

## Demonetisation impact over Banking loans & advances-A Study of State of Bank of India (SBI)

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### Abstract

*The demonetisation footstep by the Government of India twisted complicated influences in the economy. Complete sectors of the economy had faced and produced mixed sensation results over the decision of demonetisation. India's financial services struggled with demonetisation; on the other hand demonetisation affects utmost over the banking sector because it is substantial influenced services to transform money circulation in an Indian economy. Eradicating components of currency notes from circulation in an economy is demonetisation. It is as the processes of components of money are denied the status of legal tender. Consequently, ceased currency notes will not be account as valid currency in an economy. The term 'demonetization' is an instrument to shrink Inflation, Black Money, Corruption and terror funding, this step discourages a cash dependent economy in India. Government of India drive towards demonetisation has given a strong push to the popularity of digital banking and made helps with the alternative arrangements of e-banking and e –wallet to trade and commerce. Exploring the demonetisation emergence in an economy and impact on banking services ecosystem dynamics, this study take an abductive approach anchored in over 4 years of case study data regarding. The present study foremost intention is to be analysing the demonetisation impact over banking loans and advances. In this regard the present study is to be examining the pre demonetisation and post demonetisation period.*

**Keywords:** *Demonetisation; Banking; Pre-Demonetisation; Post Demonetisation; Loans and Advances; Economy*

**JEL classification:** *EO2; E5; E52; E6; E61*

### Introduction

Demonetisation was the milestone in the Indian economy history. India's Prime Minister Mr. Narendra Modi made an unexpected decision of demonetisation and announced on 8th November 2016. The term "Demonetisation" refers to a particular currency notes circulation ceases to be a legal tender, it is termed as demonetisation. Legal tender refers to money which can be legally used to make payments of debts or other obligations. Due to the demonetisation the Indian government stated that the 500 and 1000 rupee notes were stripped of their status as legal tender effective from midnight in order to terminate the dark economy and crack down funding of illegal activities. The Indian government's ambition was to deterioration of fake currency and appropriate footsteps against tax evasion, curb inflation, eliminate black money and terror-funding, and to promote a cashless economy. Besides, Indian currency intends to get esteem at the

international market. It was a great checked on the terror related funding and therefore on terrorist activities. These notes worth maximum of 86 per cent of the country's cash circulation in the total value of currency. People were given time to checkout 31 st December 2016 and deposit their old currency notes and exchange them for the new currency notes of rupee 500 and 1000.

Banks are essential part of any economy because it is the primary channelizes the money to the horizontal functioning for different sectors. Currently banking services are furnished at the fingertip banking services to their customers. Moreover, demonetisation affect stimulated to banking sector for adopt alternative services as Green Banking; it made the banks to convert traditional banking services into modern banking services. The products and services are offered through electronic devices with the help of internet. Government of India ambition to make a cashless economy and it is implemented by banks through the flow of cash within an economy is not-existent and all transactions are made through appropriate electronic channels such as direct debit, direct credit, debit cards, credit cards, electronic clearing payment systems similar Immediate Payment Service (IMPS), National Electronic Funds Transfer and Real Time Gross Settlement in India.

In an Indian economy during the inception ` 500 and ` 1,000 were introduced in 1934, and after four year during the year in 1938, ` 10,000 were added. India prior 8th November 2016 first and foremost demonetisation was occupied place in economy in 1946, during this year currency notes of ` 1,000 and ` 10,000 were seized from circulation of currency. These seize of currency did not influence the economy, as the currency of such higher denomination was not accessible with the common people in India, On the other hand, these currency notes were reintroduced in 1954 along with the additional introduction of ` 5,000 currency notes.

The second money circulation ban occupied intended for currency notes `1,000, ` 5,000 and ` 10.000 was declared by the Prime Minister Morarji Desai during the year in 1978, The main aim of currency ban was to control block generation in Indian economy. This ban did not have effect on the people and affected only the privilege limited, whereas the recent denomination effect and stunned the whole country. Furthermore, demonetisation about 2016, there be situated a buzz for smaller denomination currency notes like ` 50 and ` 100 substituted by incorporating new features and design.

## **Literature Review**

Prabhu et al. (2017) stated that demonetization is a tool implemented by Indian government on the way to battle against corruption and black money. In the same approach, it influenced and transported changes in all the corner of the Indian economy. However, emphasized demonetization decision strongly affected Banking Industry.

