

**Awareness of consumer protection in the moneylending system in Klang Valley,
Malaysia.**

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ABSTRACT

This study was undertaken with the primary objective of understanding the consumers' awareness on their rights in the licensed moneylending industry in Klang Valley, Malaysia. The Moneylenders Act 1951 in Malaysia directly provides two rights to the consumers which is the right to information and right to receive a copy of the moneylending agreement. However, there is a gap on whether these consumers who borrow money from licensed moneylenders obtain these basic rights. This ongoing research focusses on the perspective of consumers who have experience borrowing money from licensed moneylenders in Klang Valley, Malaysia. Observation and interview were the main primary data collection method supported by NVivo 12 software as the data management tool. The Moneylenders Act 1951 is the law that regulates the formal moneylending industry, which was the main secondary source. Six areas on consumer rights from The United Nations Guidelines were adapted for this study, consisting of right to consumer education, right to be informed, right to choose, right to safety, right to satisfaction of basic needs and right to complain. Through phenomenology inquiry themes relating to the chosen rights were generated. Preliminary findings indicate consumers have a low level of engagements in most of the six rights, raising concern on the protection afforded by the moneylending system.

Keywords: consumer protection, consumer rights, moneylending, Moneylenders Act 1951.

I. Introduction

On 15th March 1962, the former United States President John F. Kennedy in his Congressional speech aptly concluded, "They (consumers) are the largest economic group, affecting and affected by almost every public and private economic decision. Yet they are the only important group... whose views are often not heard." Fifty-seven years later, today this statement is still

valid, where consumers are embroiled with weaker bargaining power and unequal position with traders as evident with increasing consumer complaints in the general media.

Licensed moneylending in Malaysia have originated since 1951 and is still actively thriving until today. In terms of awareness of protection among consumers that borrow funds from this industry very little is known, thus opening new insight into this unexplored section of industry. Several moneylenders were discovered not to be fully assisting the borrowers in ensuring that their rights are being materialised by charging exorbitant interest rates (The Malaysian Times, 2015). Poor awareness on licensed moneylending is partly due to lack of educational programs among the general Malaysian public (Adelene, 2013). Some borrowers perceived that moneylenders run their business operations same as banks (Adelene, 2016). This misconception may deprive borrowers from exercising their rights in choosing the most suitable financing option.

II. Literature Review

a) Consumer rights in alternative financial services

Very little has been mentioned in literatures on consumers' rights in the alternative financial services such as licensed moneylending. Learnings from present literatures that can be adapted were sourced. One notable statement by Stace (2010) is that "Consumers must stop accepting second best". It is a reminder that consumer dealing with any type of services including borrowing money from licensed moneylender, should demand for the execution of his or her fundamental rights as per Moneylenders Act 1951 from the moneylenders as well as the governing body. An interesting study by Henry (2010) within the context of credit card setting centred on how consumers think were shaped by "individual autonomy, social equality, consumer sovereignty and corporate dominance". Consumers' moral judgements on their

rights and responsibilities were affected by these four areas. In addition, it is a basic human right not to be imposed to undertake a service out of fear.

b) Understanding consumer awareness

What constitutes awareness depends on many factors such as the context which is being studied. In arriving at a purchase decision, consumers go through three shopping process stages, namely awareness, consideration and choice (Winer & Dhar, 2011). Consumer awareness is enhanced through advertising as consumers learn new information which encourages them to reconsider in their next purchase decision (Honka, Hortaçsu & Vitorino, 2017). Past studies originating from banking sector places awareness as a function of advertisement, business presence and demographic factors. Honka et al. (2017) found that consumers usually search for a bank that he is already aware of, as sourcing for new information is time consuming and costly. Within the study context, it means the moneylenders' advertisements should not be misleading, easily understood and fair so that borrowers are aware of their potential commitments (Muhammad Arif, 2008).

c) Consumer awareness in the context of Moneylenders Act 1951

The main purpose of having Moneylenders Act 1951 with its revisions in 2003 and 2011 was to ensure people who borrow money from moneylenders that are governed by the law are protected (Muhammad Arif, 2009). Prior to critiquing the implementation of consumer rights within regulated moneylending, it is vital to understand the scope of consumer protection within the Act. The consumer as a borrower must be aware of their rights and the role of moneylender in ensuring that these rights are executed during the process of lending money. Consumer awareness can come from many sources including formal and informal sources. Formal sources may include from the regulator who is Ministry of Housing and Local

Government's initiatives such as electronic as well as traditional advertising media informing borrowers of their rights. Informal sources like sharing of information among friends, colleagues and family members who have experience borrowing money from licensed moneylenders. Consumers who deal with moneylenders are not protected under Malaysian Central Bank purview or under the Financial Services Act 2013 (Ilias & Amin, 2015). How much this information is available to the general public is not known and many people have the misconception that licensing of moneylenders are via Malaysian Central bank.

d) The purpose of consumer awareness in financial products

A timely question was raised by Hong (2017) on why financial consumers need protection in the wake of technology advancement. Unfortunately, the consumers of one of the oldest financial services which are the moneylenders are excluded in this line of questioning. Consumers who resort to borrowing money from licensed moneylender are usually those who were turned away by the banking and financial sectors. Thus, making these group of consumers prone to accepting whatever terms and conditions imparted by the moneylenders without scrutinising their rights (The Malaysian Times, 2015). This is substandard, when in fact these are the consumers who need to take more effort, supported by the moneylenders and regulator to uphold their entitled rights. To add to their burden, the pressing need of seeking money overshadows whatever rational thinking consumers may have, thus opening to exploitation of their rights.

There are other studies that looks at the position of gender in relation to financial awareness. As an example, Hung, Yoong & Brown (2012) took to the view that in Malaysia, the survey conducted on gender differences in understanding interest rates, women outweighed men in terms of correctly answering interest rates questions. However, financial education

programmes were predominantly lacking among the women during the same period of study, thus raising questions what contributed to the women's higher financial awareness. In the present study the emphasis is on borrowers' awareness, thus gender information is solely for demographic profile purpose.

e) Regulator and business influence in shaping consumers financial awareness

Financial regulations have been tightened in many countries, however very little progress was found in consumers' knowledge of financial matters (Sharon, 2016). Credit regulation, which is a subset of financial protection, whose purpose is to enforce lenders to provide information on interest rates and charges to their customers. By doing so, the consumers are protected upfront from unknowingly entering into contract terms that they may disagree (Xiao, 2015). The enabled consumers have more say in their execution of rights. The United Nations Conference on Trade and Development (2013) report, mentioned that the main worldwide concern for consumer protection legislation is the safety and quality of services. Another point made in the same report was that academic research should be considered when consumers protection policies are being developed. A notion suggested by Schmulow (2018) is the idea of "a regulator for the regulator" to curtail misdeeds among those entrusted to ensure consumers protection materialises as intended by the policymakers.

III. Methodology

Due to the nature of the topic, which is under researched, the research methodology most suitable was through Heideggerian phenomenology (Heidegger, 1927). The study phenomena which is consumer experiencing their rights are derived by participants experiences towards the shared meanings of awareness of their rights (Daher, Carré, Jaramillo, Olivares, & Tomicic, 2017). The data in this study are contained within the experience of consumers who have

borrowed money from licenced moneylenders, which is in line with what Creswell (2013) mentioned that the data embodies through the participants own first-hand experience.

The participants comprising of borrowers were selected based on purposive sampling on criteria of above the age of 18, Malaysian and having experience of taking a personal loan from licensed moneylender within the Klang Valley. The Klang Valley comprises of Selangor, Federal Territory of Kuala Lumpur and Federal Territory of Putrajaya. The research concentrated on moneylenders' clients in Klang Valley as it is the highest number of practising licensed moneylenders in Peninsula Malaysia based on Ministry of Housing and Local Government, 2018 report. The total population of 8.4 million and 1,205 total number of licensed moneylenders represent a ratio of 1 licensed moneylender for 6,970 people living within the Klang Valley.

Table 1: Population and concentration of licensed moneylenders' statistics in Klang Valley.

Location	Population estimates*	Licensed moneylenders**
Selangor	6.5 million	715
Federal Territory of Kuala Lumpur	1.8 million	488
Federal Territory of Putrajaya	0.09 million	2
Total	8.4 million	1,205

* Department of Statistics Malaysia, 2019

** Ministry of Housing and Local Government Malaysia, 2019

Observation, interviews and document analysis provided the basis for data collections method. Semi-structured interviews involving the informants from borrowers of licensed moneylenders were administered. Interview protocol and observation protocols for each informant were prepared in dual languages of English and Bahasa Malaysia. The informant has a recourse to

be interviewed in either of the two languages. The interviews were transcribed in the original interview language and in the case of Malay interview, translation to English was done before open coding in NVivo. The basis of preparing the interview protocols and observation protocols was in line with the three areas of consumer protection which are moneylending information, pre-moneylending transaction and the process of moneylending. The Moneylenders Act 1951 was referred during the interviews to observe on the knowledge each informant has on borrower's protection with reference to the six consumer rights.

