Amazon, Apple, Google, Facebook etc. This digital experience is now entering a banking world, now banks are moving toward the non physical channel by inducing operational solution and contrive new methods to approach, engage and retain customers. Many IT companies combine with traditional banking set and envisaging the new digital approaches to the customer. Some other innovative start ups are also emerging to provide fintech solution. Banks are diminishing and cutting their operating cost and offering new solutions to meliorate and simplify operations. These acts concatenate toward the physical or virtual channels for banking.

3. DEMONITISATION WAY TO FINTECH

After the Demonitisation Indian bankers and customers start thing about the concept of fintech. It will be a leapfrog act for Indian banks from branch banking to the full digitalized banks. India is transforming into a high octane ecosystem by providing platform to fintech start up which compact with large potential of growth.

Presently fintech is a niche for India so due to lack of competitors and opportunity to capture large market share attract newcomers, entrepreneurs and start ups. It is prognosticates that the Indian fintech software market will touch US$1.2 bn as per NASSCOM[1]. The Indian cash based economy is responding well to the possibilities of fintech as the e-commerce and smart phone has well appraised and adopted by the people. In 2016 the value of India fintech sector is estimated to be about US $33Bn and it is predicted to reach US$73 billion in 2020[2]. In first phase investment focused on high-tech cities which called as IT hub like Bengaluru, Mumbai, Gurgoan etc. The venture capitalist has invested about US$57 million in such high-tech cities of India. Bengluru is ranked 15 in cities ranking as major startups. In January 2016 the start up India is launched by the government of India which consists of fund for startups of US$1.5 billion. Demonitisation is a gateway to fintech. This act has shake the whole Indian economy. People start thinking in innovative way and becoming creative in financial transaction. The banking customers are big barrier in progress of digitalisation. As India the banking customers are divided into two parts. One of them is global citizens residing in metropolitan cities but on another end there are villagers who are not only illiterate but required closely instructed where to put there thumb impression on form to withdraw money. So the customers are extremely literate on one side and extremely illiterate on other side. There is also an age factor which huddle people to use technology. There are old age passionate people who do not even want to touch cash withdrawal or deposit machines and deal with branch officers but on the other hand there are young age customers who refuse to go in branches and want to deal only with the screen. So it is very pugnacious for Indian banks to become branchless and virtual banks.

4. CONCLUSION

Demonitisation will boost the Indian economy as it will increase the tax revenue to government, decrease the ratio of cash to gross domestic product, decrease currency note in circulation, reduce the fake currency and Increase the level of deposits and lots more. Demoniotisation has taught the lesson of digital fund transaction to the people and bankers too. This situation prepares the people for future changes which are going to come due to fintech revolution .Banks are the mirror image of any nation economy. So to increase the growth rate of economy government has to focus on the growth and development of banks. For survival the Indian banks and customers have to adopt digital technology and move toward the fintech revolution.

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