Antony et al. (2017) emphasised that decision taken by government through demonetization were definitely carrying sufficient funds into the control of banks which will in turn place the banks in a better position as far as liquidity is concerned. It is very clear and evident from the enhanced deposit base. It will also give banks an opportunity to utilize these funds and earn more revenue.

Jayasudha and Thangavel (2016) described that it is clear from their research that due to demonetization most of the small retailers have faced many difficulties while dealing with banks. However, this is not a permanent condition. The economy is expected to recover soon after the circulation of new currency notes.

## **Research and Methodology**

Banking sector is the most significant sector in an Indian economy, through the Indian government decision pertinent with the demonetisation immense influence on banking services. Therefore, banking industry is one of the most important channelling for the money circulation services; furthermore it is the most effected sector by the demonetisation decision. As a result it is important en route for study its impact specifically on the banking loans and advances position which is a main restricted access for Indian Banks.

The present study perhaps will make people aware about the positive as well as the negative dimension of demonetisation on banking sector in the direction of the policy makers. In addition to that, present study

could also provide an innovative circumstance to trace the demand for loans and advances position intended for Indian banks. This study also focused few omissions related to poor lending policies for numerous sectors which are also responsible for enhancing the loans and advances.

To comprehend the demonetisation impact over banking sector the present study constitutes the following objectives:

To study the demonetisation impact over the banking sector.

To study the demonetisation impact over the bank loans and advances of SBI.

To study the pre demonetisation and post demonetisation circumstances over SBI loans and advances.

In order to prove the study objectives and demonetisation impact over loan and advances is examined by way of the critical observation of State Bank of India loan and advances. Therefore, SBI is extremely committed to contributing to society at large and continue to serve as a trusted partner to all stakeholders through reliably providing financial services that enable growth and economic progress for people of all over income groups, with this regard formulated the following hypothesis:

H0: There is no significant impact of demonetisation over the banking loans and advances of SBI during the pre- demonetisation and post demonetisation period.

H1: There is significant impact of demonetisation over the banking loans and advances of SBI during the pre- demonetisation and post demonetisation period.

The present research is a case study approach is selected to execute demonetisation impact over banking sectors loans and advances. In addition, it is an exploratory study designed for examine pre-demonetisation and post demonetisation period over banking loans and advances. The present study is addressed on Secondary Sources of data. Study pivotal point on quantitative or statistical data of State Bank of India because it is the leading public sector bank in India. The present study comprises available data such as financial reports, statistical reports, corporate and social responsibility reports, financial journals, newspapers and relevant State Bank of India websites. State Bank of India data would be analysed through the simple averages and growth ratios. Furthermore, demonetisation impact over the banking loans and advances of SBI during the pre- demonetisation and post demonetisation period analysed through employ of t-Test. The study is conducted for a period of 4 years and additionally which is divided as pre demonetisation period from 2014-15 to 2015-16 financial years and in the view of post demonetisation period from 2016-17 to 2017-18 financial years. State Bank of India is the largest public sector bank in India. SBI established in the year 1806, previously it was the Imperial Bank of India, and it is combination of three major banks like Bank of Madras, Bank of Calcutta and the Bank of Bombay to transform as the Imperial Bank of India, then after it became the State Bank of India in 1955. The government of India taken the control over the Imperial Bank of India in 1955 by the Reserve Bank of India acquired 60 per cent of share capital and remain with the State Bank of India. Further, the government of India had taken remain share capital in 2008 with the help of Reserve Bank of India. It is symbolizes an excellent legacy of over 200 years in banking sector.

SBI is the oldest public commercial bank in the Indian geographical region, strengthening the nation's economy and providing banking services to the targets of its massive customers. The State of Bank India is leading commercial bank in terms of assets, deposits, profits, branches, number of customers, employees and lending loans and advances, delight in the continuing faith of millions of customers across the world. State Bank of India's main corporate office located at Mumbai. SBI offers a varied range of products and services to its customers in the way of personal, commercial enterprises, large corporates, public bodies and institutional customers through its various branches and outlets joint ventures, subsidiaries and associate companies. According to Fortune Global 500 list in 2017, SBI occupied 216 th rank in the world largest corporations. SBI is the largest bank in India by way of 23 per cent market share in assets along with that one fourth share in total loans and deposits market.

