

# COMPARATIVE ANALYSIS OF FINANCIAL INVESTMENT PATTERN PRE AND POST DEMONETIZATION IN DELHI REGION

Manisha Kaushal Arora

Assistant Professor, Gitarattan International Business School, Rohini, Delhi.

## ABSTRACT

*This paper seeks to study the impact of demonetization on the behaviour pattern of the people. Demonetisation has reduced the informal economy. With the increased use of digital payments, economic transactions become recorded. Along with the highly digital documented GST, India's informal sector is getting absorbed into the formal economy. One of the welcome turnaround in the demonetisation program was the inseparable link between demonetisation and digitalization of transactions. Inarguably, demonetization encouraged people to embrace digital methods. Demonetization has inaugurated the march towards cashless society with a bang. Popularization of digital payment methods, instruments and institutions prove that demonetisation has facilitated digital transactions. Demonetization has lured people to invest more. Investment in terms of financial context, means any money that is spent today in the hope of financial benefits that may be reaped in a future time frame. Any investment is the act of buying or creating assets with an expectation that the same would yield interest earnings or dividend or capital appreciation or any other return that is profitable as compared to the money put in initially. Almost all investments are differentiated from other kinds of transactions based on the aim of the money spent. Money spent on making investments is primarily with the aim of obtaining some sort of return in a specific period of time.*

**Key words: Debentures, Demonetization, Equity, Mutual funds, Post demonetization, Pre demonetization, Real Estates**

## INTRODUCTION

Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit. At the stroke of the hour on midnight of 9th November 2016, India lost 86% of its monetary base. The print, electronic and social media has been praising Prime Minister's masterstroke by which he has reportedly destroyed the base of corruption in India. In this single move, the Government has attempted to tackle all the three issues affecting the economy i.e. a parallel economy, counterfeit currency in circulation and terror financing. There is no doubt that Prime Minister has pulled out a major coup and substantially enhanced his reputation as a strong leader.

The first instance was in 1946 and the second in 1978 when an ordinance was promulgated to phase out notes with denomination of Rs1,000, Rs5,000 and Rs10,000. The highest denomination note ever printed by the Reserve Bank of India was the Rs.10,000 note in 1938 and again in 1954. But these notes were demonetised in January 1946 and again in January 1978, according to RBI data.

The Economic Survey rightly called demonetization as a regime shift. Following are the main impacts of demonetization if we make retrospective analysis.

- (i) Demonetization has strengthened tax administrative measures against black money, the prime objective was fighting black money. It has fortified the tax administrators' tools, interventions and interactions with the tax payers by producing greater compliance. Here, the initiative has tackled black money both direct and indirect ways.
- (ii) Demonetisation has boosted digital payments: One of the welcome turnaround in the demonetisation program was the inseparable link between demonetisation and digitalization of transactions. Inarguably, demonetization encouraged people to embrace digital methods. Though its pace is slow as there are several hindrances which certainly are getting reduced, demonetization has inaugurated the march towards cashless society with a bang. Popularization of digital

payment methods, instruments and institutions prove that demonetisation has facilitated digital transactions. Point of Sale machines and use of card-based payments are very popular now compared to the pre-demonetisation period. Among the more sophisticated groups, online payments have become common.

- (iii) Demonetisation has reduced the informal economy: With the increased use of digital payments, economic transactions become recorded. Along with the highly digital documented GST, India's informal sector is getting absorbed into the formal economy.

Investment in terms of financial context means any money that is spent today in the hope of financial benefits that may be reaped in a future time frame. Any investment is the act of buying or creating assets with an expectation that the same would yield interest earnings or dividend or capital appreciation or any other return that is profitable as compared to the money put in initially. Almost all investments are differentiated from other kinds of transactions based on the aim of the money spent. Money spent on making investments is primarily with the aim of obtaining some sort of return in a specific period of time.

A lot of times people confuse savings with investments. Savings and investment are different from each other in their approach of utilizing the money involved. While saving may be understood as a passive way of accumulating wealth, investment can be seen as a more aggressive way of securing returns. Mostly, under savings, customers avail a savings account and stash away cash in that account. This cash can be used as and when required by the account holder. The various investment options can be stock, bonds, mutual funds, insurance, real estates, equity shares, debentures etc.

