

A STUDY ON IMPACT OF DEMONETIZATION OVER THE BANKING SECTOR WITH REFERENCE TO SINDHANUR CITY

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Abstract: The objective of this study is to investigate about the impact of the demonetization over the banking sector. The study covers the banking sectors of specially sindhanur city. For the study I had selected total 14 banks of sindhanur city. Further for the study aspect I had chosen the structured questioner, which was filled up by bank employees. To grab the knowledge I asked them questions related to the black money, online banking, accounts of banks which highly affected, Government's preparation for post demonetization situation as well as customer's preference to keep money either at home or bank. By analysing the data collected almost 60% employees agreed with the view of positive impact of demonetization. Highly affected accounts were saving a/c and current account. Almost 54% employees had opinion that customers are moving towards online banking. 60% employees said black money which is in form of cash has been curbed by government. 49% employees were positive about customer behaviour on keeping money at bank. By seeing all areas mentioned above I can say that as compare to previous two demonetization, this one is successful. Still as compare to short terms, more positive impacts can be seen in long term. Though this paper is only having data of sindhanur city banks it can be used for further analysis in this area.

KEY WORDS: Corruption, banks, black money, post demonetization effect, online banking, sindhanur

I. INTRODUCTION

1.1 Concept of Demonetization:

Demonetization is the act of removing the current currency from the economy and replacing it with the new one. It is the step taken up by the Government generally with the motive of removal of corruption. Moreover it is the act of depriving of value of currency for official payment. It does not only include the currency but also include the precious metals. Originally Demonetization is the French word "demonetiser" dating back to 1850-55.

The reasons for the Demonetization are. To fight with inflation, to beat the corruption, to remove counterfeit currency and to discourage the cash system. Developing country like India has to find the solution of problems like this for betterment of country.

In 1982, Ghana took the decision to demonetize their 50 cedi currency. Which created chaos and the decision was not well comed. Afterwards Nigeria (in 1984), Myanmar (in 1987) , Soviet Union(1991) , North korea and Zimbabwe had also took this type of decision in past.

1.2 HISTORY OF DEMONETIZATION IN INDIA:

It is not the first time in history, that government has taken this kind of step. It has been happen twice in the past. The first currency ban was announced as on 12th January, 1946(Saturday) by RBI headquarter. At that time currency notes of 1000 and 10,000 were totally removed from economy. Both the notes were re-introduced in year 1954. At that time people had given 10 days time period to exchange the notes. Further that was extended to 15 days more where by people has to give reasons why they had not exchanged it in previous 10days. It had not created much effect at that time. By the end of 1947 out of Rs.143.97 crores, notes of only Rs. 134.9 crores were exchanged. Thus notes worth Rs. 9.07 were perhaps "Demonetised".

The second currency ban was made on 16th January, 1978(Monday), announced by R. Janaki Raman a senior official of RBI, and at the time of Morarji Desai led Janata party. At that time currency ban was taken 1000, 5000 and 10,000 out of circulation. That time the people had given only 3 days to exchange the notes. This time around 73.1 crore was demonetised.

Finally the 3rd, the most recent demonetization had been announced as on 8th November, 2016 by Prime Minister Narendra Modi. This time the currency of 500 and 1000 notes are demonetized from economy. The Government has instructed the hospitals, petrol pumps, airports etc to accept the old denomination notes till 11th November, 2016.

II. RESEARCH METHODOLOGY:

Research methodology is the activity of collecting the information and data, with the intention of doing the research. Methodology may include different tools like research objective, sampling, sampling methods etc. It is a broad area which covers the most aspects of research.

2.1 OBJECTIVE OF THE STUDY:

The key role of the researcher is to set the clear, unambiguous objectives of the study which may prove helpful for the understanding the study. By keeping in mind this fact I had set the following goals.

- i) To understand the effect of demonetization in terms of positive or negative.
- ii) To identify those accounts which are highly affected due to demonetization.
- iii) To check the awareness of online banking among consumers
- iv) To understand about people's attitude for keeping the money either at home or at bank.

2.2 RESEARCH DESIGN:

Research design states the overall strategy adopted by the researcher where by overall components of the study are set out in the logical way. That effectively presents the problem of the study moreover it constitute the collection, measurement and analysis of the data in the systematic way.

For the study of impact of demonetization I had used descriptive research method. Motive behind choosing this tool is that this method is useful in describing the data that analysed through study. Moreover descriptive study can provide you the overall knowledge about the specific sector in an analytical way.

