

Space For Knowledge



**ASBS & Co. | Prem Chand & Co.
Knowledge Hub**

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Rs.2000 Denomination withdrawn?

From loss of Rs.93500 to profit of Rs.1 Lakh Crore.

Performance of Axis Bank

Rs.2000 Denomination withdrawn?

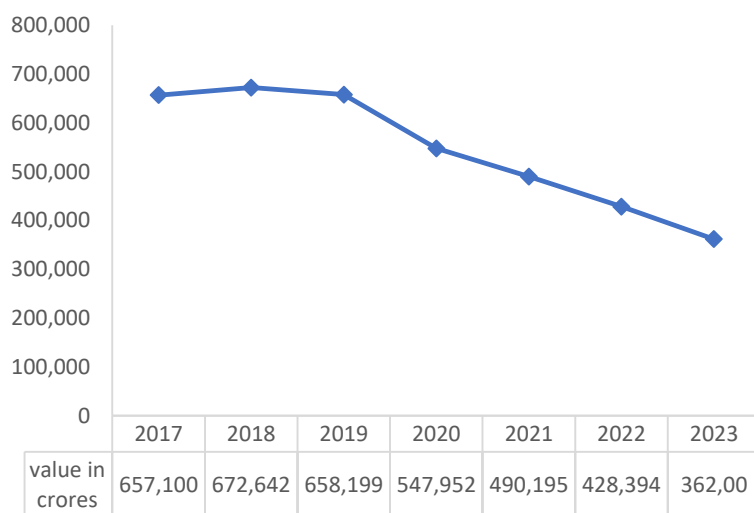
What are the reasons the notes are being withdrawn?

- The introduction of this high-value note was part of the government's **demonetization exercise aimed at eliminate corruption, black money, and fake currency.**
- The intention behind demonetization was to invalidate the old notes to disrupt illegal activities and promote a shift towards digital transactions.
- The ₹2,000 note was created as a quick fix, to have enough circulation of currency.
- The Rs 2,000 note encouraged the hoarding of such high denomination notes by black marketeers as it was easy to store and exchange.
- These notes soon started disappearing from the market & the banks were complaining about not getting enough Rs 2,000 notes, as all banks had recalibrated their ATMs to accommodate Rs 2,000 notes.
- The Central Bank has frequently said that it wants to reduce high-value notes in circulation and has stopped printing 2000-rupee notes over the past four years.
- According to the RBI, this denomination is not commonly used for transactions.

How will the exchange facility work?

Bank clarified that no slips or forms are required for the exchange of notes. Government sources said that the amount up to Rs. 20,000 can be exchanged at any time of the day. The exchange facility started on May 23, 2023, and will continue till September 30, 2023.

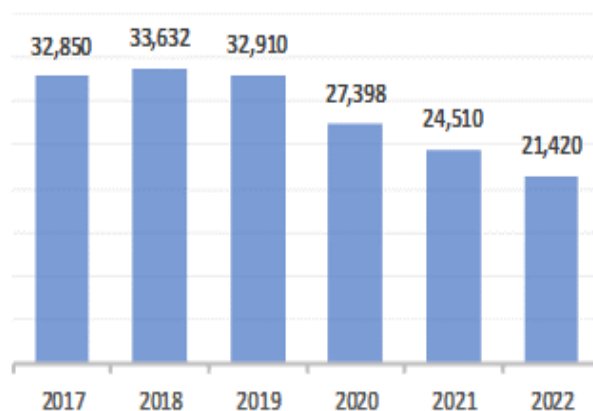
The RBI may extend the deadline if required, but even if any person has a 2,000 note after the above end date then also it will be considered as a legal tender. It is not required that the person should be a customer of the bank for exchanging the notes.



Views on the highlight.

