

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

Manisha Kaushal Arora¹
Harshita Sehgal²

ABSTRACT

This paper seeks to study the impact of demonetisation 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, demonetisation encouraged people to embrace digital methods. Demonetisation 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. Demonetisation 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. This study is based on primary data. A questionnaire about the preference of Investment Avenue (i.e. equity, bank deposits, life insurance, mutual funds and real estates) was filled by 150 respondents. The results of Chi square test showed that there is significant difference in the preference of investment avenues by the respondents in pre and post demonetisation era.

Keywords: *Debentures, Demonetisation, Equity, Mutual funds, Post demonetisation, Pre demonetisation, Real Estates.*

INTRODUCTION

Demonetisation is the act of stripping a currency unit of its status as legal tender. Demonetisation 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 demonetisation as a regime shift. Following are the main impacts of demonetisation if we

make retrospective analysis.

- (a) Demonetisation 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.
- (b) Demonetisation has boosted digital payments: One of the welcome turnaround in the demonetisation program was the inseparable link between demonetisation and digitalisation of transactions. Inarguably, demonetisation encouraged people to embrace digital methods. Though its pace is slow as there are several hindrances which certainly are getting reduced, demonetisation has inaugurated the march towards cashless society with a bang. Popularisation 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.
- (c) Demonetisation has reduced the informal economy: With the increased use of digital payments, economic

¹ Assistant Professor, Gitarattan International Business School, Delhi, manishakaushal07@gmail.com

² Student, Gitarattan International Business School, Delhi, sehgalharshita@gmail.com

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 demonetisation 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 demonetisation on the investor investment portfolio value. However, no significant relationship has been deduced between age and impact of demonetisation on the investment value.

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

Kumar (2017), concluded demonetisation 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) established that the negative impact of demonetisation on the economy is limited in size & duration and they concluded with great confidence that the demonetisation exercise is a gallant decision taken, for achieving the great vision of new India.

Gupta et al. (2017) observed 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 and Singla (2017) concentrated on demonetisation 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 demonetisation. This study summarised that demonetisation 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 and William (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.

Muthumeenakshi(2017) observed 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(2017) compared the data collected over the recent demonetisation with past two and has proven that this current one is more successful as compare to previous two. Wind has been change. People became more conscious about online banking.

According to Singh (2017), Demonetisation, 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 and Singh (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) established that 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 demonetisation era.

HYPOTHESES OF THE STUDY

H₁: There is significant change in investment in equity shares in pre and post demonetisation.

H₂: There is significant change in investment in bank deposits shares in pre and post demonetisation.

H₃: There is significant change in investment in life insurance shares in pre and post demonetisation. .

H₄: There is significant change in investment in mutual funds policy shares in pre and post demonetisation.

H₅: There is significant change in investment in real estate shares in pre and post demonetisation.

RESEARCH METHODOLOGY

Methods of data collection

The structured questionnaire method has been used for collecting the primary data to test the research model. The questionnaire has been administered by meeting the respondents on one-to-one and has been 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 has been received from the respondents living in Delhi and NCR region.

Methods used for data analysis

Chi-square test is used to analyse the comparison between financial investment pattern of pre and post demonetisation 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.

From the literature review it has been observed that different

demographic parameters have important influences on investment decision. This Table 1 shows that the sample, under study, is heterogeneous in nature and hence it represents almost all segments of the society.

Table1: Demographic Profile

Gender Distribution	
Male	61.3%
Female	38.7%
Age Group	
20 years – 40 years	46.7%
40 years – 60 years	40.7%
Above 60 years	12.7%
Marital Status	
Single	46.7%
Married	53.3%
Education Background	
School Education	8.7%
College Education	64%
Professional	27.3%
Occupation	
Salaried	49.3%
Professional	33.3%
Business	17.3%
Monthly Income (Rs)	
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 Demonetisation

Table 2: Equity Pre Demonetisation

	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 Demonetisation

	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 4: Test Statistics

	Equity pre	Equity post
Chi-Square	48.400	45.000
Df	4	4
Sig.	0.000	0.000

Significance value @ 5%.

Table 4 shows that the chi square value of equity pre and equity post are 48.4 and 45.0 respectively for 4 degree of freedom. This value is significant at level of 5%. Hence, alternate hypothesis H_1 is accepted. It is therefore concluded that there is significant difference in the investment pattern of equities between pre and post demonetisation period.

Comparative Analysis of Financial Investment Pattern in Bank Deposits Pre and Post Demonetisation

Table 5: Bank Deposits Pre Demonetisation

	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 Demonetisation

	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
Chi-Square	44.533	38.733
df	4	4
Sig.	0.000	0.000

Significance value @ 5%.

Table 7 shows that the chi square value of bank deposit pre and bank deposit post is 44.533 and 38.733 respectively for 4 degree of freedom. This value is significant at level of 5%. Hence, alternate hypothesis H_2 is accepted. It is therefore concluded that there is significant difference in the investment pattern of bank deposit between pre and post demonetisation period.