Written consent was obtained, each willing participant interviewed, was followed up with a second interview together with members check on the validity of the transcribed contents. To ensure researcher's bracketing from the phenomena, throughout the data collections phase a memo file and reflexivity journal was written upon. The coding procedure adapted for the study is based on Saldana (2015) where the transcripts were read few times to generate first level and second level coding. Emerging patterns such as similarities, differences, frequencies, sequences, correspondences and causation were analysed (Hatch, 2002). Thematic analysis was conducted by interpreting the borrowers' interview transcripts (Morse, 2015). Then, the derived themes were examined and re-examined to increase validity of the study.

IV. Findings and Discussion

The true shared meaning of consumer protection lies in the perspective of those who are directly affected by it, which are the consumers. However, in deciding whether the consumer fully gains the protection they are entitled to lies on those who provide the services, which are the licensed moneylenders.

Overall, the findings were that consumers are not aware that they have rights and that they can do something about it or disallow moneylenders to breach their rights. What was deduced from the interviews were significant problems appeared in the manner consumers themselves perceive their ability to experience their rights as presented in the following themes.

a) Lack of consumer education on moneylending.

It was found early on during data collection phase that borrowers interviewed were ignorant of many aspects of licensed moneylending. Some borrowers were hearing the term Moneylenders Act 1951 for the first time during the interview session. Similarly, the term borrower's rights were unheard of to some of them and that it existed for consumers in Malaysia. Borrowers were not informed that there are two rights under the said Act that is the right to information and right to receive a copy of the moneylending agreement.

b) Inadequate consumer advertisement channels.

Except for the menace of illegal moneylenders or known as "Ah long" on-line advertisements by non-governmental organizations, not much awareness on the licensed moneylending could be found. Borrowers were oblivious that Ministry of Housing and Local Government is the regulator responsible to provide the legitimate information on the proper conduct of licensed moneylending. Pamphlets with information on borrowers' rights were not easily available at the customer service area located at the regulator's sole office in Putrajaya.

c) Option to select the most suitable moneylender is lacking due poor information.

It is observed that borrowers were literally lost on the steps to select a moneylender that is best fit to their requirements. Majority of borrowers think that they have obtain the best choice available to them since the moneylender was recommended by someone they know, like

through a close friend. The current channels to source and compare information on licensed moneylenders were inadequate. It was found that information on the regulator's website does not provide clue on how to rank the credibility of a moneylender.

d) Absence of information in the moneylending transaction.

Section 16 of the Moneylenders Act states that a copy of the moneylending agreement to be given to the borrower. Section 17 explains on the prohibition of compounded interest whilst Section 17A reads the interest rates for secured loans at 12% per annum and unsecured loan at 18% per annum. Section 18 covers the moneylender's role in maintaining original copy of the borrower's agreement and accounts in permanent books. This is important for Section 19 to materialise, as it states that in the upon borrower's request, the moneylender has the obligation to supply information on the loan and related documents of the transactions. Information consists of the principal amount, date of the loan, rate per annum, amounts repaid, repayment date, amount of arrears and sums not yet due (First Schedule A, MLA, p.62-63). Consumers don't spend time reading the moneylending contract terms as the process of signing is hurried by the moneylenders. Consumers have no awareness on the legible interest rates, repayment amount and duration information contained in the contract as well as what implications may arise if defaults were to occur.

e) Safety deprivation.

Large part of the borrowers interviewed felt threatened and helpless during the moneylending transactions. The Regulation 15 under Moneylender's Act provides that the moneylending transaction must be conducted at the registered address. Since the moneylending contract is signed closed door in the moneylender's office, the moneylenders seem to control the entire signing procedure with the borrower having to adhere. Moreover, the presence of bodyguards

entails fear among the borrowers. This is an example where the regulation has failed in ensuring the protecting of the borrowers. A neutral place such as the attestor's office would have been a better alternative for the moneylending transaction between moneylender and borrower. Each area where the moneylenders are concentrated, nearby attestors may be assigned with the borrower having an equal say as the moneylender in deciding whom to select.

f) Insufficient complaint mechanism.

Alarming to disclose that most of the borrowers were resigned to their fate that no one will help them as they chose to borrow from moneylenders, albeit it is licensed. This situation could have been eliminated if borrowers were made to be aware of their rights under the Moneylenders Act 1951, Section 10B (1), where complaint can be made in oral or writing to an Inspector or police officer. Furthermore, section 10M provides protection to informers and details on information provided. Not known to many, a reward to informer is also granted under Section 29I of the same Act. Nevertheless, by having the provision under the Act alone is insufficient as currently the complaints avenues and mechanisms are limited. Lack of proactive advertising from the regulator has made it almost unknown to many borrowers that there is an official website for them to lodge a complaint against licensed moneylenders. To lodge a complaint by walking in, however only one office in the Federal Territory of Putrajaya is available at present which is cumbersome to borrowers.

V. Conclusions

There is a considerable gap between what is known to the borrower on his rights under the Moneylenders Act 1951 and how to exercise them in the actual process of moneylending transactions. Consumer protection is achieved if the borrowers, licensed moneylenders and regulator each contribute towards it by fully meeting their responsibilities in a consistent

manner. If one party fails, then the whole purpose of protecting the consumer is unachievable, thus defeats the main objective of formulating the Moneylenders Act 1951.

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Demonitisation and its Impact on Indian Consumers - Is it a bone or bane for the economy?

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Demonitisation and its Impact on Indian Consumers -

Is it a bone or bane for the economy?

Abstract

The Demonitisation notification by the India Government on 8th November 2016 had serious impact on many sections of the population whose major source of the study examines, trade and livelihood dependent on cash. The middle and below poverty line people are the one who were affected by this action. To reduce corruption or black money this is not the only tool, the policies which Government suggests must be for the people's welfare and should not be a disaster. Hence the current paper attempts to reveal the impact of demonetization on consumer and producer who are the main players of the economy. The opinion of common people and bank employees are regarding demonetization is collected with the help of a questioner. Required data are sourced from RBI and Economic survey, for which percentage methods, data visualization technique, and qualitative analysis is used and the policy suggestions are drawn based on the findings.

Key words:

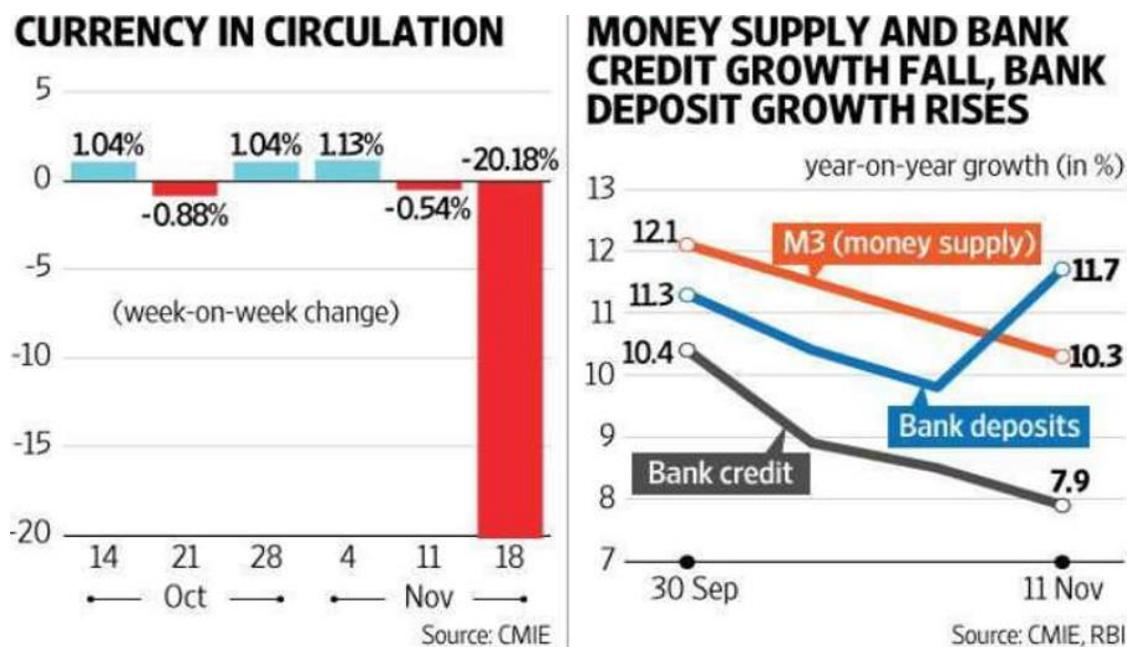
Customer protection, data visualization technique, Demonitisation, Government policy, India, qualitative analysis.

Introduction:

The Demonitisation decision by the Indian Government on 8th November 2016, declared that its key objectives was to abolish fake currency and to address the problem of “unaccounted money” in the economy. Earlier, Demonitisation was carried out lawfully in 1946 and 1978, with the same goal of addressing unaccounted money, but neither the RBI Act, nor the Banking Regulation Act, 1949, has empowered the government to impose restrictions on cash withdrawals or deposits in the manner it has been done in 2016. one percent of currency held in 1978 Demonitisation and the 2016 Demonitisation was believed that about 86 percent of cash transaction was in circulation with old Rs.500 and Rs.1,000 currency notes, such actions requires an authorizing legislation, either an Act of Parliament (RBI Act), or an Ordinance. According to the present Governor of RBI Shaktikanta Das “this is only a short-term negative impact of Demonitisation on Indian economy and observed that this move will not have any material impact on tackling black money” (Is the Current Demonitisation Legal? Many sections of the population like daily wage earners were brutally affected due to this measure. Prolonged cash

shortage and the lengthy queues to exchange their banknotes during the week created a substantial disturbance throughout the economy, where nearly 100 people died due to this demonetization (India's Demonetization Kills 100 People Apparently - This is Not An Important Number, Contributor, Tim Worstall, www.Forbes.com, Dec 8, 2016).

