



**SAINT MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF ACCOUNTING AND FINANCE**

**THE EFFECTS OF RECENT CURRENCY DEMONETIZATION ON ETHIOPIAN  
BANKING INDUSTRY: EVIDENCE FROM SELECTED PRIVATE COMMERCIAL  
BANKS**

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SGS/0458/2012-A**

**JUNE, 2021  
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BANKING INDUSTRY**

**BY  
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**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDY IN PARTIAL  
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**SAINT MARY'S UNIVERSITY**  
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## **DECLARATION**

I, the undersigned, declare that this Thesis is my original work, prepared under the guidance of Dr. Misraku Molla. All source of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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## **ADVISOR APPROVAL SHEET**

The Undersigned certifies that, he has read and hereby recommend for acceptance by St. Marry University a thesis entitled: **The effects of recent currency demonetization on Ethiopian banking industry.**

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**Date** \_\_\_\_\_

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## **ABSTRACT**

*The study evaluates the effects of recent currency demonetization on Ethiopian banking industry. The study was conducted based on the data gathered from four private commercial banks in Ethiopia at their head office and main branch at head office .The study used multi-stage sampling method with main dependence on purposive sampling method to select the four private banks from the 16 private banks operated in Ethiopia. A qualitative research approach was employed to answer the research questions. The primary data was collected using both open and close-ended questionnaire. The questioners were distributed to 394 respondents to have 300 (76%) usable response. The data collected using survey questionnaires with the purposive sampling technique were statistically analyzed with SPSS. The results show that the recent currency demonetarization has put positive impact in connection to opening new bank accounts, number of customers at branches, use of plastic money, E- banking and so forth. Consequently, current currency demonetization has negative effects on money lending, cash flow, liquidity and etc. Finally, the results suggested that to work more strongly to do better than the time before currency demonetization by bringing attention on directive, procedures and policies issued by concerned body.*

**Key words:** *effects of currency demonetization, banking industry, Private bank, Ethiopia*

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## ACRONYMS

ATM-	Automatic Teller Machine
BOA	Bank of Abyssinia
BSE-	Bombay stock exchange
CASA-	Current account and saving account
CMIE -	Centre for Monitoring the Indian Economy
DB-	Dashen Bank S. Co.
DTAA &ITEA-	income tax double taxation Avoidance Agreement & international test and evaluation Association
E-Banking-	Electronic Banking
E-Commerce-	Electronic Commerce
E-Payment-	Electronic Payment
ETB-	Ethiopian Birr
HDFC, ICICI and AXIS-	Housing development and finance Corporation, industrial credit and Investment Corporation of India and axis
HUL, P&G-	Hindustan unilever limited, Procter & Gamble
IMF-	International Monetary Fund
IJIRAH-	International Journal of Interdisciplinary Research in Arts and Humanities
IT-	Information technology
MB-	Mobile Banking
NBE-	National Bank of Ethiopia
OIB-	Oromia International Bank S.C
P.M-	Prime Minister
RBI-	Reserve Bank of India
S.C. -	Share Company
SENSEX and NIFTY-	stock exchange sensitive index and national stock exchange fifty
SPSS-	Statistical Package for Social Science
UN-	United Bank S. Co.

# CHAPTER ONE

## INTRODUCTION

This chapter presents the background of the study; statement of the problem; purpose of the study, specific objectives, research questions, scope of the study, significance of the study, and the operational definitions of the study.

### 1.1 Background of the study

Demonetization is bold step of Government towards economic development of Ethiopia. Demonetization policy is most discussed topic in every corner of Ethiopian during September 2020. The main objective of demonetization is to curb black money. The process of Curbing Black Money through Demonetization has made it mandatory to all the Ethiopian citizens to deposit their old currency in the banks and exchange them for a new currency. This has forced cash hoarders to deposit their money in the account and make it accountable. By this mode, black money has retrieved to a certain extent (Wossenseged Assefa, 2020).

In Ethiopia, demonetization has become the most recent issue to discuss nowadays. The word demonetization by itself might not have been even searched for meaning before Monday of 14<sup>th</sup> September 2020. After the great progress of Demonetization announced by Prime Minister of Ethiopia, Dr. Abiy Ahmed, all started to speak about it ([www.capitalethiopia.com](http://www.capitalethiopia.com)). In recent years, demonetization has also been done in few other countries like Nigeria, Ghana, Pakistan, Zimbabwe, Myanmar and others (Ms. G. Yohavarshini, Ms. B. Madhumamtha & Mrs. C. Priya, 2017).

This study is aimed to evaluate the effect of the recent currency demonetization in Ethiopian selected private banks.

### 1.2 Statement of the problem

The Ethiopian government has disclosed a set of new bank notes as a part of its efforts to curb cash hoarding, illegal trade activities, and illicit financial flows in an already stressed economy. “Money outside the banking system has been rising, affecting the liquidity of commercial banks. This is in addition to its impact on encouraging illegal trade activities”, said Dr. Abiy Ahmed in a statement. Local banks have long called for a change in currency via Ethiopia’s Bankers Association noting that over 113 billion Ethiopian birr lives outside of the formal banking system overstate the liquidity problems commercial banks have faced this year. Accordingly, the government disclosed the notes with denominations of Br. Five, Ten and Hundred are changed, and a new 200 birr note is being introduced. Over 3.6 billion

Ethiopian birr is being spent to print then new currencies. Ordinary Ethiopians have just three months to replace their old notes. (Fortune news, May 23 of 2020)

According to Wasihun belay a development economist based in Addis Ababa, Changing currency is costly and expensive, it is very important to the economy, although demonetization is an economic strategy used from time to time in developing countries to stabilize the currency and ease inflation it is not without its risks. Economists often inform if mismanage it could trigger market disorder and uncertainty as citizens mix up to exchange their notes. The government has in recent years been forced to print currencies to finance its budget deficit only sustained by foreign lenders. Broad money supply has been increasing by 20% annually according to the National Bank of Ethiopia over the last 15 years and skyrocket from 104.4 billion Ethiopian birr to almost 1 trillion birr this year. (Samuel Getachew 2020).

Therefore, the thesis tries to analyze the effects of recent currency demonetization by taking the selected private commercial bank in Addis Ababa, Ethiopia as the area of study. the effects of recent currency demonetization in Ethiopian banking industry on the day to day banking operations such as profit, deposit, interest rate, and lending, recruiting new customers and use of plastic money. Consequently, the paper tried to investigate the effects of demonetization on private commercial banks in positive changes of performance, especially , in the banking industry, that can easily seen on the cash flow, interest rate, account opening, number of customer, plastic money and so on...

### **1.3 Research questions**

The study will seek to answer the following questions

- i. What is the impact of demonetization on bank employees?
- ii. What benefits received by the bank in the demonetization of currency notes?
- iii. What are the motivations to implement the demonetization of currency in Ethiopia?  
And
- iv. What are the impacts come with currency demonetization in Ethiopian Banking industry?

### **1.4 Purpose of the study**

#### **1.4.1 General objective**

The general objective of the study is to assess the effects of the recent currency demonetization in Ethiopia on some selected private banks operating in Addis Ababa.

### **1.4.2 Specific objectives**

The study has the following specific objectives which are drawn from the general objectives

- ✚ To identify the impact of the recent currency demonetization on Bank Employees.
- ✚ To assesses the benefits received by the bank from the demonetization of currency notes.
- ✚ To identify the motivation to implement and the demonetization of currency in Ethiopia;
- ✚ To investigate the impacts come with currency demonetization in Ethiopian banking industry.

### **1.5 Scope of the study**

The study content was basically involved with finding out the effects of recent currency demonetization in Ethiopia; a case study from selected private commercial bank head office which is located in Addis Ababa. The studies mainly focus on advantage and disadvantage of currency demonetization for financial institutions. The study was conducted with a period of six months (6) since the currency demonetization to effectively gather the information that effectively meets the objectives.

### **1.6 Significance of the Study**

In view of the fact that currency demonetization was surprise for Ethiopian peoples and financial institution in Ethiopia. This study will be useful for fill significant knowledge gaps about currency demonetization setting in Ethiopia; thereby it was give near to researchers and students about the problem and stimulates further investigation of the issue. The study focused on the current practices, the effects of currency demonetization in Ethiopian banking industry.

In addition, it added to literatures the recent currency demonetization importance and challenges occurred at the time, in contrary to focusing on cash less transaction and disadvantages associated with currency demonetization to provide service to the user.

Furthermore, this study was helping the banks to show benefit and cost from the implementation of this demonetization of currency notes. Finally, this study will have significance to the academicians and researchers in terms of being a stepping stone for further research.

## **1.7 Limitation of the research**

The study has own limitations, recent currency demonetization release in the Ethiopia, it was very difficult to get sufficient data as well as literature in this area from the country viewpoint. In addition procedural mistakes, sample inadequacies and assignment unfairness may lead the conclusion of the study to specific population size issues.

Lack of relevant past studies on this specific study and finding on private commercial banks were the main challenges of this study. Due to the resent currency demonetization disclose in Ethiopia. Initially, it was very difficult to get secondary data as well as literature in this area from the country perspective. In addition time and financial constraints was also become the main limitation of the study. Secondly, In view of the fact that it's unable to grasp all necessary data due to the great issue of corona Virus pandemic (COVID-19) to capture all possible variables which accustomed to the study. Lastly, the sample might be relatively very small which probably negatively influence the general suggestion.

## **1.8 Organization of the research report**

This study consists of five different chapters. Chapter One presents an introduction which focus on the overview of financial institutions, and the highlights of the currency demonetization, statement of problem, objectives, methodology, and significance.

Chapter Two has got two sub parts which treat the theoretical and the empirical part, the theoretical part contains different theories which related with the effect of currency demonetization on banking sector and the empirical part contains different statistical data's collaborated with general reality. Chapter Three focuses on the methods of the study which is quantitative and qualitative data's and the analysis. Chapter Four presents findings and results which found in the conduct process. Lastly, Chapter Five signifies some summary, conclusion and recommendation which are drawn from the whole chapters.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.0 Introduction**

The following chapter involves the theoretical review of the research and reviews literature on the study. The presents concepts, opinions and ideas on currency demonetization and the second part reviews related studies.

#### **2.1 Theoretical Review**

##### **2.1.1 Definition of demonetization**

The old unit of currency must be withdraw and replaced with new currency unit and its process is called demonetization. Demonetization is ending something as no longer the legal tender of a country such as currency notes.

According to Merriam Webster Dictionary:

The term demonetization has its root word from verb demonetize. It is a transitive verb which has various meanings as followed:

1. To stop using (a metal) as a monetary standard
2. To deprive of value for official payment

Demonetization ‘has its origin in French demonetized - + Latin Moneta coin. Demonetization is an economic process in which a country’s currency unit is no longer legal tender. A currency unit is what we would commonly refer to as physical money, such as banknotes and coins. When demonetization occurs, the country’s currency unit is essentially worthless, as it can no longer be used to purchase goods and services. Demonetization can occur for several reasons, from a change in national currency to the retirement of older forms of money. Over time, several countries have implemented currency demonetization measures, notwithstanding with varying degrees of success ( Ajit Kumar Roy, 2017)

##### **2.1.2 Demonetization Process**

Demonetization is a form of economic intervention, where a country moves to replace one form of currency with another. At the beginning of the demonetization process, the old currency is discontinued and pulled from circulation to be replaced with new forms of money

During the process, people are given time to exchange their existing banknotes and coins for the new currency before it is officially discontinued. After a currency has been discontinued,



it is no longer legal tender and contains no monetary value. (Ch.Lakshmi Priya & Dr.Ch.Nirmal Chand, 2020)

The demonetization process can occur in many different forms – a country can introduce new banknotes or coins or implement a completely new form of currency altogether. However, demonetization is a drastic measure that occurs rarely and can disrupt society if implemented improperly. At times, countries may also decide to reinstate discontinued currency as legal tender through a process known as demonetization (Corporate finance institution, 2020).