India for the most part cash based economy and the black money proportion is assessed to be moderately discreet as compared to the total cash. Also conventionally individuals might be only a small portion of

black money in reality stored in the form of cash. Mostly, black income is transformed to physical assets such as gold, land, buildings, investments in securities etc. Demonetisation remained created multifaceted effect on Indian economy. It was agreed immense disappointment to the small, medium enterprises and influenced to real estate and construction business and merely those corporate entities with strong financial performance had survived the worst conditions. The stock market also faced an adverse impact because cash opportunities had a scarce item and thereby impacting the Indian corporations' revenues. Besides, demonetisation effect pointedly over the banking essential activities too also they are: (i) Bank Deposits, (ii) Bank Interest Rates and (iii) Diminishing asset quality.

Banking industry had witnessed for enormous in bank deposits. The main reasons for this situation Government of India provided short deadline to the customers for depositing their high value currency notes. The evidence of the demonetisation reflected as per the Indian government figures around ` 5.5 lakh crore had already been deposited in banks up to the date of 18 th November 2016. This context resulted in high liquidity in banking industry. On the other hand, new currency note worth ` 1.03 lack cores were issued till 18 th November 2016. Furthermore, Demonetisation effect on banking sector concern a study conducted by Bhupal Singh, RBI directors from the monetary policy department and Indrajit Roy, department of statistics and information management, stated that in August 2017 presented that the excess deposits accrued to the banking sector, total deposits range between ` 2.8 trillion to ` 4.3 trillion. Furthermore one of the evidence presented that excess deposit growth occupied in Indian banking sector during the demonetisation period i.e., 11 November 2016 to 30 December 2016 reflected that 4 per cent to 4.7 per cent. The growth of deposit in the banking sector declined till to mid February 2017, if it was considered into account to allow for some flow to reduction excess deposit growth weakened to the 3.3 per cent from 4.2 per cent. The liquidity position boosting results to the banking sector, since the demonetisation declared on 8 November 2016, it had facilitated to the banks in reduce their high-cost deposits and enhancing their current account and savings account (CASA) ratio.

Bank deposits were increased at the privileged of bank interest rate during the demonetisation period, it led alarm rang out for the bank interest rates declined. Demonetisation steered the banks to accept foremost part of the deposits in the form of cash, hence, results of this circumstances demanded to banks decline the interest rate over the banking deposits. Excess liquidity environments require assisted in creation facilitates to the transmission of monetary policy to market interest rates. Post demonetisation, a number of banks dropped their domestic term deposit rates and loans and advances rates. However, after demonetisation the repo rate dropped by 0.25 per cent points, whereas the decrease in Weighted Average Lending Rate (WALR) on outstanding loans by 0.50 per cent points. After one financial year demonetisation commanded substantial declined in lending and deposits rates. Pre-demonetisation period from December 2014 to October 2016 during this period of time RBI dropped the repo rate by 1.75 per cent points, whereas the weighted average lending rate (WALR) on outstanding loans declined by 0.75 per cent points. Pre-demonetisation and post- demonetisation bank rates effect exhibited in table (See Table 1).

**Table 1:** Decrease in Bank rates in Pre- demonetisation and Post- demonetisation (Differences in Per cent points)

Time Period	Repo Rate	Lending Rates	
		WALR-Outstanding Rupee Loans	WALR-Fresh Rupee Loans
Pre –Demonetisation ( December 2014 to October 2016 )	-1.75	-0.75	-0.97
Post-Demonetisation (Since 2016)	-0.25	-0.5	-0.96

Source: Reserve Bank of India's (RBI's) monetary policy report

The extreme difficult handled by the banking sector due to the demonetisation is that it had emotional impact over the quality of assets of the banks in the form of loans and advances supplied to diverse sectors. The harm of income in the direction of small and medium borrowers were significantly affected the repayment of loans. Corporate businesses were also affected by the expanding working capital rotation which requires cash for funding the supply chain. Small and Medium sized businesses in an Indian economy very much cash based businesses and it was turned increase the worried loans. The impact of demonetisation on micro finance securitisation volumes had severe, according to a study by credit rating agency ICRA. Formerly, before demonetisation registered two years of rapid growth, the volume of micro loan securitisation transactions witnessed a trend reversal found by credit rating agency ICRA around 20 per cent dip observed in the financial year 2016-17.

