

**EVALUATING THE EFFECT OF DEMONETIZATION ON BANK
PERFORMANCE AND EMPLOYEE VIEWS****Iyas Khan, Dr. Sapna Rathore**

Research Scholar, The Glocal University Saharanpur, Uttar Pradesh

Research Supervisor, Glocal School of Business and Commerce, The Glocal University,
Saharanpur, Uttar Pradesh**ABSTRACT**

This paper investigates the effects of demonetization on the performance of public and private sector banks in India, with a particular focus on key performance indicators (KPIs) and employee perspectives. The study aims to explore how the 2016 demonetization policy, which withdrew high-denomination currency notes from circulation, impacted the banking sector. By analyzing financial data from banks and gathering insights from employees, this research provides a comprehensive view of the challenges and opportunities that emerged in the aftermath of demonetization. The findings highlight changes in operational efficiency, customer service, and employee morale, offering a balanced understanding of the policy's implications on the banking industry.

KEYWORDS: Banking Reforms, Cash Flow, Banking Technology, Economic Policy, Stress and Workload.

I. INTRODUCTION

The demonetization policy implemented by the Government of India on November 8, 2016, which withdrew ₹500 and ₹1000 currency notes from circulation, marked one of the most ambitious economic reforms in India's history. The policy aimed to tackle the issues of black money, counterfeit currency, and corruption, as well as promote a shift towards digital transactions and formal banking channels. While its immediate impact was felt across various sectors of the economy, the banking sector bore the brunt of the policy. The banking system, especially in a country like India, is vital in driving economic growth, and demonetization forced it to adapt to sudden and substantial changes. This reform had far-reaching consequences, not only in terms of financial performance but also with regard to the internal dynamics within banks, particularly concerning employee perspectives.

Public and private sector banks experienced demonetization differently due to contrasting infrastructure, operational strategies, and levels of digital adoption. Public sector banks, with their vast customer base and legacy systems, found themselves under considerable strain. The sudden surge in demand for cash deposits, withdrawals, and exchanges led to overcrowded branches and overwhelmed staff. At the same time, private sector banks, with their relatively modern technological infrastructure, were able to leverage digital platforms to manage the large influx of transactions more effectively. The need for quick adaptation to new systems, digital banking, and managing increased customer demands led to diverse operational challenges and unique employee experiences.



From a performance standpoint, key metrics such as profitability, liquidity, and customer service efficiency became central to understanding the effects of demonetization on banks. While public sector banks struggled to maintain profitability in the short term, private sector banks showed resilience, benefiting from their greater flexibility and capacity to drive digital banking solutions. The withdrawal of high-denomination notes resulted in an immediate increase in bank deposits, which in turn affected liquidity levels. However, this increase in liquidity was counterbalanced by the increased costs of handling cash transactions and the strain on bank branches. For banks that had already invested in digital infrastructure, the shift to digital banking channels during demonetization proved advantageous in terms of both operational efficiency and customer service, which in turn influenced the long-term performance of these institutions.

While the financial implications of demonetization are well-documented, less attention has been given to its impact on bank employees, who were on the front lines during the implementation of the policy. The sudden and overwhelming nature of the policy's rollout led to increased pressure on employees, many of whom had to work longer hours, handle a high volume of transactions, and manage frustrated customers. The emotional and psychological toll on employees was significant, with many reporting stress, burnout, and a decrease in job satisfaction. Public sector bank employees, who were traditionally accustomed to high volumes of physical cash transactions, faced more difficulties compared to their counterparts in private banks, where digital banking had already been gaining traction. Employee feedback also revealed a divide in terms of preparedness—while some employees felt equipped to handle the changes, others were overwhelmed by the lack of training and resources to deal with the challenges brought about by the sudden shift in policy.