### **2.1.3 Reasons for Demonetization**

Although demonetization is rare, countries around the world have conducted demonetization measures for various reasons. Governments may choose to undergo demonetization if the currency gets out of control, due to problems like hyperinflation. Demonetization can also be used to prevent criminal actions, such as counterfeiting, terrorism, or tax evasion.

In other cases, demonetization occurs to implement a new currency standard. For example, in 2002, the European Union introduced the euro, a central currency that would replace the existing currencies of several nations. In adopting the common currency, countries across Europe discontinued their currencies and introduced the euro as the standard across the European Union.

### **2.1.4 Effects on Parallel Economy**

The removal of these 10, 50 and 100 notes and replacement of the same and the new 200 Birr Notes is expected to remove black money from the economy as they will be blocked since the owners will not be in a position to deposit the same in the banks Temporarily pause the circulation of large volume of counterfeit currency It would curb the funding for anti-social elements like smuggling, terrorism, surveillance, etc.( World economic and social survey, 1999 trends and policies in the world economy).

### **2.1.5 Effects on Money Supply**

With the older these 10, 50 and 100 notes being scrapped, until the new 200 Birr notes get widely circulated in the market, money supply is expected to reduce in the short run. To the extent that black money (which is not counterfeit) does not re-enter the system, reserve money and hence money supply will decrease permanently. However gradually as the new notes get circulated in the market and the mismatch gets corrected, money supply will pick up (Dr.S.Parthiban, 2016).

### 2.1.6 Advantages of Demonetization

Through the demonetization of currency, a country can receive benefits ranging from crime prevention to greater currency standardization. The following are advantage of Demonetization: (Dhammika, Dharmapala and Vikramaditya S. Khanna, 2017)

- ✚ **Reduce in corruption:** The prime minister has presented the case for demonetization in terms of rooting out corruption. Of course, to the extent that hoards of black money have been demonetized, corrupt activities of the past have been punished. But there is nothing in the scheme that can prevent corruption in the future. (<https://thewire.in/economy/demonetisation>).
- ✚ **Increase in Amount in Savings Account:** If you are one of those who are finding it difficult to maintain the monthly average balance (MAB) in your bank's regular savings account, you may want to consider opening a basic savings bank deposit account (BSBDA). There is no requirement of minimum balance. Although there is no limit on the number of deposits that can be made in a month, the maximum withdrawals per month is limited to just four. This includes withdrawals from ATMs and other modes like RTGS, NEFT, clearing, branch and etc.
- ✚ **Increase in Online Transactions:** people whose debit cards were inactive are becoming active, the transaction limits on the debit cards have been increased, their values have gone up, the value of mobile banking transactions have also been increased. With these facilities people are trying to get used of the online transactions. When only the lower denomination currency is being used as a medium, people are trying to go for online transactions and online payment systems to handle their daily expenses. Online transactions have witnessed a massive increase in app download.
- ✚ **Cashless Economy:** is one in which all the transactions are done using cards or digital means. The circulation of physical currency will become minimal and there by reduced instances of tax avoidance because it is financial institutions based economy where transaction trails are left. It will also curb generation of black money and will reduce real estate prices because of curbs on black money as most of black money is invested in Real estate prices which inflates the prices of Real estate markets. It will pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital. Payments can be easily traced and collected, and corruption will automatically drop, so people will no longer have to pay to collect what is rightfully theirs.

- ✚ **Support for Government finances:** The Government will significantly benefit from the additional cash that is pushed into the economy. There will also be a much higher collection of income and other taxes by the Government.
- ✚ **Cashless transactions** it's safe to say that cashless transactions have revolutionized the financial outlook of India. Utilizing mobile phones to make payments instead of opting for the traditional modes of payment has increased tremendously since demonetization. When the business operations of most SMEs came to a standstill during demonetization, the businesses that had shifted to cashless transactions managed to curb losses (M. Thirupathi, Dr.G. Vinayagamoorthi & Dr. Sp. Mathiraj Vol-9, Issue-4, pp: 573-583).
- ✚ **Reduce various criminal activities:** One of the benefits of demonetization is the reduction of various forms of criminal activity. Through the demonetization process, old banknotes and coins are discontinued and taken out of circulation, and effectively become worthless. For groups conducting criminal activities, such as terrorism, their supply of money effectively becomes worthless, as the currency is no longer legal tender. For those engaged in counterfeiting, the banks will evaluate whether old banknotes are counterfeit before exchanging them, therefore allowing the government to remove counterfeit currency from the system (V.V.L.N. Sastry, 2019).
- ✚ **Prevents tax evasion:** Demonetization of currency can also prevent tax evasion, as those that are evading taxes must exchange their existing currency or risk their money becoming worthless. In the currency exchange process, the government can catch those who have evaded taxes and retroactive tax their unreported earnings.
- ✚ **Promotes a cashless economy:** Demonetization can also further the push towards a cashless economy, as the government can slow the circulation of physical currency and move towards more digital options.

### 2.1.7 Disadvantages of Demonetization

On the other hand, some disadvantages can arise from the demonetization process, including:

- ✚ **Little cash in circulation:** Cash crunch is a major disadvantage of demonetization due to the unavailability of small currency denominations, an issue which makes it difficult to make small purchases.
- ✚ **Inconvenience and annoyance to the public:** Sometimes, demonetization can be very inconvenient. For example, sometimes the government will remove certain denominations of bank notes from circulation but keep others. It can be annoying

when smaller coins are removed from circulation and you do not have enough change. Further, queuing up in banks to deposit money or exchange currency can be inconveniencing.

- ✚ **Slowdown in Economic Growth:** Economic growth will experience a period of lull due to business disruptions, at least in the short term.
- ✚ **Panic:** Not everyone understands the essence of demonetization and, therefore, such an exercise is likely to result in panic among a section of the population.
- ✚ **An avenue for fraud and corruption:** Some people are likely to take advantage of lapses in the financial system to engage in fraud and corruption when exchanging currencies.
- ✚ **Disruption of Trade:** The normal trading activities may be disrupted by this process since it takes time for consumers and suppliers to adjust to the new monetary policy.
- ✚ **Loss of tradition:** People can feel attached to their old bank notes and coins as they can feel that they constituted part of their tradition.
- ✚ **Problems with paying bills:** If someone has sent some bank notes in the post in order to pay a bill, or if there is any substantial delay in processing a bill payment, and demonetization hits in the mean time, the money set aside to pay the bill can become invalid. This is more common than you might think in highly bureaucratic systems.
- ✚ **ATMs have to be re-adjusted:** ATM machines have to be re-calibrating to accommodate the new currencies. It will result in additional costs for banks and also inconvenience customers.
- ✚ **Incurs costs from printing new banknotes** One of the initial drawbacks is the costs involved with the printing of new banknotes and the discontinuation of existing currency.
- ✚ **May not entirely reduce criminal activity** In addition, demonetization may not reduce criminal activity, as criminals may keep their assets in other forms, such as gold or real estate.
- ✚ **Can cause confusion among citizens** Finally, if the demonetization process is not implemented successfully, it can result in confusion among the population, as people move quickly to exchange their currency before discontinuation.

### 2.1.8 The History of Demonetization around the world

In the world history, one can see several instances of the demonetization which were implemented in various countries of the world. Many of these countries accepted the policy

of demonetization which was targeted to make the country's failing economy strong. The following segment briefly discusses some of the countries which underwent the purge of demonetization (Sovan Kumar Mallic, 2016).

#### **2.1.8.1 Britain**

Before 1971, pound and penny currencies were used to be circulated in Britain but to bring uniformity in currency; the government stopped circulation of old currency in 1971, and introduced coins of 5 and 10pounds. Though, government was continuously working towards this big change from last 2 years in the meantime they also prepared the citizens in advance of this impending change. Though Britain underwent demonetization but it had little impact upon the people and economy as of such, as the government gave sufficient time to people to have their money exchanged and also money was made available in all banks to ensure a smooth functioning of the country's economy.

#### **2.1.8.2 Congo**

Dictator Mobutu Sese made some changes with currency of Congo for the smooth running of economy during 1990s. However, these changes didn't give any better result to fit in economy, as Congo was strife with corruption and ethnic war which resulted in prices of necessity goods rise exorbitantly and share market saw a heavy downfall. This sudden call of demonetization also led to the downfall of the dictator and with it came an end to the demonetization.

#### **2.1.8.3 Ghana**

In 1982, Ghana demonetized their 50 cedis note to tackle tax evasion and empty excess liquidity. This made the people of the country support the black market and they started investing in physical assets which obviously made the economy weak.

#### **2.1.8.4 Myanmar**

In 1987, Myanmar's military invalidated around 80% value of money to curb black market. The decision led to economic disruption which paralyzed daily activities and inflation rose up with it commodities began to disappearing sooner from markets which in turn led to mass protests and clashes with the military government that killed thousands of people.

This call of demonetization by the Burmese government proved very costly for the country and much economist call it a poor decision as small traders and common public were the worst affected during this demonetization implementation.

#### **2.1.8.5 Nigeria**

The process of demonetizing the currency in Nigeria was done during the government of Muhammadu Buhari in 1984; Nigeria introduced new currency and banned the old notes.

However, the debt-ridden and inflation hit country did not take the change well and the economy collapsed.

#### **2.1.8.6 North Korea**

The demonetization that happened in North Korea in 2010 left people with no food and shelter. Kim -Jong Il introduced a reform that knocked the face value of the old currency in order to banish black market. This however, was poorly planned and created an acute shortage of cash and supplies and North Korea was also criticized for testing nuclear missiles as a show of strength when the country was grappling and struggling with the new reform which crippled its affairs completely and many people starved to death.

#### **2.1.8.7 Russia**

Mikhail Gorbachev ordered to withdraw large ruble bills from circulation to take over the black market. However this attempt to recall the notes didn't go well with the citizens resulted into a coup attempt which brought down his authority and further the leading to Soviet Union breakup.

### **2.1.9 Historical background of Ethiopian currency**

#### **2.1.9.1 First birr, 1855–1936**

In the 18<sup>th</sup> and 19<sup>th</sup> centuries, Maria Theresa thalers and blocks of salt called "amole tchew" served as currency in Ethiopia. The Maria Theresa thaler was officially adopted as the standard coin in 1855, although the Indian rupee and the Mexican dollar were also used in foreign trade (Linzmayr & Owen, 2012)

The talari (thaler, dollar, and birr) became the standard unit on 9<sup>th</sup> February 1893 and 200,000 dollars were produced at the Paris Mint in 1894 for Menelik II. The talari, equivalent to the Maria Theresa thaler, was divided into 20 ghersh (also guerche or gersh the name coming from the Ottoman Empire's) or 40 besa (a small copper coin). A new Ethiopian coinage appeared about 1903. The new silver birr maintained the same weight and excellence as the old, but there was now a quarter to birr and a silver ghersh, the final 1/16 the weight of the birr. The money of account now became 1 birr' = 16 ghersh = 32 besa.