## **Findings**

Prime Minister Mr. Narendra Modi Government had initiated many reforms and measures to strengthen the Indian economy and among these measures one of the measure taken place as demonetisation. It is measured the bravest and major decision ever taken by any Prime Minister of India. In addition, overview of this decision how effect on bank loans and advances of SBI during the pre-demonetisation and post demonetisation period. First and foremost element of loans and advances is Bills purchased and discounted was reported ` 95605, 93, 62 Crores during the financial year 2014-15 and which was decreased during the financial year to ` 94360,70,33 Crores due to the Gross Value Added (GVA) declined by 6.1 per cent in the final quarter of 2015 financial year, from 8.4 per cent in second quarter in financial year 2015 by this cause growth figure reported for the whole year in 2014-15 financial year recorded by 7.2 per cent. Post demonetisation period also reported about bills purchased and discounted declined trend and it was reported in the financial years 2016-17 and 2017-18 by -0.2751 and -0.0944 per cent respectively over the financial year 2015-16 due to the asset quality, resolution of stressed assets and muted credit growth continued as major challenges for most banks during the current year. Higher Non Performing Assets (NPA) impacted interest income adversely and led to elevated bills purchased and discount.

On the other hand Cash credits, overdrafts and loans repayable on demand registered during the pre-demonetisation period in financial year 2015-16 increased by 0.09444 per cent over the financial year 2014-15 due to the from business perspective, this consolidation will provide significant long-term benefits to the Bank. In addition, post demonetisation period Cash credits, overdrafts and loans repayable on demand during in the financial year 2017-18 escalated by 0.2334 per cent over the financial year 2016-17 caused by the Inflation, both Consumer Price Index(CPI) and Wholesale Price Index(WPI) remain under control for entire financial year 2017 -18. However, average CPI was registered 3.6 per cent in financial year 2017-18 compared to 4.5 per cent in financial year 2016 -17, whereas the corresponding figures for WPI are 2.9% and 1.8%, respectively. Term loans escalated in the financial year 2015-16 by 0.1462 per cent during the pre-demonetisation over the financial year 2014-15 due to the advances of State Bank of India crossed the ` 15,00,000 crore mark, and grew at 13.04 per cent to the level of ` 15,09,500 crore by March 2016 from the financial year 2014-15 level of ` 13,35,424 crore. The higher growth of SBI advances than the banking industry pushed up the market share by 34 bps to 16.30 per cent in the financial year 2015-16. Subsequently, term loans reported rapidly increased trend in the financial year 2017-18 by 0.2042 per cent over the financial year 2016-17 during the post demonetisation period caused by the State Bank of India has the largest home loan supplier in the country, with a market share of 32.13 per cent as on 31st March 2018, amongst altogether Scheduled Commercial Banks (SCBs). Along with that Home Loan portfolio constituted 18 per cent of the Whole Bank Advances as on 31st March 2018.

Moreover, Secured by tangible assets (includes advances against Book Debts) during the pre-demonetisation period increased ` 1086206,36,64 Crores in the financial year 2015-16 from ` 988275,84,14 Crores in the financial year 2014-15 due to the SBI launched a digital credit tool had developed and it is facilitated to operate Banking secured debts from house to automate the process and enable instant sanction. This tool was launched in partnership with Uber on 15th March 2016 by SBI the retail asset quality had held up well during this period and that the corporate credit cycle bank Chairman & Uber President Asia Pacific. In additionally, Secured by tangible assets (includes advances against Book Debts) registered

rapid increased by ` 1505988,72,17 Crores in the financial year 2017-18 over the financial year 2016-17 and it was reported by ` 1206185,33,70 Crores due to is also nearing the end from financial year 2018-19 onwards therefore, it should attained a significant improvement.

