

A STUDY ON DEMONETIZATION IMPACT ON BANKING SECTOR WITH REFERENCE TO CHANDIGARH CITY

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ABSTRACT

The main aim of this research is to know the effect of demonetization on the banking sector. This report includes the banking industries of various cities. For the report, I have taken into account 13 banks of various cities. A structured question bank was designed and the bank employees were asked to fill that. The questionnaire included issues related to online banking accounts, black money, Government's plans for post demonetization, as well as the individuals preference, for keeping money either at home or at bank. The result of the analysis indicated that 55% of the bank employees supported the positive impact of demonetization. Savings and current accounts were considered as the most highly accounts amongst all. It is believed by 52% of employees that cash form black money have been curbed by the authorities. 69% of the bank workers had a positive view about the customers behavior. By analysing the above stated areas we can strongly believe that, when compared with the last two demonetization, this one have given more positive results and can be termed as the most successful amongst the two, which possesses positive long term impacts. Thus, this paper can further be used for more research work as it contain data of Chandigarh city banks.

Key words- Online banking, Chandigarh, black money, banks, corruption, post demonetization effects.

INTRODUCTION

Concept of Demonetization

Demonetization can be termed as the act of putting end to the current currency notes in the market of the nation and exchanging it with the newly designed currency. Demonetization is mainly done by the government to put a full stop on corruption. It is not only concerned with currency but also include precious metals in it. The word Demonetization is derived from a French language “demonetiser” back to 1850-55. The main aim behind demonetization is to put an end to corruption, to end counterfeit. (Ghosh, Chandrasekhar, Patnaik, 2017)

Currency and to give a rest to the cash system. Growing economies like India, has to look for the solutions of the prevailing issues like this, in order to foster development. (Rajakumar and Shetty, 2016).

In the year 1982, Ghana, an African country, decided to demonetize their 50 cedi currency, the decision resulted into chaos as the decision was not perfectly implemented. Nations like Myanmar, North Korea and Zimbabwe has also taken up the decisions of demonetization. (Nag 2016, 18)

History of Demonetization in India

The first time currency ban was declared on January 12, 1946 by the reserve bank, removing the notes of 1000 and 10000 from the Indian economy. A new design was given to these notes and was reintroduced in the year 1954. It had note created much public inconvenience.

The second ban was announced on January 16th in the year of 1978 by Mr. R Janaki. A senior officer of the RBI. As per his orders notes of 10000, 5000 and 1000 were taken out of the market. A three day period was given to people, for getting their currency exchanged and around 73.1 crores were demonetized. (Knowledge@Wharton., 2016)

The third and the most recent ban was announced by BJP government led by Mr. Narendra Modi on November 8, 2016 the notes of 500 and 1000 were taken out of the market for the purpose of demonetization. Hospitals, airports, petrol pumps, accepted the notes till November 11,2016 as per the government orders. (Economics Survey 2016-17, National Informatics Centre (2016)).

LITERATURE REVIEW

Dr. N. Babitha Thimmaiah and Mr. Brijesh Singh in their reports studied the result of demonetization in terms of Won or Lost. In their study reports, both of them have very efficiently explained the concept of the cashless economy with the reference to woodford. In their reports they , very effectively have shown the impact of demonetization on the areas like, stock, cash rush

Market, agriculture, income tax, transportation, railways etc. Till the time there are no evidences of the black money holding in cash but results of various reports indicate that 8% of the black money in held up in the form of cash. . As per the Centre for Monitoring the Indian Economy, its is estimated that the transaction cost of demonetization till December 30th2016, is Rs. !.28 lakhs crore. The deputy governor of the reserve bank Mr. R. Gandh believes that 11.5 lakh crore has been deposited in the banks out of the 14.5 lakhs, which states that till the time 3 lakhs crore are unidentified.

In November 2016, Geeta Rani, had made a research paper showing the impacts of demonetization on the retail markets. in her analysis, she designed a question bank which was filled by around 50 shopkeepers of the area. The result of her survey is stated below. Shopkeepers stated that there was an increase of sales by 20% due to accepting the old notes, but after a certain period they had to switch to Paytm and the cheques, and also increased their credit period. Sales of chocolates, salty snacks, and biscuits decreased by 50%, 20% and 10% respectively. Gold sale was increased by 70 % on the other hand, sale of durable good fall by 70%. The concluding paragraph of her report stated that demonetization is tragic at present but will surely bear fruits of development in the long run, a shift can also be seen in the consumer behavior as people are moving towards cashless economy.

In December 2016 a research was conducted by Sherline T.I on Demonetization as a prelude to complete financial inclusion “.with the aim to understand the need of demonetization as a tool of financial inclusion. It mainly stands for providing the monetary services at a low cost to the low income groups of the society. According to the report of financial inclusion ca give a huge boost to the credit availability and to the saving habits of the individuals. The report assures that this will surely benefit the nation and its government in the long run. Demonetization would surely limit the cash transaction the real estate, which may lessen the Price of the areas which make it easily cheap, thus general public can easily afford it. Less transaction in the cash will surely help out in curbing the inflations as well.