The Bank of Abyssinia was established in 1905 by Emperor Menelik and the European banking group behind the National Bank of Egypt; the bank was officially inaugurated by Menelik on 15<sup>th</sup> February 1906. The Ethiopian coinage gained acceptance only gradually, and Bank of Abyssinia imported Maria Theresa thalers. By the time World War I broke out, the bank was still importing about 1,200,000 of these coins annually. Bank of Abyssinia put banknotes into circulation in 1915. These notes were denominated birr in Amharic and thaler

in English. They were used by merchants and by foreigners but were not initially accepted generally. However, Note circulation increased considerably after 1925.

Emperor Haile Selassie bought out the Bank of Abyssinia in 1931 for £235,000 in order to make it a purely Ethiopian institution. It was reorganized as Bank of Ethiopia. At the same time, the currency was decimalized and token nickel and copper coins were introduced, the birr becoming equal to 100 metonnyas (often written matonas). The text on the bank's notes appeared in Amharic and French. By the mid-1930s circulation consisted chiefly of Maria Theresa and Menelik talari.

In 1931, the Emperor of Ethiopia, **Haile Selassie I**, formally requested that the international community use the name Ethiopia (as it had already been known internally for at least 1,600 years) instead of the exonym Abyssinia, and the issuing Bank of Abyssinia also became the Bank of Ethiopia. Thus, the pre-1931 currency could be considered the Abyssinian birr and the post- 1931 currency the Ethiopian birr, although it was the same country and the same currency before and after. 186 billion birr were in circulation in 2008 (Shinn, David Hamilton, Ofcansky & Thomas P, 2004).

#### **2.1.9.2 Italian lira, 1936–41**

Not long after the Italian occupation and the attempted transformation of Ethiopia into Italian East Africa, the Italian lira was introduced (15<sup>th</sup> July 1936) and Ethiopian banknotes were withdrawn from circulation at 3 lire per talar (birr). In an effort to increase the use of Italian paper money, the exchange rate for silver coin (Maria Theresa thalers) was raised to 4.50 lire, then to 5.00, and eventually, in stages, to 13.50. At rest, many people kept their Ethiopian coins and banknotes.

Regular Italian coins and banknotes of Italian Bank circulated after 15<sup>th</sup> July 1936. Special notes with a red overprint were authorized for Italian East Africa on 12<sup>th</sup> September 1938, and a large quantity was printed. It is not clear, however, when, where, and to what extent these special notes actually circulated (The World Fact book, 2008 EST.).

#### **2.1.9.3 East African shilling, 1941–1945**

During the East African Campaign of 1941, British forces brought with them Indian, Egyptian, British, and British East African currency, and all were received in official payments. Italian coins and notes of up to 50 lire were allowed to continue in circulation to serve as small change; higher denominations were withdrawn at a rate of 24 lire per shilling.

The East African Shilling became the money of account on 1st July 1942; it eventually became the sole legal tender and remained so until 1945. Regular notes of the East African Currency Board were used for circulation in Ethiopia.

#### **2.1.9.4 Bank notes**

##### ➤ **First birr**

The Bank of Abyssinia introduced banknotes for 5, 10, 100 and 500 talari in 1915. 280,000 talari worth of notes was printed. The text on the notes was in Amharic and French. A 50-talari note was added in 1929, by which time over 1.5 million talari in notes were circulating. The Bank of Ethiopia issued notes in 1932 in denominations of 5, 10, 50, 100 and 500 talari. A 2-talari note dated 1<sup>st</sup> June 1933 was issued in honor of the Imperial couple. By the end of 1934, some 3.3 million talari in notes were circulating.

##### ➤ **Second birr**

The birr was reintroduced in 1945 at a rate of 1 birr = 2 shillings. The name Ethiopian dollar was used in the English text on the banknotes. It was divided into 100 santim (derived from the French centime). The name birr became the official name, used in all languages, in 1976. On 23<sup>rd</sup> July 1945, notes were introduced by the State Bank of Ethiopia in denominations of 1, 5, 10, 50, 100 and 500 birr. The National Bank of Ethiopia was established by imperial proclamation 207 of 27<sup>th</sup> July 1963, and began operation on 1<sup>st</sup> January 1964. The National Bank of Ethiopia took over note production in 1966 and issued all denominations except for the 500 birr.

#### **2.1.10 Two thousand twenty (2020) denominations**

On September 14, 2020, Ethiopia announced the introduction of new banknotes of 10, 50, 100, and 200 birr, with the latter being issued into circulation to meet the needs of issuing a high denomination note to tackle inflation. Older issues of 10, 50, and 100 birr notes will be demonetized in December. The federal government reported that over 113 billion birr equivalent to 3.6 billion \$ remains hidden from the banks. The federal government also believes this money is being used as a catalyst to the current instability in Ethiopia. In just a month, Ethiopian banks gained 14 billion birr, around 500 million dollars into their system which is expected to increase as I head towards the end of 2020. The measure, announced by Prime Minister Abiy Ahmed, was reported as a preventative measure against hoarding, counterfeit and other corruption affecting the economic session. He also noted that the country spent 3.7 billion birr (\$101.2 million) to print the new banknotes. Companies and Individuals can cash only up to 1.5 million birr (\$41,000). The cash withdrawal from banks should also not exceed 100,000 birr's (\$2,737). The old 5-birr notes, while they will remain



legal tender, will be replaced with a coin (Ethiopian Broadcasting Corporation, 13 September, 2020).

### **2.1.11 Banking**

Banking can be defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit. However, with the passage of time, the activities covered by banking business have widened and now various other services are also offered by banks. The banking services these days include issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds across the country / world. It is well said that banking plays a silent, yet crucial part in our day-to-day lives. The banks perform financial intermediation by pooling savings and channelizing them into investments through maturity and risk transformations, thereby keeping the economy's growth engine revving (Andavar Arunachalam, 2016).

## **2.2 Empirical Review**

- Care Ratings (Professional Risk opinion) on November 09, 2016 on Economic consequences of demonetization of 500 and 1000 Rupee Notes: In spite of the initial hiccups and disruptions in the system, eventually this change will be well assimilated and will prove positive for the economy in the long run. Black money hoarders will definitely lose out, eventually boosting the formal economy in the long run, short term fall in real estate prices might benefit middle class citizens, and this move by the Government along with the implementation of the GST will eventually make the system more accountable and efficient.
- Tax Research Team (2016) in their working paper stated in favor of demonetization its main objective is to analyze the impact of demonetization on Indian economy. This paper shows the impact of such a move on the availability of credit, spending, and level of activity and government finances.
- Mr Brijesh Singh and Dr. N. Babitha Thimmaiah (January 2017) in their research paper studied the effect of demonetization in terms of "Won or lost". By using the secondary data method i.e. articles, they had conducted their study. In the study report they had tried to explain the concept of cashless economy by taking the reference of Woodford (2003). It is not all about how much money you are having in your wallet, you can pay by any of the bank card or banking transfer. In the research paper they had show the effect of demonetization in the areas like, cash rush, stock market, transportation, agriculture, banking, business, income tax, railways etc. There are no

exact proofs of exact black money holding in cash but studies show that around 8% of black money is held in cash. According to the Centre for Monitoring the Indian Economy (CMIE), the transaction cost of demonetization until 30th December, 2016 is estimated around Rs. 1.28 lakh crore. As per R. Gandhi, Deputy Governor of RBI, speaking on 7th December 2016, Rs. 11.5 lakh crore has been already deposited at bank out of total 14.5 lakh crore which means still 3 lakh crore are unidentified.

- Geeta Rani (November 2016) had presented the research paper to show the effect of demonetization over the retail outlets. She had done her research work by taking the primary data. She had used the Questionnaire method. This was filled by the 50 shopkeepers of the area. As a result she had been ready with some out comes likewise 80% shopkeeper presented their view that from 9th November, 2016 to 10th December, 2016 there was 20% increase in sales due to accepting the old notes. But after that sales had declined. Shopkeeper started paytm and cheque system. Shopkeepers had extended credit period. Top brands like HUL, P&G had affected with only decrease of 20% sales due to brand name. Moreover on the basis of the study she had identified the effect of demonetization category wise. Likewise, salty snacks sale decreased by 10%, chocolates sales had decreased by 50%, biscuits sales had decreased by 20%, juice/fruit drinks sales decreased by 20%, cigarettes sales decreased by 10%, mobile phones sales decreased by 70% , gold sales increased by 70% and durable goods sales decreased by 70%. She concluded her paper by giving the views that though demonetization is painful for short term, but it will surely beneficial for the long run moreover most customers are now adopting cashless means like payment, debit card, cheques etc.
- Sherline T.I (December 2016) has undertaken the research on “Demonetization as a prelude to complete financial inclusion “. The main objective of the study was to understand the importance of demonetization as a measure of financial inclusion. Financial inclusion mainly stands for, the delivery of the financial services at the affordable cost to the low income segments of society. As per the report financial inclusion can boost the savings as well as credit availability. The study shows that this move of the Government has likely to create long term benefits. Moreover medium to long term Current account and saving account (CASA) ratio could improve. Moreover demonetization would reduce cash transaction the real estates, which may decrease the price of that avenues which make it affordable to general public. Moreover the near future inflation will decrease due to less cash transaction.

- M. Angel Jasmine Shirley (February, 2017) has studied about the “Impact of Demonetization in India” in her research paper. In the first part of the paper, the impact over Indian economy had been explained. As per the research, the BSE SENSEX and NIFTY 50 stock had been fall near about 6% on the very next day. Moreover on the later on days, the country felt severe shortage of the cash. Moreover due to lack of cash overall production had decreased. Banks had not enough new currency for the exchange of the old notes, which breakdown the overall economic system. Moreover in the paper impact of the demonetization over world economy also shown. The first thing that happened after demonetization was decrement in to overall consumption of commodities which results in to decrease in the export-import. Moreover there was a major impact over the domestic sectors, reduction in the Government liability, farming and fishing industry, business, drop in industrial output, black money, impact over counterfeit currency, hawala, bank deposits, jewellery and real estate, IT sector etc. Findings in this sectors says that, though demonetization is a good concept to grab the black money holders, most of black money is kept in form of land, gold, real estate etc. “Not all black money is in cash, not all cash is black money”. People face too much inconveniency due to improper planning about post demonetization. Moreover for number of days they had spent their time by standing in queues. To decline over all negative impact of it, ways are to focusing over tax aspect, cash availability, and elimination of loopholes.
- Chabi Gupta (December 2016) had studied about the payment banks and demonetization. To explain her research point, she had firstly explained about the Indian banking sector. Payment banks are generally niche banking set up by RBI, payment banks provides small saving accounts and payment services mainly for low income household, small businesses etc. Then she had explained the overall impact of demonetization move.
- According to the Reserve Bank Of India (RBI) figures, as of March 2016 currencies in circulation amounted to Rs.16,415 billion of this 500 notes were of around 47.8% in value and 1000 were of 38.6% in value. Jointly they had 86% value in the economy. Many banks like HDFC, ICICI and AXIS are exploring to launch the contact less debit and credit card. It will allow the customers to use card without swipe.
- Sapna Malik, Nida Zaidi, (2017) On an Empirical Study on the Major Problems Faced Due To Demonetization by the Small Retailers in Erode City: Thus it is clear from the 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.

