



A Multidisciplinary Indexed International Research Journal

ISSN: 23203714

Volume: IX



ADHYAYAN
INTERNATIONAL
RESEARCH
ORGANISATION

**“Emerging Issues and Challenges in Banking and Financial Services on Indian economy -
Post Demonetization”**

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Services on Indian economy - Post Demonetization”**

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ABSTRACT

On 8 November 2016, the Government of India announced the demonetization of all 500 (US\$7.40) and 1,000 (US\$15) paper money of the Mahatma Gandhi Series. The government claimed that the action would stop the shadow process of people making, selling, and buying things and crack down on the use of illegal and make fake money or goods cash to fund illegal activity and terrorism. The sudden nature of the announcement and the lengthy cash shortages in the weeks that followed has created significant disruption throughout the process of people making, selling, and buying things, threatening money-based output. The move was heavily criticized as poorly planned and unfair, and was met with protests, lawsuits, and strikes.

The purpose of this paper is to describe the changes that are happening in Indian Banking and related to managing money part as a effect of demonetization. In trying to ask lots of questions try to find the truth about factors which may account for never before seen change, this study raises the pro's and con's of currency demonetization in different related to managing money and Banking areas. Data were collected through surveys that were mailed out to no. of people who were part of a study, etc. in Hyderabad. People who were part of a study, etc. in the study completed the survey without revealing his/her name and filled out a separate permission-related form. Receivers who choose not to participate were asked to simply return the material. People who responded have appointments in a variety of departments, including Banking, Finance, Capital markets and Insurance areas. People who responded were from variety of related to managing money Institutions from both private and public institutions, the majority being research oriented. To protect the not knowing or telling someone's name of the people who responded, we are unable to list the institutions here or to further identify them. Secondary Data is collected from Internet and Newspapers.

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With the centre's decision to throw out old currency notes of Rs 500 and Rs 1,000 on November 8, 2016, the related to managing money area is now supporting structure itself to deal with the move's effect. Experts say that it is a good move as it will bring more formal money in the related to managing money part.

I. INTRODUCTION :

Demonetization for us means that Reserve Bank of India has withdrawn the old Rs 500 and Rs 1000 notes as an official mode of payment. Demonetization is the act of stripping a currency unit of its status as legal tender. On 28 October 2016, the total currency in circulation in India was Rs. 17.77 lakh crore (US\$260 billion). In terms of value, the once-a-year report of Reserve Bank of India of 31 March 2016 stated that total bank notes in circulation valued to Rs.16.42 lakh crore (US\$240 billion) of which nearly 86% (i.e. Rs. 14.18 lakh crore (US\$210 billion)) was 500 and 1000 rupee notes. In terms of book, the report stated that 24% (i.e. 2,203 crore) of the total 9,026.6 crore paper money were in circulation

In an important move, the Government of India declared that the five hundred and one thousand rupee notes will no longer be legal tender from midnight, 8th November 2016. The RBI will issue Two

thousand rupee notes and new notes of Five hundred rupees which will be placed in circulation from 10th November 2016. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision. This measure has been taken by the PM in an attempt to deal with the speak to the resolve against dishonest actions that ruin your trust, black money and make fake money or goods notes. This move is expected to clean the formal money-based system and throw out black money from the same.

The reasons of it are as under: -To tackle black money in the process of people making, selling, and buying things To lower the cash circulation in the country which is directly related to dishonest actions that ruin your trust in our country. To eliminate fake currency and sneaky and dishonest money which have been used by terror groups to fund terrorism in India.

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The move is guessed number to scoop out more than more than Rs 5 lakh crore black money from the process of people making, selling, and buying things.

Almost the same measures have been taken in the past. In January 1946, currency notes of 1000 and 10,000 rupees were withdrawn and new notes of 1000, 5000 and 10,000 rupees were introduced in 1954. The Janata Party supporting group government had again demonetized notes of 1000, 5000 and 10,000 rupees on 16 January 1978 as a means to reduce fake making fake items and black money.

