

The Effect of Demonetization on Banking Sector: A comparative study of Public and Private Sector Bank

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ARTICLE DETAILS

Article History

Published Online: 19 May 2018

Keywords

Demonetization, Banking Sector, Public sector Bank, Private Sector Bank

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ABSTRACT

This study about the effect of demonetization on banking sector. Paper tried to explore the positive and negative effect of demonetization. Study is based on the data available for two banks; one is Axis Bank, which is private and other is State Bank of India which is public bank. Analysis is done on the basics of percentage in the various parameters by taking March as a base month.

It is observed that the analytical ratios where SBI shows decreasing result as we compared to Axis bank. After demonetization its ratio margin is declining. Whereas in axis bank shows much affect it shown increased in their profit margin. so we conclude that effect of demonetization is on both sector as it is a private sector or public sector both have effected after demonetization.

1. Introduction

Demonetization is the demonstration of stripping a cash unit of its status as lawful delicate. It happens at whatever point there is a change of national cash: The present shape or types of cash is pulled from dissemination and resigned, regularly to be supplanted with new notes or coins. Now and again, a nation totally replaces the old money with new cash. The inverse of demonetization will be demonetization, in which a type of installment is reestablished as legitimate delicate.

On November 8 evening, Prime Minister Modi, in his communicate convey to the nation, made Rs 500 and Rs 1000 notes invalid, saying that it was away to control the "disease" of degradation and dim money which have taken significant root. People holding notes of Rs 500 and Rs 1,000 can store the same in their bank and mail station accounts from November 10 till December 30. All notes in bring down division of Rs 100, Rs 50, Rs 20, Rs 10, Rs 5, Rs 2 and Re 1 and all coins continued being real, and new notes of Rs 2,000 and Rs 500 were displayed. There was no modification in whatever other kind of cash exchange be it checks, DD, portion by methods for credit or charge cards et cetera.

Taking after the revelation, there were gigantic gathering outside ATMs the country over as people orchestrated to pull back cache of more diminutive segments. Banks were incited Sunday to fabricate the Cash Withdrawal oblige at ATMs from the present Rs 2000 to Rs 2500 consistently in the recalibrated ATMs. The step by step purpose of restriction of Rs. 20,000 for withdrawal from Bank accounts has also been extended to Rs 24,000 and the purpose of restriction of Rs 10,000 consistently has been removed. Beyond what many would consider possible over the counter has also been extended from the present Rs 4000 to Rs 4500.

Amidst persisting criticism from the protection parties, PM Modi made an energetic enthusiasm on 8/11, asking for that people give him 50 days to weed out dull money and pollution.

He moreover expressed that he was set up to stand up to the consequences of his turn, clarifying that he couldn't have thought less about the danger on his life because of the fact that he makes sense of how to free the country of dull money. The Prime Minister similarly endeavored to help the certainty of people in the Indian cash structure, communicating the lawmaking body would regard its guarantee to give a motivating force for the old Rs 500 and Rs 1,000 notes, saying, "Government won't aggravate the real, yet won't allow the beguiling to go scot free.

2. Positive and Negative effect of Demonetization

Positive:

Disposal of fake cash- It isn't propelled science to appreciate that phony cash is generally hovered in most dumbfounding gathering notes to influence most. Along these lines, by demonetizing the most raised cash notes India could almost take out 100% phony money inaccessible for general use in one stroke.

Nullify dark cash- People having Black money generally keep their dim trade out most lifted segment cash notes. This movement would drop dim money from the economy as the proprietors won't be in a situation to store the same in the banks. This movement would benefit kept in genuine cash which all things considered used to make pandemonium and fear or is lying with mental aggressors, Maoists, scrap.

Fortify Indian Banking System- This will normally incite more totals being kept in Savings and Current Account cash laying out of economy stream is directly coming into stream. This along these lines will enhance the liquidity position of the banks, which can be utilized further to loan purposes.