The impact of Demonitisation during those few weeks of October and November ,regaring money supply, bank deposit and currency in circulation is clearly revealed from the chart below.



Several case studies, paper articles and review have been on this demonetization, studies of Kadalarasane and Sundari (2017), Krishnan and Siegel (2017), RBI (2017b),Agrawal (2018), Ashwani and Geethanjali (2019) ,Himanshu et.al (2018), Crouzetey al., (2019), and Gabriel et al.,(2019) are few selected reviews worked on Demonitization and its impact on Indian Economy

Motivation of the study:

As per the report, the National Council of Applied Economic Research (NCAER) study “unaccounted wealth accumulated outside India is estimated to exist between USD 384 billion and USD 490 billion during the 1980-2010 period”. The National Institute of Financial Management (NIFM) suggest that “total illegal outflow at the India’s current value (1990-2008) stands at Rs 9,41,837 crore (USD 216.48 billion)”. The National Institute of Public Policy and Finance (NIPFP) said that” the Black money stored outside India during 1997-2009, ranges from

0.2 per cent to 7.4 per cent of Gross Domestic Product.(The Hindu, 2011).And the “Government refuses to share details on such cases received from Switzerland, citing confidentiality”,(PTI, March 17,2019)

Scope of the study:

The negative impact of demonetization was felt across the all segments of economy, especially agriculture and industry. Kavita Chacko, senior economist with Care ratings agency, says: “Demonetization led to disruptions in economic and industrial activity. The lower domestic GDP growth in the past two years is largely on account of demonetization and GST implementation led turbulence." To reduce corruption or black money this is not the only tool, the policies which Government suggests must be for the people’s welfare and should not be a disaster. The middle and below poverty line people are the one who were affected by this policy.

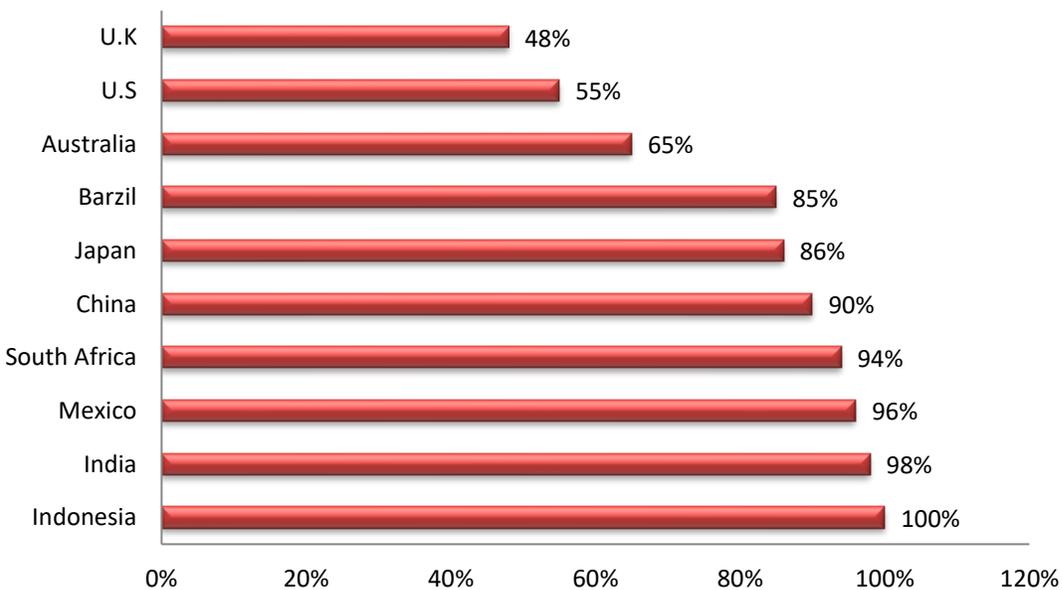
Objective and Methodology:

Based on the above theory it is apparent that the effect of Demonitisation on common people (public) must be accountable. Hence the current paper attempts to measure the impact of demonetization on consumer (public) and producer who are the main players of the economy. Therefore, the following objective is framed: (i) to cross check the reason of Demonitisation (ii) to get the opinion of common people regarding Demonitisation (iii) bank employees view regarding demonetization. Secondary data from RBI and Economic survey is used to provide empirical evidence to verify the first objective and Primary data is used to check the objectives 2 and 3, for which data visualization technique, qualitative analysis and percentage methods is used and based on the above analysis policy suggestions are provided. The flow paper is as follows, section I deals with the introduction, motivation and scope of the study. Section 2 deals with detailed analysis on Demonitisation and the analysis of the objectives 2 and 3 are presented in section 3. Finally the conclusion and policy suggestions are presented in section 4.

Section II

A detailed analysis on Demonitisation, the currency, India's real GDP growth, currency in circulation to GDP growth, bank fraud, ATM transaction, and distribution of national income in India, corruption index, and democracy index of India is presented in this section. The main objective of Demonitisation was to stop illegal circulation of money (corruption or black money). India is known as cash based economy, where 98% of the transaction is done only by cash (Chart 1, the share of cash in volume of consumers from different part of the world).

Chart 1: Share of Currency usage-Major countries (In volumes)



Source: computed from Bloomberg, PWC 2015, U.S.Global Investors'

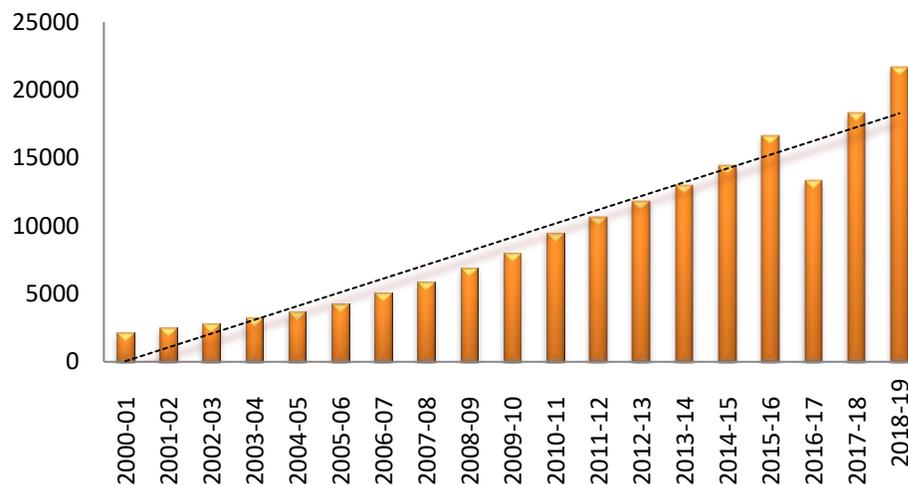
Table 1 presents the distribution of national income in India, 2014. India is famous for its wealth inequality. According to the World Inequality Report 2018 "India emerged as the second most unequal region in the world after the Middle East". The surprising fact from table 1 is that the 10 per cent of the rich population in India share 54.20 per cent of the national income of the country. It is also clear from the table that the top 1 percent richest individuals of India captured twice as much growth as the bottom 50 percent individuals. It is also interesting to note Rich people pay just 0.5 per cent extra tax on their wealth which in turn will raise money to increase government spending on health by 50 per cent.

Income group	number of adults	Income threshold	Average income	Comparison to average income (ratio)	Income share
Full Population	794 306 000	–	6 200	1	100%
bottom 50%	397 153 000	–	1 900	0.3	15.30%
middle 40%	317 722 000	3 100	4 700	0.8	30.50%
top 10%	79 431 000	9 200	33 600	5	54.20%
top 1%	7 943 000	57 600	134 600	22	21.70%
top 0.1%	794 000	202 000	533 700	86	8.60%
top 0.01%	79 400	800 100	2 377 000	384	3.80%
top 0.001%	7 900	3 301 900	11 589 000	1871	1.90%

Source: Chancel & Piketty (2017). World Inequality Report 2018

Chart 2 provides the column chart along with the trend line that reveals the growth of currency in circulation since 2000. “Currency in circulation” is a significant measure in that can explain the success of demonetization (black money). The chart clearly reveals that the currency in circulation has undergone a drastic increase since 2000 has dropped in 2016-17 as a result of Demonitisation and then there is an increase in 2018 and 2019. (Two years after demonitisation)