Comparative Analysis of Financial Investment Pattern in Life Insurance Pre and Post Demonetisation.

Table 8: Life Insurance Pre Demonetisation

	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 Demonetisation

	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
Chi-Square	29.733	42.400
Df	4	4
Sig.	0.000	0.000

Significance value @ 5%.

Table 10 shows that the chi square value of life insurance pre and life insurance post is 29.733 and 42.400 respectively for 4 degree of freedom. This value is significant at level of 5%. Hence, alternate hypothesis H_3 is accepted. It is therefore concluded that there is significant difference in the investment pattern of life insurance between pre and post demonetisation period.

Comparative Analysis of Financial Investment Pattern in Mutual Funds Pre and Post Demonetisation

Table 11: Mutual Fund Pre Demonetisation

	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 Demonetisation

	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
Chi-Square	44.667	56.200
Df	4	4
Sig.	0.000	0.000

Significance value @ 5%.

Table 13 shows that the chi square value of mutual fund pre and mutual fund post is 44.667 and 56.200 respectively for 4 degree of freedom. This value is significant at level of 5%. Hence, alternate hypothesis H_4 is accepted. It is therefore concluded that there is significant difference in the investment pattern of mutual fund between pre and post demonetisation period.

Comparative Analysis of Financial Investment Pattern in Real Estate Pre and Post Demonetisation

Table 14: Real Estate Pre Demonetisation

	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 Demonetisation

	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: Test Statistics

	Real Estate pre	Real Estate post
Chi-Square	25.267	35.667
Df	4	4
Sig.	0.000	0.000

Significance value @ 5%.

Table 16 shows that the chi square value of real estate pre and real estate post is 25.267 and 35.667 respectively for 4 degree of freedom. This value is significant at level of 5%. Hence, alternate hypothesis H_5 is accepted. It is therefore concluded that there is significant difference in the investment pattern of real estate between pre and post demonetisation period.

FINDINGS

The research has been conducted to analyse the change in financial investment pattern between pre and post demonetisation period and the outcomes are-

- Demonetisation has a great impact on the economy as well financial investment pattern of the investors.
- There is a huge impact of demonetisation on financial investment options like equity, bank deposits, Mutual funds, real estate and life insurance.

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.

SUGGESTIONS AND RECOMMENDATIONS

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

- (a) As per the analysis there is continuous downfall in real estate after demonetisation, the investors should invest in pension fund from where they can get better returns and get benefits in future.
- (b) The bank should increase the interest rate on saving account or fixed deposits which would attract the customer to deposit more money in banks. With the increase in deposits, the banks will have more money to lend and this would also help in development of our economy.

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

REFERENCES

1. Anupama, J. (2017), Impact of demonetisation on Banking – A Conceptual Study, SSRG International Journal of Economics and Management Studies, ISSN: 2393-9125, 38-45.
2. Bhattacharya, G. (2017), Demonetisation and After-Shocks in Indian Economy, Indian Journal of Applied Research, 7(5).
3. Dhara, K. (2017), A Study on impact of demonetisation over the banking sector with reference to Veraval city, International Journal of Marketing & Financial Management, ISSN: 2348-3954 (online) ISSN: 2349-2546(print), 5(3), 21-26.
4. Gupta, P and Chawda, A. (2017), Change in the savings & investment pattern as an impact of currency demonetisation- a study, International journal for Administration in Management, commerce and economics, ISSN 2347-9558, 9(1), 60-68.
5. Kumar R & William P., (2017), A study on the impact of demonetisation on Bombay stock exchange, 3(5).
6. Kumar, V. K. (2017), A study on people impact on demonetisation, International Journal of Interdisciplinary Research in Arts and Humanities, 2(1), 9-12.
7. Muthumeenakshi, M. (2017), Perception of investors towards the investment pattern on different investment avenues-a review, The Journal of Internet Banking and Commerce, 1-15.
8. Panchal, N., & Singla, M. (2017), Impact Factor: 4. 695 Peer Reviewed & Indexed Journal, <http://ijmsrr.com/downloads/010820179.pdf>
9. Sherline, T. I. (2016), Demonetisation as a prelude to complete financial inclusion, International Education and Research Journal, 2(12).
10. Shukla, N. S. (2016), Investor's preference towards investment avenues with special reference to salaried personnel in north Gujarat region, IJSART, 2(1), 43-49.
11. Singh, P. & Singh, V. (2016), Impact of demonetisation on Indian economy. In 3rd international conference on recent innovation in science, technology, management and environment.
12. Singh, R. (2017), A study of impact of demonetisation on real estate, 3rd International conference on Emerging Trends in Engineering, Technology, Science and Management, 233-239.
13. Sree, G. (2015), Study on investment pattern of the investors in India, Vol.1, issue 1, pp 18-26. http://macawpublications.com/ems/macaw_papers/MBV11104.pdf.