IMPACT OF DEMONETIZATION ON SELECT NSE SECTORAL INDICES

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Abstract:

On 8th November 2016, Prime Minister Mr. Narendra Modi has made on historical decision called "currency demonetization" which would be a memorable experience and sort out event of our time to share with coming generations as its impact was felt by every citizen of India. Demonetization means termination of agreement that 500 rupees and 1000 notes will no longer act a legal tender of the country. Demonetization has different perceptions to different people; like liquidity crunch, decrease in consumption, and decrease in investment, staggered production, increased inflation, and increased unemployment from point of view of analysis and economists were in from point of view of government it means decrease in black money and counterfeit currency, to fight against corruption and to paralyze the terror funding agencies etc. The current paper focuses on how the industrial sector indices were moved and related with each other during pre and post demonetization period by using descriptive statistics and correlation.

KEYWORDS: *Demonetisation, liquidity crunch, staggered production, currency counterfeit*

Introduction:

The government of India has made in historical decision and declared on 8th November 2016 that the five hundred and thousand rupee notes will no longer be legal tender from midnight. The RBI issued two thousand-rupee notes and new notes to five hundred rupee which was placed in banded 500- and 1000-rupees circulation from 10th November 2016. Notes of one hundred, fifty, twenty, ten, five, two and one rupee has remained legal tender and unaffected by this decision. This measure has been taken by the PM in an attempt to resolve against corruption, black money and counterfeit notes. This move is expected to cleanse the formal economic system and discard black money from the same. The year of demonetization would be a memorable experience and stored out event of our time to share coming generations as its impact was felt by every citizen of India.

Need and importance of the study:

From past two years the economic indicators like IIP (index of industrial production), GDP (gross domestic product), PMI (purchasing managers index) etc., are tumbling and showing lot of volatility in the markets. The statistics released by various surveys also stated that the consumption and investment were declined with the decision of demonetization. The current paper focused on industrial sector indices risk, return and correlation during post demonetisation to ascertain the facts.

Objectives of the study:

➢ To study the return yielded by select sectors of nifty after demonetization.
➢ To study the risk involved in select sectors of nifty after demonetization.

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- ➢ To study the relationship existing between the select sectors of nifty after demonetization.
- ➢ To study the impact of select sectors of nifty on nifty 50 after demonetization
- ➢ To compare the skewness and kurtosis of select sectors of nifty after demonetization.

Scope of the study:

- ➢ The study is limited as in the study I have selected 11 sectoral indices and did comparison with benchmark index. The study is confined to past 2 year's data only.

Methodology of the study:

- ❖ The study is purely based on secondary data collected from various web sites and articles published in different journals.
- ❖ The following tables shows about the different sectors for study during post demonetization from NSE indices.

Table 1:- selected sectoral indices from NSE India

| Sl.no.	Sectoral indices from NSE
1	Nifty 50
2	Nifty auto
3	Nifty bank
4	Nifty financial services
5	Nifty FMCG
6	Nifty IT
7	Nifty media
8	Nifty metal
9	Nifty Pharma
10	Nifty private bank
11	Nifty PSU bank
12	Nifty reality

Data sources:

The main source of obtaining necessary data for the study was secondary data. The data was collected from the internet by exploring the secondary source available on websites of www.nseindia.com respectively.

Analytical tools and techniques:

In order to analyze the collected data the statistical tools, such as descriptive statistics, correlation and regression analysis is used.