Monetary incorporation for Jan Dhan account holders- Government opened Jan Dhan speaks to budgetary thought reason, yet people were reluctant to keep trade out the bank,

yet after this movement of government, people will start putting away their cash into banks thusly fortifying Indian dealing with a record structure, local area and will advance toward getting to be beneficiaries of fiscal fuse.

Higher Tax Collection- This provoked higher appraisal amassing as masters are sparing cash lying with them as present year wage with move force. Defaulters of bank, property force, control bills and telecom bills are clearing their long pending bills and henceforth utilizing their old money notes

Negative:

Unfriendly effect on casual area- Players of easygoing zone as they essentially deals in genuine cash simply are standing up to exceptional time as a result of this Demonetization plot starting at now. Sudden removal of cash from showcase put their business on a slow stage. Comprehend that their wage isn't dull as they don't go come up short on force segment in light of less pay which has ended up being fundamentally lesser now.

Predicament of Primary Producers- Nonattendance of liquidity would realize hopelessness to fundamental producers who don't have much money, with the objective that they could hold their convey for long and on the contrary side in view of nonappearance of cash in stream they are offered less by the buyers in the market. Disapproval of Old cash in any case Government Orders- Numerous supported business houses and establishments are not enduring old cash notes from common nationals, thusly deserting them helpless. The way that such people have no cure against such people/business houses makes the condition most exceedingly awful. Deplete Booths, Chemists, Petrol Pumps and Safely Stores et cetera are among others. These are overseeing fundamental necessities of normal natives.

Probability of breaking Riots- There is various against state segments appear in the overall population who are endeavoring to spread fomentation in the overall population. They can manhandle the situation and prompt those debilitated people to make a phase to break riots.

Excessive burden on bank employees- This is a reasonable certainty that there is an exorbitant weight on bank representatives to adapt up to the circumstance and even subsequent to working so hard they are not ready to fulfill the need of individuals

3. Effects of Demonetization on Banking Sector

Everybody knows about the demonetization arrangement of the legislature by prohibiting Rs. 500 and Rs. 1000 money notes. One can comprehend that it would have an entirely awful effect on SMEs, little merchants, land, transport division, shopper sturdy merchandise industry. These segments as well as it would real influence the rustic zones business as over yonder, lion's share of the exchanges is made in real money. The boycott of Rs. 500 and Rs. 1000 money notes will affect those businesses where no-nonsense money exchanges are made. Demonetization will influence the liquidity, however for a here and now

Current scenario- Before I state anything, a reasonable photo of the considerable number of banks and ATMs is available which delineates today's existence. In any case, unquestionably this is for a brief timeframe.

Numerous enterprises will be profited because of the demonetization strategy and many will endure. Be that as it may, by and large the request is going to or rather has effectively diminished by 30%-40% because of absence of cash with the customers. As the request goes down, the benefits for the quarter finishing December'16 will fall. The request will get the force as the clean settles down. The economy will balance out when there is sufficient new money in the hands of individuals

Effect on public sector as well as private sector Bank- The shares of open segment banks have risen the real gainers from demonetization. When benchmark records have declined around 5%, noteworthy state-possessed banks' stock costs have climbed 6-22%. For example, the Union Bank of India stock has increased 21% since November 8, when Prime Minister Narendra Modi declared the choice to demonetize Rs 500 and Rs 1,000 cash notes. It is trailed by Baroda with 18.6% additions, Bank of India with 11.4%, while Canara Bank and State Bank of India have enrolled 10% expansion in their scrip.

Banking sector in a flux- On the off chance that the point concede has been shaken by the money crunch post the Center's demonetization move, banks that have been on the terminating line, are up against a large group of new difficulties. In the wake of three monotonous years of log jam, the keeping money part had been sticking its expectations on recuperation of sorts. With monetary record repair in progress, post the RBI's advantage quality survey; banks were just about preparing the pitch for the following leg of loaning.

Surge in deposits- Demonetization has indisputably aided banks on one front—high accretion of deposits. The withdrawal of legal tender character of old Rs 500/1000 notes from November 9 and subsequent caps on drawing out money from banks and ATMs, have left banks flush with deposits over the past two months. Sample this. Between October 28, 2016 and December 23 2016, banks' deposits have shot up from around Rs 107 lakhs crore to 112.6 lakhs crore---an increase of about Rs 5.5 lakhs crore in two months. This is nearly twice the amount of deposits that flowed into banks between April and October 2016.