2.3 SAMPLE DESIGN:

If researcher is going through the total population for the research then it may take the huge amount of time. So it is convenient to take the sample from the population. Sampling is the tool of selecting the sample from population. Research done over here is by using the Convenient Sampling Method. For the research purpose I had focused over Sindhanur city as the population. Of which 100 sample size has been selected. Respondents are the employees of the 13 selected bank of sindhanur.

III. DATA COLLECTION:

Data collection is the most important part of any of the research. Generally primary as well as secondary ways are available for data collection. For this study primary data collection has been used. For that Questioner method has been used by me. Where in I personally approached the respondents with the view to gather the information from them.

3.1 DATA INTERPRETATION:

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

- A] Highly agree B] Agree C] Neutral
 D] Disagree E] Highly disagree

In response of this question, bank employees had given following responses.

Sr. no	Options	No. Of responses
1	Highly agree	15
2	Agree	40
3	Neutral	28
4	Disagree	07
5	Highly disagree	10
Total		100



Fig 3.1: RESPONSE REGARDING POSITIVE IMPACT

Interpretation:By seeing the data, I can say that 55% employees are agree with the statement i.e. Positive impact of demonetization over banking sector. Whereas only 9% and 10% employees are seeing negativity in this step by giving the opinion respectively highly disagree and disagree.

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

Sr. no	Options	No. Of responses
1	Highly agree	18
2	Agree	33
3	Neutral	30
4	Disagree	9
5	Highly disagree	10
Total		100

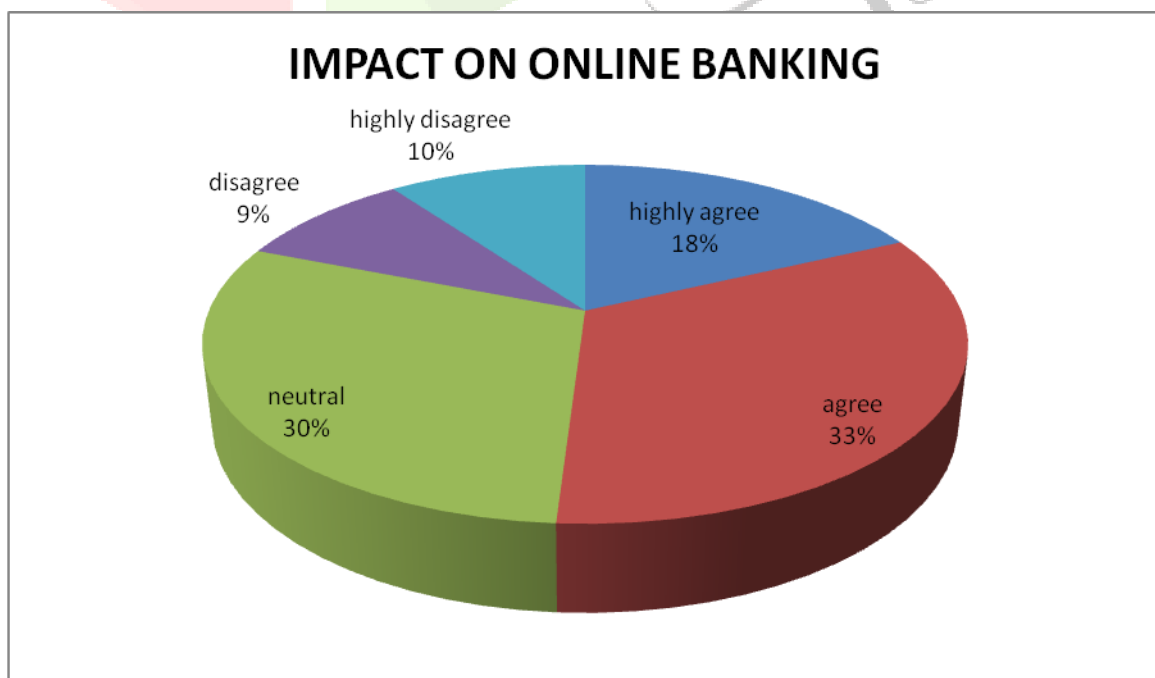


FIG 3.2: IMPACT ON ONLINE BANKING

Interpretation:

51% employees had positive opinion about the impact on online banking. Moreover the employees who were agree or highly agree with increased use of online banking, had given reason that customers are using the mobile app also now to pay money. One of the BOB employees gave the name of the application i.e. "M connect plus"