## LITERATURE REVIEW

Chaurasia (2017) studied the impact of demonetization on Indian investor's investment preferences and attitudes. It concluded that there is significant relationship between demographic characteristics of gender, occupation and income on impact of demonetization on the investor investment portfolio value. However, no significant relationship has been deduced between age and impact of demonetization on the investment value.

Bhattacharya (2017) studied that demonetization of economy is a splendid idea to revive the economy which is driven by jobless growth. From 1971 to 2000 six countries go to demonetized their economy, viz. North Korea, Myanmar, Soviet Union, Nigeria, Zimbabwe and Ghana. The result of demonetization in case of these countries was not a pleasant one.

Kumar (2017), concluded demonetization of the highest denomination note undertaken by the government is a big shock to the Indian. Alternative payment methods, such as e-wallets, online transactions using e-banking, debit and credit card usage have been increased and this will shift an efficient cashless infrastructure.

Kansal et al. (2017) concluded assuring that the negative impact of demonetization on the economy is limited in size and duration, they concluded with great confidence that the demonetization exercise is a gallant decision taken, for achieving the great vision of new India.

Gupta et al. (2017) concluded that Savings & Investments are most of the major issues of each and every person whether professionals, businessmen, govt., financial institution and non-financial institution.

Panchal et al. (2017) concentrated on demonetization and its impact on financial markets- capital market and money market which includes mutual fund, life insurance, NBFC, foreign currency, stock index and stock prices; bank's credit growth, interest rates, payments methods, role of cooperative banks, negative involvement of Jan-dhan accounts before, during and after demonetization. This study concluded that that demonetization is having more positive impacts than the negative impacts.

Anupama (2017) studied about how far Governments objectives have been fulfilled, whether it has served the purpose with which it has been implemented. Opinion of many Banks' higher officials has been included to understand whether this move yields positive responses and its impact on economic growth. Demonetisation would be positive for sectors like banking and infrastructure in the medium to long term and could be negative for sectors like consumer durables, luxury items, jewellery, real estate and allied sectors, in the near to medium term. Thus, demonetisation is not an unmixed blessing but merits are more than demerits and the economy will move forward with less cash holdings by banks.

Kumar et al. (2017) concluded that the aim of demonstration was to curb the black money, corruption and terrorism. On the basis of empirical results we can conclude that the cash dependent and consumption based sectors have been negatively impacted, on the other hand the financial sectors are the biggest beneficiaries.

Manikandan et al. (2017) concluded that in India, usually all investment avenues are assessed risky by the investors. The main features of investments are security of principal amount, liquidity, income stability, approval and easy transferability.

Dhara K (2017) concluded by seeing the data collected over here, 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.

Singh (2017) Demonetization, is a bold decision that paves the way towards elimination of involvement of Black money and the cash transaction dealing in real estate sector.

Singh et al. (2016) in their study concludes India has amongst the highest level of currencies in circulation at 12.1% of GDP. If the money disappears, as some hoarders would not like to be seen with their cash pile, the economy will not benefit. On the other hand if the money finds its way in the economy it could have a meaningful impact.

Shukla (2016) concluded Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Savings are invested in assets depending on person's knowledge of different investment options, risk taking ability and demand of return. Analysis has been made about investor's preference towards investment avenues & the study focused on the salaried personnel only.

Sree (2015) concluded investment culture is an essential key for capital structuring and the speedier development of an economy among the populace of a nation. Indian investors even if they are of high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant

## **OBJECTIVE**

To compare financial investment pattern of investors in pre and post demonetization era.

## **HYPOTHESES OF THE STUDY**

- H<sub>1</sub>:** There is significant change in investment in equity shares in pre and post demonetization.
- H<sub>2</sub>:** There is significant change in investment in bank deposits shares in pre and post demonetization.
- H<sub>3</sub>:** There is significant change in investment in life insurance shares in pre and post demonetization. .
- H<sub>4</sub>:** There is significant change in investment in mutual funds policy shares in pre and post demonetization.
- H<sub>5</sub>:** There is significant change in investment in real estate shares in pre and post demonetization.

