

DEMONETIZATION AND ITS EFFECT ON BANKING SECTOR

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ABSTRACT

Demagnetization is a tool to battle inflation, black money, corruption and crime, discourage cash transactions and help trade. The banning of Rs. 500 and Rs.1000 currency notes has influenced almost all sections in all the corners of the economy. Its effect on banking sector is significant as the bank is a center to channelize the legal tender money to the needs of the society. The biggest beneficiaries of demagnetization are banks. It made the banks to accept the deposits without any cost of promotion and drastically increased liquidity position of banks. The present study is made out of the available literature in the post demonetization. It portrayed the effect of demonetization on the banking sector.

KEYWORDS: *Reserve Bank of India (RBI), Government of India, Cash Reserve Requirement (CRR), Demonetisation, Liquidity, Green Banking and Digitalisation*