THE PAST EXPERIENCES OF DEMONETIZATION FROM VARIOUS COUNTRIES:

Russia: On its last legs, the country under Mikhail Gorbachev in January 1991 withdrew large-ruble bills from circulation in a move to take on the black process of people making, selling, and buying things. The reform did not halt inflation, and instead served mainly to speed up a slide in public confidence in the government. As political internal fighting combined with money-based collapse, Gorbachev faced a secret and successful plan attempt that August

which destroyed his authority and led to the Soviet break-up the following year. Learning lessons, Russia's 1998 redenomination of the ruble, when it removed three zeroes, went completely more smoothly.

North Korea: In 2010, the government in power of then-mean ruler Kim Jong-Il mounted a reform that knocked off two zeros from the dollar amount written on it/as something appears to be of the old currency in an effort to tighten control of the process of people making, selling, and buying things and close where people buy and sell stolen things. Combined with a poor harvest, the measure left the country with extreme food shortages, according to reports at the time. Surging rice prices fed a excited unrest that caused about an unusual apology from Kim, and -- reports suggested -- the execution of the ruling party's head of finance.

Zaire: Mean ruler Mobutu Sese Seko faced increasing money-based disruptions in the early 1990s, when his management mounted one after the other banknote good changes. A plan to withdraw old and no longer used currency from the system in 1993 saw a sudden rush in inflation and a collapse in the exchange rate against the dollar. After a war

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between groups that all live in one country, Mobutu was thrown out in 1997

Myanmar: In 1987, the country's military small group of people ruling a country made worthless or meaningless as much as 80 per cent of the value of money in circulation, according to reports at the time -- as in other such attempts to begin something new, it was directed at controlling the where people buy and sell stolen things. One result was the first student acts of showing or proving in years. Deepening money-based unease helped trigger mass protests across the nation the following year that led to a government sudden strict enforcement of rules that killed thousands of people.

Ghana: The country in 1982 got rid of its 50 cedi note to crack down on not paying taxes, address dishonest actions that ruin your trust and mop up excess liquidity. The move wore away confidence in the banking system as people turned to foreign currency or physical valuable things instead. The where people buy and sell stolen things for currency showed. As away from cities residents had to walk miles to the nearest banks to exchange their money, and after the deadline passed, there were accounts of bundles of notes left alone as worthless.

Nigeria: In 1984, the military government led by Muhammad Buhari started anti-dishonest actions that ruin your trust sudden strict enforcement of rules that involved issuing new paper money with a different color, forcing the replacement of old ones within a limited period. The move was one of a series that did not fix a debt-weighted down and inflation-ridden process of people making, selling, and buying things. Buhari, who is now in power again, was eventually thrown out in a secret and successful plan the following year.

II. OBJECTIVES OF PAPER

-To study the experience of effect of demonetization in different in Banking and related to managing money areas.

-To carefully study the current the immediate effect of demonetization on Indian process of people making, selling, and buying things.

-To work out the probable results of the demonetization.

III. RESEARCH METHODOLOGY

The paper is based on First or most important and secondary data. Secondary

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data has been collected from internet and News Papers.

IV.EFFECT OF DEMONETIZATION ON INDIAN BANKING AND FINANCIAL SERVICES

Increased Deposits in Banks

The BJP-led government's move will pull a large chunk of first time users to banks, who will have to use the system at least once to exchange their old notes for new ones. According to a study done by Moody's, people tend to continue using banking services once they have crossed the 'first-time user' mark.

Indian banks saw over Rs 11 lakh crore entering into the system till 30 November after the demonetization exercise kicked off on 8 November

In one fell swoop, the Modi government blocked currency notes of Rs 500 and Rs 1,000 worth Rs 14 lakh crore from the process of people making, selling, and buying things, accounting for 86 percent of the total types of money available in the system.

This means, Rs 11 lakh crore entering into the banking system till 30 November represents 80 percent of the total blocked types of money.

"With a nearly a month to go before the December 30 deadline for deposit of invalid currency notes expires, the thing that is suddenly shown or understood now raises questions whether the demonetization drive can successfully target black money collectors who never throw anything out," the report added.

The development comes close right behind Reserve Bank of India earlier in the week saying that deposits to the tune of Rs 8.4 lakh crore were made till 27 November, the report said.