## **RESEARCH METHODOLOGY**

### **Methods of data collection**

The structured questionnaire method was used for collecting the primary data to test the research model. The questionnaire was administered by meeting the respondents on one-to-one and were asked to rank the 5 investment (Equity, Life insurance, Bank deposits, Real estate and Mutual Funds) according to their preference on 1 to 5 scale. A total of 150 completed questionnaires were received from the respondents in Delhi and NCR region.

### **Methods used for data analysis**

Chi-square is used to analyse the comparison between financial investment pattern of pre and post demonetization in Delhi region. It was applied with the help of statistical package i.e. SPSS.

## **DATA ANALYSIS AND INTERPRETATION**

Table 1 depicts the demographic profile of the respondents on the basis of gender, age, marital status, educational background occupation, and monthly income.

Table1: Demographic Profile

<b>Gender Distribution</b>	
Male	61.3%
Female	38.7%
<b>Age Group</b>	
20 years – 40 years	46.7%
40 years – 60 years	40.7%
Above 60 years	12.7%
<b>Marital Status</b>	
Single	46.7%
Married	53.3%
<b>Education Background</b>	
School Education	8.7%
College Education	64%
Professional	27.3%
<b>Occupation</b>	
Salaried	49.3%
Professional	33.3%
Business	17.3%
<b>Monthly Income (Rs)</b>	
Below 20,000	6.7%
20,000 – 40,000	28%
Above 40,000	65.3%

Comparative Analysis of financial investment pattern in Equity pre and post demonetization

**Table 2: Equity Pre Demonetization**

	Observed N	Expected N	Residual
1.00	11	30.0	-19.0
2.00	26	30.0	-4.0
3.00	57	30.0	27.0
4.00	41	30.0	11.0
5.00	15	30.0	-15.0
Total	150		

**Table 3: Equity Post Demonetization**

	Observed N	Expected N	Residual
1.00	10	30.0	-20.0
2.00	15	30.0	-15.0
3.00	30	30.0	.0
4.00	55	30.0	25.0
5.00	40	30.0	10.0
Total	150		

**Table No4: Chi Test Statistics**

	Equity pre	Equity post
<b>Chi-Square</b>	48.400	45.000
<b>df</b>	4	4
<b>Sig.</b>	.000	.000

Significance value @ 5%.

There is a comparison between pre and post demonetization. The significance value is 0.000 which is lesser than 0.05, therefore alternate hypothesis  $H_1$  is accepted. Hence it is concluded that there is significant difference in the investment pattern of equities in pre and post demonetization.

#### **Comparative analysis of financial investment patter in Bank Deposits Pre and Post Demonetization**

**Table 5: Bank Deposits Pre Demonetization**

	Observed N	Expected N	Residual
1.00	7	30.0	-23.0
2.00	23	30.0	-7.0
3.00	52	30.0	22.0
4.00	45	30.0	15.0
5.00	23	30.0	-7.0
Total	150		

**Table 6: Bank Deposits Post Demonetization**

	Observed N	Expected N	Residual
1.00	10	30.0	-20.0
2.00	14	30.0	-16.0
3.00	35	30.0	5.0
4.00	46	30.0	16.0
5.00	45	30.0	15.0
Total	150		

**Table 7: Chi Test Statistics**

	Bank Deposit Pre	Bank Deposit post
<b>Chi-Square</b>	44.533	38.733
<b>df</b>	4	4
<b>Sig.</b>	.000	.000

Significance value @ 5%.

The significance value is 0.000 which is less than 0.05, therefore alternate hypothesis  $H_2$  is accepted. It is concluded that there is significant difference in the investment pattern of bank deposits pre and post demonetization.