Table: Percentage of Selected Sectoral Indices of Nifty

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Date	Nifty 50	Nifty Auto	Nifty Bank	Nifty Financial Services	Nifty FMCG	Nifty IT	Nifty Media	Nifty Metal	Nifty Pharma	Nifty Private Bank	Nifty PSU bank	Nifty Reality
01-11-2016	0	0	0	0	0	0	0	0	0	0	0	0
01-12-2016	-0.677287667	-0.322019587	-3.782612945	-3.17167791	-1.195207041	3.88667552	-3.10783077	0.520462551	-2.174203814	-3.96629581	-4.541801637	-0.589367332
01-01-2017	3.354440832	6.394688979	3.280830816	2.215321107	5.818363105	1.357117658	6.323308797	7.561757842	-2.220734461	3.979342987	-0.855475757	8.354506957
01-02-2017	5.093248432	2.161783915	8.44440026	8.711522019	5.691620236	1.240004341	8.580190955	5.717053933	1.262158206	8.242224461	9.043018759	7.408854894
01-03-2017	2.651892077	-0.073670207	2.862140455	3.308943752	1.900466429	3.97169682	3.540540995	0.116496332	0.571977121	2.855689304	-0.123996274	7.261669612
01-04-2017	1.851653301	1.514196032	3.691700684	4.547684914	2.32931221	-5.285014615	4.576963344	-3.093069281	-2.190998894	3.275409867	6.014088351	15.99709232
01-05-2017	2.413677469	4.482833129	4.912441168	4.331295787	-89.6132289	1.910507596	-2.153967647	-2.423115558	-5.173538837	4.990554628	3.852376938	8.819351604
01-06-2017	1.801105862	3.681193638	2.853726892	3.499681759	967.4791764	-0.267125733	-2.651321371	0.336104663	-3.546502605	3.694712591	-5.830457508	0.506776212
01-07-2017	2.531084267	0.467255199	2.358992664	2.111920751	2.463049095	1.066733563	0.365248215	7.42457032	4.24034253	2.585389067	0	6.199625654
01-08-2017	0.518471367	-1.093034798	1.509480129	2.489300001	-4.802264426	1.297767714	-2.883383309	6.201435163	-9.598241258	1.545788589	0.975024224	-1.686928998
01-09-2017	0.774958136	1.098794894	0.428474272	907.1228811	-0.345807797	-0.705598515	2.438215793	7.202882582	2.959432623	1.298035541	-2.360601078	3.314674569
01-10-2017	1.61115905	2.174256741	-0.173564835	-90.0493349	0.127735099	2.607256278	-0.780971622	5.298362769	4.010717648	-0.513967534	-5.757411292	1.250044265
01-11-2017	1.835349212	1.590458866	4.480336349	3.726410547	1.427918985	3.064377079	5.533883339	0.446617002	-1.480204157	2.371042887	23.23714357	9.327783996