This paper seeks to evaluate the impact of demonetization on the banking sector, focusing on both performance metrics and employee perspectives. By analyzing key performance indicators such as profitability, operational efficiency, and liquidity, this study will explore the immediate and long-term effects of demonetization on the public and private sector banks. Moreover, this research will also delve into the employee experience during the demonetization phase, examining how the policy affected their workload, job satisfaction, and morale. Understanding these impacts is essential for shaping future policies that may disrupt banking operations, as well as for preparing the banking workforce to handle similar challenges in the future.

The role of employee perspectives is crucial in any large-scale policy shift, especially in the banking sector, where service delivery and customer interactions are fundamental to maintaining trust and efficiency. Thus, while much has been written about the economic and financial consequences of demonetization, it is equally important to consider how these policies affect the human capital that sustains the banking system. Employee satisfaction and morale directly impact productivity, customer service, and the overall operational effectiveness of banks. This research will address these aspects by surveying and interviewing employees from both public and private banks, aiming to provide a balanced and comprehensive understanding of the effects of demonetization on the banking sector.



Furthermore, by comparing the performance of public and private banks, this paper aims to identify the factors that contributed to the differences in their responses to demonetization. The shift towards digital banking was a significant factor in determining how well banks coped with the sudden surge in cash transactions. For banks with advanced technological infrastructure, such as private banks, the transition to a more digitized and streamlined banking experience helped mitigate many of the challenges posed by demonetization. Conversely, public sector banks, with their reliance on traditional banking methods and legacy systems, struggled to cope with the sudden demand and faced significant challenges in maintaining operational efficiency. This comparison will provide valuable insights into the importance of technological adoption and innovation in ensuring the long-term resilience of the banking sector.

In conclusion, this research will offer a multifaceted view of the effects of demonetization on India's banking sector, exploring both the financial and human aspects of the reform. By analyzing performance metrics and gathering employee perspectives, the paper will provide a comprehensive evaluation of how the banking sector, both public and private, adapted to the challenges posed by demonetization. The findings will contribute to the broader discourse on economic reforms and their implications for the banking industry, providing valuable lessons for policymakers, bank managers, and employees in preparing for future disruptions. Ultimately, this research will shed light on the complex relationship between financial performance, employee experiences, and organizational resilience in the face of large-scale policy changes.

II. IMPACT ON BANK PERFORMANCE

The impact of demonetization on bank performance was multifaceted, affecting various key aspects of banking operations, including profitability, liquidity, operational efficiency, and customer service.

1. **Profitability:** Demonetization led to a surge in deposits as people rushed to deposit their demonetized currency. While this resulted in higher liquidity for banks, the immediate costs of managing increased cash flows and the operational strain on branches adversely impacted profitability in the short term. Public sector banks, which faced more logistical challenges due to their larger customer base and reliance on traditional banking methods, were particularly affected. Private sector banks, with better digital infrastructure, were able to mitigate some of these challenges.
2. **Liquidity:** The liquidity of banks significantly increased post-demonetization due to the influx of cash deposits. However, banks faced a temporary mismatch between high deposits and limited lending opportunities. This surplus liquidity also led to a rise in non-performing assets (NPAs) as the banks struggled to deploy the funds effectively in the absence of adequate demand for loans.
3. **Operational Efficiency:** The demonetization process stretched the operational capabilities of both public and private banks. Public sector banks, with their larger

network of branches, struggled to maintain operational efficiency due to the increased workload. In contrast, private sector banks, with their more streamlined processes and adoption of digital banking, experienced fewer operational disruptions.

4. **Customer Service:** With the long queues and overwhelmed branches, customer service in banks took a hit. While private banks were able to shift a significant portion of transactions to digital platforms, public banks faced significant delays, which affected their customer satisfaction levels.

In while demonetization had a positive long-term effect on digital banking adoption, it temporarily disrupted bank performance in terms of profitability, liquidity, and operational efficiency.

III. EMPLOYEE PERSPECTIVES

The perspectives of bank employees during and after the demonetization period reveal significant challenges and shifts in their work dynamics, job satisfaction, and overall morale.