Fall in cost of funds- In the course of recent months, with bank stores swelling; store rates have fallen by a generous 50-75 premise focuses crosswise over banks and residencies. While such a lofty fall is far-fetched once more, banks holding a bit of the stores (as CASA and term stores), will keep on trimming store rates. This ought to prompt diminishment in banks' cost of assets through the following financial (2018). The uptick in stores will be equivalent with the piece of the overall industry of banks. PSU Banks that charge a lion's share (more than 70 for each penny) of the stores will be the greatest gainers of the ascent in stores, prompting lower cost of assets.

Good appetite for government bonds- After the sharp ascent in assets post demonetization, banks started loaning such surplus to the RBI under the switch repo alternative. PSU Banks, specifically, forcefully conveyed abundance finances in government bonds as well. The fall in security yields is probably going to include 15-20 for every penny kicker to banks' income in FY17. As withdrawal tops are lifted, and banks can gage liquidity situation better, stopping enormous wholes under the turnaround repo window will probably end. Banks rather will hope to convey these assets for a more drawn out term. Given the slackness in credit development, especially in PSU Banks, an extensive bit of abundance assets will keep on finding its way into the administration security advertise. This ought to knock up banks' treasury salary in FY18 and help profit to some degree. In any case, after the sharp rally in securities a year ago, treasury increases will probably direct in FY18. In the time of November, PSU Banks have been net purchasers in government securities to the tune of about Rs 25,900 crore. Private Banks excessively purchased (net) around 20,000 crore in November. In the time of December, the purchasing binge proceeded for PSU Banks, who made net buys of an incredible Rs 61,000 crore, even as private banks turned net merchants.

Slackness in lending- Banks flush with liquidity, in a falling loan fee situation, is a flawless formula for boosting loaning. Be that as it may, lukewarm acquiring hunger by profoundly utilized corporate and banks' hesitance to loan, has neglected to goad advance development, even after a considerable fall in loaning rates over the previous year. Indeed, even before demonetization, credit development had slipped to 8 for each penny levels in the start of November. As indicated by the RBI's most recent figures (as on December 23), credit development has tumbled to a small 5.1 for every penny, down from 10-odd per penny levels a year ago. The development had officially tumbled to 5 for every penny levels in November, as credit to industry (corporate) contracted by 3 for each cent. Credit development has been firmly connected to the pace of financial development, developing at 2.5 to 3 times the genuine GDP development previously. The different at which bank credit has developed in connection to genuine GDP has however contracted in the course of the last a few years. This is incompletely clarified by the Center's turn to another arrangement of GDP two years back and powerless credit off take out in the open division banks. In 2014-15 and 2015-16, bank credit has developed at 1.2 to 1.4 time genuine GDP development (new arrangement) and around one time ostensible GDP development.

No big recovery- The Central Statistics Office, as of late put out its propel evaluate for GDP development for 2016-17, which has been addressed by numerous financial analysts. The CSO's 7.1 for every penny development in genuine GDP in 2016-17, have been pegged around most financial experts to 6.8 for every penny levels. With the trade mash out the economy anticipated that would standardize by the second 50% of 2018 monetary, numerous business analysts assess a 7.6-odd per penny development in genuine GDP for 2017-18. On the off chance that we apply a 1.2-1.4 times various to this, bank credit can, best case scenario, develop by 10-11 for each penny in 2017-18. Likewise, while bank credit develops at a specific various to genuine GDP development, the ostensible

GDP, matters as well, as it thusly chooses the credit prerequisite of a corporate. With swelling heading lower, the crevice between genuine GDP and ostensible GDP shrank in 2015-16. In any case, in the last Budget, GDP deflator (proportion of ostensible to genuine GDP) — another measure of swelling — was accepted to go up in 2016-17 by 3.2 for each penny, on the back of base impact.

