

IMPACT OF DEMONETIZATION ON B2B AND B2C COMPANIES STOCK PRICE AND LIQUIDITY – EVIDENCE FROM INDIA

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ABSTRACT

This study aims to examine how the demonetization announcement affected B2B and B2C stock performance. The authors used 2016 stock price data from the NSE 500 firms to achieve their goal. By connecting to market microstructure data, the event study methodology was applied. The considerable difference in returns and liquidity was tested throughout a time span of -2 to +2. According to research, B2C businesses have more cash and cash equivalents than B2B ones. In both categories, it was determined that the occurrence had a considerable impact. Demonetization had a worse effect on B2B businesses than on B2C businesses. For B2B companies, the event had no discernible effect on changes in liquidity. However, B2C companies showed 0.20% increased liquidity after the demonetization. It was discovered that the total negative effects were caused by the B2C sector's large negative effects, whilst the demonetization announcement had little of an influence on B2B firms. The results can aid in risk-mitigation measures based on abnormal returns and serve as a reference for investors and policymakers in regards to events of a similar nature that may occur in other emerging markets.

Keywords: Demonetization, B2B, B2C, Stock Returns, Liquidity.

1. INTRODUCTION

The demonetization of high-value currency notes was implemented in India on November 8, 2016, with the goal of reducing the flow of illicit funds, funding for terrorism, the rapid growth of the tax base, and promoting a paperless society. The news had an effect on many areas of the nation, including the stock markets, which were immediately shocked and saw quick losses of over

541 points and almost 1689 points in the Nifty and Sensex. Stakeholder attitudes towards this reform have been conflicted. The news received encouraging responses that backed up its long-term benefits, and some spoke out against the reform's detrimental impacts on rural India. However, the effects of this incident still seem to be dispersed, raising various questions such as whether this reform has more costs than advantages given that, in a short time, many businesses and individuals across the country experienced major problems with access to cash.

The RBI report (2016) stated that 93% of rural areas are unbanked and only 3% have internet access, which shows that becoming a digital economy is very difficult on an immediate basis. The liquidity crisis has led to a sharp reduction in WPI (wholesale price index), resulting in a price increase for all essential goods. Rural and urban consumer sentiment has become weak and has affected two-wheeler and car sales. The slowdown that already existed has been aggravated by this move. This event impacted companies differently based on their cash dealing dependency. This type of business influences cash dealings, and they are studied in this paper as B2B and B2C. According to SEMPO, a non-profit marketing firm, B2B stands for "Business to Business," a business that markets its products or services to other businesses. B2C stands for "Business to Consumer," a business that markets its services or products to consumers. Based on the dependability of cash dealings of companies, we divided the total listed companies into B2C and B2B. B2C companies' nature of business is predominantly cash-based transactions, as they cater to retail customers. B2B companies' nature of business is predominantly non-cash-based, like bank transactions and electronic fund transfers, as they cater to business customers. Demonetization created a cash crunch and it is found from the literature that sectorial studies were scanty. Moreover, it is useful to key stakeholders to know how this event impacted these two categories in terms of their stock returns and liquidity. Hence, a study is being undertaken to understand the impact of this reform on B2C and B2B companies with an emphasis on liquidity and stock returns using event study methodology in the market microstructure area.

It goes without saying that B2C businesses will be significantly impacted by a decrease in the amount of money in circulation given their reliance on cash transactions. In order to ascertain the variations in outcomes for various types of firms, the current research work tries to investigate this issue in developing nations like India. There is no agreement on this occurrence in the

literature, which displays conflicting results (Mieseigha & Ogbodo, 2013; Nyoni & Bonga, 2017; Divya & Sophia, 2017). There is no study in the literature on the effects of a rare incident like this on the aforementioned companies' liquidity and stock returns. As a result, based on the aforementioned rationale, we have presented a research question.

RQ1 : How does the event announcement affect B2C and B2B companies?

RQ2 : Is there any difference in the stock returns and liquidity of B2C and B2B companies due to the announcement?

This study will aid in understanding how businesses in the B2B and B2C sectors differ in their contributions to the national economy. For instance, compared to B2C companies like Bata India and Bharti Airtel, B2B companies like Reliance Industry and Coal India have a larger proportion of their contribution to total market capitalization and a contribution to total GDP of the Indian economy. Therefore, it is vital to comprehend how demonetization would affect each category separately. This study is very helpful in understanding the pre-event and post-event liquidity and return inverse relationships that exist in these B2C and B2B organisations. The event study technique utilised in the current study revealed that B2C enterprises had higher cash and cash equivalents than B2B companies. In both categories, it was discovered that the event's influence was substantial. The study's conclusions constitute a significant contribution to the body of work on event studies.