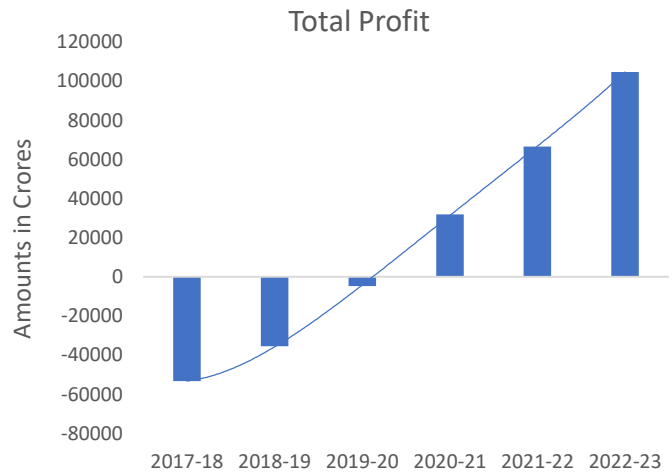
- The government's call to deposit or exchange the notes by Sept. 30 is likely to lead to a rise in bank deposits.
- This increase in deposits will lessen the pressure on the deposit rate hike.
- Additionally, since all the Rs. 2000 notes will come back into the banking system, there would be a reduction in cash in circulation, which in turn may help improve liquidity in the banking system.
- In value terms, Rs 2,000 notes in circulation has come down to Rs 84,000 crore as on June 30 from Rs 3.56 lakh crore on the day of announcement of withdrawal on May 19
- Rs 2,000 bank notes in circulation as at the close of business on June 30 stood at Rs 0.84 lakh crore. Thus, 76 per cent of the Rs 2,000 bank notes in circulation as on May 19, 2023 have since been returned.

volume in lakh pieces



The Rise of PSU Banks: From Rs.93,500 Crore Loss to Rs.1 Lakh Crore Profit

- The Public Sector Banks (PSBs) in India Crossed a profit of Rs. 1 lakh Crore in FY'23, in which the market leader SBI contributed almost half of the profits.
- This profit of Rs. 1 Crore in Mar'23 after the loss of around Rs. 93,500 Crore in the past 3 consecutive years (FY 17-18 to FY 19-20) is the biggest achievement.
- All 12 PSBs together witnessed almost a 57% increase in the total profit compared to the previous year.
- In the latest quarter, the PSBs collectively offered an increase of over 95% in total profit. This accomplishment is achieved with the help of the government



The Remarkable Turnaround Strategy of PSU Banks

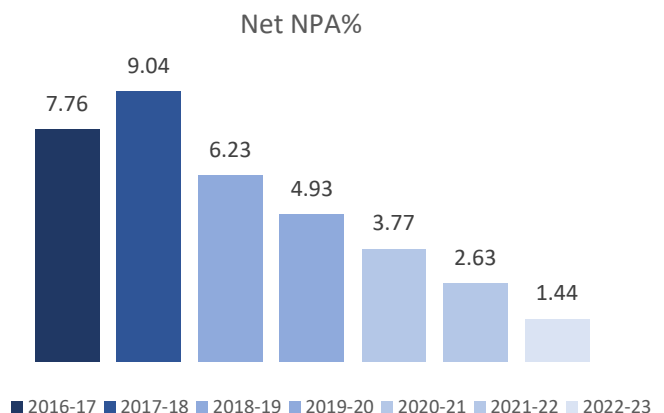
The turnaround in PSBs was with the help of the incentives and reforms taken by the Government of India (GOI) which were led by Prime Minister Narendra Modi, along with former finance minister Arun Jaitley, financial service secretary Rajiv Kumar and their successor. The 4R strategy encompassing

- Recognizing NPAs transparently
- Resolution and recovery
- Recapitalizing PSBs and
- Reforms in the financial ecosystem

Through this policy the government injected amount of Rs. 3.10 Lakh Crore for recapitalizing the PSBs from 2016-17 to 2020-21. This step taken by RBI provided a huge help to the PSB's and also ensured that the defaults are minimum. There were changes in loan giving facility, tightening in government policy for the banks, and also increased the security of the data so that there should be no risk for the same.

Views on the News

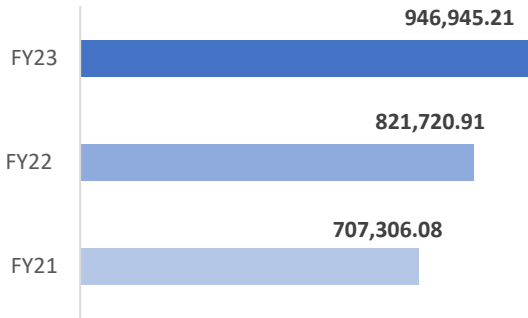
- Along with encompassing the 4-R strategy another reason for the resulting 1 lakh Crore profit was a merger of 15 PSU Banks into 12 PSU Banks
- Strict actions were taken for granting of loans due to which the average Net NPA % of PSU Banks fell from 9% in FY 2017-18 to 1.5% in FY 2022-23
- Further due to the infusion of capital of Rs. 3.10 Lakh Crores the Average capital adequacy ratio of 12 PSU banks improved from 11.91% to 16.11%
- The Infusion of Capital & Merger also resulted in a decline in Debt Equity Ratio for all PSU Banks from FY 17-18 to FY 22-23