Pockets of growth- Indeed, even inside the unobtrusive 10-11 for every penny credit development in 2017-18, the development will be moved in pockets. Over the most recent three years, PSBs have developed at a far slower pace, as a result of their colossal presentation to the corporate portion — 40-50 for each penny of loaning is to huge corporate. Credit development of PSBs plunged to 4 for every penny in 2015-16 from 7 for each penny in 2014-15. Interestingly, private segment banks could clock a hearty 26 for every penny year-on-year ascends in loaning in 2015-16. This difference is probably going to proceed and the development in 2017-18 too will be driven by private banks, as corporate loaning will keep on remaining weak. The spate of loaning rate slices as of late is probably going to trigger development in retail advances - home advance, individual and vehicle advances, and MasterCard's. Not at all like in 2008-09, when in the wake of the worldwide budgetary emergency the RBI received a forceful financial facilitating and PSBs sprinted ahead, developing their corporate advances forcefully, will the concentration this time around be on retail loans only trigger for advance development other than utilization driving retail advance development will be government spending in FY18.

Margin pressure- With store rates slanting lower, banks, doubtlessly, have picked up from lower cost of assets. In any case, moving to the new negligible cost of assets based loaning rate (MCLR) structure has constrained banks' hands to pass on the advantage to new borrowers at a quicker pace. Successful January most banks have sliced their MCLR by a sharp 75-90 premise focuses. The value war will put weight on yields on advances and subsequently edges, consequently counterbalancing increases of lower cost of assets.

Retail vs. corporate- The weight on edges can be felt more by retail-situated banks, since transmission of rate cuts will happen speedier there and new development will be at lower loaning rates. On the corporate side too there will some lessening in rates, yet less sensational. Likewise development in corporate credits will just get with a slack, regardless of rate cuts. The general hazard hunger for corporate loaning is low for banks and consequently the weight on development and evaluating will be low.

Other costs- The greatest mishap as far as expenses for banks because of demonetization has been by virtue of recalibration of ATMs and coordination's costs required in transporting money, in a brief timeframe. Likewise, post demonetization, between November 9 and December 30, banks needed to defer off ATM charges for all exchanges (independent of the number) and trader markdown rate for plastic exchanges and so on. These will have here and now affect on expenses.

However as time goes on, the segment overall will profit by expanded utilization of advanced methods of exchanges, which will enhance operational productivity

Mixed bag- Post demonetization, there are crisp arrangement of dangers to banks' benefit quality- - inventory network disturbance for substantial corporate, conceivable increment in wrongdoings in the SME and LAP portfolio (credit against property) because of trade mash out the here and now and general log jam in the economy. In any case, there are additionally different components that are probably going to offset some of these dangers. For one, the greatest advantage from demonetization has been the quickened falls in loaning rates, which ought to help enhance the obligation service capacity of corporate accordingly facilitating up resource quality weight. Two, substantial corporate have been deleveraging - paying off obligation, by auctioning off resources. Resource deals can quicken, with soak fall in getting costs for the securing organization

Risks from retail- As of recently, slowed down undertakings and worry in center areas have spelt fate for keeps money with huge corporate introduction. Be that as it may, with banks forcefully developing their retail business, chance from the immense unsecured portfolio, poses a potential threat. The charge card business that topped at about Rs 30,000 crore in 2008 and practically divided by 2011 has been developing relentlessly by more than 20 for each percent every year over the most recent two years- - now an Rs 46000 crore business. Individual advances too have been developing at a quick clasp, finishing the 2016 monetary with a 25 for every penny increment, and 17 percent development as of November.

4. A study of Deposits since Demonetization

In an exceptional and notable move, the Government of India declared the demonetization of high demonetization bank notes of 500 and 1,000 from November 9, 2016. The goal was to control the hazard of a parallel economy. According to the World Bank, the span of the shadow economy is assessed at ~25% of the formal economy. This activity is relied upon to help control defilement, fake cash course, fear financing, tax evasion, and so on. The extraordinary sum under 500 and 1000 divisions was ~| 15 lakhs crore, adding up to ~86% of the aggregate exceptional money available for use then. In the underlying days of demonetization until November 18 2016, 544571 crore was saved in the banks at every day normal of | 54457 crore. This got diminished to 22500 crore for each day by December 10, 2016 (see show underneath). The official number for aggregate sum got by banks by December 30, 2016 is not yet out.