2. LITERATURE REVIEW

2.1. Theoretical framework

2.2. Demonetization literature review

Event studies are based on two ground-breaking financial theories: the Efficient Market Hypothesis (EMH) and the Signalling Theory. According to Fama (1970), in an efficient market, stock prices absorb all the available information; hence, there is no scope for outperforming the market as there is no chance of identifying undervalued and overvalued assets. However, numerous studies and practical scenarios demonstrate that the efficient markets hypothesis is not valid in many situations, paving the way for researchers to test the EMH hypothesis in various markets. Event studies are also used in connection with the Signalling theory, which states that corporate decisions taken at the firm level have a huge impact on a firm's capital structure and thereby pass a signal to investors in

terms of stock price appreciation or depreciation. This theory shows how various stakeholders interpret these signals given by firms to take advantage of the stock market (Akerlof, 1970).

The literature available in this area has not concluded on the impact and has shown evidence of mixed results across the globe. Mieseigha and Ogbodo (2013) studied the advantages and disadvantages of a cashless economy in Nigeria and concluded that this reform has a positive effect on the economy. Similarly, Nyoni and Bonga (2017) studied the effect of a cashless economy in Zimbabwe and found that adjustments are required in their economy to make the transition smooth. Some researchers focused on the impact of demonetization on various aspects, like financial inclusion and bank performance (Bayero, 2015). The literature available in this area has not concluded on the impact and has shown evidence of mixed results across the globe. Mieseigha and Ogbodo (2013) studied the advantages and disadvantages of a cashless economy in Nigeria and concluded that this reform has a positive effect on the economy. Similarly, Nyoni and Bonga (2017) studied the effect of a cashless economy in Zimbabwe and found that adjustments are required in their economy to make the transition smooth. Some researchers focused on the impact of demonetization on various aspects, like financial inclusion and bank performance (Bayero, 2015).

Literature from India is focused on various aspects of event studies, including cause and effect, short-run and long-run impacts, challenges, supporting and against the reform, economic aspects including GDP, sectorial impact studies, and comparison studies. Earlier studies like Chellasamy and Anu (2017) and Chauhan and Kaushik (2017) focused on the impact of this event on stock market returns and concluded that, in the short-run, the event has mixed results on various stocks. Abda (2017), Bhatnagar (2017), and Bhausahab (2017) studied the impact of demonetization on the stock market and economy. Whereas Samuel and Saxena (2017) studied the post-event effects of demonetization and concluded that it has led to mixed results. Rajakumar and Shetty (2016) and Nag (2016) studied the short-run and long-run impact of this event on the economy. Chelladurai and Sornaganesh (2016) studied the challenges faced by people and business entities and found that small-scale units and rural people faced more challenges compared to others. Overall, it can be concluded that the Indian economy faced mixed results from this initiative (Sivankutty, 2017; Jaiswal & Jagtap, 2017), and specific impacts on specialised business firms are so far unknown.

2.3. Demonetization's impact on stock performance in terms of liquidity and price

Liquidity is able to do trading at a reasonable cost and effort (Amihud *et al.*, 2006). In event studies, the impact of an announcement is measured through changes in stock liquidity and stock prices. Liquidity is able to do trading at a reasonable cost and effort (Amihud *et al.*, 2006). Liquidity measurements can be broadly divided into two categories; one is per cent-cost measures, which are based on transaction costs; and the second category is a cost per dollar method, which is based on the transaction's costs per unit of dollar volume (Zheng and Su, 2017). The present paper used the volume-based measure suggested by Amihud (2002) as it is much more relevant to the objective of the research. Due to the good availability of data, today's scholars are using high-frequency data in liquidity measurements, which is useful to gauge the short-term impact. Goyenko *et al.* (2009) and Fong *et al.* (2017) argued that different low-frequency measures can fairly reflect high-frequency data results. Since the current research paper focuses on gauging the short-term impact of an event on stock prices and stock liquidity, high-frequency data was used in liquidity calculations.

Another variable that is highly impacted due to countrywide economic announcements is the stock price, which is another variable of interest in this research paper. Scholars have studied various economic events' impacts on stock prices in the short-run and long-run durations. Across the world, scholars studied various economic events like reforms and the crisis environment's impact on stock prices. Yüksel (2002)'s study focused on measuring the impact of the Russian crisis on the Istanbul stock exchange and concluded that there were noticeable changes in returns and volumes during the crisis period. Similarly, Lean *et al.* (2005) studied the Asian crisis' impact on Asian stock markets and concluded that, excluding Malaysia and the Philippines, the rest of the countries studied showed that there was a variation in stock prices during the Asian financial crisis. Another major economic announcement, Brexit, was studied by Sathyanarayana and Gargasha (2016) using event study methodology and found that after the announcement, both the NIFTY and the SENSEX showed volatility in the short run. Apart from economic announcements, political announcements can also impact stock prices. In their study, Nazir *et al.* (2014) attempted to find out whether political announcements have an impact on stock prices in the Karachi stock market, and they found that political announcements cause volatility in the stock price in the short run. However, Karim *et al.*'s (2010)

study on the Islamic stock market concluded that the global crisis does not affect stock prices in selected markets. From the above arguments, it can be observed that, whether it is a generic or rare, economic or political announcement, most countries have witnessed volatility in the stock market in terms of stock price fluctuations and liquidity fluctuations. Hence, it can be hypothesised in the current study that:

- H1:* There is a significant impact of demonetization on overall companies' stock returns.
- H2:* There is a significant impact of demonetization on B2B companies' stock returns.
- H3:* There is a significant impact of demonetization on B2C companies' stock returns.
- H4:* There is a significant difference in the impact of demonetization on B2B and B2C companies' stock returns.
- H5:* There is a significant impact of demonetization on overall companies' EPS.
- H6:* There is a significant impact of demonetization on B2B companies' EPS.
- H7:* There is a significant impact of demonetization on B2C companies' EPS.
- H8:* There is a significant impact of demonetization on overall companies' stock liquidity.
- H9:* There is a significant impact of demonetization on B2B companies' stock liquidity.
- H10:* There is a significant impact of demonetization on B2C companies' stock liquidity.

3. METHODOLOGY

3.1. Data

This study attempts to investigate the effects of demonetization on the stock returns and liquidity of enterprises with cash-and non-cash transactional bases. The NSE 500 firms were chosen from among those listed on the National Stock Exchange (NSE) for the study since they cover all economic sectors. The NSE-500 is a notable index because, for the most recent six months ending in March 2018, all index components' combined traded value accounted for around

91.7% of the total traded value of all equities and 95.2% of the free-float market capitalization of all listed securities (www.nseindia.com, accessed May 21st, 2018). 65 of the 500 businesses in the NSE500 index are involved in the banking and finance industry. These businesses are not included in this analysis since they got all of the prohibited currency notes as a result of the reform. The survey therefore comprised 435 businesses from the manufacturing and trading sectors. It was discovered that 18 of the companies listed in 2017 lacked prior listing information. As a result, the study eventually included data from 417 companies. study attempts to investigate the effects of demonetization on the stock returns and liquidity of enterprises with cash-and non-cash transactional bases. The NSE 500 firms were chosen from among those listed on the National Stock Exchange (NSE) for the study since they cover all economic sectors. The NSE-500 is a notable index because, for the most recent six months ending in March 2018, all index components' combined traded value accounted for around 91.7% of the total traded value of all equities and 95.2% of the free-float market capitalization of all listed securities (www.nseindia.com, accessed May 21st, 2018). 65 of the 500 businesses in the NSE500 index are involved in the banking and finance industry. These businesses are not included in this analysis since they got all of the prohibited currency notes as a result of the reform. The survey therefore comprised 435 businesses from the manufacturing and trading sectors. It was discovered that 18 of the companies listed in 2017 lacked prior listing information. As a result, the study eventually included data from 417 companies.

To divide the companies into B2B and B2C types, cash and cash equivalents out of their total net worth were considered. Cash and cash equivalents against total net worth were averaged over five years and validated for cash-based (B2C) and non-cash-based (B2B) businesses. Cash, cash equivalents, and total net worth data were taken from the Capital Line database. Adjusted daily price and volume data and types of business data were taken from 1st August 2016 to 31st December 2016 for all NSE 500 listed companies and were collected from Bloomberg. The proxy variable defined for classifying B2B companies is 0 and B2C companies is 1. By following Delattre (2007) event study methodology, we adopted the eight-step procedure, such as 1. Preparing for event data list 2. Discovering the announcements' dates 3. Cleaning the data collected 4. Choosing an event window 5. Choosing a model for calculating abnormal returns 6. Interpreting the results obtained, the final step is evaluating the influence of chosen variables.

3.2. Factors and methodology

The study falls under the market microstructure category and employs the event study technique. MS Excel was used for the analysis. The alpha and beta of the security line for the selected organisations were calculated using daily data right before the testing period (-2 to +2 days). In market microstructure studies, this is the best time to capture short-term effects (Chauhan & Kaushik, 2017).

For the calculation of CAR (Cumulative Abnormal Return), the market model is used as follows.

$$R_e = \alpha + \beta * R_m$$

Where,

R_e = Expected Return, R_m = Market Return, and, are parameters of the model.

AR = $R_a - R_e$

Where,

AR = Abnormal Return and R_a = Actual Return.

CAR = AR (For the defined two-day window)

Daily returns were taken as the first log difference of the underlying stock price. These returns were adjusted based on the security market line (SML) to obtain ex-post abnormal returns. The ARs are then grouped under the chosen two business segments. To find out whether the market exhibits mean reversion or continues to deviate from the mean price, we estimated the CAR over the next -2 to +2 trading days. One reason for explaining the generation of CAR differently is the bifurcation of companies based on cash or non-cash-based transactions; change in stock liquidity is measured for pre and post demonetization through a change in volume data for the one week before and after.