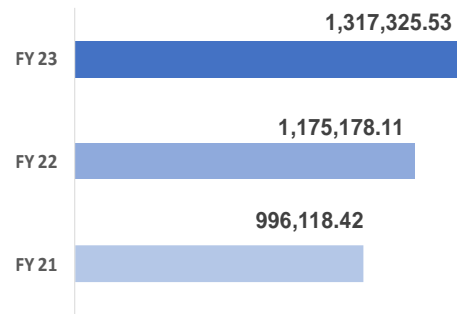
- Based on the past trend it is expected that the profits of PSU banks will likely to touch 1.5 Lakh Crore by FY 23-24 & Net NPA% to fall to 1%

Performance of Axis Bank

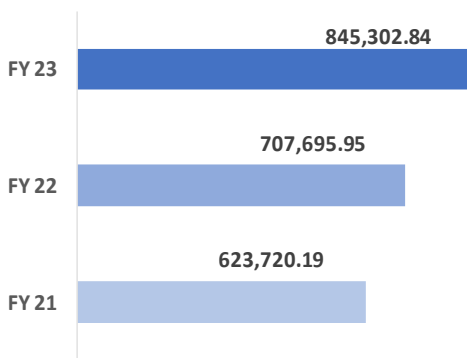
Amt in' Crs. Deposits



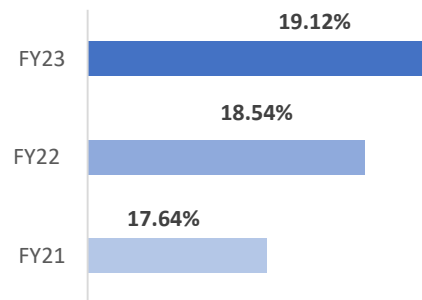
Balance Sheet Size



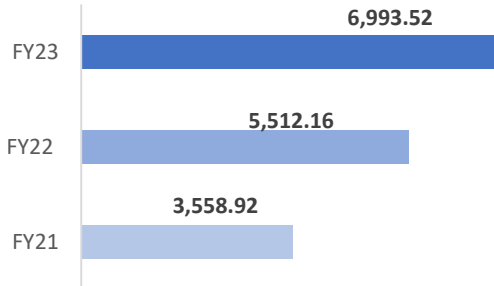
Advances



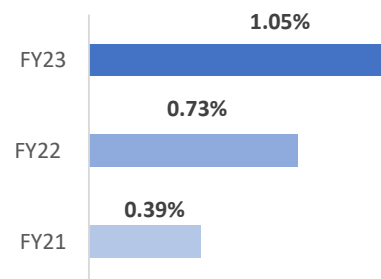
Capital Adequacy Ratio (in %)



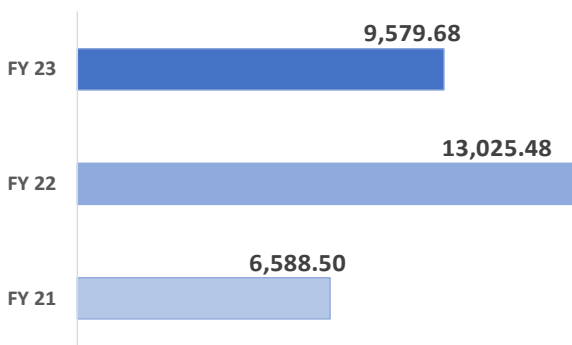
Net NPA



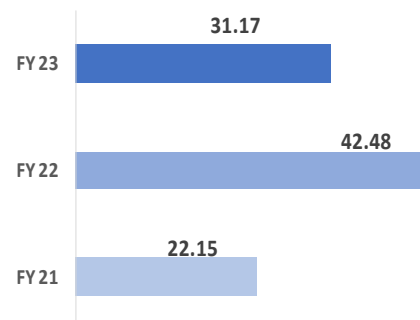
Net NPA (in %)



Profits for year end



Basic EPS



This analysis will help the internal management to present themselves in front of the client and will work as the ice-breaker for everyone.