

A Study on Demonetization Impact on Public and Private Banks

Vishwakarma Rohan^{1*}, C. Mallesha²

¹Student, Anurag Group of Institutions, Hyderabad, India

²Assistant Professor, Anurag Group of Institutions, Hyderabad, India

Abstract: On November 8, 2016, the Government of India demonetized the currencies of Rs 500 and Rs 1000, with the aim of combating corruption, counterfeit currency, black currency and terrorist financing. The total value of the demonized currency was Rs 15.4 trillion, or about 86.9% of the total currency in circulation. Especially in November and December 2016, the hard-hit period was experienced due to demonetization. As an impact of demonetization on Indian banks, there has been a positive change in the planned financial statements of commercial banks. A large amount deposited with the banks created and created a surplus. The total number of accounts opened has increased and the amount deposited into these accounts has also increased. A significant impact of demonetization has also been monitored in the use of electronic banking transactions. The study focuses on the impact of demonetization on public and private banks. The role of cash transactions in an informal economy is crucial, so the current study on how the announcement of demonetization has an impact on the practical price of the banking sector. With 86% of the monetary base washed away, economic activity is likely to be negatively affected in the short term. The sample size of the survey is that of the top five private sector banks and five public sector banks listed in the RNS. The study is carried out by comparing the public and private sectors over a period of 12 days before demonetization and 15 days after demonetization. The result of the test shows that private banks outperform the public sector after demonetization.

Keywords: Demonetization, public and private banks, digital payments, t-test hypothesis

1. Introduction

On November 8, 2016, in an unexpected move, 500 and Rs 1000 notes worth nearly Rs 15.4 trillion were invalidated by Prime Minister Narendra Modi in a broadcast address in the country. He said the goal behind the move was to control black money and the humiliation of the country. A period of 50 days was granted to deposit and exchange the notes of these divisions. The day after the declaration, huge groups of banks and ATMs deposited their old money and exchanged it for new banknotes and lower monetary standards. Since that statement was made, the term "demonetization" has become a colloquial name.

2. Objectives of the Study

1. Study the impact of demonetization on the banking sector.
2. Study the impact of demonetization on digital payments.
3. Realization of the T-test hypothesis in the areas of the practical prices of the private sector bank and the public sector bank before demonetization.
4. Realization of the T-test hypothesis in the areas of practical bank prices of private sector banking and public sector banking after demonetization.

1) Need of the study

The need for this study is to identify the problems facing demonetization. To find out how this has been affected for our country, what has been the effect of demonetization bank employees?

2) Scope of the study

The scope of the study includes both public and private sector banks. The purpose of this exploration is to assess whether demonetization has led to exceptional changes in the profits of public space and banks in private space. With the use of Primary data based on questionnaires and secondary data sources, including available published literature such as journals, newspapers, relevant websites, etc.

3) Research gap and problem statement

This interprets the positive effect of pre- and post-demonetization on public and private banks. The study is based solely on primary and secondary data and secondary data were collected from articles and journals on the website.

4) Limitations of the study

1. The study was conducted for the five-week period from December 18, 2019 to January 17, 2020.
2. Limiting the secondary data used to create the study can be considered limiting the study itself.

3. Research Methodology

This study is based on primary and secondary data sources. Responses collected using the modular questionnaire of employees of different banks and various reports, balsos, magazines and websites. Secondary data for tables and graphs

are collected on the official NSE website and the banks' websites.

- *Sample type: Primary data:* Tools used for data analysis: The sample size of the questionnaire is limited to 50 respondents.
- *Hypothesis:* H0: There is no significant relationship between the before and after prices of private and public sector banks.
- *H1:* There is an important link between pre- and postal prices of banks in the private and public sectors.
- *Average:* The measurable average refers to the mean or normal used to calculate the focal inclination of the targeted information.
- *Linked sample t-test:* The linked t-test provides a hypothesis test of contrast between population consultants for a few random examples that usually flow. The corresponding t-test is actually a test according to which the distinction between the two observations is 0.

4. Literature Review

(Balakrishna &Deepa, March 2018) in their study entitled "Effect of demonetization on the Indian economy", they focused on how different areas of the Indian economy were affected by the presentation of demonetization. The double impartial to know the demonetization was to make India a country free of corruption and to control black money.

(Lokesh Uke 2017) demonetization and its possessions in India. He studied the positive and negative consequences of destruction in India. The investigation revolved around optional information accessible on paper, magazines and so on the main motivation behind demonetization is to destroy black money and reduce corruption.

(Sweta Singhal 2017) researched demonetization and electronic banking in India. This was a contextual analysis aimed at verifying the level of mindfulness of individuals in country areas in India in relation to e-banking offices and the amount it increased after demonetization.