01-12-2017	-0.024116807	2.237512674	-0.774366156	-0.62890491	2.22871637	1.326068304	4.874058718	-2.371278873	-1.849840834	-0.433254836	-4.62884611	3.813301769
01-01-2018	4.348756958	1.963946672	3.74265975	4.079332405	3.241339148	9.359953342	5.124136699	10.18679923	4.897520867	4.897363849	-2.282803884	8.804043019
01-02-2018	-2.21007042	-4.933969653	-2.835308766	-4.8040509	-1.807744263	2.291759983	-5.17397128	-2.951143055	-6.150075746	-2.082234246	-10.43359001	-7.780106491
01-03-2018	-2.85281636	-2.69224308	-4.539667012	-0.47605794	-2.006400963	0.232482455	-2.105942149	-7.128014973	-5.420622739	-3.670391493	-12.50117265	-4.665090139
01-04-2018	2.348569915	4.9585160036	2.474061662	2.723537568	4.945885144	4.398863352	2.280284311	0.506693568	2.53732556	2.560756267	-0.004841962	-0.844017782
01-05-2018	1.828619116	-2.470839181	4.3999776	3.347808043	3.959612779	2.341338576	-2.678318446	-2.205040169	-3.95782561	5.088685438	-1.628707307	-1.228070175
01-06-2018	0.736372468	-0.807459378	1.449278139	1.514176059	0.359724192	2.13723243	-3.722897289	-3.150654354	5.379382956	0.675155162	3.827492124	-6.83507664
01-07-2018	2.310161901	-1.322836497	1.659292662	2.210439502	3.557841341	4.410307271	565.3797305	-6.89811179	2.090272375	1.524794899	-2.93089786	-6.164383562
01-08-2018	4.615440604	-0.156630492	4.024705117	3.703545895	7.520616678	4.242666284	-86.28178136	5.859089673	6.406330237	4.141425737	13.27381762	2.554744526
01-09-2018	-1.75145498	-3.565652096	-5.450548823	-4.95769792	-4.072169146	6.594885957	-7.798937777	5.199611978	6.875049733	-5.30684488	-8.386921921	-6.691858972
01-10-2018	-8.083968824	-15.34196373	-5.592784041	-6.13791209	-7.387144342	-7.564862538	-6.785353621	-6.943811714	-7.206336099	-6.133868313	-8.624909233	-17.98057642
01-11-2018	2.291935515	2.679859452	4.274589321	5.701151322	2.933682149	-2.659810015	0.123350091	-2.008965436	-2.644234026	4.612994847	8.085118907	7.828379674
01-12-2018	1.474798504	0.544344175	2.813942094	3.359991285	3.384550357	1.274703845	1.799746309	-5.708343867	-5.949392966	2.313580448	1.223347766	4.214644556
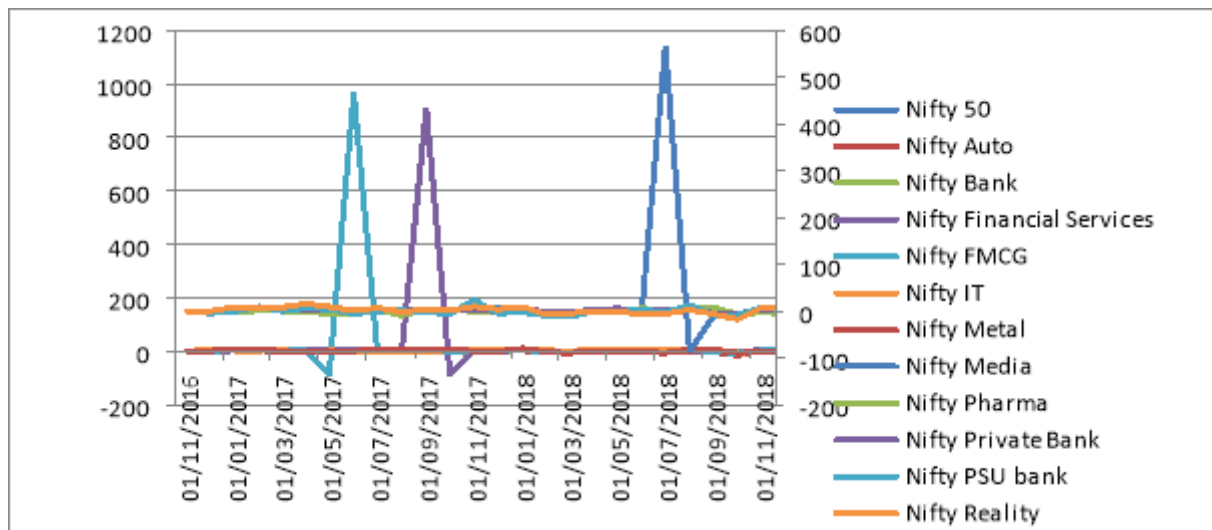
INTERPRETATION:

During the study period and specifically after demonetization all the select sectors of NSE has experienced negative returns except Nifty IT, Nifty Metal and Nifty reality. After December 2016 and during Jan-2017 – Dec-2017 the sectors started receiving and gaining momentum by moving returns from negative to positive with a nominal increase in returns but to the exception Nifty Financial Services, Nifty FMCG and Nifty Reality yielded outstanding returns where in Nifty Pharma sector has experienced negative returns. During

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the year jan-2018 – dec-2018 the returns percentage was declined to almost all the sectors except Nifty Media that has shown abnormal returns and Nifty Auto, Nifty Metal, Nifty Pharma, Nifty PSU Bank and Nifty Reality has shown negative returns.

The stock indiceshave shown highly volatile movements during the study period indicating the macro economic variables impact on select sectors.

DESCRIPTIVE STATISTICS OF SELECT NSE SECTORAL INDICES

Descriptive statistics	%change on nifty50	%change on nifty auto	%change on nifty bank	%change on nifty financial services	%change on nifty FMCG	%change on nifty IT	%change on nifty media	%chage on nifty metal	%change on nifty pharma	%change on nifty private bank	%change on PSU bank	%chane on nifty Reality
mean	1.107384	0.121897	1.404315	33.018435	34.928602	1.635615	18.646730	0.680707	-0.705085	1.482542	-0.052346	1.584231
standard deviation	2.700829	4.099986	3.488826	179.220435	191.066253	3.386639	112.869869	5.079901	4.528083	3.482656	7.676402	7.217302
skewness	-1.626702	-2.124041	-0.588036	5.007691	5.020460	-0.608780	4.885046	0.171507	-0.007985	-0.605898	1.126642	-0.575034
kurtosis	4.389526	7.561927	0.006379	25.400465	25.481365	2.108584	24.648140	-1.074039	-0.921544	0.076277	2.284177	0.875058

INTERPRETATION:

- The mean Return of Nifty FMCG Sector is yielding a return of 34.92% followed by Nifty Financial Services (33.01%), Nifty Media (18.64%), Nifty IT (1.63%), Nifty Realty (1.58%), Nifty Private Bank (1.48%), Nifty Bank (1.40%), Nifty 50 (1.10%), Nifty Metal (0.68%), Nifty Auto (0.12%), Nifty Pharma (-0.70%), And Nifty PSU Bank

- The standard deviation of Nifty FMCG Sector is high (191.06%), Followed by Nifty Financial Services (179.22%), Nifty Media (112.86%), Nifty PSU Bank (7.67%), Nifty Realty (7.21%), Nifty Metal (5.07%), Nifty Pharma (4.52%), Nifty Auto (4.09%), Nifty Bank (3.48%), Nifty Private Bank (3.48%), Nifty IT (3.38%), And Nifty 50 (2.70%) .

- Nifty FMC Nifty Financial Services, Nifty Media, Nifty PSU Bank and Nifty Metal are showing positive skewness were in Nifty Auto, nifty 50, nifty IT, Nifty Bank, Nifty Realty, Nifty Private Bank and Nifty Pharma are showing negative skewness.

- It is also observed that FMCG is highly positive4 skewness.

- Nifty Bank, Nifty Pharma, Nifty Private Bank and Nifty Realty are showing platy krutic (+1,-1) movements i.e. their returns are moving flat.

- Nifty Metal, Nifty IT, Nifty PSU Bank, Nifty 50 are showing meso krutic (+3,-3) movements i.e. this returns are moving rationally.

- Nifty Financial Services, Nifty Auto, Nifty FMCG, Nifty Media are showing lepto krutic (+5,-5) move4ments i.e. their returns are moving abnormally.

CORRELATIONMATRIX OF SELECT NSE SECTORAL INDICES:

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Correlation Matrix	%change on nifty50	%change on nifty auto	%change on nifty bank	%change on nifty financial services	%change on nifty FMCG	%change on nifty IT	%change on nifty media	%chage on nifty metal	%change on nifty pharma	%change on nifty private bank	%change on PSU bank	%chane on nifty Reality
%change on nifty50	1.000											
%change on nifty auto	.810	1.000										
%change on nifty bank	.867	.638	1.000									
%change on nifty financial services	-.012	.051	-.029	1.000								
%change on nifty FMCG	.058	.168	.079	-.032	1.000							
%change on nifty IT	.459	.335	.109	-.144	-.110	1.000						
%change on nifty media	.074	-.046	.016	-.025	-.033	.144	1.000					
%chage on nifty metal	.501	.399	.273	.246	.002	.423	-.318	1.000				
%change on nifty pharma	.425	.246	.120	.145	-.101	.516	.082	.498	1.000			
%change on nifty private bank	.881	.663	.982	.019	.124	.136	.003	.321	.117	1.000		
%change on PSU bank	.574	.380	.721	-.033	-.153	.021	-.109	.177	.169	.607	1.000	
%chane on nifty Reality	.752	.767	.718	.064	-.038	.087	-.191	.378	.126	.714	.578	1.000

INTERPRETATION:

- Nifty Auto(0.810), Nifty Bank(0.8.67), Nifty Private Bank(0.881), Nifty Realty(0.752) are showing high correlation with Nifty 50, Nifty PSU Bank(0.574) and Nifty Metal(0.501) are showing medium correlation with the Nifty 50. Nifty FMCG (0.058), Nifty Media (0.074), Nifty Pharma (0.425) and Nifty IT (0.459) are showing low correlation were comparing with the Nifty 50. The Financial Services (-0.012) is showing negative correlation with the Nifty 50(1.000)