Chart 2: Currency in circulation

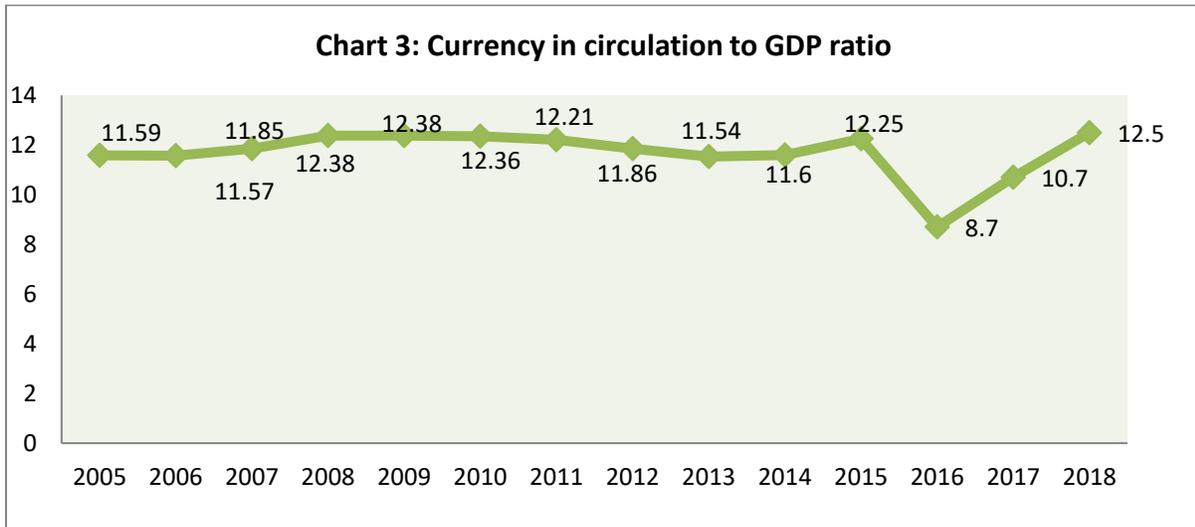


Source: Computed from RBI

As the economy grows, the total amount of currency used in it economy also grows in absolute terms. So the size of the Indian economy is taken into account while calculating the currency in circulation to Gross Domestic Product (GDP¹) ratio (chart 3). The currency-to-GDP ratio in 2005 was 11.59 percent and it gradually grew and increased till 2015. Then there was a drastic fall to

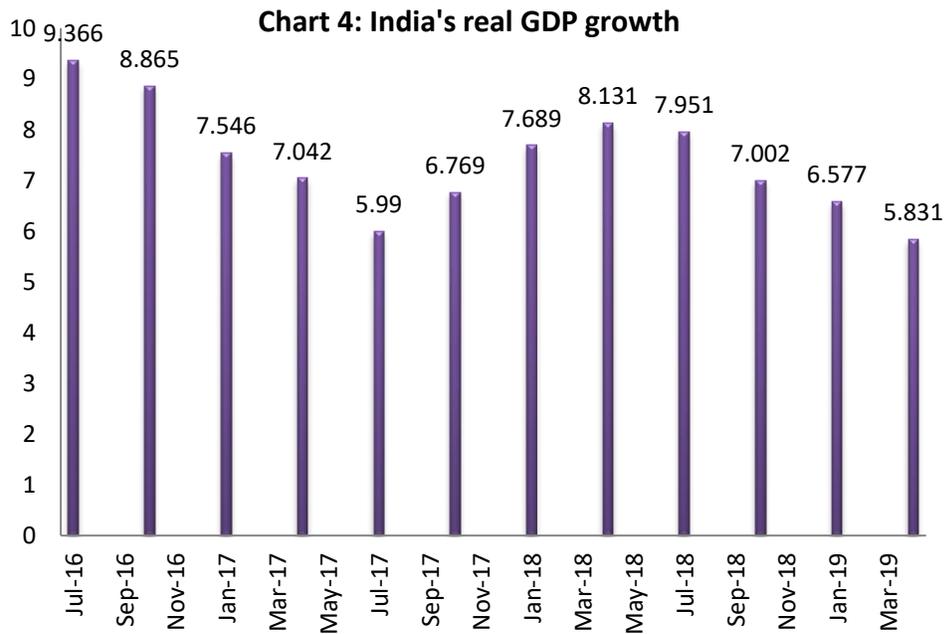
¹Arvind Subramanian the chief economic advisor (CEA) to the Government of India summarizes his findings on the econometric work on India’s gross domestic product (GDP) growth estimates. His results suggest that, “India’s GDP could have been exaggerated by a magnitude of about 2.5 percentage points every year since 2011, amounting to a cumulative 19-21% during the whole period (2011-18)” .

the extent of 8.7 percent (due to Demonitisation notification)in 2016 and later it increased to 12.5 percent in 2018, which again proves the cash power of the economy.



Source:committee on payments and market infrastructures,bank of international,bloomber.RBI

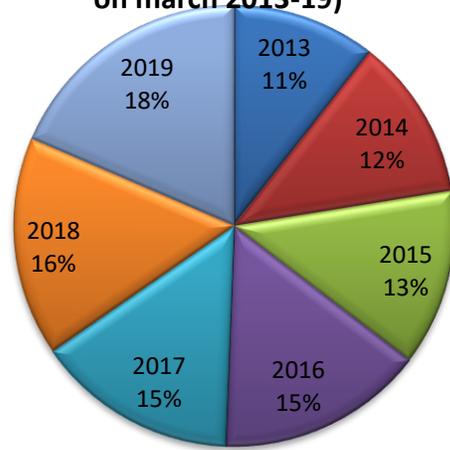
Chart 4 reveals India's real GDP growth since July 2016. It is clear from the quarterly data that the growth of gross domestic product, has declined three quarters after Demonitisation This Midnight notification had a negative effect on the consumers, people were to stand in a long queue to get their hard earned money ATM / banks. It was not only physical torture but psychologically they were affected. Dowry system is exclusive in India it has reported that where during the Demonitisation period people were not able to get money for marriage and other functions at home which psychologically affected most of the people.



Source: computed from CEICDATA.COM

According to a research note by Tata Communications Payment Solutions Ltd (TCPSL) “there is a need for at least 4 lakh ATMs in the next two years, from the present 2.22 lakh”, Access to basic financial services including ATMs has become most vital after Prime Minister Narendra Modi added 355 million people to the banking system since taking office in 2014. Chart 5 presents the Cash transactions through ATMs from March 2013 to 2019. It is clear from the chart that, from 11 percent in March 2013, debit card transactions through ATMs and point of sale (PoS) terminals gradually increased to 15 percent in March 2016 and remained the same in March 2017 due to demonetization, later has increased in the next two years after demonetization to a larger extent.

Chart 5 : Debit and credit card transactions at ATMs(As on march 2013-19)



Source: computed from International Monetary Fund

Table 2 presents the Country wise (Corruption Perception Index: The index, which ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. More than two-thirds of countries score below 50 on this year’s CPI, with an average score of just 43:https://www.transparency.org/cpi2018) CPI for 2017 and 2018, in spite of demonetization in 2016, the table reveals that the corruption in India is high. For 17th rank in 2017 it has increased to 22nd rank in 2018.

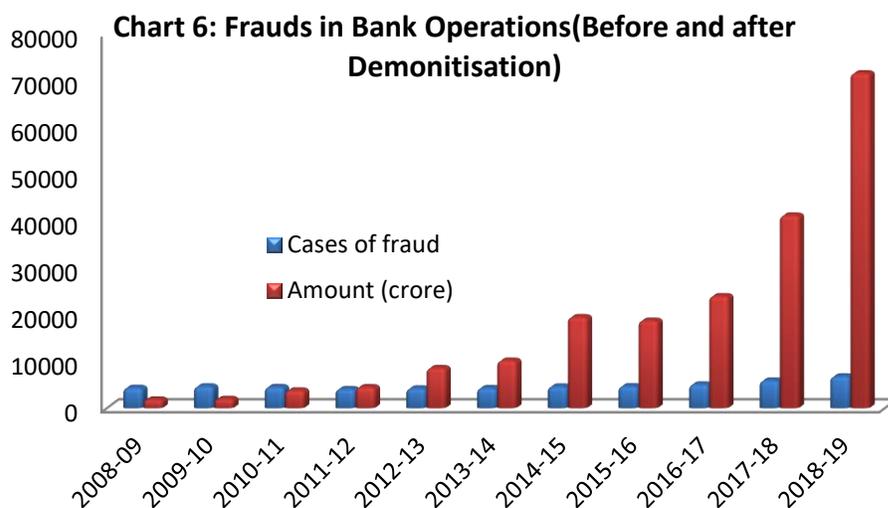
Table 2: Corruption Perception Index Score(2017-18) and in rank, country wise.