Although the government's demonetization decision was welcomed by majority of the people across the country, the Centre, however, came under extreme criticism from different political parties for not taking sneaky and unclear to avoid something measures to ease common man's concerns.

Especially, continuing to do something hard or annoying cash shortages at banks and Cash machines across the country has left people disappointed, who are facing extreme

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problems, delays, etc. in carrying out their regular transactions.

The government's constant flip-flop on exchanging and depositing old cash notes in the bank branches, besides changing the limits on cash withdrawals has also created lot of confusion among the people.

Though the sudden withdrawal of 86 percent of currency in terms of value from the process of people making, selling, and buying things will not reduce people's dependency on cash in the near term, bank deposit levels will benefit in a "more meaningful fashion" once the cash transactions that aren't taxed or watched by the government is brought into the formal process of people making, selling, and buying things over the next few years. While banks stand to benefit from some parts of demonetization, there could be negative results also.

Moody's expects the valuable thing quality of loans against properties to break down worse as real estate, which often involves black money transactions, will be hit by demonetization. Even the micro-finance section will be impacted since it is mostly a cash heavy section.

With doubts about how long this storm will last, the report warns that the banking system and the related to big business area both small and big will be deeply impacted if the "money-based weakness" wins for a longer period of time.

Effect on Loans area after Demonetization:

Union leaders of Banking area have told News18 that post demonetization banks will suffer "extremely terrible losses" because deposits have increased but advances - or loans that keeps a bank functioning - have fallen down extremely. President of Bank Workers Federation of India told News18 that banks are reeling under extreme major money-based problem.

"After the withdrawal of old high religious group of paper money notes, there have been an increase in deposits by 15% from the last related to managing money year when it was in single digits but advances have fallen to 5.67% this quarter where it was growing at a rate of 14% earlier. There is no scope of advances now. It might lead to an extreme money-based crunch which could make the situation extremely terrible," he said.

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"Banking staff which were before now selected in more than two, but not a lot of divisions are all working round the clock to exchange old currency and pay new ones. From where will we sanction loans."

The new pushed to go digital or cashless have proven hard for banks. "Most of the people are now making even smaller payments by cheque which has led banks to clear 3000 to 4000 cheques a month where the previous figure used to stay around 800. Even the small scale sellers who have chosen for POS machines often come to banks as they don't get their money. All of this had led to a complete neglect towards the advances part/area," he said.

A few bankers feel that demonetization has resulted in not only an increase in deposits but also a sudden settlement of loans which would have otherwise given banks a pathway to make money made things received.

Senior vice-president of All India Bank Officers Confederation told News18 that farming-based gold loans were majorly settled after November 8 by farmers who got cash from panchayat heads looking to

dispose off their large amounts of cash in old currency.

"Farming-based gold loans are a popular thing in the south and other parts of the country. Now, panchayat heads who could not deposit their old types of money in the available bank accounts helped farmers repay all their gold loans with a promise to be paid later, and in this way they dispose off their cash with farmers being owes money to them. This way our advances are reaching a new low, which can be dangerous for the banking area,".

"Now we have extreme pressure on us to meet the needs of digital banking. SBI till now has 3.5 lakh POS machines and they have been given a target of another 2.5 lakh POS machines till March 2017 which is a very short deadline. Now our staff has been given out to chase after shopkeepers to pay the rentals for these machines and choose them. We have no people in charge of something left who can try the job of sanctioning loans or take care of investments.

Though most people in charge of something feel the too much of one thing and not enough of another would continue even

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during the first quarter post the 2017 related to managing money budget, they were every single person agrees to blame RBI for their low cash payments.

General Secretary, All India Bank Workers Association told News18 that the situation has only got worse since the last 40 days with RBI not giving them enough cash.

"There have been deposits worth 14 lakh crores and we are giving interests on those accounts without any way to circulate the excess deposit by means of loans. On top of that RBI is not paying enough cash," he said.

Blamed the "something that goes against or disagrees with something else nature" of RBI circulars which has added to the present troubles. "The believability of RBI is in danger of being lost now. They keep changing statements; first they will release figures of paid money and change it after the related to managing money secretary corrects them. This creates very negative impression about the central bank,"

That now after 4 6 days, RBI and the government should at least "release a map of plan for doing something" on the future. "Every day our executives are standing in

lines in front of the RBI to request them to release extra cash but are often disappointed. If the loans and advances part does not pick up, it will add to a lot of problems.