1) Data analysis and interpretation of the questionnaire

Table 1

The demonetization table has helped reduce black money, corruption and terrorism

No.	Options	Number of responses
1	Not at all	15%
2	Somewhat	40%
3	Yes	45%

Source: Calculated from main date

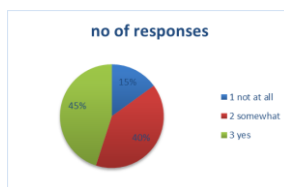


Fig. 1. The graphic representation of demonetization has helped reduce black money, corruption and terrorism
Source: Calculated based on primary data

2) Interpretation

From Figure 4.1, we can interpret that the answers for two options, that is to say: to some extent and yes, have an almost equal level of responses, which implies that individuals accept that demonetization has somewhat reduced black money, corruption and illegal harassment. This decision is useful because it has somewhat reduced black money, corruption and the financing of fear in India. It has also helped to make India an advanced economy by reducing the use of money.

Table 2
Table with discomfort in the face of demonetization

S No.	Options	Number of responses
1	Yes	52%
2	Somewhat	32%
3	Not at all	16%

Source: Calculated based on primary data

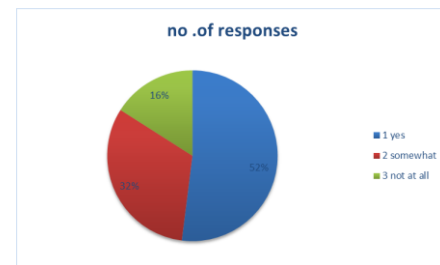


Fig. 2. Graphical representation of discomfort caused by demonetization
Source: Calculated based on primary data

3) Interpretation

From Figure 4.2, we can interpret that people believe that demonetization has caused them little inconvenience, which shows negativity compared to the discomfort faced by demonetization. There have been 47 deaths related to demonetization. People were forced to queue up for hours or even days. This decision by the government has caused major inconvenience to day labourers, as they have to leave their jobs to stand in these long queues to access their own money.

Table 3
Table with a demonetization impact on your workload

S No.	Options	Number of responses
1	Not at all	0%
2	Somewhat	10%
3	Yes	90%

Source: Calculated based on primary data

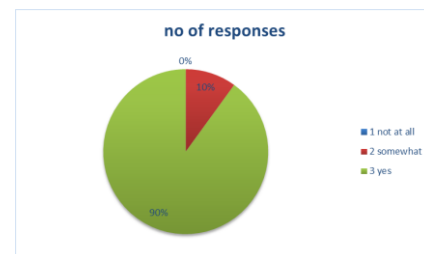


Fig. 3. Graphical representation of the impact of demonetization on your workload
Source: Calculated based on primary data

4) Interpretation

From figure 4.3, we can say that people in this case answered yes because they believe that demonetization has an impact on

their workload. Among the relative multitude of people affected by demonetization, bank representatives have been the most pushed due to the increase in their responsibilities, on the likelihood that it can very well be estimated that we can see worrying levels of stress among bank employees across India, because they have to serve a huge collection of frozen customers, bank employees face what is probably the most difficult period of distress in their calls.

Table 4
Table on the impact of demonetization on banks' cash flows

S No.	options	Number of responses
1	Increased	10%
2	Decreased	70%
3	No impact	20%

Source: Calculated based on primary data

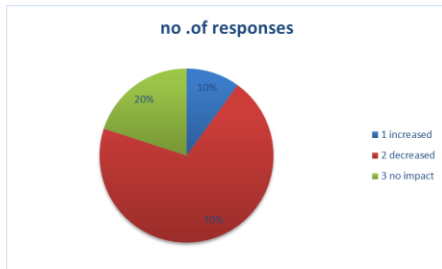


Fig. 4. Graphical representation of the impact of demonetization on banks' cash flows

Source: Calculated based on primary data

5) Interpretation

From figure 4.4 shows that cash flows in banks have decreased, we think this has happened because people are now trading cashless and the RBI has not issued enough currencies to match previous cash flows.

Table 5
Table showing impact of demonetization on interest rate

S No.	options	Number of responses
1	Increased	0%
2	Decreased	70%
3	No impact	30%

Source: Calculated based on primary data

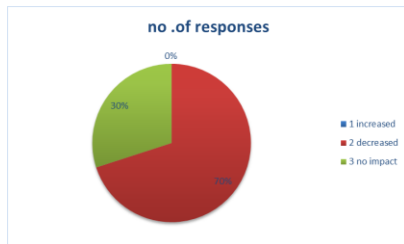


Fig. 5. Graphical representation of the impact of demonetization on interest rates

Source: Calculated based on primary data

6) Interpretation

From figure 4.5 shows that interest rates fell after demonetization. SBI President Arundhati Bhattacharya said each of the rates will drop after demonetisation. There are high inflows of deposits from banks, but the interest rate on credit has decreased. Despite the fact that the rate cut is not huge, it makes a difference.