In February, 2017 M. Angel Jasmine Shirley, in her research paper analyzed the Impact of Demonetization in India”. As per her report 50 stock exchanges had got a fall near about 6% on the next day itself, not only this, but the nation felt the shortage of cash in the economy. Lack of cash availability lead to decrease in the level of production which in turn lead to decrease of sales. Demonetization effect the overall trade badly. Due to shortage of cash and resources the export and import of the nation was very badly affected. A major impact was seen on the areas such as real estate, fishing , farming, jewellery, bank deposits , It sector etc. it was a good

initiative to capture the black money but it has been felt that the majority of the black money resides in the form of gold, land , real estate etc. people were exposed o much of risk and tensions due to improper implementations of the plans, a lot of time was wasted in standing in lines to get their notes exchanged. Loopholes are to be mended to put these nation on the path of development.

In December 2016, Chabi Gupta analysed the working of payment banks and demonetization. Payment banks can be defined as a niche banking system designed by the reserve bank of the country, providing small saving account and payment facilities to household and small business. After thus, she has over the overall impact of the demonetization move. As per the report by the RBI 500 notes amounted to Rs. 16415 billion and amounted to 47.8% in value where as 1000 notes were 38.6% in value. Many banks are aiming to design a contact less debit and credit card system, allowing customers to use cards, without swiping it.



RESEARCH METHODOLOGY

Research methodology can be defined as the process of gathering the data and information with the aim of doing the research work. It can also include various techniques such as research objectives, methods of sampling and many more. It is one of the major aspect of the research work.

Objective of the Study

The basic aim of the researcher is to design a set of clear, understandable objectives of the research. I have designed the following set of goals

- I. To understand the positive as well as negative impacts of demonetization
- II. A clear eye is kept on the accounts which were highly effected due to demonetization.
- III. To check the level of awareness, among the customer, about online banking.

Research Design

Research design includes the overall plan taken up by the analyst where by all the components relating to the study are structured in a logical and a convenient way. It not only presents the problem effectively , but also constitute the data in an arranged form

I have used descriptive research method, to analyse the effect of demonetization in the nation. Descriptive method is very efficient in stating the data, which has been analyzed through the research. An

Sample Design

If the analyst is considering the total population for the research work, it will consume lots of time and can still lead to an error. So it is quite convenient to draw sample in the population. Sampling can be defined as the art of drawing the samples from the population. In this report focus was on the Chandigarh city for the population sample, selecting 100 to be the sample size. 13 selected bank of Chandigarh were the respondent of the survey.

Data Collection

One of the most essential part of any research is data collection. It can be done in two ways- primary data collection and secondary data collection. Primary data was collected for this research work. Questioner was prepared which was personally given to the respondents, who were employees and information was collected from them.

DATA INTERPRETATION

1. Do you think Demonetization is having a positive impact over banking sector?

Interpretation:

By analyzing the data, it was ascertained that, 55% of the employees have supported that demonetization had a positive impact on the banking sector. Where about only 9-10 % of the employees were seeing some sort of bad effects and showed disagreement. Demonetization brought cashless system and it had encouraged the bank staff and made their work easy with more efficiency. The main reason to go cashless was the ease in performing the financial transactions.

2. There is an impact on online banking due to demonetization.

Interpretation:

The employees said that most of the people are now a day's using mobile applications to do the banking activities. 51% of the employees had a positive response about the effect of demonetization on the online banking sector. The application named "M connect plus" is being effectively used by the customers to do online money transfer. Cashless transactions provide benefits for online banking as users save their time and efforts to come to bank personally for their day to day bank transactions.

3. Do you think Government has not prepared enough for the post demonetization situation?

Answer

After analyzing the whole process of demonetization a mixed opinion was developed about the preparations of the government. Some of the employees favored the governments' steps, while others had a completely opposite view. As demonetization occur within a short span of time without giving time to react as it was a secret disclosure, so it leads to mismanagement among bank employees. They had to work day night to maintain the transactions and providing service to their customers to exchange their old notes. This made post demonetization a little difficult for bank employees to react as they were not well prepared enough to tackle it.

FINDINGS

Few more questions were asked, and their answers are stated below

1. The most effected account of the bank: 30% of the employees felt that it's the cash deposit and withdrawal account where 35% of the employees considered saving account as the most effected one. 7% 20 % and 8% were given to other account, current account and loan account respectively.

2.52% of the employees marked demonetization as a tool for curbing the level the level of black money. The rest had a view that black money is not only in cash form but is mainly stored in precious metals, such as gold silver, in real estates and in many more ways. If talking about black money in the form of cash, then demonetization has acted like a good tool for curbing the level of black money in the economy.

3. When asked about individuals preferences of keeping money either at home or at bank, 69% of the employees stated that after demonetization mostly people are saving money in the banks. An eye opener fact is that, many ladies are developing interest in the bank's working and are eager to learn about the various functions of the banks.

LIMITATION OF THE STUDY

Research suffers from the following limitations.

- I. The research include on the Chandigarh city, which may not efficient to study the complete effect of demonetization on the overall banking system
- II. As it is a recent topic, not much research papers are their for the purpose of references.
- III. Some of the respondents didn't respond to the questions carefully.
- IV. Demonetization is a huge concept in itself, 100 respondents won't preview the complete picture.

CONCLUSION

By analysing the report, I strongly believe that the recent demonetization can be termed as the most successful one amongst the two. People have developed a taste towards online banking and bank employees are doing best to foster their needs. Though we have not taken captured the whole black money, but surely we have instilled fear in the minds of people for it. it was the need of the hour to work against black money, and government tackled it very well through demonetization.

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