Country	CPI Score 2018	Rank	CPI Score 2017	Rank
Denmark	88	1	88	2
New Zealand	87	2	89	1
Finland	85	3	85	3
Singapore	85	3	84	6
Sweden	85	3	84	6
Switzerland	85	3	85	3
Norway	84	7	85	3
Japan	73	18	73	20
France	72	21	70	23
United States of America	71	22	75	16
India	41	78	40	81

Source :www.transparency.org

It is reported that during Demonitisation period many bank frauds are reported by individuals in collision with bank employees. The Reserve Bank of India report 2018-19 said that, “Over 6,800

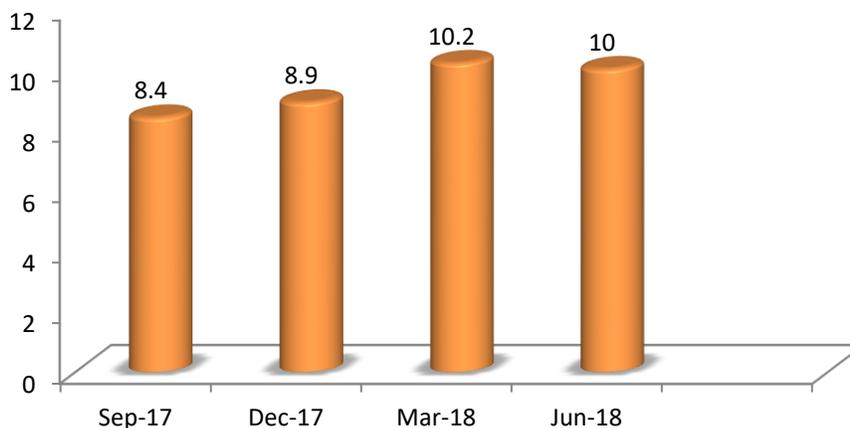
cases of bank fraud involving Rs. 71,500 crore have been reported, 93 per cent of fraud cases worth more than Rs 1 lakh occurred in PSU banks while private banks accounted for six per cent.”The instances of fraud have been rising over the last four years — by four times from Rs 10,170 crore in 2013-14 (Chart 6). 2017-18, frauds (was due to the over Rs 13,000 crore Punjab National Bank (PNB) case) are related to off-balance sheet operations, foreign exchange transactions, deposit accounts and cyber-activities. Banks reported more cyber frauds during the year, losing Rs 109.6 crore in 2,059 cases in 2017-18 as against Rs 42.3 crore with 1,372 cases the previous year, and in 2018-19, Rs 71,500 Crore Bank Frauds Reported In 2018-19 (RBI report).



Source: computed from RBI

Chart 7 clearly reveals the rising bad loans in public sector banks According to the Indian Express “even as public sector banks lent about 37 per cent of their total credit to the industry sector, the corporate and industry loans accounted for over 73 per cent of the total Non-Performing Assets (NPAs) of the banking sector in 2016-17 and Rs 71,500 Crore Bank Frauds Reported in 2018-19”.

Chart 7: Gross NPAs of the Banks Rupees in Lakh crore



Source: Computed from RBI

According to many reports & studies it was reported that Demonitisation severely affected industries and business particularly small and medium enterprises leading to job loss. Business Standard reported that “ India’s unemployment rate jumped to a record 6.1% in 2017-18, where it was at 2.2% in 2011-12, (Jan 31, 2019). From table 3 it is clear that unemployment is high in (2017-18) rural an urban, comparatively urban female are found to have lost the jobs as a result of demonetization.

Table 3: Unemployment rates (in the labour force) according to usual status

Round (Year)	Rural				Urban			
	Male		Female		Male		Female	
	Usual status (ps+ss)	CWS						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
PLFS (2017-18)	5.8	8.8	3.8	7.7	7.1	8.8	10.8	12.8
68 th (2011-12)	1.7	3.3	1.7	3.5	3.0	3.8	5.2	6.7
66 th (2009-10)	1.6	3.8	1.8	4.2	3.8	5.2	6.9	9.0
55 th (1999-00)	1.7	3.9	1.0	3.7	4.5	5.6	5.7	7.3
50 th (1993-94)	1.4	3.1	0.9	2.9	4.1	5.2	6.1	7.9
43 rd (1987-88)	1.8	4.2	2.4	4.4	5.2	6.6	6.2	9.2
38 th (1983)	1.4	3.7	0.7	4.3	5.1	6.7	4.9	7.5
32 nd (1977-78)	1.3	3.6	2.0	4.1	5.4	7.1	12.4	10.9
27 th (1971-73)	1.2	3.0	0.5	5.5	4.8	6.0	6.0	9.2

Note: The figures are to be read along with the explanatory note for comparability.

Source: Annual Report: PLFS,2017-18

Another important dimension of Demonitisation is with regard to small business and enterprises particularly Women Entrepreneur since most of their activities are cash based .This category of

business people and Women Entrepreneur also got affected seriously. Chart 8 reveals the Percentage of Establishments under women entrepreneur by major Source of Finance like, loan, borrowing, self-finance etc. It is clear from the table that almost 79% of the women establishments were self-financed. The second important source which is 14.5 % is from donation or transfer from other agencies. The next important sources were Assistance from Government and Borrowing from financial institutions which is 3.4% and 1.1 % respectively.

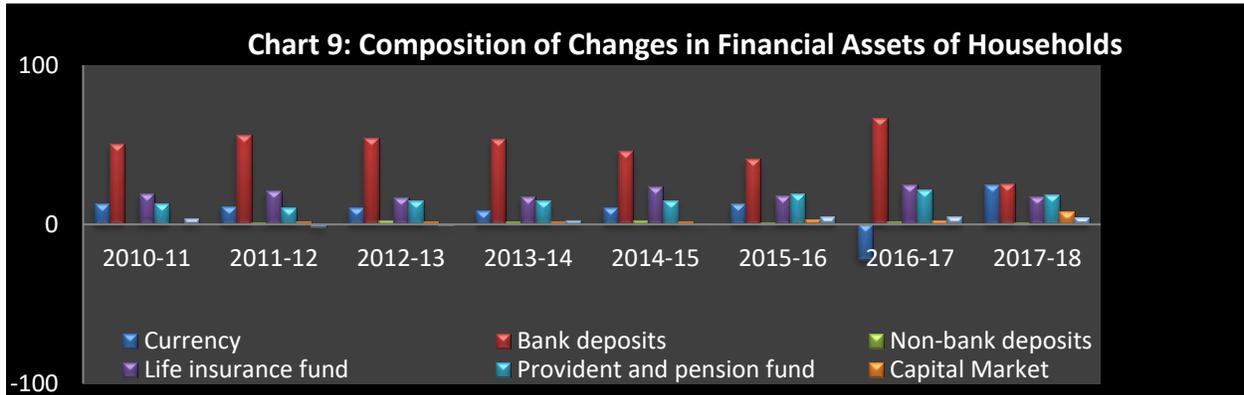
Chart 8: Total number of Establishments under women entrepreneur by Major Source of Finance



Source: computed from All India Report on 6th Economic Census, 2016.

Demonitisation has led to a shift in the composition or slowdown in the growth of households' financial assets, the total amount of households' gross financial assets fell. Indian economy is a saving economy and most of the savings is from households. At end-September 2016, this growth was higher, at 17.1% year-on-year. The RBI report says, "Indian households are generally net savers and suppliers of financial resources for the rest of the economy. However, net financial assets of the households turned negative the third quarter of 2016-17,

there is currency and drop in the and bank deposit increases in 2016-17 reflecting the transitory effects of Demonitisation (chart 9).



Source: computed from Data Base on Indian Economy, RBI.

India is a democratic country, Democracy implies “Power of common people”. The Democracy Index by countries is provided in table 4. The indicators which are used to calculate the poor of Indian people is very low when compared to other countries. It is termed as Flawed democracy, with a global rank of 41.

Table 4: Democracy Index Asia and Australia 2018

Country	Overall score	Global Rank	Regional rank	I Electoral process and pluralism	II Functioning of government	III Political participation	IV Political culture	V Civil liberties	Regime type
New Zealand	9.26	4	1	10	9.29	8.89	8.13	10	Full democracy
Australia	9.09	9	2	10	8.93	7.78	8.75	10	Full democracy
South Korea	8	21	3	9.17	7.86	7.22	7.5	8.24	Flawed democracy
Japan	7.99	22	4	8.75	8.21	6.67	7.5	8.82	Flawed democracy
Taiwan	7.73	32	5	9.58	8.21	6.11	5.63	9.12	Flawed democracy
India	7.23	41	6	9.17	6.79	7.22	5.63	7.35	Flawed democracy

Source: A report by The Economist Intelligence www.eiu.com

Section III

Primary data analysis:

Primary analysis was collected with the help of a questioner. Total sample size of 100 respondents were from general public and about 25 were questioned regarding demonetization.

The current section deals with the objective 2 and 3 which is based on the information collected from the respondent with the help of a structured questionnaire. Data from 125 (100 are general public and 25 bank official) respondents were collected and analyzed. Enough number of Urban and Rural respondents is included in the sample. Most of the questions were of YES or NO type which is used to measure the response to each statement. The following are the result of the questionnaires which were collected from for common and bankers.

Findings:

(i) General Public (100 Respondents)

- there were about 61.5% of male and 38.5% of female in the sample size
- here age group ranging from 18 to 60, and about 41.7% respondents belong to 28 to 36 age group of the sample size.
- Around 69% of the respondents have done the graduation and post graduation.
- They belong to the income group of 50000 to 5 lakh and above, and about 24% of the respondent belong to age group 1 lakh to 2 lakes income group.
- 60% of the respondents belong to urban population
- 93.8 %of the respondents owe a smart phone
- 98 %of the respondents owe a Debit card
- 82.3 %of the respondents owe a Credit card
- 52% of the public do not support demonitization , 50% feel that this is not a good step to the economyand 49% feel this measure is mainly because of political pressure
- 55% feel that black money will not be reduced due to this.74% feel that the economy is effected by demonitisation
- about 49% of the respondents feel this this demonetisation has affected all the group of people and middle class people and people who are working on daily wages earn the money for their livelihood are the most affected people

- agriculture, manufacture, organised manufacture and services organised and servicesun organisedsector, transport and real estate business was affected due to demonitization
- about 51% of the respondents feel that it is not a good step to the economy it is not a good step to the business and it is not a success till date.