**Comparative analysis of financial investment patter in Life Insurance Pre and Post Demonetization.**

**Table 8: Life Insurance Pre Demonetization**

	Observed N	Expected N	Residual
1.00	21	30.0	-9.0
2.00	41	30.0	11.0
3.00	47	30.0	17.0
4.00	31	30.0	1.0
5.00	10	30.0	-20.0
Total	150		

**Table 9: Life Insurance Post Demonetization**

	Observed N	Expected N	Residual
1.00	6	30.0	-24.0
2.00	16	30.0	-14.0
3.00	46	30.0	16.0
4.00	40	30.0	10.0
5.00	42	30.0	12.0
Total	150		

**Table 10: Chi Test Statistics**

	Life Insurance pre	Life Insurance post
<b>Chi-Square</b>	29.733 <sup>a</sup>	42.400 <sup>a</sup>
<b>Df</b>	4	4
<b>Sig.</b>	.000	.000

Significance value @ 5%.

The significance value is 0.000 which is lesser than 0.05, therefore alternate hypothesis  $H_3$  is accepted. Hence it is concluded that there is significant difference in the investment pattern of life insurance in pre and post demonetization.

#### **Comparative analysis of financial investment patter in Mutual Funds Pre and Post Demonetization**

**Table 11: Mutual Fund Pre Demonetization**

	Observed N	Expected N	Residual
1.00	9	30.0	-21.0
2.00	35	30.0	5.0
3.00	51	30.0	21.0
4.00	42	30.0	12.0
5.00	13	30.0	-17.0
Total	150		

**Table 12: Mutual Fund Post Demonetization**

	Observed N	Expected N	Residual
1.00	10	30.0	-20.0
2.00	10	30.0	-20.0
3.00	28	30.0	-2.0
4.00	51	30.0	21.0
5.00	51	30.0	21.0
Total	150		

**Table 13: Chi Test Statistics**

	Mutual Fund Pre	Mutual Fund post
<b>Chi-Square</b>	44.667 <sup>a</sup>	56.200 <sup>a</sup>
<b>Df</b>	4	4
<b>Sig.</b>	.000	.000

Significance value @ 5%.

The significance value is 0.000 which is lesser than 0.05, therefore alternate hypothesis  $H_4$  is accepted. Hence it is concluded that there is significant difference in the investment pattern of mutual funds in pre and post demonetization.

#### **Comparative analysis of financial investment patter in Real Estate Pre and Post Demonetization**



Table 14: Real Estate Pre Demonetization

	Observed N	Expected N	Residual
1.00	15	30.0	-15.0
2.00	27	30.0	-3.0
3.00	48	30.0	18.0
4.00	40	30.0	10.0
5.00	20	30.0	-10.0
Total	150		

Table 15: Real Estate Post Demonetization

	Observed N	Expected N	Residual
1.00	39	30.0	9.0
2.00	39	30.0	9.0
3.00	44	30.0	14.0
4.00	24	30.0	-6.0
5.00	4	30.0	-26.0
Total	150		

Table 16: Chi Test Statistics

	Real Estate pre	Real Estate post
<b>Chi-Square</b>	25.267 <sup>a</sup>	35.667 <sup>a</sup>
<b>Df</b>	4	4
<b>Sig.</b>	.000	.000

Significance value @ 5%.

The significance value is 0.000 which is less than 0.05, therefore alternate hypothesis  $H_5$  is accepted. Hence it is concluded that there is significant difference in the investment pattern of real estate.

## FINDINGS

As per the research has been conducted to analyse the change in financial investment pattern pre and post demonetization and the outcomes are-

- Demonetization has a great impact on the economy as well financial investment pattern of the investors.
- There is a huge impact of demonetization on financial investment options like equity, bank deposits, Mutual funds, real estate and life insurance.
- Demonetization has a very negative impact on the organisation for the short period of the time and it is expected that it might be very useful for economy for long run.

As per the study there are more males who are taking interest in investing as compare to females. The respondents who are married are taking more initiatives to invest in different financial instruments as compare to single respondents.

Demonetization has a great impact on our Indian economy. Some of positive impact are it really helped in improving banking system, digitalisation has also increased, reduction in government liability has also occurred. Some of negative impacts are also there which are like demonetization has a negative impact on our GDP, impacted many of the sectors high proportion of cash transactions.