- Ashish Das, and Rakhi Agarwal, (2010) in their article “Cashless Payment System in India- A Roadmap” Cash as a mode of payment is an expensive proposition for the Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance, fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.
- Arpit Guru and Shruti Kahaniyow (2010) researcher analyzed the black money income? Need for amendment in **DTAA & ITEA** and analyzed that black money is spread everywhere in India up to a large extent International Journal of Interdisciplinary Research in Arts and Humanities (**IJIRAH**) Impact Factor: The researcher also identified how black money had caused menaces in our economy and in what ways it is used.
- Sukanta Sarkar (2010) conducted a study on the parallel economy in India: Causes, impacts & government initiatives in which the researcher focused on the existence of causes and impacts of black money in India. According to the study, the main reason behind the generation of black money is the Indian Political System i.e. Indian govt. just focused on making committees rather than to implement it .The study concludes that laws should be implemented properly to control black money in our economy

### **2.3 Summary and literature Gap**

Despite the fact that the implementation of currency demonetization is the act of stripping a currency unit of its status as legal tender, Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit. The demonetization was done in an effort to stop the counterfeiting of the current banknotes assumed to be used for funding terrorism and for cracking down on black money in the country rather than using financial institution. Therefore, a sound analysis of the effects linked with currency demonetization is needed to avoid harms on bank financial performance. There is mixed empirical evidence about the effects of currency demonetization on banks' day to day activities. It is hence, its negatively impacted bank employees, bank regulators, supervisors and researchers to and it's very important for bank and country economy. Understand how the effects of currency demonetization on the day to day activities of the banks.

To a large extent records on currency demonetization has been carried out in another place. On the other hand, in developing countries like Ethiopian, there is little or almost no evidence concerning currency demonetization. To the extent that currency demonetization is concerned, a lot of researches on banking sector have been done in different countries in the world. Specially, Indian researchers were done many researches in connection to currency demonetization. But when we compare with developing country or Ethiopia almost no study was done regarding to currency demonetization. As per the knowledge of the researcher only a very limited number of researchers have been issued his /her suggestions on currency demonetization in Ethiopian like that of Samuel Getachew, September 2020. Therefore, more studies are still required to assess the effects of currency demonetization in Ethiopia to identify areas in which the country delays behind their currency demonetization implementation and circulation. The previous studies focused on the effects of currency demonetization. This study focused on different factors affecting not only implementation but also improvement of currency demonetization in some private commercial banks in Ethiopian. Consequently, this research main purpose is to fill this significant gap by providing systematic analysis of the effects of currency demonetization on the day to day banking operation of some private commercial banks in Ethiopia.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **Introduction**

This chapter outlines the methods adopted in order to answer the research questions detailed in chapter one. It looks at the research design, research population, sampling techniques, data collection instruments and procedure of data collection, mode of data analysis and presentation as well as ethical consideration and limitations of the study.

#### **3.1 Research design and approach**

The research was a descriptive cross sectional survey design where data was collected from a cross the population at one point in time. This design is cheap, less time consuming and easy data collection and analysis (Amin 2005). A qualitative research approach was used to address the objectives.

As the main purpose of the study is to access the effects of the currency demonetization of the Ethiopian in the case of selected private commercial bank in Ethiopia, since then, the banking sector has changed its operation structure as well as scope of activities widely. Hence, the mixed research design method was captured the significant changes of the demonetization of currency since 2020.

#### **3.2 Population, Sampling and Sample Size**

In research methods, population is the entire aggregation of items from which samples can be drawn (Yahiya, 2011). The population of the present study consists of private commercial banks that have operated. Hence, According to National Bank of Ethiopia periodical official statement (2020), the total number of private Commercial Banks which had been operated in Ethiopia is 16. This study used multi-stage mixed sampling method. First, I purposively select four private commercial banks, which are implemented currency demonetization. These are Dashen Bank S.C., United Bank S.C., Oromia international bank S.C and Bank of Abyssinia. The researcher chooses to take four private commercial banks as a sample, because it is often impossible or too much expensive to collect data from all the probable

units. Second, we consider the total number of employees working in these four private banks head office. Consequently, the data taken from banks' latest reports shows that there are about 27,482 employees working in these four private commercial banks throughout the country (see the detail in Table 3.1). The procedure used for drawing the sample from the available lists was based on their familiarity with currency demonetization. In order to get enough data in connection to the effects of currency demonetization of the selected private commercial banks, the researcher used purposive sampling method to draw the sample from the population.

Samples are chosen to represent the relevant attributes of the population. The researcher also notes the concern by Graziano and Raulin (1997) where the samples are not perfect representatives of the population from which they are drawn, therefore the researcher is unlikely to be able to generalize the conclusions to the entire population.

In the study, the researcher used sample size by using Slovic's formula to compute the sample size. This formula is employed so as to sample fairly a large size as representation of the total population such that the research findings obtained can be considered valid. The details on the determination of sample size using Slovic's formula are shown below;

$$\text{By using Slovic's formula } (n) = \frac{N}{(1 + N(e)^2)}$$

$n$  = sample size

$N$  = population size

$e$  = level of significance

$n=394$

$$= \frac{27,482}{(1 + 27,482(0.05)^2)}$$

$$n = \frac{27,482}{69.71} \approx \mathbf{394}$$

$$\text{Sample size for employees @ OIB bank} = \frac{\text{employees of bank} \times n}{\text{total population}}$$

$$n = \frac{4,066 \times 394}{27,482} \approx \mathbf{58}$$

$$\text{Sample size for employees @ DB bank} = \frac{\text{employees of bank} \times n}{\text{total population}}$$

$$n = \frac{9,970 \times 394}{27,482} \approx \mathbf{143}$$

$$\text{Sample size for employees @ UD bank} = \frac{\text{employees of bank} \times n}{\text{total population}}$$

$$n = \frac{6,536 \times 394}{27,482} \approx \mathbf{94}$$

$$\text{Sample size for employees @ BOA bank} = \frac{\text{employees of bank} \times n}{\text{total population}}$$

$$n = \frac{6,910 \times 394}{27,482} \approx \mathbf{99}$$

Table 3.2 1 Population and sample size table

Categories	Population	Sample size
Employees @ OIB Bank	<b>4,066</b>	58
Employees @ DB Bank	<b>9,970</b>	143
Employees @ UB Bank	<b>6,536</b>	94
Employees @ BOA Bank	<b>6,910</b>	99
<b>Total</b>	27,482	<b>394</b>

### 3.3 Data type and collection Instruments

This study mainly used primary data that comes from bank employees from four selected private banks at their head office and the branch at head office located. The primary data was collected using open-ended and closed ended questions. The overall aim of this study is to evaluate the effects of currency demonetization and putting direction to solve the problem the problem come with negative effects happened in Ethiopian banking industry specifically in the selected private commercial banks. The researcher was concerned with views, opinion, perception and feelings from the banker's perspectives. Thus, the questions that will help to collect such type of data are developed (see Appendix I & II). The questioner is dividing into two sections; respondent demographic information and main questions aiming to collect data about the effect of recent currency demonetization in Ethiopian selected private banks. Once the questioner scoring system of this instrument was based on the five scales or Likert type scale of rating involving: 1=very low, 2= low, 3= moderate, 4= high, 5= very high and other relevant questionnaires (see Appendix III). Generally, questioner is distributed to sample



respondents and the researcher had made good effort to collect the entire questioners distributed.

### **3.4 Validity**

The validity of the questionnaire guide; some two parts in research was involved. In this regard, after constructing the questionnaires guide, they were submitted to professional to ensure their validity through their duties basis.

### **3.5 Data Analysis**

In order to meet the stated research objectives, the collected data was analyzed based on the nature of the objective. Accordingly, the data collected via questionnaires was analyzed with descriptive statistics using statistical package for social scientists (SPSS) V. 20.0, suggested that qualitative research is fundamentally interpretative i.e. the researcher makes an interpretation of the data. To sum, the analysis of quantitative data and interpretation of qualitative data combines to seek convergence among the results (Creswell, 2003).

Numerical values and the interpretation were used to interpret the response based on the mean score, for each item question about the effects of currency demonetization in Ethiopia.

### **3.6 Ethical considerations**

The researcher was seeking for permission from potential respondents. The researcher was guarantee free will consent from participants. The names or identifications of the respondents were secret and information collected from them treated with maximum confidentiality.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

In this chapter, the researcher presents, the quantitative and qualitative data which is collected from the sample data as well as from the point of demonetization of currency in Ethiopian banking sector which are primary data, in a manner that helps the sole idea of the research problem. Accordingly, this chapter deals with the presentation, interpretation and analysis of data gathered from both primary and secondary sources. The chapter has five main sections. Section.4.1 presents introduction of this chapter, section 4.2 general information of selected private banks, section 4.3 presents Respondents profile, and section 4.4 presents the result and discussion regarding the effects of currency demonetization in bank employees and customers. Results and discussions regarding the benefits received by the bank in the demonetization of currency notes and impacts come with currency demonetization in Ethiopian Banking industry are presented in section 4.5 and 4.6, respectively.

#### **4.1 Introduction**

Data collected through different techniques were analyzed in this chapter. In the analysis, a total of three hundred ninety four (394) questionnaires were distributed to professional staff of four (4) purposively selected private commercial banks in Ethiopia. Out of the three hundred ninety four (394) questionnaires distributed, three hundred (300) were successfully completed, returned and used for the study. The response rate was approximately 76% of the total questionnaires distributed. Accordingly, the presentation, analysis and interpretation of the questionnaires were done simultaneously whereby the findings obtained from the questionnaires. In order to analyze the research results, SPSS V. 20.0 tool software was used. Descriptive measures of each question response conducted with the effects of currency demonetization in selected private commercial banks in Ethiopia results are presented in the following sections.

#### **4.2 General Information of the Banks**

This section shows the demographic details of the selected private commercial banks in Ethiopia based on the respondents response to the question asked to indicate the name of the institution, establishment date and number of employees including the staff who are directly involving in implementing of currency demonetization. The results are illustrated in the subsequent tables below. Banks' profile was asked with the intention of associating the overall profile of each bank with the subject matter of the study under consideration.

**Table 4.2.1 General Information of the Banks**

Name of the banks	No. of Questionnaires		Established Date	Total number of employee
	Distributed	Returned		
OIB	58	44	2008	4,066
DB	143	109	1995	9,970
UB	94	72	1998	6,536
BOA	99	75	1996	6,910
	<b>394</b>	<b>300</b>		<b>27,482</b>

Source: Document review of the respected banks as of 2020 and the respective banks web site.

As shown in the above table from total number 27,482 of Ethiopian private commercial bank operated in 2020 four private commercial banks were involved in the study and 394 questionnaires were floated to the staffs of selected private commercial banks in Ethiopia who are directly engaged in issues of currency. Out of three hundred ninety four (394) questionnaires distributed, three hundred (300) were successfully completed, returned and used for the study. The response rate was approximately 76% of the total questionnaires distributed.

In general, the Ethiopian private banks basically offered accepting deposit, making payment via different mechanism, grating loan and advances, safeguard people's money and participating in different investment.