(ii) Perception of bankers regarding demontization (25 respondents)

- there were about 68% of male and 32% of female in the sample size
- here age group ranging from 18 to 60, and about 52% respondents belong to 28 to 36 age group of the sample size.
- Around 88% of the respondents have done the graduation and post graduation.
- They belong to the income group of 50000 to 5 lakh and above, and about 40% of the respondent belong to age group 3 lakh to 5 lakes income group.
- 64% of the respondents belong to urban population
- 24% of the respondents are managers, 20% officers and 44% are clerks
- About 28% of the respondents work in pubic and private organization respectively
- years of experience; about 64% of the respondents have lesson five work experience, and 60% of the respondents have no idea about demonetisation
- inconvenience during demonetisation period :about 40% of the respondents feel that the time was terrible and about 52% of their respondent felt that it was a part of profession and 8% of the respondent did not face any difficulty
- all the repondednts feel that demonetisation did not help the bank employee
- about 88% feel that demonetisation had an impact on the work load.
- 44% of banking sector , 48% of money lenders, 44% online banking , 48% of plastic cards, 52% of new acount holder and 52% of ATM functioning wasaffected due to demonitization.
- 50% of banking job market is shrunked,

- 64% opine that demonetisation will not cut the black money
- About 48% of the bankers are unaware about demonetisation prior to November 8th
- 52% believe that the digital transaction has increased after demonetisation

The above primary analysis reveals that neither public nor the bankers are happy with the Demonitisation and that it can never reduce the corruption. Due to demonetization the bank employees were made to work 24*7 for many days. They were stressed a lot and some of them even suffered serious health problems and death has also caused in one or two cases. Also, the public expressed that abolishing a lower denomination currency and introducing a higher denomination currency is not a correct move to abolish black money. India is an agriculture based economy. Due to the cash crunch, the farmers especially small and marginal who largely depend on cash to buy seeds, fertilizers and to pay for sowing, borrowing water for irrigation and for other related agriculture equipments remained worst affected and could not complete the crop related activity.

Section IV

Conclusion

India was not affected much from the Global recession 2008 due to RBI's regulations and monetary policy, which always helps helping India to overcome these problems. The monetary policy of RBI is best for a developing country like India. In spite of the warning given by the then Governors that this is not a tool for black money, the implementation of this demonetization has caused many distress in the economy because Demonitisation had an adverse effects (like: reduction in Economic growth, increase in corruption and fraud , it caused short term financial and less cash was in circulation) on many sections of the population, daily wage earners, those without bank accounts, those dependent on the informal cash economy for the major source of their trade and livelihood.

Hence the following policy suggestions are provided:

- Indian politicians and bureaucrats must take a decisions to resolve public problems.
- Abolishing a lower denomination currency and introducing a higher denomination currency is not a correct move to abolish black money.
- Corruption can be cut through many ways, by torturing the public this is not the solution, Government must work be for people’s welfare.

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Consumer Analysis in FinTech Overseas Remittance

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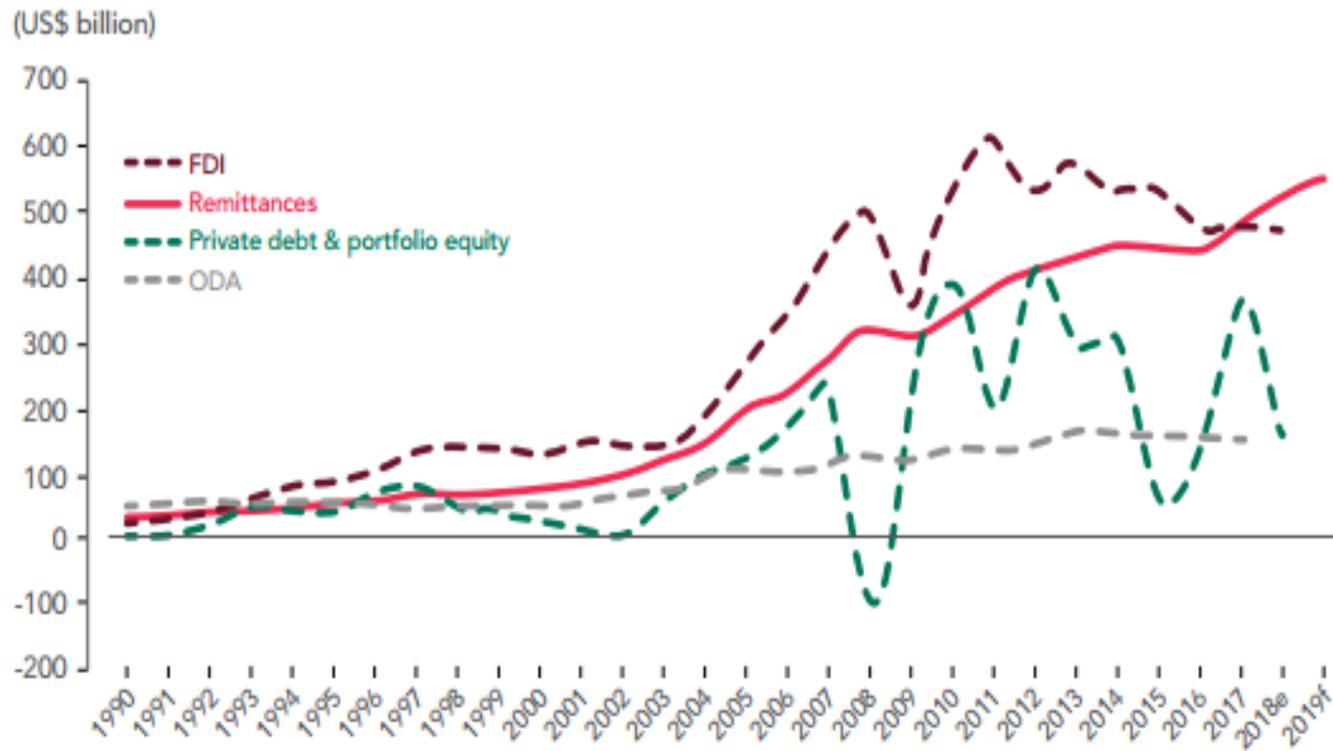
- Introduction
- Theoretical Background
- Research Plan
- Analysis Results
- Conclusion

Introduction

- ✓ According to the World Bank, more money goes into developing countries through remittance than with government aid. Despite the international economic recession and tight labor market, the volume of overseas remittances has remained steady at a certain rate. (Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. The World Bank p.2)
- ✓ In particular, the amount of money sent by migrant workers from developing countries to their home countries is the main determinant of the size of individual overseas remittances

Introduction

<Figure 1> Remittance Flows to Low-and Middle-Income Countries Are Larger than Official Development Assistance and More Stable than Private Capital Flows, 1990-2019



Sources ; Migration and Remittances, World Bank, Dec 2018

Introduction

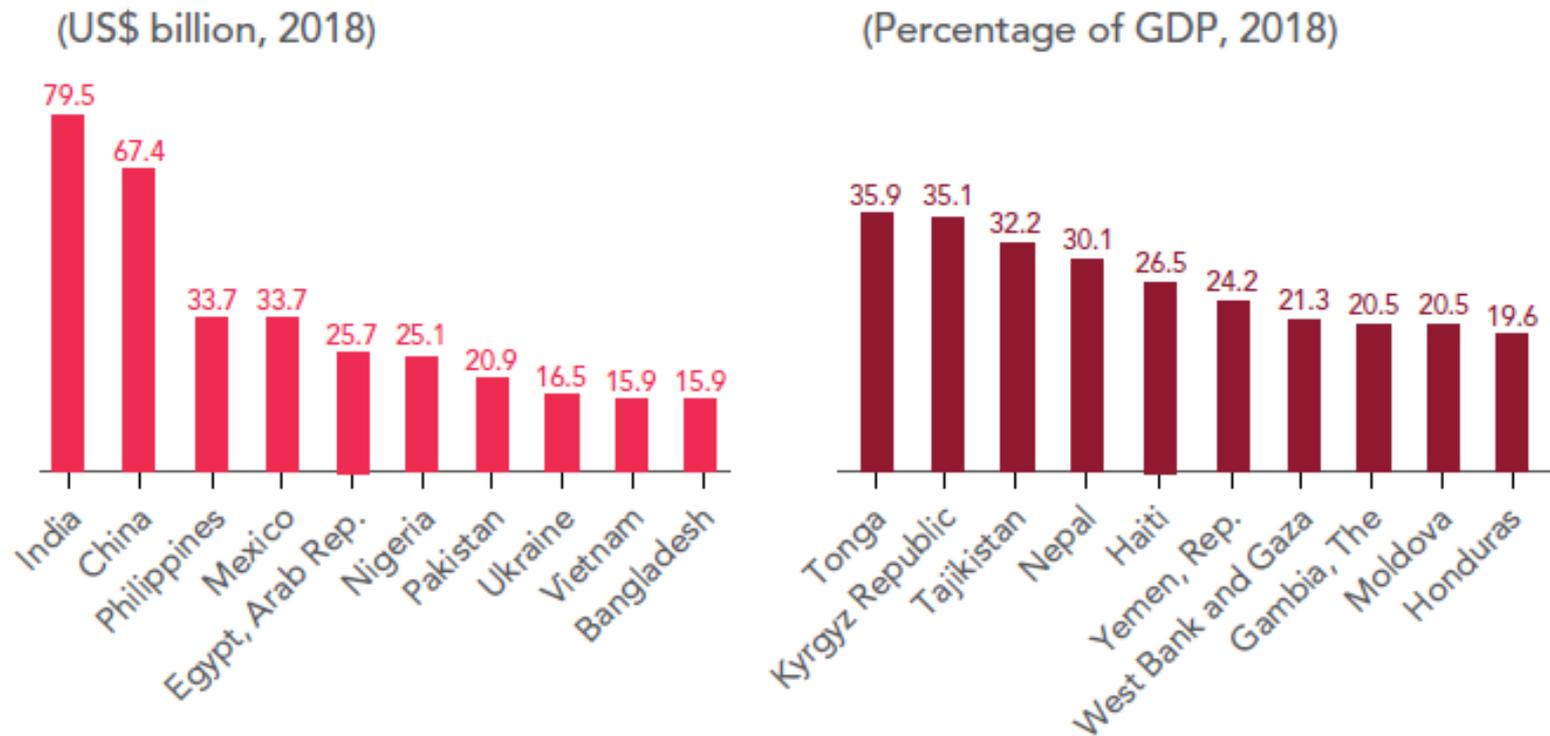
<Table 1> Estimates and Projections of Remittance Flows to Low-and Middle-Income Regions

