



IMPACT OF DEMONETIZATION IN BSE– WITH SPECIAL REFERENCE TO HEALTH CARE INDUSTRY

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Abstract

Demonetization is the act of stripping a currency unit of its status as legal tender. The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency sometimes it may be partly, now this happened. The Government of India has taken and announced monetary reforms of demonetization of Rs.1000 and 500 currency notes on 8 November 2016 .The government taken an effort to stop counterfeiting the current bank notes, avoid funding for terrorism, wiping of black money, eliminate hoarding of currency notes and to reduce corruption. This demonetization is not new in India the higher value currency notes were demonetization started in 1946. The move was then justified as attempt to contain the volume of banknotes in circulation due to inflation. After a long back once again the monetary reforms taken by the government of India.

Due to the immediate announcement of demonetization all the sectors were stunned. Overall India faced high demand of currency shortages and had long queue in front of bank, cashless ATM, black transactions without any humanity. All sectors were affected in this government decision even small businessman, agriculturist were affected more. Only middle class and poor people were highly affected because mostly rich people have influence with banks so they were not stand in the queue they directly go into the bank easily change their money. Capital market also one of the highly affected sector with this demonetization. These demonetization measures have had significant and immediate impact on the state of the Indian economy. The main aim of the study was to identify the impact of demonetization on Bombay stock exchange Health care industry. The correlation and linear regression analysis result that Demonetization has a significant effect on healthcare industry and this reflects in Indian economy.

Key words: Demonetization, Stripping, Capital market and monetary reforms

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Introduction

Demonetization is the act of stripping a currency unit of its status as legal tender. The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency sometimes it may be partly, now this happened. The Government of India has taken and announced monetary reforms of demonetization of Rs.1000 and 500 currency notes on 8 November 2016 .The government of India taken an effort to stop counterfeiting the current bank notes, avoid funding for terrorism, wiping of black money, eliminate hoarding of currency notes and to reduce corruption.

Demonetization at a Glance

This demonetization is not new in India the higher value currency notes were demonetized in the year 1946 and again Rs10000, 1000 and 5000 notes were reintroduced and again all were demonetized in the year in 1978. Rs. 1,000 note made a comeback in November 2000. Rs. 500 note came into circulation in October 1987. The move was then justified as attempt to contain the volume of banknotes in circulation due to inflation. After a long back once again the monetary reforms taken by the government of India.

Statement of the Problem

Due to the immediate announcement of demonetization all the sectors were stunned. Overall India faced high demand of currency shortages and had long queue in front of bank, cashless ATM, black transactions without any humanity. All sectors were affected in this government decision even small businessman, agriculturist were affected more. Only middle class and poor people were highly affected because mostly rich people have influence with banks so they were not stand in the queue they directly go into the bank easily change their money. Capital market also one of the highly affected sector with this demonetization. These demonetization measures have significant and immediate impact on the state of the Indian economy. These measures are also expected to result in long-term impact on certain industries and sectors. Capital market also one of the highly affected sector with this demonetization. Apart from that healthcare industry is very important. In BSE thirty five health care companies are listed. Due to the countervailing of old currency the hospitals and pharmaceuticals were not accepted old Rs.500 and Rs.1000 hence they postponed their treatment and



also after getting new currency there were high demand of change for high denomination notes. So to know the impact, the following research question is asked what is the Impact of Demonetization on BSE Healthcare industry?

Objectives of the Study

- To study the concept about demonetization
- To identify impact of Healthcare industry before and after demonetization

Methodology

The main objective of this article is to know the impact of demonetization in BSE healthcare industry. The period of study consist of Five months starts from 1st September 2016 to 31st January 2017. The following statistical tools are employed to know the impact. Correlation analysis to know the relationship between the variables, regression models for goodness of fit by using spas. To study the impact of demonetization the following hypotheses are framed and tested.

Null hypothesis H_0 : There is no significant impact between demonetization and health care industry.

Alternative hypothesis H_1 : There is a significant impact between demonetization and health care industry.

Collection of data: The study is mainly based on secondary data collected from BSE website. Additional data were collected from journals, books and published data.

Review of literature

Dr. P. Chellasamy, Anu. K. M (2017)¹ addressing that the impact of demonetization on the Indian stock market. The role of cash transactions in an informal economy is critical. With 86 percent of the monetary base being washed off, economic activity in the short run is likely to be adversely impacted. Study revealed that Public sector banking segment, Pharma, Energy and IT has recorded a rise in returns after the announcement of demonetization. The study concluded that the there is a wide spread negative returns across sectors after demonetization which reflects the immediate negative sentiments attached with the overall economic activity.

Dr. Devarajappa² studied that market reaction towards the announcement of demonetization in India: a case study of BSE & NSE the study reveals that, in both NSE and BSE stock indices are



negatively reacted towards the announcement of demonetization in short term. However, post demonetization, the scenario was quite different in the stock market. The introduction of GST, Unexpected victory of Donald Trump and the Currency Demonetization in India are the three main key developments in the year 2016. However, post demonetization, the scenario was quite different in the stock market.

Table No. 1

Months	R	F statistic	sig	T statistic	Sig
Sep	.980 ^a	130.378	.000 ^a	6.975	.000
Oct	.967 ^a	71.707	.000 ^a	5.183	.000
Nov	.989 ^a	243.474	.000 ^a	17.402	.000
Dec	.996 ^a	781.289	.000 ^a	2.397	.028
Jan	.948 ^a	53.399	.000 ^a	1.727	.101

a. Predictors: (Constant), low, open, high

R - Value indicating the strength and linear relationship between dependant and independent variables. In this study the variables open, high, low and close are positively and strongly correlated in each month. ANNOVA (F value) is statistically significant at 1% level ($P < .001$). From the above table T- Test high variable is significant at 1% level for the month of September, October, and November. In these three months the alternative hypothesis is accepted. During the month December and January the null hypothesis is accepted because $P > .001$. In the post demonetization month the health care indices low movements are significantly increased. But the other variables are not significantly increasing. So there was high impact on health care industry due to this demonetization.

Conclusion

The main aim of the study is to know the impact of demonetization in BSE health care industry. F- Test and t- test is perfectly fit to this study. The linear regression analysis results that Demonetisation has a significant effect on healthcare industry and this reflects in Indian economy. So the RBI and Government should properly planned well in advance if any monetary reforms going to



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be under taken. This adverse effects being temporary we hope for gradual development will be possible.

End notes:

1. Dr. P. Chellasamy, Anu. K. M Impact of demonetization on Indian stock market: with special reference tomsectoral indices in NSE, ISOR journal of Economics and Finance June 2017, PP. 51 -54.
2. Dr. Devarajappa, EPRA international journal of Economic and business review, Vol-5 June 2017, PP. 88-92.
3. www.bseindia.com
4. www.google.com