- Nifty Realty (0.767) is showing high correlation where comparing with the Nifty Auto (1.000). Nifty Private Bank(0.663) and Nifty Bank(0.638) are showing medium correlation with the Nifty Auto. Nifty Metal(0.311), Nifty PSU Bank(0.380), Nifty IT(0.335),Nifty Pharma(0.246), Nifty FMCG(0.168), Nifty Financial Services(0.051), are showing low correlation with the Nifty Auto. The Nifty Media(-0.046) showing negative correlation with the Nifty Auto.

- The Nifty Private Bank(0.982) showing high correlation with the Nifty Bank. Nifty PSU Bank and Nifty Realty(0.718) showing medium correlation with the Nifty Bank. Nifty Metal(0.273), Nifty IT(0.109), NIFTY Pharma(0.120), Nifty FMCG(0.079) and Nifty Media(0.016) are showing low correlation with the Nifty Bank. Nifty Financial Services are showing negative correlation with Nifty Bank.

- Nifty Metal(0.246), Nifty Realty(0.064), Nifty Pharma(0.145) and Nifty Private Bank are showing low correlation with the Nifty Financial Services. Nifty IT(-0.144), Nifty FMCG(-0032), Nifty Media(-0.025), Nifty PSU Bank(-0.033) are showing negative correlation with the Nifty Financial Services.

- Nifty Metal (0.002), Nifty Private Bank (0.124) are showing low correlation with Nifty FMCG. The Nifty PSU Bank(-0.153), Nifty IT(-0.110), Nifty Media(-0.033), Nifty Pharma(-0.101) and Nifty Realty(-0.038) are showing negative correlation with Nifty FMCG.

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- Nifty Pharma(0.516) showing medium correlation with the Nifty IT. Nifty Media(0.144), Nifty Metal(0.423), Nifty Private Bank(0.136), Nifty PSU Bank(0.021) and Nifty Realty(0.087) are showing low correlation with the Nifty IT.
- Nifty Pharma (0.082), nifty private Bank(0.003), are showing low correlation with the Nifty Media. Nifty Metal(-0.318), Nifty Realty(-0.191) and Nifty PSU Bank(-0.109) are showing negative correlation with the Nifty Media.
- Nifty Pharma (0.498), Nifty Realty(0.378), Nifty Private Bank(0.321) and Nifty PSU Bank(0.177) are showing low correlation with the Nifty Metal.
- Nifty PSU Bank(0.169), Nifty Realty(0.126), Nifty Private Bank(0.117) are showing low correlation with the Nifty Pharma.
- Nifty Realty(0.714), Nifty PSU Bank(0.607) are showing medium correlation with the Nifty Private Bank.
- Nifty Realty (0.578) is showing medium correlation with the Nifty PSU Bank.

REGRESSION ANALYSIS OF SELECT NSE SECTORAL INDICES:

Regression Analysis					
R²	0.973				
Adjusted R²	0.952	n	26		
R	0.987	k	11		
Std. Error	0.589	Dep. Var.	%change on nifty50		
ANOVA table					
Source	*df*	*MS*	*F*	*p-value*	
Regression	11	16.1366	46.49	4.45E-09	
Residual	14	0.3471			
Total	25				
Regression output				*confidence interval*	
variables	*std. error*	*t (df=14)*	*p-value*	*95% lower*	*95% upper*
Intercept	0.1895	1.080	.2985	-0.2018	0.6111
%change on nifty auto	0.0555	2.456	.0277	0.0173	0.2552
%change on nifty bank	0.3701	-0.318	.7555	-0.9113	0.6763
%change on nifty financial services	0.0008	-1.205	.2483	-0.0026	0.0007
%change on nifty FMCG	0.0007	0.029	.9775	-0.00149453	0.00153516
%change on nifty IT	0.0507	2.501	.0254	0.0181	0.2356
%change on nifty media	0.0013	1.887	.0800	-0.0003	0.0052
%chage on nifty metal	0.0353	1.160	.2655	-0.0347	0.1166
%change on nifty pharma	0.0347	2.796	.0143	0.0226	0.1716
%change on nifty private bank	0.3274	1.644	.1224	-0.1639	1.2406
%change on PSU bank	0.0400	0.684	.5051	-0.0584	0.1131
%chane on nifty Reality	0.0338	1.353	.1974	-0.0267	0.1181