	2010	2015	2016	2017	2018e	2019f	2020f
	(\$ billions)						
Low and Middle Income	343	449	442	477	528	549	573
East Asia and Pacific	96	127	127	133	142	148	155
Europe and Central Asia	38	43	43	52	63	65	68
Latin America and Caribbean	57	68	74	79	87	90	93
Middle-East and North Africa	39	51	51	54	59	61	63
South Asia	82	118	110	117	132	138	144
Sub-Saharan Africa	32	41	37	41	45	47	50
World	469	592	586	625	689	715	747
<i>Memo Item:</i>							
Developing countries (FY 2016 income classification) *	337	441	435	468	518	538	561
	(Growth rate, percent)						
Low and Middle Income	11.4	0.2	-1.5	7.8	10.8	4.0	4.3
East Asia and Pacific	19.4	3.7	-0.5	5.1	6.6	4.2	4.7
Europe and Central Asia	4.9	-16.6	-0.6	20.9	20.0	4.0	4.6
Latin America and Caribbean	2.6	6.1	7.4	7.9	9.3	3.8	3.9
Middle-East and North Africa	18.2	-5.3	-0.4	6.0	9.1	2.7	3.5
South Asia	9.5	1.5	-6.1	5.7	13.5	4.3	4.1
Sub-Saharan Africa	11.1	5.8	-8.8	10.3	9.8	4.2	5.6
World	8.5	-1.5	-1.0	6.6	10.3	3.7	4.5

Sources ; Migration and Remittances, World Bank, Dec 2018

Introduction

<Figure 2> Top Remittance Receivers in 2018



Sources ; Migration and Remittances, World Bank, Dec 2018

Note ; The top recipient counties include several high-income countries such as France and Germany (not shown in the figure), but as a share of GDP, remittance flows to these countries are negligible. GDP = gross domestic product.

Introduction

- ✓ Remittances from migrants have **positive impacts on poverty reduction and development** in originating countries, mostly developing ones, substantially contributing to the achievement of the Millennium Development Goals such financial inclusion, reduction of poverty, health and education.
- ✓ While the size of global overseas remittances is continuously increasing, **FinTech business**, which provides low-cost overseas remittance services using the Internet and smart phones, **is also growing**.
- ✓ This study attempts to analyze consumers who are using FinTech for overseas remittances.

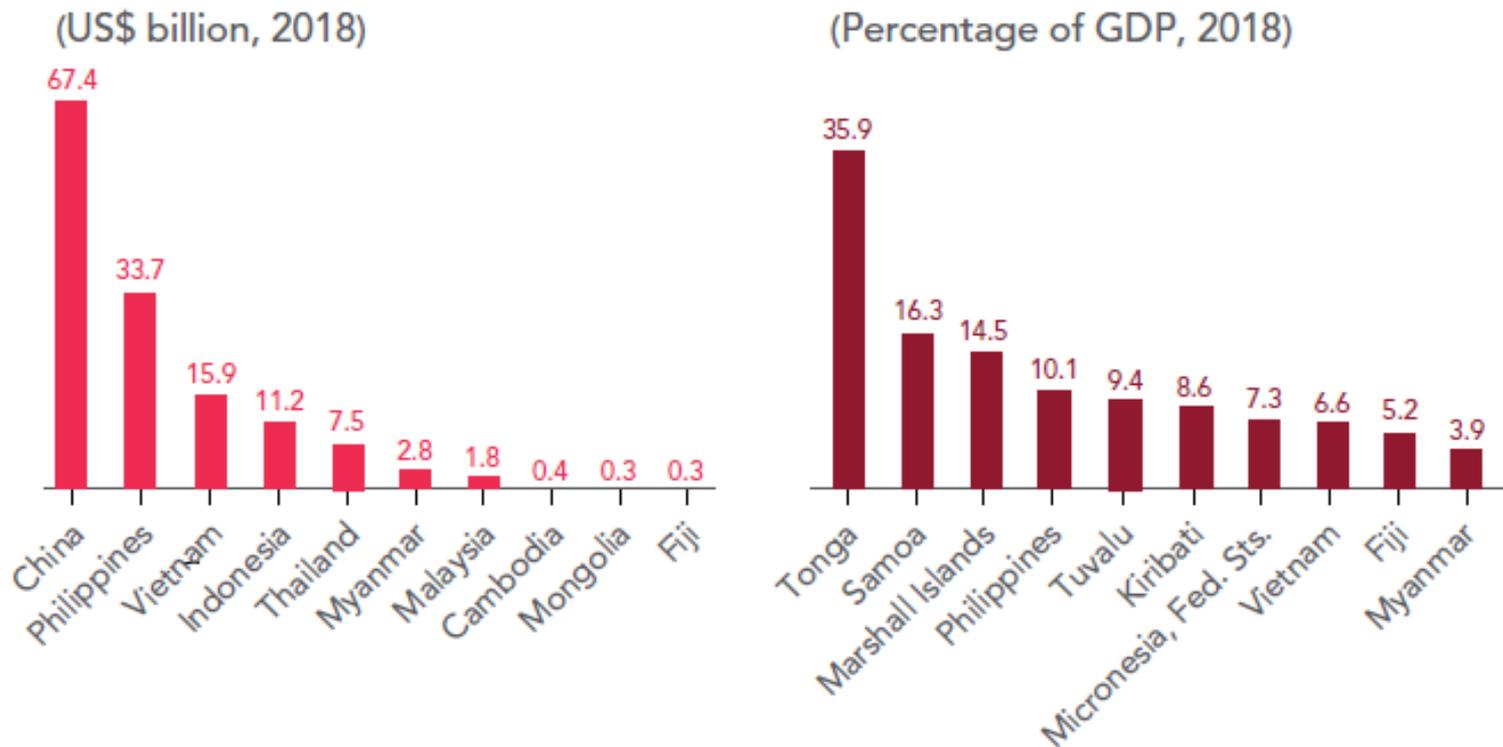
Theoretical Background

(1) Remittance

- ✓ Remittance means that individuals who originally work in a particular country send money to their family members or friends in a foreign country through wireless transfer. However, a wide definition of remittance means that encompassing private monetary transfers that a migrant makes to the country of origin, and including investments made by migrants in their home countries, as such funds significantly contribute to development and poverty reduction (Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. The World Bank p.2)
- ✓ Since the late 1990s, remittances sent home by international migrants have exceeded official development assistance and portfolio investment, and in several years have approached the magnitudes of foreign direct investment flows (Yang, D. (2011). Migrant remittances. *Journal of Economic perspectives*, 25(3), 129-52.)