DATE	AMOUNT DEPOSITED	DEPOSIT PER DAY
8-Nov-16	Demonetization announced	
18-Nov-16	544571	54457
27-Nov-16	844982	33379
6-Nov-16	1150000	33891
10-Nov-16	1240000	22500
30-Dec-16	1552608	15630

Source:www.moneycontrol.com

Increased Deposits- The BJP-led government's turn will pull an expansive piece of first time clients to banks, which should utilize the system at any rate once to trade their old notes for new ones. As indicated by a review led by Moody's, individuals tend to keep utilizing managing an account benefits once they have crossed the 'first-time client' stamp. This improvement will expand bank stores by 1 to 2 percent contrasted with what they were before the demonetization plot, the report guaranteed. This, obviously, will occur after the underlying surge of deposits inflows, trailed by sharp outflows, settles in around three months from now.

Payment Banks to Benefit- Payment banks and others elements which are a piece of the exchange environment are probably going to be long term recipients, as more money discovers its way into the formal managing an account channels. We trust the total measures taken to reign in black cash will enhance managing an account propensities, make money related and value-based history of the casual and money subordinate fragments and could, over the long term, make them 'bankable'.

Investment in Financial Products- Investors in the short term and now will trust that Cash is not the most secure resource and there is little point in accumulating it. This will move them from physical advantage for money related resources where returns are likewise higher.

5. Performance of Indian Banking Sector

The Indian banking system includes 26 public banks, 25 private banks, 43 foreign banks, 56 regional rural banks, 1,589 urban helpful banks, and 93,550 country agreeable banks notwithstanding helpful credit establishments. Public sector banks control almost 80% of the market, leaving a substantially littler share for its private associates. Bank stores on a You Y premise developed from 11.3% on Sep 30, 2016 to 15.2% on Dec 23, 2016 preceding facilitating to 14.7% on Jan 6, 2017 on the back of the sharp uptick in stores. Amid the year, the legislature imbued Rs.22915 Cr in 13 open part banks to enhance their liquidity and loaning operations. Demonetization helped banks through high accumulation of stores. Between Oct 28, 2016 and Dec 23, 2016, bank stores shot up from ~Rs 107 lakhs crore to 112.6 lakhs crore, expanding by ~Rs 5.5 lakhs crore in two months. This is almost double the measure of stores that streamed into banks amid April - October 2016. Deposits rates have fallen significantly by 50-75 premise focuses crosswise over banks and residencies, which would prompt lessening in cost of assets for banks through FY18. See FY18 is relied upon to see empowering changes in the managing an account part and would give powerful development chances to NBFCs and housing finance organizations. In the Union Budget, Rs. 10000 Cr has been given to recapitalization of banks in FY18, which was Rs.25000 Cr in the earlier year. This would affect PSU banks contrarily. Then again, arrangement for NPAs expanded from 7.5% to 8.5%, which would give alleviation to the whole business. We suggest DHFL, Yes Bank, SBI, and GIC housing fund for mid-to-long term venture.

6. Research Methodology

The type of the research design used for the present study involves descriptive research. Descriptive research is used to describe about the demonetization and its effect on banking sector and what are the changes occur in deposits in bank after demonetization. It provides a better understanding of a topic. The nature of data is secondary. It was collected from the official sites of Bank and RBI.

Scope of study: The data is taken of two banks one is private bank Axis bank, it has 3300 branches, 13,003 ATMs, and nine universal workplaces and other is public bank, SBI it has more than 14,000 branches, including 191 outside workplaces spread crosswise over 36 nations. The study is conducted by their monthly statement for four to five months.

Way of study: The entire study will be bifurcated to pre demonetization 2015-16 and post demonetization 2016-17 taking March as a base for the purpose of study.