### 4.3 Respondents profile

**Table 4.3.1 Demographic Profile of Respondents**

No.	Items	Number of Respondents	
		Frequency	Percentage
<b>1</b>	<b>Age</b>		
	20-30	102	34
	31-50	167	55.7
	51-60	31	10.3
	Above 60	-	-
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>2</b>	<b>Gender</b>		

	Male	170	56.7
	Female	130	43.3
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>3</b>	<b>Qualification</b>		
	Certificate	19	6.3
	Diploma	11	3.7
	Bachelors	220	73.3
	Masters	50	16.7
	PhD	-	-
	Other	-	-
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>4</b>	<b>Work Experience</b>		
	Below 2 Years	77	25.7
	3-4 Years	141	47
	5-6 Years	75	25
	7 and above	7	2.3
	<b>Total</b>	<b>300</b>	<b>100</b>

Source: survey, 2021

Table 4.3.1 shows the breakdown of the sample respondents selected from the bank employees of four private commercial banks in terms of Age composition, gender, educational qualification and working experience. As can be seen from item (2) of the Table 4.3.1, out of 300 respondents, 170(56.7%) are males and 130(43.3%) are females. Female representation in the study was thus less by 13.4%.

As regards with the age range of the respondents as indicated in item (1) of Table 4.3.1, majority of them lie in the age group of 31- 35. Thus, those in the age group of 31- 35 count for 167(55.7%) and those who lie in the age group of 20-30 count for 102(34%). On the whole, the respondents whose ages range from 51-60 are 31(10.3%) of the total respondents.

As can be perceived from item (3) of Table 4.3.1, most of the respondents possess Bachelors degree and above. Thus, 220(73.3%) have bachelors degree and 50 (16.7%) possess masters degree. In sum, the number of those who possess certificate and Diploma is 30(10%). This indicates that, the employees in the bank are very knowledgeable and easy to understand about the effects of currency demonetization. Item (4) of Table 4.3.1 above also disclosed the

length of working experience of the selected bank employees involved in the study. In view of that, as the data indicate, 141(47%) have served in the bank from 3 to 4 years. On the other hand, 77(25.7%) of them have served the bank for below 2 years. In view of that, as the data indicate, 141(47%) have served in the bank from 3 to 4 years. On the other hand, 75 (25%) of them have served the bank for 5-6 years.

This indicates that the bank is likely continued with its qualified and experienced professional staff. Thus, this will have positive impact in the thesis in order to get sufficient information in connection to the effects of currency demonetization in Ethiopian private commercial banks.

#### 4.4 Results and discussions concerning bank employees

The following section discusses the effects of currency demonetization in **Ethiopian banking industry employees and customers.**

**Table 4.4.1 Frequency of bank employees aligned to inconvenience**

<i>Did you mind the difficulty faced through Demonetization?</i>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	175	58.3	60.6	60.6
	No	114	38.0	39.4	100.0
	Total	289	96.3	100.0	
Missing	System	11	3.7		
Total		300	100.0		

Source: Field survey report April 2021 from bank employees (see questionnaire No.1)

The above table 4.4.1 results show that, (175)58.3% of the respondents yes, (114)37% were No, and (11) 3.7% were not give the responses with the statement ‘difficulty faced through Demonetization’. This, the responses from this question I can interpret that the people do believe that demonetization has caused inconvenience to them amounting for 58.3%. People were forced to stand in long rows for hours and even days. This move by the government has caused major inconvenience to employee as they have to perform all their duties. Large transactions were cancelled due to the non availability of cash. Small businesses suffered huge losses. The users were not able to pay for their services and take loans. Customers were denied when the customers come with old currency after the date announced by the government becomes announced. Sales of the shopkeepers also suffered due to Demonetization.

**Table 4.4.2 Frequency regarding to advantage of currency demonetization**

<i>Do you think that the effects of currency demonetization on bank employees?</i>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	3.3	3.5	3.5
	No	279	93.0	96.5	100.0
	Total	289	96.3	100.0	
Missing	System	11	3.7		
Total		300	100.0		

Source: Field survey report April 2021 from bank employees (see questionnaire No.3)

The findings reflected in Table 4.4.2 above in last item for the statement ‘Degree of respondent on benefit received by Employees’ show that (279)93% of the respondents said No , (10)10% were Yes and the left (11)3.7% of respondents are suspended from responses with the statement. Thus, the responses of this question I can interpret that through this move the bank employees have not been benefited at all. Due to demonetization the bank employees were made to work throughout the day, missing their lunch breaks. They even worked throughout the nights. They were stressed a lot and some of them even go through serious health problems. In addition to this the bank employees were made to break down with customers due to demonetization, because of cash withdrawal, even transfer account to account, cash crediting into other account are limited to some extent and cash shortage also imposed disagreement in between bank employees and customers.

**Table 4.4.3 The effect of demonetization on workload**

<i>Do you think there was an impact of Demonetization on your workload?</i>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	267	89.0	94.0	94.0
	No	17	5.7	6.0	100.0
	Total	284	94.7	100.0	
Missing	System	16	5.3		
Total		300	100.0		

Source: Field survey report April 2021 from bank employees (see questionnaire No.4)

As exposed in table 4.4.3 above, respondents express the level of agreement on the statement ‘Do you think there was an impact of Demonetization on your workload’. As a result, 267(89%) of the respondents said Yes with the statement, (17)5.7% of respondents agree

with No and the left (16)5.3% of respondents not give the response. Thus, most of the people have responded yes in this case as they believe that demonetization has an impact on their workload. Out of all the people affected through demonetization bank employees are the most stressed due to the increase in their workload, if it could be measured I could see alarming level of stress in the bank employees all over Ethiopia because they have to serve a continual mass of feared customers, bank employees are facing what is probably the most challenging period of crisis in their careers. Due to demonetization all employees of the bank are consider currency demonetization as additional work or duties.4.5 Results and discussions regarding to the benefits received by the bank

**Table 4.4.4 The impact of demonetization on cash flow in bank**

<i>What is the impact of Demonetization on cash flow in banks?</i>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increase	31	10.3	10.5	10.5
	decrease	205	68.3	69.7	80.3
	no impact	58	19.3	19.7	100.0
	Total	294	98.0	100.0	
Missing	System	6	2.0		
Total		300	100.0		

Source: Field survey report April 2021 from bank employees (see questionnaire No.05)

As exposed in table 4.4.4 above, respondents express the level of agreement on the statement ‘Responses on effect of currency demonetization on bank cash flow’. As a result, 31(11%) of the respondents said increase with the statement, (205)68% of respondents agree with Decrease, (58)19% of respondents said no impact give the response. Hence, the responses of this question I can see that the cash flow in banks has reduced I believe that it has happened because the people are now making cashless transactions and the NBE has not issued enough currency to match the previous flow in cash.

**Table 4.4.5 Frequency on impact of currency Demonetization on interest rate**

<i>What is the impact of Demonetization on interest rate?</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid decrease	209	69.7	69.7	69.7
no impact	91	30.3	30.3	100.0
Total	300	100.0	100.0	

Source: Field survey report April 2021 from bank employees (see questionnaire No.6)

Findings of the study according to table 4.4.5 on the statement ‘the impact of Demonetization on interest rate’ make knows that, 209(70%) decrease and (91)30% no impact. The result shows that, most of the respondents 209(70%) the currency demonetization affect interest rate highly. All the way through, the responses of this question I can see that the Interest Rate has decreased post demonetization. Correspondingly, the governor of NBE Dr. Yinager Dassie said that all the rates will fall post demonetization. There are high inflows of deposits in banks but the demand of credit has decreased. Thus resulting in the fall of rates but after a period, though the fall in the rates is not large but it still helps.

**Table 4.4.6 Frequency on effects of currency demonetization on banking industry**

<i>According to you Ethiopian banking industry will get effects due to currency Demonetization</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid very high	59	19.7	19.7	19.7
high	147	49.0	49.0	68.7
moderate	72	24.0	24.0	92.7
low	22	7.3	7.3	100.0
Total	300	100.0	100.0	

Source: Field survey report April 2021 from bank Employees (see questionnaire No.06)

The research finding in table 4.4.6 for the statement ‘Ethiopian banking industry will get caused due to currency Demonetization’ the respondent expresses their feelings. Accordingly, 59(20%) very high, 147(49%) high while 72 (24%) remained moderate. On the other hand, the left (7%) low. Thus, this question we can understand that the banking industries are highly impacted by currency demonetization. In Ethiopian banking industry people were mostly dependent on cash transactions but after demonetization when the supply of money



was less peoples are at high level appeal bank industry because the bank customers cannot used advance technology to get the service.

**Table 4.4.7 The impact of demonetization on the use of online banking**

<i>What is the impact of Demonetization on the use of online banking?</i>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	increase	235	78.3	79.4	79.4
	decrease	31	10.3	10.5	89.9
	no impact	30	10.0	10.1	100.0
	Total	296	98.7	100.0	
Missing	System	4	1.3		
Total		300	100.0		

Source: Field survey report April 2021 from bank employees (see questionnaire No.08)

As exposed in table 4.4.7 above, respondents express the level of agreement on the statement ‘What is the impact of Demonetization on the use of online banking’. As a result, 235(78.3%) of the respondents said increase with the statement, (31)10.3% of respondents agree with decrease, (30)10% of respondents said no impact, (4)1.3% of respondents are not give the response on the statement. From the point of this question, we can understand that the use of online banking has increased after demonetization. In Ethiopian people were mostly dependent on cash transactions but after demonetization when the supply of money was less people are resorting to the use of online banking and online payments to meet their daily expenses. Thus we can say that the use of online banking has increased after demonetization.

**Table 4.4.8 Plastic money Vs currency demonetization**

<i>What is the impact of Demonetization on the use of plastic cards?</i>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	increase	300	100.0	100.0	100.0

Source: Field survey report April 2021 from bank employees (see questionnaire No.09)

As showed in tables 4.4.8 above, all respondents express the level of agreement on the statement ‘impact of Demonetization on the use of plastic cards’. As a result, 300(100%) of the respondents said increase with the statement. Thus, the responses of this question we can interpret that all of the people believe that currency demonetization have increased the use of plastic cards. Due to the decrease in the supply of cash because of currency demonetization most of the people have way out to the use of online banking, plastic cards, mobile banking, etc.

**Table 4.4 9 The impact of Demonetization on opening of new accounts**

<i>What is the impact of Demonetization on opening of new accounts?</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	234	78.0	78.0
	decrease	31	10.3	88.3
	no impact	35	11.7	100.0
	Total	300	100.0	

Source: Field survey report April 2021 from bank employees (see questionnaire No.13)

The findings reflected in Table 4.4.9 above in last item for the statement ‘the impact of Demonetization on opening of new accounts’ show that (234)78% of the respondents said increase, (31)10% decreased and (35)12% of the respondents said no impact with the statement. Thus, the responses of this question we can see that people believe that new accounts are opening post demonetization. For depositing money in the banks account after demonetization new accounts are opened.

**Table 4.4.10 Impact of demonetization on the functioning of ATM**

<i>What is the Impact of demonetization on the functioning of ATM?</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	239	79.7	79.7
	decrease	61	20.3	100.0
	Total	300	100.0	

Source: Field survey report April 2021 from bank employees (see questionnaire No.11)

The above table 4.4.10 results show that, (239)79.7% and (61)20% of the respondents says increase and decrease respectively with the statement ‘the Impact of demonetization on the functioning of ATM’. Hence, from the responses of this question we can clearly see that the functioning of ATM has increased after currency demonetization. After currency demonetization the government has imposed a limit to the withdrawal of cash because of which the customers are visiting the ATM many times to withdraw the cash so as to meet their cash requirement.