Furthermore, Covered by Bank/ Government Guarantees recorded increased growth by 0.1470 per cent in the financial year 2015-16 over the financial year 2014-15 during the pre-demonetisation period because of the SME portfolio reported ` 1,89,534 crore as on 31st March 2016 accounts for nearly 12 per cent of State Bank of India's total advances. As well the revival of business sentiment and growth in GDP had brought the focus sharply on the growth and capability of SME units. Also, the Indian Government initiatives for Make in India, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) cover and Micro Units Development and Refinance Agency (MUDRA) and which are providing a significant shot in the support to the SME segment. Covered by Bank/ Government Guarantees during the post demonetisation decreased by 0.1945 per cent in the financial year 2017-18 over the financial year 2016-17 due to the struggle on profitability because of higher provisioning, the State Bank of India remained well capitalised. Through portfolio reordering, Credit Risk Weighted Assets (CRWA) to gross advances ratio declined by 780 bps to 71.14 per cent as on 31st March 2018. During the year, the SBI raised ` 15,000 crore of equity through a very successful Qualified Institutional Placement (QIP), which was the largest ever in India and the third largest in Asia-Pacific. The Government in turn has permeated ` 8,800 crore and ` 5,436 crore was also raised through disinvestment of 8 per cent stake in SBI Life through IPO route.

Unsecured loans and advances in Pre - demonetisation period reported ` 259109,61,50 Crores in the financial year 2015-16 and it was increased to ` 315779,05,55 Crores in the financial year 2016-17 due to the growth in advances of SBI has remained subdued during financial year 2016-17. The gross advances of SBI crossed the ` 16,00,000 Crore mark, and raised at 7.80 per cent to the level of ` 16,27,273 Crore by 31 st March 2017 from the previous year level of ` 15,09,500 Crore. Compared to the banking industry growth, SBI higher growth in advances has pushed up the market share by 65 bps to 17.02 per cent in financial year 2016-17. On the other hand unsecured loans during the post demonetisation period in financial year 2016-17 declined by 0.1041per cent and it was in the financial year 2017-18 increased by 0.2734 per cent caused the gross advances of your bank crossed the ` 20,00,000 crore mark, and grew at 4.91 per cent to the level of ` 20,48,387 Crore by March 2018 from the previous year level of ` 19,52,507 Crore. Retail segments like SME & Agriculture now constitute 57.5 per cent of the domestic loan book. Much of the growth in advances derived from retail segments, including home loans and auto loans.

Advances in India of SBI first constituent is priority sector during the pre-demonetisation escalated by 0.1205 per cent in the financial year 2015-16 over the financial year 2014-15 due to the loans to enormous corporates increased by 16.69 per cent, which had ` 3,29,026 Crore in financial year 2015-16 over the financial year 2015-14 from level of ` 2,81,977 Crore. Therefore, this growth trend can largely be attributed to capitalizing on refinancing opportunities and judiciously lending to investment grade projects. Besides, Advances in India priority sector during the post demonetisation reported increased in the financial year 2017-18 by 0.2388 per cent over the financial year 2016-17 due to the SBI is pioneer and market leader in SME financing, bank has aggregately one million customers. The SME portfolio of ` 2,69,875 Crore, as on 31st March, 2018 accounts for nearly 13.17 per cent of the State Bank of India total advances.

Moreover, Public Sector advances in India reported steeper growth in financial year 2014-15 from ` 99444,50,78 Crores and it was increased to ` 144401,91,16 Crores in the financial year 2015-16 caused by the against the backdrop of weak global economy, India grew at a healthy 7.6 per cent in financial year 2015-16 compared to 7.2 per cent in the financial year 2014-15. Whereas, Gross Value Added (GVA) basis registered the economy grew at 7.2 per cent in financial year 2015-16 against the 7.1per cent in financial year 2014-15. Public Sector advances in India declined in the financial year 2016-17 by 0.1872 per cent and which had escalated by 0.2489 per cent in the financial year 2017-18 during the post demonetisation period because after remaining depressed for nearly two years, the bank credit built upon the uptick that started around June 2017 and extended in double digits from December 2017.

Advances in India towards banks reported in the financial year 2014-15 ` 261,94,79 Crore and it was escalated to ` 1473,74,93 Crore due to credit extended by private sector banks is higher than PSBs and

has returned to positive territory after a long contraction in Pre-demonetisation period. On the other hand during the post demonetisation period reported declined by 0.0493 per cent in the financial year 2016-17 as well it was increased in the financial year 2017-18 by 0.5063 per cent due to the credit to sectors is fetching broad-based, with take-up by industry turning positive after a protracted period of contraction. Due to the continued stress in other sectors, most of the banks made efforts to lend to retail sector, which registered reasonably good growth. Consequently, Advances in India towards Others reported progressive growth by 0.0647 per cent in financial year 2015-16 over the financial year 2014-15 due to the a robust growth of 20.06 per cent, retail advances remained the most impressive sector contributing significantly to increase in overall loan disbursements during the pre-demonetisation period. In addition, Advances in India towards Others loan category during the post demonetisation period registered increased trend by 0.1955 per cent in the financial year 2017-18 over the financial year 2016-17 caused the retail, home loans grew up by 13.26 per cent, and it was reported by ` 3,13,106 crore in financial year 2017-18 from ` 2,76,454 crore in financial year 2016-17.