Table 6

Table on the impact of Demonetization on the use of online banking services.

S No.	options	Number of responses
1	Increased	80%
2	Decreased	10%
3	No impact	10%

Source: Calculated based on primary data

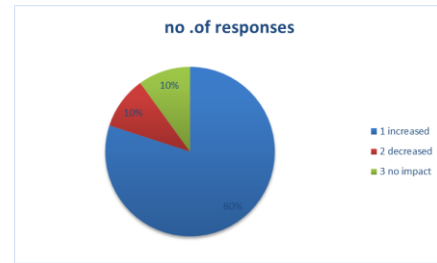


Fig. 6. Graphical representation of the impact of demonetization on the use of online banking services

Source: Calculated based on primary data

7) Interpretation

From figure 4.6, we can understand that the use of online banking increased after demonetization. In India, people depended mainly on cash transactions, but after demonetization, when the money supply was less, people resorted to online banking and online payments to pay for their daily expenses. For example, it can be said that the use of online banking increased after demonetization.

Table 7

Table on the impact of demonetization on the use of plastic cards.

S No.	options	Number of responses
1	Increased	90%
2	Decreased	0%
3	No impact	10%

Source: Calculated based on primary data

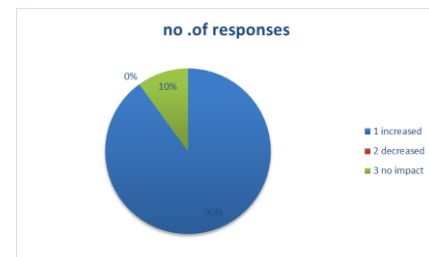


Fig. 7. Graphical representation of the impact of demonetization on the use of plastic cards.

Source: Calculated based on primary data

8) Interpretation

From figure 4.7, we can decipher that about 90% of individuals accept that demonetization has expanded the use of plastic cards; only 10% of individuals believe that there has been no effect on the use of plastic cards. Due to the reduction in the stock of money due to demonetization, the vast majority of individuals have turned to the use of online banking, plastic cards, versatile banking services, etc

Table 8

Table having an impact of demonetization on the banking sector

S No.	options	Number of responses
1	Not at all	0%
2	Somewhat	30%
3	Yes	70%

Source: Calculated based on primary data

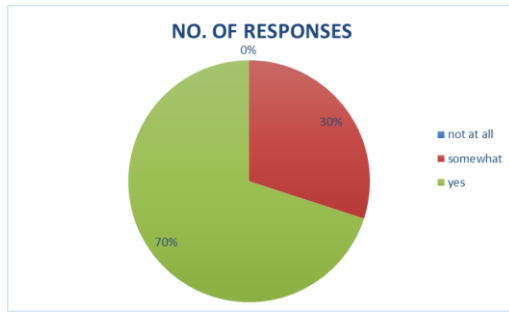


Fig. 8. Graphical representation of an impact of demonetization on the banking sector

Source: Calculated based on primary data

9) Interpretation

From figure 4.8 clearly shows that the bank employees who completed this questionnaire believe that demonetisation has an impact on the banking sector.

10) Data analysis and interpretation of the hypothesis

11) Private sector bank

Table 9

Table of opening and closing prices of certain private and public banks

Banking		Mean	N	SD	STD errors mean
Axis bank	meadow	5.0189	15	25.14251	6.49177
	send	4.7710	15	12.06097	3.11413
HDFC Bank	meadow	1.2543	15	7.95670	2.05441
	send	1.2164	15	36.61613	9.45424
ICICI Bank	meadow	2.5166	15	6.06891	1.56699
	send	2.4262	15	9.09848	2.34922
Kotak Mahindra	meadow	7.9633	15	15.18729	3.92134
	send	7.7442	15	26.47106	6.83480
Yes bank	meadow	2.5256	15	8.75087	2.25946
	send	2.3390	15	9.21081	2.37822

Source: Calculated on the basis of data obtained from nse.

12) Public sector bank

Banking		Mean	N	SD	STD errors Mean
Bank of BARODA	meadow	1.5300	15	4.66941	1.20564
	send	1.6579	15	6.74239	1.74346
CANARA Bank	meadow	3.0145	15	11.38653	2.93999
	send	3.0405	15	7.77035	2.00629
IDBI BANK	meadow	72.5367	15	2.59247	0.66937
	send	69.3733	15	1.72677	0.44585
National Bank of Punjab	meadow	1.4164	15	4.77875	1.23387
	send	1.4393	15	8.00116	2.06589
SBI Bank	meadow	2.5543	15	5.64054	1.45638
	send	2.6557	15	10.19604	2.63261

Source: Calculated on the basis of data obtained from nse.