**Table 4.4.11 The impact of Demonetization on the no of customers in branches**

<i>What is the impact of Demonetization on the no of customers in branches?</i>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	increase	266	88.7	90.5	90.5
	decrease	28	9.3	9.5	100.0
	Total	294	98.0	100.0	
Missing	System	6	2.0		
Total		300	100.0		

Source: Field survey report April 2021 from bank employees (see questionnaire No.13)

The above table 4.4.11 results show that, (266)88.7% and (28)9.3% of the respondents says increase and decrease respectively. While, (6)2% of the respondents are not give his/her responses with the statement ‘the impact of currency demonetization on the no of customers in branches’. Consequently, the responses of this question tell us that the number of customers in the branches have increased after demonetization. Whether it is to deposit the old currency, open new accounts or to collect the new currency all the branches and ATMs are busy with customers.

**Table 4.4.12 The impact of Demonetization on banking sector**

<i>Do you think that there was an impact of Demonetization on banking sector?</i>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Decrease	89	29.7	29.7	29.7
	no impact	211	70.3	70.3	100.0
	Total	300	100.0	100.0	

Source: Field survey report April 2021 from bank employees (see questionnaire No.13)

As exposed in table 4.4.12 above, respondents express the level of agreement on the statement ‘impact of demonetization on banking sector’. As a result, 89(29.7%) and (211)70% of the respondents said increase and no impact respectively with the statement. Hence, the responses of this question we can clearly see that those bank employees who have filled this questionnaire do believe that there is an impact of currency demonetization on the banking sector.

**Table 4.4.13 The advantage received by banks when plastic money is used**

<i>Do you think the advantage received by banks when you used ATM, mobile banking, internet banking and etc.?</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
very high	117	39.0	39.0	39.0
Valid High	183	61.0	61.0	100.0
Total	300	100.0	100.0	

Source: Field survey report April 2021 from bank Employees (see questionnaire No.13)

As shown in table 4.4.13 above, respondents express the level of agreement on the statement ‘impact of demonetization on banking sector’. As a result, 117(39%) and (183)61% of the respondents said very high and high respectively with the statement. All the way through the responses of this question, we can clearly see that these bank industries are highly advantages or 61% of respondents are say high when the bank customers are used ATM, mobile banking, internet banking and so on.

#### **4.5 Results and discussions regarding demonetization of currency**

The next section discusses the motivation of the government to implement the currency demonetization in Ethiopian.

**Table 4.5.1 Frequency on advantage of currency Demonetization**

<i>Do you think that Demonetization helped reduce black money, corruption and terrorism in Ethiopia?</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	211	70.3	70.3	70.3
No	89	29.7	29.7	100.0
Total	300	100.0	100.0	

Source: Field survey report April 2021 from bank employees (see questionnaire No.2)

As exposed in table 4.5.1 above, respondents express the level of agreement on the statement ‘currency demonetization helped reduce black money, corruption and terrorism in Ethiopia’. As a result, 211(70%) and (80)29.7% of the respondents said Yes and No respectively with the statement. As results of responses from this question we can interpret that the responses for the option i.e. yes have high percentage of answers which means that people believe that currency demonetization has helped reduce black money, corruption and terrorism to some extent. This progress is helpful because it has helped reduce black money, corruption and terror funding in Ethiopia to some extent. It also helped in making Ethiopia a digital economy

by reducing the usage of cash. Usage of plastic cards has also increased to some extent. This progress has been more helpful because the Black money holders, tax evaders and corrupt officials may not necessarily keep their money in bags at home as it was the old concept now they invest this money in the market. Hence it can be said that this progress by the government has not produced desired results and has cause inconvenience to common man.

**Table 4.5.2 Frequency on Impact of demonetization on money lending**

<i>What is the Impact of demonetization on money lending?</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	27	9.0	9.0
	decrease	243	81.0	90.0
	no impact	30	10.0	100.0
	Total	300	100.0	

Source: Field survey report April 2021 from Bank employees (see questionnaire No.7)

The research finding in table 4.4.6 for the statement ‘the Impact of demonetization on money lending’ the respondent expresses their feelings. Accordingly, 27(9%) of the respondents are says increase, 243(81%) of the respondents are says decrease while 30(10%) remained no impact. By analyzing the responses of this question we have noticed that money lending has decreased post currency demonetization. Currency demonetization has lead to cash shortage which has broken the demand for loans. Banks do not have funds to provide these loans. After demonetization banks focused on exchanging currency and were not providing loans. All the bank staffs are busy in exchanging currency they have no time for providing loans.

**Table 4.5.3 Government prepared enough for the post demonetization situation**

<i>Do you think Government has not prepared enough for the post demonetization situation?</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	32	10.7	11.4
	high	40	13.3	25.7
	moderate	189	63.0	93.2
	low	19	6.3	100.0
	Total	280	93.3	100.0
Missing	System	20	6.7	
	Total	300	100.0	

Source: Field survey report April 2021 from bank Employees (see questionnaire No.16)

The research finding in table 4.5.3 for the statement ‘Do you think Government has not prepared enough for the post demonetization situation’ the respondent expresses their feelings. Accordingly, 32(10.7%) of the respondents are says very high, 40(13%) of the respondents are says high, 189(63%) of the respondents are says moderate while 20(7%) of respondents are not give their feelings with the statement. As per the data collected among banks employees that are currently providing the service. Thus, almost all respondents are agreed on moderate level. On the other hand they believed that, this currency demonetization is very surprise issue to the peoples of Ethiopia this may impose little bit misunderstanding.

**Table 4.5 4 Private commercial banks will get affected due to currency Demonetization**

<i>According to you Ethiopian private banks will get affected due to Demonetization effect</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
very high	8	2.7	2.7	2.7
high	137	45.7	45.7	48.3
moderate	93	31.0	31.0	79.3
low	42	14.0	14.0	93.3
very low	20	6.7	6.7	100.0
Total	300	100.0	100.0	

Source: Field survey report April 2021 from bank employees (see questionnaire No.17)

The research finding in table 4.5.4 for the statement ‘According to you Ethiopian private banks will get affected due to Demonetization effect’ the respondent expresses their feelings. Accordingly, 8(2.7%) of the respondents are says very high, 137(45.7%) of the respondents are says high, 93(31%) of the respondents are says moderate while 42(14%) and 20(6%) of respondents are says low and very low respectively. The above Summarizes the result of the respondents whom they are representing the effect of currency demonetization on the banking industry. The result indicated that out of the respondents 45% of the respondents are said currency demonetization is affected banking industry at high level. 31% of respondents agree at moderate level. On the other hand, the summary on the above table disclosed that a bank service is impacted by currency demonetization.

**Table 4.5.5 Result of currency Demonetization on inflation, interest rate and deposit**

<i>According to you as a result of Demonetization there will be effect on inflation, interest rate and deposit to certain extent</i>				
	Frequency	Percent	Valid Percent	Cumulative Percent
very high	50	16.7	16.7	16.7
high	157	52.3	52.3	69.0
Valid moderate	61	20.3	20.3	89.3
low	32	10.7	10.7	100.0
Total	300	100.0	100.0	

Source: Field survey report April 2021 from bank employees (see questionnaire No.18)

The research finding in table 4.5.4 for the statement ‘According to you as a result of Demonetization there will be effect on inflation, interest rate and deposit to certain extent’ the respondent expresses their feelings. Accordingly, 50(16.7%) of the respondents are says very high, 157(52%) of the respondents are says high, 61(20%) of the respondents are says moderate while 32(10%) of respondents are says low. The above table indicated that, 52% of the respondents are agreed at high level with the statement. However, the customers should personally go to their respective banks and get the service accordingly currency demonetization effects on inflation, interest rate and especially deposit on his account is highly increased. Therefore, it is possible to conclude that the currency demonetization directly impacted deposit level.

#### 4.6 Effects of Currency demonetization on day to day banking operation

**Table 4.6.1 Effects of Currency demonetization on day to day banking operation**

S No. (Count...)	Items		Very Low	Low	Moderate	High	Very High	Total
Q19	Lack of bank employees to give awareness to the customer about currency demonetization;	Frequency	20	11	41	100	106	<b>278</b>
		Percent	7.2	4	15	36	38	<b>100</b>
Q20	Lack of technical and managerial skills in implementation on currency change;	Frequency	30	28	122	58	31	<b>269</b>
		Percent	11	10	45	22	12	<b>100</b>
Q21	Demonetization effect the market will choose for alternative payment methods for making transactions like M-wallet, mobile banking, ATM and etc.	Frequency	-	-	33	30	237	<b>300</b>
		Percent	-	-	11	10	79	<b>100</b>

Q22	You mobile banking services for making bank transaction are suitable to use inline to currency demonetization	Frequency	-	-	24	58	210	<b>288</b>
		Percent			8.2	20	72	<b>100</b>
Q23	Due to Demonetization what is the effect you prefer more of Plastic Money such as ATM, Mobile banking and etc. for purchasing	Frequency	11	22	59	119	89	<b>300</b>
		Percent	3.7	7.3	20	40	30	<b>100</b>
Q24	According to you Ethiopian banking industry will get negatively affected due to currency Demonetization	Frequency	-	22	72	147	59	<b>300</b>
		Percent	-	7.3	24	49	19	<b>100</b>
Q25	Do you think Demonetization is having a negative impact over banking sector when you get service?	Frequency	19	18	74	136	53	<b>300</b>
		Percent	6.3	6	25	45	18	<b>100</b>
Q26	There is an impact on your day to day activity consistent with your bank service due to currency demonetization?	Frequency	17	28	-	227	28	<b>300</b>
		Percent	5.7	9.3	-	76	9.3	<b>100</b>
Q27	Do you think demonetization is having positive impact than negative according to your view point	Frequency	18	37	91	143	11	<b>300</b>
		Percent	5.7	9.3	-	76	9.3	<b>100</b>
Q28	According to you internet banking ATM, USSD and etc. are emerging as best alternatives to pay instead of cash	Frequency	9	20	32	211	28	<b>300</b>
		Percent	6	12	30	48	3.7	<b>100</b>

Source from: (survey of 2021)

Banks are principal institutions affected by demonetization. Though it affected bank operations, it helped the economy to find growth of the country through financial institutions. It has imposed negative effects to bank employees as their job increased significantly. Demonetization, however has also introduced exterminate of positive aspects such as increase in the use of plastic cards, online Banking. Thus, as can be seen from item (1) of table 4.6.1, although 106(38.1%) of the respondents are says very high, 100(36%) of the respondents agreed on high level and 41(14.7%) of the respondents agreed on moderate. Therefore, the largest part of the respondents has lack of provide the awareness to the customers because of the policy make and NBE present directive and procedure through the time. This finding is concurred with the respondents define his/her ideas on open ended questioners. Besides, the customers prefer other means making a transaction in order to meet the day to day activities.



In addition this lack of understanding is occurred due to uneven directive, procedure and policy of NBE, Government and banks itself. Which means all private banks are accounted for directive, policies and procedures but the customers has not successfully understand this issue as bank employees.

Employees always need to be updated his/her self in order to give services to the customers in the banks. Otherwise, the number of customers the banks might forfeit is high. Accordingly, the response from the respondent on item (2) of the above table 4.6.1 shows that, 122(45.4%) Moderate agree on Lack of technical and managerial skills in implementation on currency change, 58(21.6%) are says high and 31(11.5%) and 30(11.2%) of respondent are agreed on very High and very low respectively remains 28(10.4%) is Low. The data clearly shows that majority of the respondents which is 122(45.4%) Moderately agreed on the Lack of technical and managerial skills in implementation on currency change in private commercial banking sector, Thus, as a bank sectors to minimize Lack of technical and managerial skill on the area of currency demonetization. Research results are evident that employees who serving the private commercial bank of Ethiopia are ready to updated his/her self as much as possible to give best service to the customers, because currency demonetization issue is the resent issue to the all employees in the banks.