Moreover, Advances outside India constituent Due from banks reported by ` 49656,27,37 Crore in the financial year 2014-15 and it was enhanced to ` 71628,62,37 Crore in the financial year 2015-16 during the pre-demonetisation period due to the credit growth remained in the range of 9 to 10 per cent in financial year 2015-16. After the rate reduced by RBI entirely 75 bps in totally 25 and 50 bps in two tranches in Jun 2015 and Sep2015, banks also reduced their base rates in the range of 55 to 70 bps, which helped credit demand from banks to pick up in touching the highest growth of 11.6 per cent in February 2016. On the other hand due from banks declined by 0.1386 per cent in the financial year 2017-18 over the financial year 2016-17 due to the financial year 2017-18 was a difficult year as far as net profits are concerned for banking sector. The main contributing factors being increase in loan loss provisions, market losses on Government securities and provisions and payments to employees of banks during the post demonetisation period.

In the similar line Advances outside India, Bills purchased and discounted enumerated declined by 0.8749 per cent in the financial year 2015-16 over the financial year 2014-15 during the pre-demonetisation period because global growth continued to remain sluggish in the first quarter of this calendar year. Delicate business environment in the US led to a near stagnation in growth dynamics. Even the Eurozone grew at the same rate and Japan continues to show weak growth. Meanwhile Post demonetisation period Bills purchased and discounted escalated by 0.1971 per cent in the financial year 2017-18 over the financial year 2016-17 due to the Global economy experienced broad based growth in financial year 2016-17. In particular, economic activity gained momentum in the US and the Euro area. For the moment, emerging market and developing economies have also performed better with growth pick-up in emerging Europe and emerging Asia being the major contributors to growth.

Advances outside India supplementary categorise Syndicated loans reported during the pre-demonetisation period by ` 73482,21,58 Crore in the financial year 2014-15 and it was escalated to ` 88579,38,30 Crore in the financial year 2015-16 because of payment systems, of late, is the most sought after aspect of banking business on account of the growing penetration of smart phones, e-commerce and launch of a good number of innovative products/mobile apps. Payments Bank and Small Finance Banks are on the anvil. The competitive scenario is getting intense and changing rapidly. Moreover, Syndicated loans testified in post demonetisation period in the financial year 2016-17 by ` 101077,74,18 Crore and it was increased to ` 120685,86,16 Crore in the financial year 2017-18 due to the continued stress in other sectors, State Banks of India made paramount efforts to lend to retail sector, which registered reasonably good growth, with most banks expanding their retail loan book.

Advances outside India, Others loan category registered significant growth throughout pre-demonetisation period it was ` 81176,66,04 Crores in the financial year 2014-15 and it was escalated to ` 315779,05,55 Crores in the financial year due to the incremental lending during the financial year had mostly to the personal loan segment, especially housing, and also Mudra. Interestingly, in a period of one year, with the drive of the Government of India and efforts by banks, Mudra loans now account for around 1.7% of the All Scheduled Commercial Bank (ASCB) loan portfolio. On the other hand, post demonetisation Others loan category declined by 0.0651 per cent in the financial year 2016-17 aftermath it was slightly increased by

0.0355 per cent in the financial year 2017-18 because during the period major transformational reforms realized in the past, such as the Government's demonetisation measures and the tax reforms through the introduction of GST, the Bank has emerged as a resilient player on a steady path of quality growth (See Table 2).