13) Interpretation

Table 4.2.1 shows the final sharing costs of the selected banks in private sector banks and public sector banks registered in NSEs. The sharing costs of Axis Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank and Yes Bank will be reduced during the post-demonetisation period. The shares of the Bank of Baroda, Canara Bank, Punjab National Bank and State Bank of India are very expensive after demonetisation. IDBI Bank is simply an open area bank action fees are reduced in the post-demonetization period.

14) Private sector bank

Table 10

Table with test meaning of the difference in value of the closing price in the periods preceding and following demonetization.

Banking	T-test value	Significant value	interpretation
AXIS Bank	5.179	.000	Ho: Rejected
HDFC Bank	4.412	.001	H1: Accepted
ICICI Bank	2.824	.014	H1: Accepted
KOTAK MAHINDRA	2.154	.049	H1: Accepted
YES bank	7.852	.000	Ho: Rejected

Source: Calculated on the basis of data obtained from nse.

15) Public sector bank

Banking	T-test value	Significant value	Interpretation
Bank of BARODA	-6.660	.000	Ho: Rejected
CANARA Bank	-.865	.402	H1: Accepted
IDBI Bank	5.641	.000	Ho: Rejected
GNP	-1.280	.221	H1: Accepted
The SBI	-4.802	.000	Ho: Rejected

Source: Calculated on the basis of data obtained from nse

16) Interpretation

Table 4.2.2 above shows that the test is a sign of the closure of the value in the pre-demonetisation and post-demonetisation time of the chosen private and public banks registered in NSEs. The $p > 0.05$ is more important for Axis Bank, Baroda Bank, IDBI Bank, SBI Bank and Yes Bank, there is no huge link between the execution of the pre- and post-demonetization share costs in this way recognized invalid theory, while the p estimate is less than ($p < 0.05$), for Canara Bank, HDFC Bank, Kodak Mahindra Bank, ICICI Bank and Punjab National Bank, there is no critical link between the execution of the action and the National Bank of Punjab.

Table 11

Table with the closing price of the average values of the bank in the private sector and the public sector bank before and after demonetization.

Sector		Mean	N	SD	SD Error
private bank	meadow	9.1703	5	6353.95331	2841.57430
	send	8.8332	5	6214.40115	2779.16468
Public bank	meadow	2.7721	5	1384.37930	619.11324
	send	2.8461	5	1422.58887	636.20108

Source: Calculated on the basis of data obtained from NSE.

17) Interpretation

According to table 4.2.3 above, the average values of the closing share prices of the private sector bank and the public sector bank selected before and after demonetisation. The closing price of private sector banks fell after demonetization rather than pre-monetization. The public sector bank shows a moderate increase in the post-demonetization period by 10% compared to retro-demonetization.

Table 12

Table of tests importance of the difference in the value of the closing price of the private bank and the public sector bank during the period before and after demonetization.

Banking		T-test value	Significant value	interpretation
private bank	Before and after	4.78	.009	H1: Accepted
Public bank	Before and after	-1.707	.163	H1: Accepted

18) Interpretation

Extract from Table 4.2.4, significant test of the value of the closing prices of the private bank and the public sector bank. Although the average values show an increase in the share price of public sector banks relative to private sector banks, it was not statistically significant ($p > 0.05$).

5. Findings

1. Demonetization has helped to reduce black money, corruption and terrorism in India, because there are almost equal reactions to both options, that is, a little bit and yes.
2. Demonetization has had an effect on the liability of bank employees. We are all aware that the responsibility of the bank's employees has been considerably extended. They had to stay at work after 40 hours.
3. The share price of public sector banks has risen relative to that of private sector banks, but this has not been significant.

6. Suggestions

1. The new 500 and 2000 notes should have been printed and ready for distribution. The Rs 100 notes should have been put into circulation.
2. Cooperative banks should have been allowed to withdraw deposits and exchange banknotes.
3. To eliminate counterfeit currency, the government should have announced a deadline to exchange the currency (say 3 months).

7. Conclusion

At the end of this research, we can conclude that demonetization has helped to reduce black money and terrorism in India. People have had to face discomfort as a result of demonetization and they are not satisfied with it. This did not help the bank's employees. This study was carried out to analyze the demonetization effect on the share prices of certain banking sectors in India. The closing price of private sector banks fell after the demonetization period compared to public sector banks. The results therefore show that demonetization has a negative effect on private sector banks compared to public sector banks. The overall share price performance is higher in the public sector bank than in the private sector bank after demonetization.

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