Furthermore, regardless of currency demonetization effect on market choose for alternative payment methods for making transactions like M-wallet, mobile banking, ATM and etc. In view of that, table 4.6.1 of item (3) data reflects that, the employees of the bank in relation to alternative payment method and at what level affected by currency demonetization in the selected private commercial banks in Ethiopia responded as 237 (79%) very high, 30(10%) high, 33(11%) moderate, from the respondents no one said very low and low. From the result obtained, 237 (79%) of the respondents are agreed on very high level for the reason that they currency demonetization is very good to the customers to use alternative method of payment such as mobile banking, M-wallet and ATM. So, most of the banks should shift to offering such service to the customers by using this chance of recent currency demonetization.

Consequently, to see the currency demonetization effect whether Plastic Money such as ATM, Mobile banking are used for purchasing. Under table 4.6.1 of item (4) question was addressed. The results to this question were accepted by 210(71.9%) very high, 58(19.9%) high, 24(8.2%) moderate, from the respondents no one said very low and low. From the result obtained, 210(71.9%) of the respondents are agreed on very high level for the reason that

mobile banking services for making bank transaction are suitable to use inline to currency demonetization. Therefore, more than half respondents are indicating very high and high on use of plastic money to for purchasing in connection to currency demonetization Rather than going to bank.

According to item (5) of table 4.6.1 on the statement ‘Due to currency demonetization what is the effect you prefer more of Plastic Money such as ATM, Mobile banking and etc. for purchasing’ reveals that, 89(29.7%) very high, 119(39.7%) high, 59(19.7%) moderate, 22(7.3%) low and 11(3.7%) of respondents agreed on very low. Accordingly most of respondents result shows that, 119(39.7%) of the respondent are highly agreed on use of plastic money due to currency demonetization.

As can be observed from item (6) of table 4.6.1 above, the respondents were asked employees of selected private commercial banks in Ethiopia in order get data about negative effects of currency demonetization on banks. Accordingly, the respondents express their level of agreement 59(19%) of the respondents says very high and 147(49%) says high. Thus, 72(27%) and 22(7.3%) of respondents are agreed on Moderate and low level respectively with the questioners. As confirmed by the majority of the respondents, the banks are very highly affected by currency demonetization. In Ethiopian banking industry people were mostly dependent on cash transactions but after demonetization when the supply of money was less peoples are at high level appeal bank industry because the bank customers cannot used advance technology to get the service.

As can be observed from item (7) of table 4.6.1 above, the respondents were asked to express their level of agreement with the statement under item (7). In view of that, as can be observed from the response, 53(17.7%) very high, (45.3%) high, 74(24.7%) moderate, 18(6%) low and 19(6.3%) very low to the statement on negative impact is much more than positive on the service. Conclusively, to a larger extent, it can be said that the majority of the respondents, 136(45.3%) are highly agreed by negative impact of currency demonetization. Therefore, by analyzing the responses of this question seen that have a negative impact over banking sector when you get service is high post Demonetization.

As revealed in item (8) of table 4.6.1 above, respondents express the level of agreement on the statement ‘impact on your day to day activity consistent with your bank service due to currency demonetization’. As a result, 28(9.3%) of the respondents very high with the statement, 227(75.7%) high, 28(9.3%) low and 17(5.7%) were very low. This implies that

almost all of the respondents, 227(75.7%), regarding to the day to day activities that all the customers are challenged with currency demonetization. Moreover, all activity of the peoples has linked with financial service as per the respondent response.

Findings of the study according to item (9) of table 4.6.1 on the statement ‘Do you think demonetization is having positive impact than negative according to your view point’ reveals that, 11(3.7%) very high, 143(47.7%) high, 91(30.3%) moderate, 37(12.3%) low and 18(6%) of respondents agreed on very low. Accordingly most of respondents result shows that, 143(47.7%) of the respondent are highly agreed on demonetization is having positive impact than negative according to your view point. Generally, from the responses we summarizes the result of the respondents whom they are representing the effect of currency demonetization on the banking industry. Accordingly, 143(47.7%) and 91(30.3%) of respondents are high and moderate respectively on currency demonetization have positive effect on bank.

Similarly, item (10) of table 4.6.1 shows that, the respondents who highly agree to the statement ‘internet banking ATM, USSD and etc. are emerging as best alternatives to pay instead of cash’ were 211(70.3%). The remaining respondents which is 28(9.3%) are very high, 32(10.7%) moderate and the left 20(6.7%) and 9(3%) are low and very low respectively to the extent internet banking; ATM and USSD are best alternative to pay instead of cash. Generally, According to the responses from this question we can understand that the responses for the options i.e. high have the seventy percent of answers which means that people believe that internet banking ATM, USSD and etc are best alternatives to pay instead of cash. Regarding to missing values see questionnaires under in depth (appendix part II)

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter will present summary of the findings in section 5.1. Subsequently, the possible important conclusion and recommendation will be presented in section 5.3 and 5.4, respectively.

#### 5.1 Summary of Findings

This research was conducted to find the Effect of currency Demonetization on Ethiopian private commercial bank. It use a sample of four private banks conducted at their head office and main branch at head office. About 394 questioners were distributed respondents to have useful response of 300. The following findings were obtained from sample 4 private banks:

- ✓ People mind the inconvenience faced through demonetization as maximum numbers of people have selected for the option yes.

Demonetization has not at all helped the bank employees as:

- ✓ there over busy during demonetization process
- ✓ The demonetization processes create temporary cash shortage as there was no sufficient currency in circulation after demonetization as a result the government had restricted the withdrawal amount and even account to account transfer (non-cash transaction).
- ✓ In contrast, money lending decreased after demonetization thus the interest rates were decreased to increase the money lending.
- ✓ The use of online banking increased after demonetization due to decrease in the circulation of currency and long line ups outside ATM and bank branches people started using online banking.
- ✓ The use of Plastic cards has increased due to less circulation of money in market
- ✓ The numbers of new accounts have increased because people have to deposit their money in the bank account to have new currency
- ✓ The functioning of ATM has increased because more and more people are using the ATM to withdraw their cash and they are using it large number of times to fulfill their cash requirement because of the withdrawal limit.
- ✓ The numbers of customers in the branches have increased. We have seen long lines of people outside bank branches and ATM after this announcement.
- ✓ 70% of the people believe that there was an impact of demonetization on the banking sector.

## **5.2 Conclusions**

The studies conclude that People have faced inconvenience because of demonetization and they are not happy with it. It has not helped the bank employees as their workload has also increased because of it. The cash flow in bank has decreased followed by the decrease in money lending. Demonetization has led to the increase in the use of ATM, online Banking, opening of new accounts and number of customers in the branches.

Local banks have long called for a change in currency via Ethiopia's Bankers Association noting that over 113 billion Ethiopian birr lives outside of the formal banking system overstate the liquidity problems commercial banks have faced this year. Accordingly, the government disclosed the notes with denominations of Br. Five, Ten and Hundred are changed, and a new 200 birr note is being introduced. Over 3.6 billion Ethiopian birr is being spent to print the new currencies. Ordinary Ethiopians have just three months to replace their old notes. In this study, we have found some important points about the short-term effects of currency demonetization is not good as well as about the long-term effects by observing the previous cases of demonetization in other countries.

The governments have to be aware and understand to sustain our growth because many countries which have done demonetizations could not sustain the same. In short run, almost all the sector especially bank industry in the Ethiopia economy has been affected negatively due to shorting of cash. However, in long-run Informal Economy would be formalizing. So, government has to focus on informal economy and need to make appropriate policies for them. It will be helpful to new entrepreneur for their startup.

After demonetization, Ethiopian economy got the momentum towards Cash less economy. Long-term effect of demonetization could not identify yet due to less availability of information set.

## **5.3 Recommendations**

Based on the findings the researcher came up with the following possible recommendations to the banks in order to overcome to reduce the negative effects and to enhance positive effects of currency demonetization.

- ✓ The Banks should create deep awareness to customers concerning the currency demonetization and the benefits associated with using the new currency through professional staff. Besides, the bank should attract the customers to use the Internet banking, mobile banking, ATM and USSD means of alternative payment technology by different encouragement promotion. This way, customers' interest would be produced and then in simple way the society going to cash less economy.

- ✓ Banks should work to improve customers' confidence by providing adequate security to mode of alternative payment.
- ✓ To solve the problem in connection to money out of banking industry strong administrative and reforms should have been implemented.
- ✓ For eliminating fake currency the government should have announced a time period to exchange the currency (say 3 months) this good for banking industry.
- ✓ Promote the use of cashless transactions.
- ✓ To develop positive impact of currency demonetization in long run than short run creating awareness to the customers as well as societies.
- ✓ High cost of printing new currency and re-organization has been a challenge the banks in implementation and changed into operation. The researcher therefore, recommends that either bank should implement the policies and directive in order to get advantage of long run

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**APPENDICES**  
**APPENDIX I: QUESTIONNAIRE**  
**SAINT MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

Dear respondent,

The objective of this questionnaire is to gather firsthand information that will help to assess the effects of currency demonetization in Ethiopian on private commercial banking industry. This study is undertaken as a partial requirement for the completion of Masters of Accounting and Finance

All data and information that will be gathered through this questionnaire will be used for the sole purpose of the research and remains confidential. Therefore, you are kindly requested to respond to the questions with utmost good faith, freely and to the best of your knowledge. There is no need to write your name on the questionnaire.

Thank you in advance for your time and kind cooperation.

**Part I**

**Demographic Characteristics of the Respondents**

**Gender (Please Tick):**

(1) Male

(2) Female

**Age**

**Qualifications Under Education Discipline (Please Tick):**

(1) Certificate

(2) Diploma

(3) Bachelors

(4) Masters

(5) Ph.D.

Other Qualifications other than education discipline \_\_\_\_\_

**Number of Years Working Experience (Please Tick):**

(1) Less than/below one year

(2) 1- 2yrs

(3) 3-4yrs

(4) 5-6yrs

(5) 7 years and above

## Part II

Instruction: Honestly indicate or show your opinion regarding the **impacts of demonetization on private commercial banks**. Please indicate your response with each statement by ticking (√) on the spaces that specify your choice from the options.

Q1. Did you mind the difficulty faced through Demonetization?

a. Yes

b. No

Q2. Do you think that Demonetization helped reduce black money, corruption and terrorism in Ethiopia?

a. Yes

b. No

Q3. Do you think that Demonetization helped the bank employees?

a. Yes

b. No

Q4. Do you think there was an impact of Demonetization on your workload?

a. Yes

b. No

Q5. What is the impact of Demonetization on cash flow in banks?

a. Increase

b. decrease

c. no impact

Q6. What is the impact of Demonetization on interest rate?

a. Increase

b. decrease

c. no impact

Q7. What is the Impact of demonetization on money lending?

a. Increase

b. decrease

c. no impact

Q8. What is the impact of Demonetization on the use of online banking?

a. Increase

b. decrease

c. no impact

Q9. What is the impact of Demonetization on the use of plastic cards?

a. Increase

b. decrease

c. no impact

Q10. What is the impact of Demonetization on opening of new accounts?

a. Increase

b. decrease

c. no impact

Q11. What is the Impact of demonetization on the functioning of ATM?