Data collection tool: Secondary data will be collected from internet and from other sources like newspaper, articles, reports available through banks websites etc.

7. Data Analysis and Interpretation

For analyzing the data our study is concentrated towards taking four quarter data for the year 2015-16 taken March as a base year then find the percentage values for another three quarter for the year 2016-17 for this process through which we interpret our results which the effect on banking sector .

Operating incomes:

With reference to the annual audited data of two leading banks i.e. SBI & Axis Bank of March 2015-2016, the incomes of three quarterly results of 2016 has been converted to the percentage form to check the comparative results of two leading banks taken base as March (2015-16).

Date	SBI	Axis
16-Jun	-2.89017	1.971741
16-Sep	-1.19655	2.386457
16-Dec	34.80484	1.853381

Source: Official bank site of SBI and axis bank

From the table 1 it is quite clear evident that SBI's first and second quarter result shown fall in income whereas the Axis Bank shown more consistent result.

Further it is observed from the above representation that SBI's result sky-rocketed its operating income during third quarter but still Axis bank's result was much consistent to that of income of previous quarter. This provides a sense of dramatically the effect of demonetization on SBI's deposits which enhanced significantly during the period in contrary to Axis Bank.

Other incomes:

Date	SBI	Axis
16-Jun	-31.4195	1.644395
16-Sep	-21.2377	1.696362
16-Dec	66.40862	26.21381

Source: Official bank site of SBI and axis bank

From the table 2, it is quite clear evident that in first and second quarter SBI shown very high fall in their other income. Further it will be observed from the above representation that in December after demonetization SBI's results shown high rise in their other income whereas, Axis shows rise in their other income but not much than SBI. This provides a sense of dramatically the effect of demonetization on SBI's deposits which enhanced during the period in contrary to Axis bank.

Total revenues:

From the table 3, it is quite clear evident that in first and second quarter SBI shows fall in the total revenues whereas Axis bank also shows very minor fall in their total revenues further it is observed from above representation that in December after demonetization SBI shows very high rise percentage in their total revenue. Whereas Axis bank shows not that much rise in total revenue as compared to SBI. This shows more effect of demonetization on SBI bank.

Date	SBI	Axis
16-Jun	-8.5908	1.906864
16-Sep	-5.20111	0.778342
16-Dec	41.11981	6.68138

Source: Official bank site of SBI and axis bank

Interest:

From table 4, it is clearly evident that in first quarter there is fall in interest rate but in second quarter there is a rise in interest rate. Whereas in Axis bank there is rise in interest rates in first and second quarter. Further it will be observed from above representation that in December the SBI's result sky-rocked its interest during third quarter but still Axis bank show consistent result. This provides a sense of dramatically the effect of demonetization on SBI bank.

Date	SBI	Axis
16-Jun	-0.94188	3.948695
16-Sep	1.237446	5.496029
16-Dec	38.26641	6.632106

Source: Official bank site of SBI and axis bank

Gross profit:

Date	SBI	Axis
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16-Jun	-6.39927	-0.78417
16-Sep	-5.58048	-0.85006
16-Dec	28.57012	-4.80824
<i>Source: Official bank site of SBI and axis bank</i>		

From the above table 5, it is clear that Sbi first and second quarter shown fall in the gross profit whereas Axis bank shown fall in their gross profit but not much than Sbi Further it is observed from the above representation that Sbi shows very high rise in gross profit after demonetization but in axis bank there is fall in gross profit by 4.8 percent. This will provide a sense of the major effect of demonetization on Sbi bank in respect of gross profit.

Income from investment:

Table: 6 Comparison of percentage values of Income from investment		
Date	SBI	Axis
16-Jun	-2.75729	0.639458
16-Sep	-3.427717	-1.66143
16-Dec	14.54182	-0.17308
<i>Source: Official bank site of SBI and axis bank</i>		

From the above table 6, it is quite clearly evident that Sbi first and second quarter results shown rise and fall in investment income whereas in axis bank it's also fall and rise in their income of investment. Further, it is observed from the above representation that in third quarter Sbi shown very high rise in their income of investment after demonetization but in axis bank there is minor fall in their income of investment. So this provides a sense that greater effect of demonetization is on Sbi.