Theoretical Background

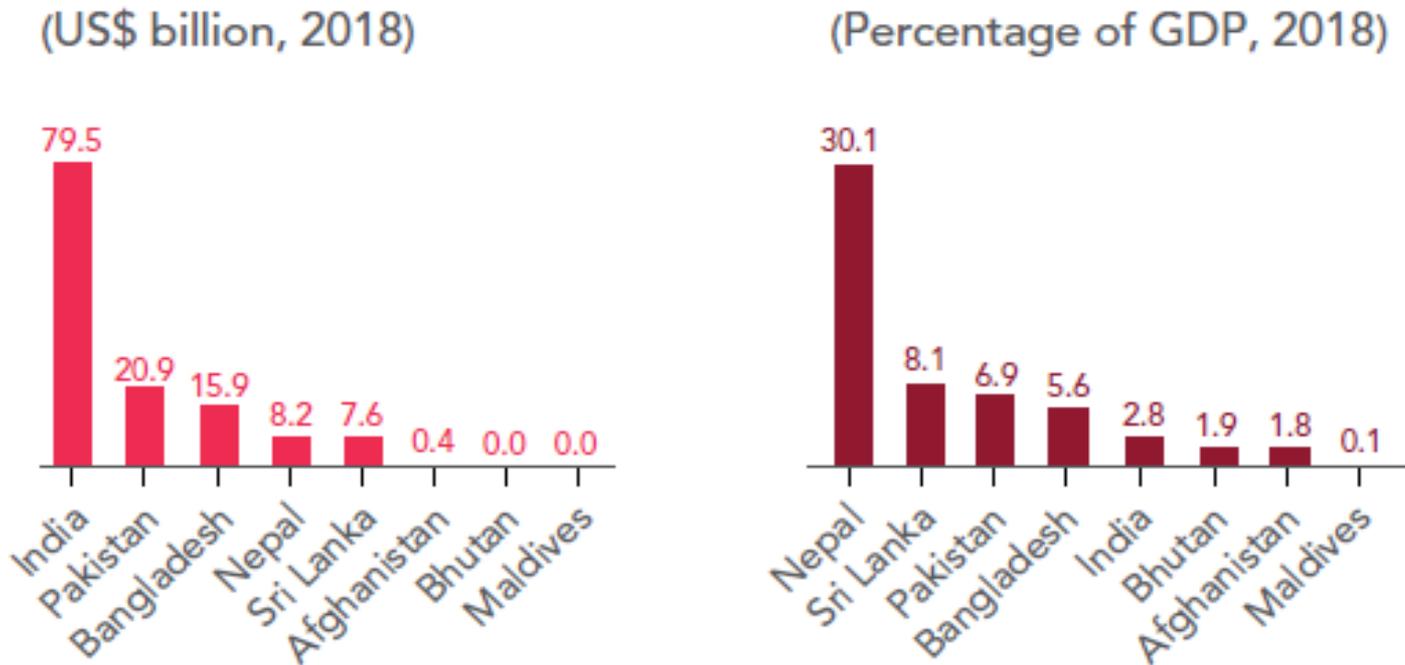
<Figure 3> Top Remittance Recipients in the East Asia and Pacific Region, 2018



Sources ; Migration and Remittances, World Bank, Dec 2018

Theoretical Background

<Figure 4> Remittance Inflows to South Asia Grew in 2018



Sources ; Migration and Remittances, World Bank, Dec 2018

Theoretical Background

(2) Fintech(Lee, T. H., & Kim, H. W. (2015), Kim, Y., Park, Y. J., Choi, J., & Yeon, J. (2015). Arner et al.,(2015))

- ✓ "Fintech" as a term is a compound of "finance" and "technology", and collectively refers to industrial changes forged from the convergence of financial services and IT
- ✓ Fintech is conceptually defined as a new type of financial service based on IT companies' broad types of users, which is combined with IT technology and other financial services like remittance, payment, asset management and so on
- ✓ Fintech has an enormous influence on consumer finance and finance market
- ✓ The positive impact of fintech is that the volume of whole financial market would increase because of changes in perception of consumers and increase in service usage

Theoretical Background

(2) Fintech(Lee, T. H., & Kim, H. W. (2015), Kim, Y., Park, Y. J., Choi, J., & Yeon, J. (2015). Arner et al.,(2015))

- ✓ As the size of overseas remittances continues to increase, FinTech, which provides low-cost overseas remittance services using the Internet and smart phones, is growing in the United Kingdom and the United States.
- ✓ FinTech companies offer services at lower commissions than existing financial institutions and large remittance institutions(ex ; Western Union).
- ✓ FinTech provides services through the Internet and smart phones, mainly without off-line locations. They offer services at up to a tenth of the cost of existing banks, shorten the time to complete remittances, and improve user convenience with simple online processes.

Theoretical Background

<Table 2> Major overseas remittance Fintech companies in Korea

Name	Time of Foundation	Characteristic
Sentbe	2015. September	Service to 18 countries(especially Japan, Philippines)
Finshot	2014. April	Based on Block-chain technology Can be transferred in 24h
Paygate	1999. August	Established branches in London, Luxembourg, Cambodia and so on
Coinpug	2013. October	Begin with an open bit coin exchange
Moneytec	2015. August	Focus on overseas remittance services in developing countries in Southeast Asia
Transfer	2010. December	Borrowing the transferwise business model, Licensing process in progress

* Source ; Korean Overseas Remittance Fintech company(<http://www.ebn.co.kr/news/view/884253>)

Research Plan

(1) Survey Method

- ✓ Survey Target ; Foreign Workers in Korea
- ✓ Sample Size ; 1,379 respondents in 28 countries
- ✓ Method of Data Collecting ; Questionnaire Survey Method

(2) Method of Analysis

- ✓ Crosstabulation
- ✓ Chi-square

Research Plan

<Table 2> Questionnaire Configuration

	Question	Number of Questions
I. Bank	I1 ~ I16	16
II. Overseas Remittance	II1 ~ II13	13
III. Credit	III1 ~ III5	5
Iv. Loan	IV1 ~ IV10	10

Analysis Results

<Table 3> The difference in the remittance method and the remittance service satisfaction

		Satisfaction					Total	
		Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied		
Remittance Method	Bank	16(2.9%)	12(2.1%)	182(32.5%)	243(43.4%)	107(19.1%)	560(100.0%)	$\chi^2=126.729^*$ df=16
	Remittance Service	53(6.9%)	4(0.5%)	126(16.5%)	347(45.4%)	234(30.6%)	764(100.0%)	
	Broker/Friend /Family	5(4.1%)	12(9.8%)	58(47.2%)	40(32.5%)	8(6.5%)	123(100.0%)	
	e-wallet/ electronic payment system	2(4.3%)	2(4.3%)	7(15.2%)	20(43.5%)	15(32.6%)	46(100.0%)	
	Many method without preference	2(2.8%)	1(1.4%)	21(29.2%)	36(50.0%)	12(17.3%)	72(100.0%)	
Total		78(5.0%)	31(2.0%)	394(25.2%)	686(43.8%)	376(24.0%)	1,565(100.0%)	

* p<.05

Analysis Results

3) Results

<Table 4> The difference in age and remittance service satisfaction

		Satisfaction					Total	
		Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied		
Age	20-25	13(4.9%)	6(2.3%)	66(25.1%)	113(43.0%)	65(24.7%)	263(100.0%)	χ ² = 39.601* df=24
	26-30	27(4.8%)	10(1.8%)	147(26.1%)	237(42.0%)	143(25.4%)	564(100.0%)	
	31-35	27(5.9%)	5(1.1%)	113(24.9%)	214(47.1%)	95(49.7%)	454(100.0%)	
	36-40	8(3.9%)	6(2.9%)	50(24.2%)	86(41.5%)	57(27.5%)	207(100.0%)	
	41-45	1(1.6%)	2(16.7%)	17(27.4%)	26(41.9%)	9(25.8%)	62(100.0%)	
	46-50	1(8.3%)	2(16.7%)	0(0.0%)	9(75.0%)	0(0.0%)	12(100.0%)	
	Over 51	1(33.3%)	0(0.0%)	1(33.3%)	1(33.3%)	0(0.0%)	3(100.0%)	
Total		78(5.0%)	31(2.0%)	394(25.2%)	686(43.8%)	376(24.0%)	1565(100.0%)	

* p<.05

Analysis Results

3) Results

<Table 5> The difference in age and remittance method

		Remittance Method					Total	
		Bank	Remittance Service	Broker/Friend /Family	e-wallet/ electronic payment system	Many method without preference		
Age	20-25	75(28.5%)	133(50.6%)	39(14.8%)	7(2.7%)	9(3.4%)	263(100.0%)	=54.786* df=24
	26-30	196(34.8%)	277(49.1%)	47(8.3%)	25(4.4%)	19(25.9%)	564(100.0%)	
	31-35	176(38.8%)	219(48.2%)	20(4.4%)	11(2.4%)	28(6.2%)	454(100.0%)	
	36-40	77(37.2%)	101(48.8%)	14(6.8%)	3(1.4%)	12(5.8%)	207(100.0%)	
	41-45	28(45.2%)	29(46.8%)	1(1.6%)	0(0.0%)	4(6.5%)	62(100.0%)	
	46-50	6(50.05%)	5(41.7%)	1(8.3%)	0(0.0%)	0(0.0%)	12(100.0%)	
	Over 51	2(66.7%)	0(0.0%)	1(33.3%)	0(0.0%)	0(0.0%)	3(100.0%)	
Total		560	764	123(7.9%)	46(2.9%)	72(4.6%)	1565(100.0%)	

* p<.05

Conclusion

- ✓ Remittance method are related to Remittance service satisfaction
- ✓ Age are related to Remittance service satisfaction
- ✓ Age are related to Remittance method
- ✓ Globally, FinTech companies are rapidly growing through innovative and creative service delivery(ex; TransferWise, Azimo – UK, peerTransfer – USA)
- ✓ With the emergence of new Fintech services in Korea, the overseas remittance market is expected to expand.

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Thank you.