**Table 2: Analysis of Loans & Advances of SBI during the Pre Demonetisation and Post Demonetisation period ( ` in Crore)**

Loans & Advances Particulars	Pre Demonetisation Period			Post Demonetisation Period			Total	Average
	As on 31.03.2015 (2014-15)	As on 31.03.2016 (2015-16)	As on 31.03.2017 (2016-17)	As on 31.03.2018 (2017-18)	As on 31.03.2017 (2016-17)	As on 31.03.2018 (2017-18)		
(A).I. Bills purchased and	95605,93,62	94360,70,33 (-0.0131)	73997,86,42 (-0.2751)	67613,55,55 (-0.0944)	1899666395	949833197.5	1416114197	708057098.5
II. Cash credits, overdrafts	538576,40,18	589442,33,19 (0.09444)	605016,33,99 (0.0264)	746252,38,11 (0.2334)	11280187337	5640093669	13512687210	6756343605
III. Term loans	665844,05,49	779897,38,23 (0.1462)	892064,17,70 (0.1257)	1121014,25,25 (0.2042)	14457414372	7228707186	20130784296	10066392148
TOTAL	1300026,39,29	1463700,41,75 (0.1118)	1571078,38,11 (0.0683)	1934880,18,91 (0.1880)	27637268104	13818634052	35059585702	17529792851
(B). I. Secured by tangible assets (includes advances against Book Debts)	988275,84,14	1086206,36,64 (0.0990)	1206185,33,70 (0.1104)	1505988,72,17 (0.2485)	20744822078	10372411039	27121740587	13560870294
II. Covered by Bank/ Government	52640,93,65	61714,99,56 (0.1470)	82006,91,83 (0.2474)	68651,16,60 (-0.1945)	1143559321	571779660.5	1506580843	753290421.5
III. Unsecured	259109,61,50	315779,05,55 (0.2187)	282886,12,58 (-0.1041)	360240,30,14 (0.2734)	5748886705	2874443353	6431264272	3215632136

TOTAL	1300026,39,29	1463700,41,75 (0.1259)	27637268104	13818634052	1571078,38,11 (0.0733)	1934880,18,91 (0.2315)	35059585702	17529792851
(C). I. Advances in India								
(i) Priority Sector	288952,35,26	328551,49,99 (0.1205)	6175038525	3087519263	341257,50,06 (0.03723)	448358,95,60 (0.2388)	7896164566	3948082283
(ii) Public Sector	99444,50,78	144401,91,16 (0.3113)	2438464194	1219232097	121630,62,69 (-0.1872)	161939,24,46 (0.2489)	2835698715	1417849358
(iii) Banks	261,94,79	1473,74,93 (0.8222)	17356972	8678486	1404,44,69 (-0.0493)	2845,19,97 (0.5063)	42496466	21248233
(iv) Others	678592,56,54	725604,44,16 (0.0647)	1404197007 0	7020985035	823349,18,79 (0.1187)	1023464,39,0 0 (0.1955)	1846813577 9	9234067890
TOTAL	1067251,37,3 7	1200031,60,2 4 (0.1106)	2267282976 1	1133641488 1	1287641,76,2 3 (0.06803)	1636607,79,0 3 (0.2132)	2924249552 6	1462124776 3
II. Advances outside India								
(i) Due from banks	49656,27,37	71628,62,37 (0.3067)	1212848974	606424487	87802,75,38 (0.1842)	77109,63,56 (-0.1386)	1649123894	824561947
(ii) Due from others								
(a) Bills purchased and discounted	28459,86,93	15179,05,89 (-0.8749)	436389282	218194641	11672,61,58 (-0.3003)	14539,04,35 (0.1971)	262116593	131058296.5

(b) Syndicated loans	73482,21,58	88579,38,30 (0.1704)	1620615988	810307994	101077,74,18 (0.1236)	120685,86,16 (0.1624)	2217636034	1108818017
(c) Others	81176,66,04	88281,74,95 (0.0804)	1694584099	847292049.5	82883,50,74 (-0.0651)	85937,85,81 (0.0355)	1688213655	844106827.5
TOTAL	232775,01,92	263668,81,51 (0.1171)	4964438343	2482219172	283436,61,88 (0.0697)	298272,39,88 (0.0497)	5817090176	2908545088
GRAND TOTAL [C (I) and C (II)]	1300026,39,29	1463700,41,75 (0.1118)	27637268104	13818634052	1571078,38,11 (0.0683)	1934880,18,91 (0.1880)	35059585702	17529792851

Source: Financial Reports

Hypothesis formulated to test demonetisation impact over loans and advances of State Bank of India. In order to prove the demonetisation impact over the banking loans and advances is examine whether any significant difference during the pre-demonetisation and post demonetisation of SBI loans and advances. The study analyses the SBI loans and advances through the average loans and advances during the Pre-demonetisation and Post demonetisation period (See Table 3).