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

Sr. no	Options	No. Of responses
1	Highly agree	20
2	Agree	15
3	Neutral	20
4	Disagree	25
5	Highly disagree	20
Total		100

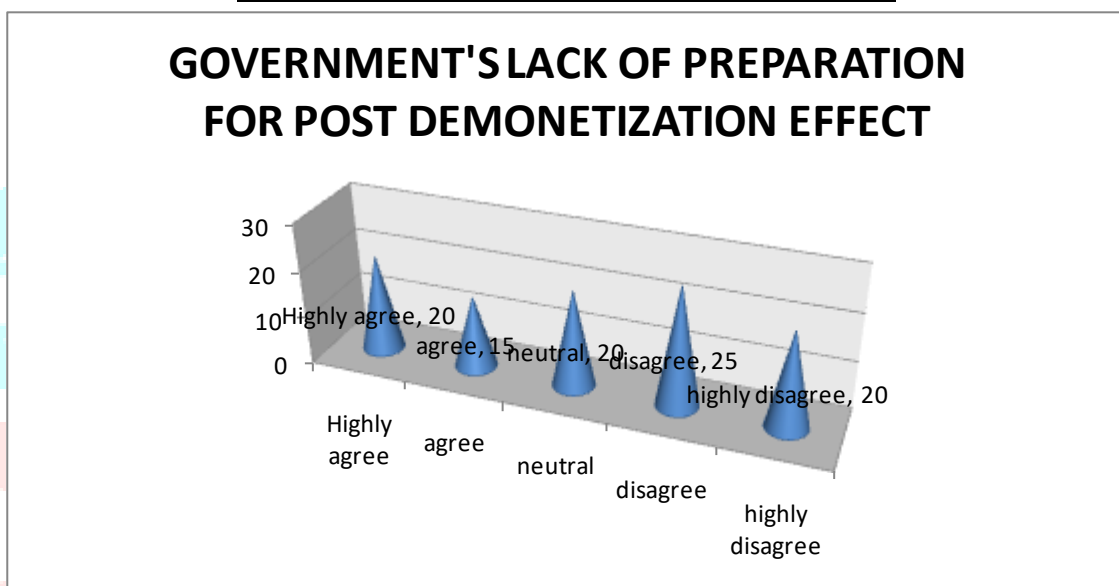


Fig 3.2 : Government's Lack Of Preparation For Post Demonetization Effect

Interpretation:

From the above graphical presentation I can say that there is a mixed opinion about the preparation of Government for the post demonetization. Some of the employees said government done whatever was required. Where as some had opposite opinion of it.

3.2 FINDINGS:

I had asked some more questions to the employees, which gave me some more findings mentioned below.

1. In a question where I asked them about highest impacted a/c of bank. 15% employees had high agree opinion about the savings a/c, 40% had agree about cash deposit and withdrawal a/c and 28% neutral, 7% disagree and 10% highly disagree respectively for Current a/c, cash credit a/c and other a/c which includes loan a/c.
2. More over in a question of opinion for „Demonetization- a tool for curbing the black money”. Almost 52% employees said Yes, demonetization is a good tool for curbing black money. Some of them had explained that Black money is not only in form of cash. It may be in form of property, gold, land etc. If we are purely talking about black money in form of cash, then it may be a good tool.
3. Further I asked about people's behaviour either to keep money at home or bank. Almost 69% employees said that gradually people are now moving towards banks. Further they said so many ladies are there. Who came first time to bank and seen the work of bank and learned cash deposit and all other regular tasks.

3.3 LIMITATION OF THE STUDY:

Despite of having a complete analysis of the topic, this research is having some of the limitation. Those are as follows.

- i) This study covers only few banks of the Sindhanur city, which may not provide the complete picture of the effect of demonetization over banking sector.
- ii) Moreover demonetization is the very latest topic to study, due to that not enough research papers are available in this sector to study.
- iii) Some respondents didn't show the interest to fill the questioner.
- iv) Moreover this topic requires a very depth research whereas here only 100 respondents have taken so it may not enough for this study.

IV. CONCLUSION:

By seeing the data collected over here, I can say that, this time demonetization has proven somehow more successful as compare to previous two. Wind has been change. People became more conscious about online banking. Bank employees had work continuously without taking day off. Their co-operation matters a lot. Though total black money had not been grabbed by this tool, this tool proves fruitful for at least creating fear in the minds of black money holders. It was compulsory for the Government to take some steps like demonetization to decrease corruption, terrorism, black money etc.

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