Other expenses:

Table: 7 Comparison of percentage values of other expenses		
Date	SBI	Axis
16-Jun	-10.1827	-2.18742
16-Sep	-1.33282	3.697202
16-Dec	88.96265	8.623293
<i>Source: Official bank site of SBI and axis bank</i>		

From the above table 7 it is quite clear evident that Sbi's first and second quarter shown fall in expenses whereas Axis bank shows fall and rise in their expenses. Further it will be observed from the above representation that SBI's result sky rocketed its expense of previous quarter whereas Axis bank shows very slightly rise in their expenses. This provides a sense of dramatically the effect of demonetization on Sbi.

Effective tax rate:

From the table 8, it is quite clear evident that SBI's first and second and third quarter results fall and rise in their tax rate. Where as in Axis bank, there was simultaneously rising in tax rate. Further it is observed from the above representation that

Sbi shown in fourth quarter after demonetization Sbi tax rate is risen but Axis bank increased much as tax rate of Sbi . So this provides a sense of dramatically the effect of demonetization on Axis bank in respect of tax rate.

Table: 8 Comparison of values of Effective tax rate		
Date	SBI	Axis
16-Mar	-24.2	33.3
16-Jun	30.8	33.9
16-Sep	23.7	33.2
16-Dec	28.3	31.4
<i>Source: Official bank site of SBI and axis bank</i>		

Gross profit margin:

Table: 9 Comparison of values of Gross Profit Margin		
Date	SBI	Axis
16-Mar	35.7	41.8
16-Jun	34.9	40.6
16-Sep	34.1	40.5
16-Dec	34	39
<i>Source: Official bank site of SBI and axis bank</i>		

From the above table 9 it quite evident that Sbi's first second and third quarter result shown that Sbi gross profit margin should increased at decreasing rate .whereas Axis bank shown high consistent result. Further it is observed from the above representation that SBI's shown in fourth quarter that its gross profit margin is decreasing. Whereas Axis bank shown increased in gross profit margin. This provides a scene of dramatically the effect of demonetization on Axis bank in respect of gross profit ratio.

Net profit margin:

Table: 10 Comparison of values of Net Profit Margin		
Date	SBI	Axis
16-Mar	3	19.8
16-Jun	6.1	14
16-Sep	6	2.9
16-Dec	3.7	5.2
<i>Source: Official bank site of SBI and axis bank</i>		

From the above graphical representation its clear evident that Sbi's first, second and third quarter result shown increased in net profit margin. Whereas, Axis bank shown very high net profit margin in first quarter but its decreasing in second and third quarter. Further it is observed from the above representation that in fourth quarter Sbi shown decreased in net profit margin whereas in Axis bank shows increased in their net profit margin . This provides a sense of dramatically the effect of demonetization is on Axis bank.

Earnings per share:

Table: 11 Comparison of values of Earning per Share		
Date	SBI	Axis

16-Mar	1.64	9.5
16-Jun	3.25	6.52
16-Sep	3.27	1.34
16-Dec	3.36	2.42
<i>Source: Official bank site of SBI and axis bank</i>		

From the above table 11, it is clear evident that Sbi first, second, third quarter sbi shows its increasing earnings per share. Whereas in Axis bank shows very high earning per share in first quarter but its decreased in second and third quarter. Further its is observed from the above representation that sbi result increased in earning per share whereas Axis bank shows decreased in earning per share . This provides a sense of dramatically the effect of demonetization is on Sbi.

Return on assets:

From the table 12, it is clearly understand that SBI in first, second and third quarter shown that return on assets is increased at low rate. Whereas in Axis bank it is shown that return on assets is very high and it decreased gradually in second and third quarter.

Further it will be observed that sbi in fourth quarter after demonetization it's increased whereas in Axis bank it's slightly decreased but both are at same level. This provides a sense of dramatically the effect of demonetization is on both.