**Table 3:** Average Loans & Advances of SBI during the Pre-Demonetisation and Post Demonetisation period

Loans & Advances Particulars	Average Loans & Advances in Pre- Demonetisation Period	Average Loans & Advances in Post Demonetisation Period
(A).I. Bills purchased and discounted	949833197.5	708057098.5
II. Cash credits, overdrafts and loans repayable on demand	5640093669	6756343605
III. Term loans	7228707186	10065392148
TOTAL	13818634052	17529792851
(B). I. Secured by tangible assets (includes advances against Book Debts)	10372411039	13560870294
II. Covered by Bank/ Government Guarantees	571779660.5	753290421.5
III. Unsecured	2874443353	3215632136
TOTAL	13818634052	17529792851
(C). I. Advances in India		
(i) Priority Sector	3087519263	3948082283
(ii) Public Sector	1219232097	1417849358
(iii) Banks	8678486	21248233
(iv) Others	7020985035	9234067890
TOTAL	11336414881	14621247763
II. Advances outside India		
(i) Due from banks	606424487	824561947
(ii) Due from others		
(a) Bills purchased and discounted	218194641	131058296.5
(b) Syndicated loans	810307994	1108818017
(c) Others	847292049.5	844106827.5
TOTAL	2482219172	2908545088
GRAND TOTAL [C (I) and C (II)]	13818634052	17529792851

Source: Compiled data

**Table 4:** t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
	949833197.5	708057098.5
Mean	5321144732	6777805159
Variance	2.70719E+19	4.49704E+19
Observations	18	18
Pooled Variance	3.60211E+19	
Hypothesized Mean Difference	0	
df	34	
t Stat	-0.728116664	
P(T<=t) one-tail	0.23576367	
t Critical one-tail	1.690924255	
P(T<=t) two-tail	0.471527339	
t Critical two-tail	2.032244509	

Source: MS-Excel v 2010

The results of t-Test revealed at 34 degree of freedom at 5% significance level that the calculated value with one tail is 0.23576367 and two tail value is 0.471527339 whereas, Critical values of one tail 1.690924255 and two tail 2.032244509. Hence, null hypothesis is accepted because the calculated value is less than the critical value. Therefore, it can be concluded that there is no significant impact of demonetisation over banking loans and advances during the pre-demonetisation and post demonetisation of SBI loans and Advances. Hence, it is the evidence revealed that there is no impact of demonetisation over the source of banking loans and advances during the per-demonetisation and post demonetisation to their customers.

## Conclusion

The determinations employed by Government of India over and done with demonetization was absolutely fetching sufficient funds in terms of deposits into the banks and this circumstances turn dwelling the banks in a better position to maintain liquidity position concerned. Furthermore, banks and Reserve Bank of India (RBI) financial reports declared that improved deposit base after the demonetisation. However, it has given an opportunity to the banks to earn sufficient profits with the adequate funds through the lending loans and advances. It is the evidence revealed by this research that there is no significant impact of demonetisation over banking loans and advances during the study period.

Additionally, found through this research demonetisation added to the plethora of challenges to the Indian economy and earlier banks were already in contradiction of the decision. On the other hand, it could ensure a pretty bad impact on Small Medium Enterprises (SMEs), small traders, real estate, building construction, transport sector, consumer durable goods industry. Along with these sectors it may perhaps major affect the rural areas business because as over the majority of the transactions are made in cash. Besides, Indian economy had faced near-term discourage aside, a meaningful recovery is unlikely in the financial year 2018.

Finally it is found through this research that Demonetization was facilitated to minimize black money, corruption and terrorist funding from Indian economy. General public had encountered trouble for the reason that of demonetization and they were felt inappropriate decision but, fruits of demonetisation will arise in long tenure in an Indian economy. As well it was not assisted the bank employees because meanwhile the flood of customers into the bank branches impacted banking operations temporarily, sustained impact is likely to be seen on the balance sheet structure and liquidity position of banks due to that bank employees amount of work had also increased.

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