A big surprise may be in store for the banking area in the coming few months. "We are expecting ahead to that before the budget is announced, government might announce a plan stating that since banks have a lot of more than needed cash, Mudra loans etc. must be increased and this will again create a lot of stress on the whole banking area,".

Back and forth between people Fund Industry:

People in charge of something from way of investing money industry say that there is no doubt that money will come in ways of investing money. Increased inflows into ways of investing money are not an expectation; it's bound to happen. If money comes in from the organized area to the organized area and the bank deposit levels go up, then some of the money comes into ways of investing money.

Now, equity money amount to about 30% of the overall industry's valuable things under management. The question is whether the in

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small steps up inflows can come into equity money or money owed money.

Till now, much of this cash used to be channeled towards real estate and gold. So, people or businesses who give money to help start businesses have been used to seeing gains at a mix of stocks, bonds, document collection level. Now if this money comes into banks, people or businesses who give money to help start businesses will not be made happy by meeting a need or reaching a goal with earning just 4% interest.

While the share of in small steps up inflows into capital markets and equity money would go up, people or businesses who give money to help start businesses will also invest in liquid and money owed money.

As deposits will increase in the banking system, the fixed deposits (FDs) rates would start to fall. The inflow of money will lead to deposit rates going down. This also helps giving-out more money in equity money.

Insurance Part:

The insurance area will see little effect and for a short length of time. In the last few years, especially the people and businesses

that are not part of the government insurers have discouraged cash transactions. People who prefer paying cash will have to pay through their bank accounts. But unbanked customers, like people in areas away from cities, may find it very hard to pay up in the immediate future. However, last minute pains can be avoided if customers are acting to prevent problems before they happen. For renewals, insurers tell the customers in advance. For insurance policies even after the due date there is a grace period of 30 days for once-a-year payment policies during which time the policy expires but uninterrupted, constant quality benefits are given if the higher price is paid within the grace period.

Service business/government unit/power/functioning driven policies will be hit the most as agents tend to collect premiums in cash. Ban assurance channels collect higher price/higher cost online or through cheques.

There are rules to prevent anti-money laundering, even as there no cap on cash transactions. For instance, customers who pay premiums in cash more than Rs 50,000 have to furnish their permanent account number (PAN).

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The other checks and balances against cash transactions are through tax deduction certificates. For instance, in health insurance, if you pay payments in cash you don't get tax deduction benefit of section 80D.

The hiccups faced by service business/government unit/power/functioning channels will be short lived. In the service business/government unit/power/functioning channel, a lot of transactions are cash based. They would be as high as 30-35% of the overall adding higher price cost. In the end this would speed up the process of people switching from cash to plastic and using online wallets and banking and in turn be a great boost for related to people who use a product or service internet businesses.

Money paid regularly after retirement area:

For the money paid regularly after retirement part, the move is being looked at as one having a long-term good effect, even though it won't have any immediate effect. Most of transactions in money paid regularly after retirement area are through cheques.

A lot of cash that now is not part of the formal banking system would come into the system and could make more people invest

in money paid regularly after retirement products. People who are looking for retirement planning have an option of investing in the National money paid regularly after retirement System (NPS).

V.CONCLUSION:

The sudden withdrawal of 86 percent of currency in terms of value from the process of people making, selling, and buying things will not reduce people's dependency on cash in the near term, bank deposit levels will benefit in a "more meaningful fashion" once the cash transactions that aren't taxed or watched by the government is brought into the formal process of people making, selling, and buying things over the next few years. People will have no choice except to deposit their cash in banks so that all the unaccounted money has supposed to be deposited in banking system. The decision of demonetizing higher religious group of paper money notes was never-before-seen and people are still nervous/eager about government move in upcoming days, so they have left with no choice except to declare their unaccounted money either by depositing in to a formal banking system or investing in any related to managing money area. Definitely the demonetization of 500

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and 1000 rupee notes will increase banking area as well as other related to managing money areas.

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