1. **Increased Workload and Stress:** One of the most immediate impacts on employees was the dramatic increase in workload. As customers flooded banks to deposit and exchange old currency, employees faced long working hours and high pressure. Branches were overcrowded, and employees had to manage a high volume of transactions. This led to increased stress, burnout, and frustration among many employees, particularly in public sector banks where the workforce was larger, and the systems were less equipped to handle the surge.
2. **Job Satisfaction and Morale:** The emotional toll of demonetization on employees was significant. While some employees in private sector banks felt better equipped to manage the changes due to their advanced digital infrastructure, public sector employees often felt overwhelmed. Lack of proper training, inadequate resources, and the absence of clear guidelines contributed to a decrease in job satisfaction. Many employees reported feeling demotivated due to the physical and emotional toll of dealing with high-pressure situations without adequate support.
3. **Skill Enhancement and Adaptation:** On the positive side, demonetization pushed many employees to quickly adapt to new technology and banking practices, particularly in relation to digital transactions. Employees in both public and private banks had to learn new systems and processes rapidly, which contributed to skill development and better familiarity with digital banking solutions. This increased adaptability was seen as a valuable long-term skill.
4. **Customer Interactions and Frustration:** Employees in both sectors had to deal with frustrated customers due to long wait times, technical difficulties, and the uncertainty surrounding the demonetization process. This led to emotional stress for many



employees who had to manage customer complaints while maintaining a professional demeanor.

In while demonetization led to improved digital skills and adaptability among employees, it also had significant negative effects on employee morale, job satisfaction, and stress levels due to increased workload and customer dissatisfaction.

IV. CONCLUSION

Demonetization was a challenging period for both public and private sector banks, but it led to significant shifts in banking practices. While the immediate aftermath saw disruptions and increased stress on employees, the long-term effects have pushed banks to innovate, particularly in the realm of digital banking. The contrasting experiences of public and private sector employees reflect the need for improved training, resources, and technological investments to better prepare for such reforms in the future.

REFERENCES

1. Awasthi, A., & Jain, V. (2017). Impact of demonetization on Indian banking sector. *International Journal of Research in Finance and Marketing*, 7(11), 22-30.
2. Banerjee, A., & Ghosh, S. (2018). Demonetization and its effects on the banking sector. *Journal of Business and Management*, 20(3), 34-43.
3. Garg, A., & Yadav, R. (2018). Impact of demonetization on public and private sector banks in India: A comparative analysis. *Journal of Financial Services*, 22(4), 45-58.
4. Ghosh, P., & Sahu, N. K. (2017). An analysis of the impact of demonetization on liquidity and profitability of banks in India. *International Journal of Economics and Financial Issues*, 7(4), 234-240.
5. Gupta, R., & Kumar, S. (2019). The effects of demonetization on bank performance: Evidence from Indian public and private sector banks. *International Journal of Banking, Accounting, and Finance*, 11(2), 201-215.
6. Kaur, G., & Arora, P. (2018). Employee perspectives on the impact of demonetization in the Indian banking sector. *International Journal of Human Resource Management*, 9(1), 67-75.
7. Kumar, S., & Gupta, N. (2018). Employee morale and satisfaction post-demonetization: A study on Indian banks. *Journal of Business Research and Development*, 18(2), 112-124.
8. Mishra, R., & Patnaik, S. (2017). Impact of demonetization on banking sector efficiency and employee satisfaction in India. *Journal of Banking and Finance*, 16(1), 89-97.
9. Saini, V., & Bansal, A. (2018). Customer service in the wake of demonetization: A case study of Indian banks. *Journal of Service Management*, 23(5), 45-57.
10. Singh, A., & Sharma, P. (2019). Demonetization and its impact on Indian banking performance: A quantitative analysis. *Indian Journal of Finance*, 13(6), 28-39.