Table: 12 Comparison of values of Return on assets

Date	SBI	Axis
16-Mar	0.23	1.68
16-Jun	0.44	1.19
16-Sep	0.44	0.23
16-Dec	0.42	0.39
<i>Source: Official bank site of SBI and axis bank</i>		

8. Findings and Conclusion

Demonetization is the act of stripping a currency unit of its status as a legal tender. On November 8 Prime Minister Narendra Modi announced that there is demonetization in India where there is a change in national currency. The old unit of the currency must be retired and replaced with a new currency. The opposite of demonetization is remonitisation where a form of payment is restored as legal tender.

There are many positive and negative effect of demonetization firstly there is elimination of counterfeit currency or a face currency which is circulated in India. the main reason is for abolishment of black money and negative effects too adverse impact of informal sector excessive burden on bank employees .There are many effects on banking sector such as surge in deposits , banking sector in a flux , fall in the cost of the funds and there is lot many effect of demonetization on banking sector .

The topic is effect of demonetization on banking sector study of its deposits and performance in which we study the effect on private bank and public bank (Axis Bank and SBI)

measure the effect of demonetization on these bank so this effect we measure on income, expenses, or analytical ratios so firstly find on income basis that SBI shows sky rocketed results on income. After demonetization SBI showed much higher increase in their incomes whereas as we find that Axis bank shows fluctuating results at some it is increasing but some in decreasing. So Axis bank shows not that much effect after demonetization.

As if we see on the expenses side the SBI shown increased their expenses after demonetization where in tax rate SBI tax rate is fall. Whereas Axis bank shows opposite result as it increased in tax rate after demonetization and its expenses also reduces.

As we seen to the analytical ratios where SBI shows decreasing result as we compared to Axis bank. After demonetization its ratio margin is declining. Whereas in axis bank shows much affect it shown increased in their profit margin. so we conclude that effect of demonetization is on both sector as it is a private sector or public sector both have effected after demonetization And both Axis bank and SBI can effected by demonetization.

State bank of India reduced rates on deposits from one year to 455 days to 6.90% down of 15 basis points, while keeping the 7% rates for deposits between 211 days to one year unchanged. All rates were fallen the bank has seen huge inflow of deposits but demand for credit has slowed down. Banks has received around 4 lakhs crore deposits since November 9. SBI associate banks have got Rs 1 crore deposits. SBI has cut deposit rates anticipating higher inflow and lower credit demand. Axis Bank cuts their lending rates by 15- 20- bps.

The bank has suspended 19 officials including 6 of Kashmere Gate branch of Delhi itself, Axis Bank executive director Rajesh Dahiya said. "Post demonetization, bank is working round the clock to enhance its processes so that rules are adhered to. As many as 125 senior level officials are monitoring activities across the country," he said. The bank is going to ruthless if it comes across any malpractice by anyone, he said.

Because of the following cases Axis Bank do not perform well after demonetization in their margins. SBI shows much better result than Axis Bank.

The future prospects of demonetization effect on banking sector is corruption is reduced from the bank counterfeit currency is reduced black money which is spread in the banking sector which is reduced by this the country move to the development the situation in the country post- demonetization is improved the all activities which are held post demonetization is all contributing to GDP. This will be a positive sign of India towards growth. The people move towards the digitalization and cash less society by which rural area people get educated and motivated. Post demonetizations the bank has sufficient liquidity and which they reduce the rate of interest .this will benefited by the public. They are many benefits after demonetization.

This advancement will expand bank stores by 1 to 2 percent contrasted with what they were before the demonetization scheme, the report asserted. This, obviously, will occur after the underlying surge of store inflows, trailed by sharp outflows, balance out in around three months from now. In spite of the fact that the sudden withdrawal of 86 percent of money (regarding esteem) from the economy won't decrease individuals' reliance on trade out the close term, bank store

levels will profit in a "more significant design" once the casual economy is brought into the formal economy throughout the following couple of years. While banks remain to profit by a few parts of demonetization, there could be a negative aftermath too.

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