## SUGGESTIONS AND RECOMMENDATIONS

The following suggestions are aimed at improving investment in financial market. Deep study of demonetization is restricted as it's been only one year when demonetization in India.

- (a) As per the analysis there is continuous downfall in real estate after demonetization, the investors should invest in pension fund from where they can get returns and can make investment in such and get benefits in future.
- (b) According to the analysis there is no significance change in bank deposits, bank should increase the interest rate on saving account or fixed deposits which would attract the customer to deposit money in banks.
- (c) With the increase in deposits the banks will have more money to lend money and this would also help in development of our economy.

There are possibilities that demonetization will bring a huge growth in the economy.

## REFERENCES

- (a) Singh, Partap, and Virender Singh. "Impact of demonetization on Indian economy." 3rd International Conference on Recent Innovation in Science, Technology, Management and Environment. 2016.
- (b) Chaurasia, Pratibha. "Study of Effect of Demonetization on Indian Investors." (2017).
- (c) Kansal, Ms Yogita, and Radhakumari Challa. "THE "SIR" IMPACT OF DEMONETIZATION-MEASURE OF LONG-TERM GROWTH WITH STATISTICAL EVIDENCE."
- (d) Veerakumar, K. "A study on people impact on demonetization." International Journal of Interdisciplinary Research in Arts and Humanities 2.1 (2017): 9-12.
- (e) Sherline, T. I. "Demonetisation as a prelude to complete financial inclusion." International Education and Research Journal 2.12 (2016).
- (f) Sree Geetha "Study on investment pattern of the investors in India" Vol.1, issue 1, 2015, pp 18-26.
- (g) Muthumeenakshi, M. "Perception of investors towards the investment pattern on different investment avenues-a review." The Journal of Internet Banking and Commerce (2017): 1-15.
- (h) Shukla, Neha S. "Investor's preference towards investment avenues with special reference to salaried personnel in north Gujarat region." IJSART 2.1 (2016): 43-49.
- (i) Goutam Bhattacharya, Demonetization and After- Shocks in Indian Economy. INDIAN JOURNAL OF APPLIED RESEARCH: Volume -7 | Issue -5| May- 2017.00
- (j) Abhani Dhara K(2017) " A STUDY ON IMPACT OF DEMONETIZATION OVER THE BANKING SECTOR WITH REFERENCE TO VERAVAL CITY". International Journal of Marketing & Financial Management, ISSN: 2348-3954 (online) ISSN: 2349-2546(print), Volume 5, (Issue 3, mar-2017), pp 21-26.
- (k) Panchal, Nilam, and Minakshi Singla. "Impact Factor: 4. 695 Peer Reviewed & Indexed Journal."
- (l) Dubey, Sitaram Pandey, Dr. Devesh Kumar, "DEMONETIZATION ANNOUNCEMENT EFFECT-A CASE STUDY ON INDIAN STOCK MARKET", EPRA International Journal of Economic and Business Review, ISSN: 2347-9671 (online) ISSN: 2349-0187 (print), Volume -5, (issue 10, oct-2017), pp 148-153.

- (m) Anupama J “Impact of demonetization on Banking – A Conceptual Study”, SSRG International Journal of Economics and Management Studies, ISSN: 2393-9125Apr 2017, pp 38-45.
- (n) Gupta Swati And Chawda R Deepa, “ CHANGE IN THE SAVINGS & INVESTMENT PATTERN AS AN IMPACT OF CURRENCY DEMONETIZATION- A STUDY” International journal for Administration in Management, commerce and economics, ISSN 2347-9558, Issue 9 vol. 1, pp 60-68.
- (o) Singh Kumar Rajeev “A STUDY OF IMPACT OF DEMONETIZATION ON REAL ESTATE” 3rd International conference on Emerging Trends in Engineering, Technology, Science and Management, June 2017, pp 233-239.
- (p) Kumar Siva R., Robert William P., Rao Rageswara Bala CH., “A STUDY ON THE IMPACT OF DEMONIZATION ON BOMBAY STOCK EXCHANGE” vol. 3, Issue 5 2017.