- a. Increase                       b. decrease                       c. no impact

Q12. What is the impact of Demonetization on the no of customers in branches?

- a. Increase                       b. decrease                       c. no impact

Q13. Do you think that there was an impact of Demonetization on banking sector?

- a. Increase                       b. decrease                       c. no impact

Q14. According to you Ethiopian banking industry will get negative effects due to currency Demonetization

- a. Very Low                       b. Low                       c. Moderate   
d. High                       e. Very High

Q15. Do you think the advantage received by banks when you used ATM, mobile banking, internet banking and etc.?

- a. Very Low                       b. Low                       c. Moderate   
d. High                       e. Very High

Q16. Do you think Government has not prepared enough for the post demonetization situation?

- a. Very Low                       b. Low                       c. Moderate   
d. High                       e. Very High

Q17. According to you Ethiopian private banks will get affected due to Demonetization effect

- a. Very Low                       b. Low                       c. Moderate   
d. High                       e. Very High

Q18. According to you as a result of Demonetization there will be effect on inflation, interest rate and deposit to certain extent

- a. Very Low                       b. Low                       c. Moderate   
d. High                       e. Very High

Please kindly state any other effects that the Banks faces in the currency demonetization into Ethiopia banking industry.

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If you agree on most of the above impacts, what measures should be taken to reduce these impacts?

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**Thank you for your support**

**Part III (count...)**

Below questioners are related to effects of Currency demonetization on day to day banking operation. Please indicate whether you agree or disagree with each statement by ticking (√) on the spaces that specify your choice from the options that range from “very high” to “very low”.

S.No	Please indicate the extent you highly or lowly of the possible response on effects of currency demonetization.	Very Low	Low	Moderate	High	Very High
Q19	Lack of bank employees to give awareness to the customer about currency demonetization;					
Q20	Lack of technical and managerial skills in implementation on currency change;					
Q21	Demonetization effect the market will choose for alternative payment methods for making transactions like M-wallet, mobile banking, ATM and etc.					
Q22	You mobile banking services for making bank transaction are suitable to use inline to currency demonetization					
Q23	Due to Demonetization what is the effect you prefer more of Plastic Money such as ATM, Mobile banking and etc. for purchasing					
Q24	Do you think Demonetization is having a negative impact over banking sector when you get service?					
Q25	There is an impact on your day to day activity consistent with your bank service due to					

	currency demonetization?					
Q26	Do you think demonetization is having positive impact than negative according to your view point					
Q27	According to you internet banking ATM, USSD and etc. are emerging as best alternatives to pay instead of cash					
Q28	According to you after currency demonetization you impacted by bank service					

Please kindly state any other effects that the Ethiopian Banking industry faces by currency demonetization.

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If you agree on most of the above impacts, what measures should be taken to reduce these impacts?

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**Thank you for your support**

## APPENDIX II (SURVEY DATA)

**Frequency Table (Survey Data form Bank Employees)**

<b>Age</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	102	34.0	34.0	34.0
	31-50	167	55.7	55.7	89.7
	51-60	31	10.3	10.3	100.0
	Total	300	100.0	100.0	

<b>Gender</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	170	56.7	56.7	56.7
	female	130	43.3	43.3	100.0
	Total	300	100.0	100.0	

<b>Qualification</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	certificate	19	6.3	6.3	6.3
	diploma	11	3.7	3.7	10.0
	bachelors	220	73.3	73.3	83.3
	masters	50	16.7	16.7	100.0
	Total	300	100.0	100.0	

<b>Experience</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below one year	77	25.7	25.7	25.7
	3-4 years	141	47.0	47.0	72.7
	5-6 years	75	25.0	25.0	97.7
	7 and above	7	2.3	2.3	100.0
	Total	300	100.0	100.0	

<b>Q1. Did you mind the difficulty faced through Demonetization?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	175	58.3	60.6	60.6
	No	114	38.0	39.4	100.0
	Total	289	96.3	100.0	
Missing	System	11	3.7		
Total		300	100.0		

<b>Q2. Do you think that Demonetization helped reduce black money, corruption and terrorism in Ethiopia?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	211	70.3	70.3	70.3
	No	89	29.7	29.7	100.0
	Total	300	100.0	100.0	

<b>Q3. Do you think that the effects of currency demonetization on bank employees?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	3.3	3.5	3.5
	No	279	93.0	96.5	100.0
	Total	289	96.3	100.0	
Missing	System	11	3.7		
Total		300	100.0		

<b>Q4. Do you think there was an impact of Demonetization on your workload?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	267	89.0	94.0	94.0
	No	17	5.7	6.0	100.0
	Total	284	94.7	100.0	
Missing	System	16	5.3		
Total		300	100.0		

<b>Q5. What is the impact of Demonetization on cash flow in banks?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	31	10.3	10.5	10.5
	decrease	205	68.3	69.7	80.3
	no impact	58	19.3	19.7	100.0
	Total	294	98.0	100.0	
Missing	System	6	2.0		
Total		300	100.0		

<b>Q6. What is the impact of Demonetization on interest rate?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	decrease	209	69.7	69.7	69.7
	no impact	91	30.3	30.3	100.0
	Total	300	100.0	100.0	

<b>Q7. What is the Impact of demonetization on money lending?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	27	9.0	9.0	9.0
	decrease	243	81.0	81.0	90.0
	no impact	30	10.0	10.0	100.0
	Total	300	100.0	100.0	

<b>Q8. What is the impact of Demonetization on the use of online banking?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	235	78.3	79.4	79.4
	decrease	31	10.3	10.5	89.9
	no impact	30	10.0	10.1	100.0
	Total	296	98.7	100.0	
Missing	System	4	1.3		
Total		300	100.0		



<b>Q9. What is the impact of Demonetization on the use of plastic cards?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	300	100.0	100.0	100.0

<b>Q10. What is the impact of Demonetization on opening of new accounts?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	234	78.0	78.0	78.0
	decrease	31	10.3	10.3	88.3
	no impact	35	11.7	11.7	100.0
	Total	300	100.0	100.0	

<b>Q11. What is the Impact of demonetization on the functioning of ATM?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	239	79.7	79.7	79.7
	decrease	61	20.3	20.3	100.0
	Total	300	100.0	100.0	

<b>Q12. What is the impact of Demonetization on the no of customers in branches?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	increase	266	88.7	90.5	90.5
	decrease	28	9.3	9.5	100.0
	Total	294	98.0	100.0	
Missing	System	6	2.0		
Total		300	100.0		

<b>Q13. Do you think that there was an impact of Demonetization on banking sector?</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	decrease	89	29.7	29.7	29.7
	no impact	211	70.3	70.3	100.0
	Total	300	100.0	100.0	

**Q14. According to you Ethiopian banking industry will get negative effects due to currency Demonetization**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	106	35.3	38.1	38.1
	high	100	33.3	36.0	74.1
	moderate	41	13.7	14.7	88.8
	low	11	3.7	4.0	92.8
	very low	20	6.7	7.2	100.0
	Total	278	92.7	100.0	
Missing	System	22	7.3		
Total		300	100.0		

**Q15. Do you think the advantage received by banks when you used ATM, mobile banking, internet banking and etc.?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	31	10.3	11.5	11.5
	high	58	19.3	21.6	33.1
	moderate	122	40.7	45.4	78.4
	low	28	9.3	10.4	88.8
	very low	30	10.0	11.2	100.0
	Total	269	89.7	100.0	
Missing	System	31	10.3		
Total		300	100.0		

**Q16. Do you think Government has not prepared enough for the post demonetization situation?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	237	79.0	79.0	79.0
	high	30	10.0	10.0	89.0
	moderate	33	11.0	11.0	100.0
	Total	300	100.0	100.0	

<b>Q17. According to you Ethiopian private banks will get affected due to Demonetization effect</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	210	70.0	71.9	71.9
	high	58	19.3	19.9	91.8
	moderate	24	8.0	8.2	100.0
	Total	292	97.3	100.0	
Missing	System	8	2.7		
Total		300	100.0		

<b>Q18. According to you as a result of Demonetization there will be effect on inflation, interest rate and deposit to certain extent</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	89	29.7	29.7	29.7
	high	119	39.7	39.7	69.3
	moderate	59	19.7	19.7	89.0
	low	22	7.3	7.3	96.3
	very low	11	3.7	3.7	100.0
	Total	300	100.0	100.0	

<b>Q19. Lack of bank employees to give awareness to the customer about currency demonetization;</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	59	19.7	19.7	19.7
	high	147	49.0	49.0	68.7
	moderate	72	24.0	24.0	92.7
	low	22	7.3	7.3	100.0
	Total	300	100.0	100.0	

**Q20. Lack of technical and managerial skills in implementation on currency change;**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	53	17.7	17.7	17.7
	high	136	45.3	45.3	63.0
	moderate	74	24.7	24.7	87.7
	low	18	6.0	6.0	93.7
	very low	19	6.3	6.3	100.0
	Total	300	100.0	100.0	

**Q21. Demonetization effect the market will choose for alternative payment methods for making transactions like M-wallet, mobile banking, ATM and etc.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	28	9.3	9.3	9.3
	high	227	75.7	75.7	85.0
	low	28	9.3	9.3	94.3
	very low	17	5.7	5.7	100.0
	Total	300	100.0	100.0	

**Q22. You mobile banking services for making bank transaction are suitable to use inline to currency demonetization**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	32	10.7	11.4	11.4
	high	40	13.3	14.3	25.7
	moderate	189	63.0	67.5	93.2
	low	19	6.3	6.8	100.0
	Total	280	93.3	100.0	
Missing	System	20	6.7		
Total		300	100.0		

**Q23. Due to Demonetization what is the effect you prefer more of Plastic Money such as ATM, Mobile banking and etc. for purchasing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	11	3.7	3.7	3.7
	high	143	47.7	47.7	51.3
	moderate	91	30.3	30.3	81.7
	low	37	12.3	12.3	94.0
	very low	18	6.0	6.0	100.0
	Total	300	100.0	100.0	

**Q24. Do you think Demonetization is having a negative impact over banking sector when you get service?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	8	2.7	2.7	2.7
	high	137	45.7	45.7	48.3
	moderate	93	31.0	31.0	79.3
	low	42	14.0	14.0	93.3
	very low	20	6.7	6.7	100.0
	Total	300	100.0	100.0	

**Q25. There is an impact on your day to day activity consistent with your bank service due to currency demonetization?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	50	16.7	16.7	16.7
	high	157	52.3	52.3	69.0
	moderate	61	20.3	20.3	89.3
	low	32	10.7	10.7	100.0
	Total	300	100.0	100.0	

**Q26. Do you think demonetization is having positive impact than negative according to your view point**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	117	39.0	39.0	39.0
	high	183	61.0	61.0	100.0
	Total	300	100.0	100.0	

**Q27. According to you after currency demonetization you impacted by bank service**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	28	9.3	9.3	9.3
	high	211	70.3	70.3	79.7
	moderate	32	10.7	10.7	90.3
	low	20	6.7	6.7	97.0
	very low	9	3.0	3.0	100.0
	Total	300	100.0	100.0	

**Q28. According to you internet banking ATM, USSD and etc. are emerging as best alternatives to pay instead of cash**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very high	42	14.0	14.0	14.0
	high	48	16.0	16.0	30.0
	moderate	159	53.0	53.0	83.0
	low	31	10.3	10.3	93.3
	very low	20	6.7	6.7	100.0
	Total	300	100.0	100.0	