INTERPRETATION:

- The R and R2 values of Nifty 50 and other sectors are indicating that the impact of sectors on Nifty if more than 95% (0.95) parallely the p.values of Nifty Auto, Nifty IT and Nifty Pharma are showing impact on Nifty 50 as their p.value is < 0.05.
- The p.value of Nifty Bank, Nifty Financial Services, Nifty FMCG, Nifty Media, Nifty Metal, Nifty Private Bank, and Nifty Reality are showing no impact on Nifty 50 as their p. Value is > 0.05.

Findings:

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- The mean return of Nifty FMCG sector is 34.9% that is the highest return earned by FMCG in comparison with other sector and also encroached Nifty 50 by many times.

- The least return was observed by Nifty PSU Bank sector indicating worstly affected sector during and after demonetisation.

- The risk of Nifty FMCG Sector is 191.0% that is the highest risk of FMCG sector in comparison with other sector and also encroached Nifty 50 by many times.

- It is found that FMCG sector is bearing high risk and return showing a perfect risk-return trade off.

- It is observed that Nifty 50 (benchmark index) is showing less risk with moderate return.

- Nifty FMC Nifty Financial Services, Nifty Media, Nifty PSU Bank and Nifty Metal are showing positive skewness were in Nifty Auto, Nifty 50, Nifty IT, Nifty Bank, Nifty Realty, Nifty Private Bank and Nifty Pharma are showing negative skewness.

- It is also observed that FMCG is highly positive4 skewness.

- Nifty Bank, Nifty Pharma, Nifty Private Bank and Nifty Realty are showing platy krutic (+1,-1) movements i.e. their returns are moving flat.

- Nifty Metal, Nifty IT, Nifty PSU Bank, Nifty 50 are showing meso krutic (+3,-3) movements i.e. this returns are moving rationally.

- Nifty Financial Services, Nifty Auto, Nifty FMCG, Nifty Media are showing lepto krutic (+5,-5) move4ments i.e. their returns are moving abnormally.

- Nifty Realty(0.810), Nifty Bank(0.8.67), Nifty Private Bank(0.881), Nifty Realty(0.752) are showing high correlation with Nifty 50, nifty PSUBank(0.574) and Nifty Metal(0.501) are shoeing medium correlation with the Nifty 50. Nifty FMCG(0.058), Nifty Media(0.074), Nifty Pharma(0.425) and Nifty IT(0.459) are showing low correlation were comparing with the Nifty 50. The Nifty Financial Services (-0.012) is showing negative correlation with the Nifty 50(1.000)

- Nifty Realty(0.767) is showing high correlation where comparing with the Nifty Auto (1.000), Nifty Private Bank(0.663) and Nifty Bank(0.638) are showing medium correlation with the Nifty Auto. Nifty Metal (0.311), Nifty PSU Bank (0.380), Nifty IT (0.335), NiftyPharma (0.246), Nifty FMCG (0.168), Nifty Financial Services (0.051), are showing low correlation with the Nifty Auto. The Nifty Media(-0.046) showing negative correlation with the Nifty Auto.

- The Nifty Private Bank(0.982) is showing high correlation with the Nifty Bank. Nifty PSU Bank and Nifty Realty(0.718) showing medium correlation with the Nifty Bank. Nifty Metal (0.273), Nifty IT(0.109), Nifty Pharma(0.120), Nifty FMCG(0.079) and Nifty Media(0.016) are showing low correlation with the Nifty Bank. Nifty Financial Services are showing negative correlation with Nifty Bank.

- Nifty Metal(0.246), Nifty Realty(0.064), Nifty Pharma(0.145)and Nifty Private Bank are showing low correlation with the Nifty Financial Services. Nifty IT(-0.144), Nifty FMCG(-0032), Nifty Media(-0.025), Nifty PSU Bank(-0.033) are showing negative correlation with the Nifty Financial Services.

- Nifty Metal (0.002), Nifty Private Bank (0.124) are showing low correlation with Nifty FMCG. The Nifty PSU Bank(-0.153), Nifty IT(-0.110), Nifty Media(-0.033),

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- Nifty Pharma(-0.101) and Nifty Realty(-0.038) are showing negative correlation with Nifty FMCG.

- Nifty Pharma(0.516) showing medium correlation with the Nifty IT. Nifty Media(0.144), Nifty Metal(0.423), Nifty Private Bank(0.136), Nifty PSU Bank(0.021) and Nifty Realty(0.087) are showing low correlation with the Nifty IT.

- Nifty Pharma (0.082), Nifty Private Bank(0.003), are showing low correlation with the Nifty Media. Nifty Metal (-0.318), Nifty Realty (-0.191) and Nifty PSU Bank(-0.109) are showing negative correlation with the Nifty Media.

- Nifty Pharma (0.498), Nifty Realty (0.378), Nifty Private Bank (0.321) and Nifty PSU Bank (0.177) are showing low correlation with the Nifty Metal.

- Nifty PSU Bank (0.169), Nifty Realty (0.126), Nifty Private Bank (0.117) are showing low correlation with the Nifty Pharma.

- Nifty Realty (0.714), Nifty PSU Bank (0.607) are showing medium correlation with the Nifty Private Bank.

- Nifty Realty (0.578) is showing medium correlation with the Nifty PSU Bank.

- The R and R2 values of Nifty 50 and other sectors are indicating that the impact of sectors on Nifty if more than 95% (0.95) parallely the p.values of Nifty Auto, Nifty IT and Nifty Pharma are showing impact on Nifty 50 as their p.value is < 0.05.

- The P.value of Nifty Bank, Nifty Financial Services, Nifty FMCG, Nifty Media, Nifty Metal, Nifty Private Bank, Nifty Realty are showing no impact on nifty 50 as their p. Value is > 0.05.

- Nifty FMCG, Nifty Financial Services, Nifty Media, Nifty PSU Bank and Nifty Metal are showing positive skewness were in Nifty Auto, Nifty 50, Nifty IT, Nifty Bank, Nifty Realty, Nifty Private Bank and Nifty Pharma are showing negative skewness.

- It is also observed that FMCG is highly positive4 skewness.

SUGGESTIONS:

The result reveals that average returns on most sectors have exhibited negative values. PSU bank sector, NSE Pharmaceutical, NSE Energy and NSE IT has recorded a rise in returns. The sectors regained the momentum and started moving up during the second year of study by indicating that markets assimilate everything. But the role of cash transactions in an informal economy was critical. With 86 percent of the monetary base being washed off, economic activity in the short run was adversely impacted the sectors with wide spread negative returns across sectors after demonetization by reflect the immediate negative sentiments attached with the overall economic activity. So the demonetization change would have been gradual rather than spontaneous. This move by the Government along with the implementation of the GST was eventually made the system more accountable and efficient; but this shock would have been gradual because even today economy and industrial sectors are not completely came out of shock. No restriction of any kind on non-cash payments by cheques, demand drafts, debit or credit cards and electronic fund transfer would further boost the economy.

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CONCLUSION

The rewards of demonetization are much encouraging and the demonetization is in the long term interest of the country. Government need to ensure that there will be a smooth flow of currency exchanges. Demonetization will have a massive impact on parallel economy. The current demonetization initiative by the Government of India was to take Indians ten steps ahead. Though it has given temporary pains, it taught financial lessons. It will also impact corruption, elections and terrorism. It is a reaping time for the banks that made considerable investments on digitization of banking services. The cashless and transparent mechanism has gained momentum post demonetization. Inspite of the initial hiccups and disruptions in the system, eventually this change was well assimilated and has proved positive for the economy during the study period. Black money hoarders will definitely lose out, eventually boosting the formal economy in the long run was the intended statement made by the government which was not addressed appropriately. Short term fall in real estate prices has benefitted middle class citizens.

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