The liquidity of stocks was measured using Amihud's (2002) formula, which is frequently cited in financial market event studies (Danyliv *et al.*, 2014).

$$ILLQ_i = \frac{1}{N} \sum_{t=1}^N \frac{|r_{it}|}{V_{it}}$$

Stock liquidity = 1/Number of trading days * Sum of returns/Volume (Indicating daily returns per unit of volume).

Robustness checks were followed in the form of taking care of firm-specific information on AR to deal with this issue; firms with specific information on

the day of the announcement were excluded. All precautions were taken to gauge the exact impact of an event on the chosen set of companies. Actual financial performance through EPS is measured to check if any change in it is due to demonetization. A paired t-test is used for the same. The change in liquidity before and after demonetization for two different groups was checked by a paired t-test.

4. RESULTS

Descriptive statistics of the variables are presented in the following table

Table 1: Summary statistics for event study

	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Skewness</i>	<i>Kurtosis</i>		
	<i>Statistic</i>	<i>Statistic</i>	<i>Statistic</i>	<i>Statistic</i>	<i>Std. Error</i>	<i>Std. Error</i>	
Before announcement Vol.	417	-0.0700	1.1435	0.731	0.120	3.204	.238
After announcement Vol.	417	0.0315	1.1955	-0.177	0.120	2.047	.238
B2B/B2C	417	0.6307	0.4832	-0.544	0.120	-1.713	.238
CAR	417	-0.0187	0.0513	-0.953	0.120	4.312	.238

The present paper includes 417 observations with a mean CAR of -0.0187 percentages. In the total sample, 63.07 percent (263 companies) are in the B2C type business category, and the remaining 154 companies are in the B2B category. For a total of 417 companies, 2 days before and after the event, a change in volume is recorded for checking the short-term effect of demonetization. Hence, the 2-day volume change before demonetization is on an average -0.07 percentage, compared to the 2-day volume change after demonetization is on an average 0.0315 percentage. That shows an overall increase in volumes after the demonetization announcement. The data shows non-significant results for skewness; this is evidence for unbiased data inclusion in the study. However, kurtosis is showing significant results due to most of the observations being concentrated near the mean value.

The result shows the assumption of equal variance violation. Hence, robust t-statistics were used, which show a significant difference between the average

Table 2: Comparing mean for five years average of (cash + cash equivalent) / total net worth

	<i>F-Stat (Levin's test)</i>	<i>p-Value</i>	<i>t-Statics</i>	<i>p-Value</i>	<i>Mean Difference</i>
Equal Variance	30.173	0.00*			
Not Equal Variance			6.723	0.000*	9.7594

cash level between B2C and B2B companies at 5 per cent. Thus, there is a difference in measured cash ratio between B2B and B2C company groups by 9.6903. It is possible to conclude that B2C firms have 969.03 percent more cash or cash equivalent of total net worth than B2B firms. These two groups are different in their cash positions, indicating that they can be studied to gauge the impact of an event on stock performance.

Table 3: Event study result for CAR

<i>Hypothesis- After – Before / CAR</i>	<i>t-statics</i>	<i>p – Value</i>	<i>Mean Difference</i>
All industries – H1	-2.451	0.028*	-3.2062
B2B – H2	-1.222	0.253	-1.1253
B2C – H3	-3.837	0.003*	-5.2857
B2B Vs. B2C – H4	-2.551	0.023*	-4.1604

According to table 3, H1, H3, and H4 results all supported the existence of a general impact of demonetization on stock returns. We can draw the conclusion that cumulative abnormal returns were, on average, lowered by 3.2062 percent, significantly demonstrating that demonetization had a negative impact on the market's total stock returns in India. H2, however, was found to be minor, suggesting that demonetization had little to no effect on the stock returns of B2B-based NSE-listed companies.

While observing the impact at a micro-level and segment-wise based on their mode of transactions, we found more interesting results. As shown in table 3, B2B types of companies, which are assumed to have non-cash transactions, are showing a non-significant impact of demonetization. On the other hand, B2C types of companies, which are assumed to have significant cash transactions, show the significant negative impact of demonetization on

stock returns. During the post-demonetization period, B2C companies' average abnormal returns were reduced by 5.2857 percent.

Two sample t-test results between the cumulative abnormal returns of B2B and B2C companies show that both have a significantly different impact on demonetization. In addition to that, B2C companies are showing more negative impacts from demonetization decisions. Thus, we can conclude that demonetization significantly impacted only companies that had mostly cash transactions, like retail sales businesses.

Table 4: Event study result for change in EPS

<i>After – Before / EPS</i>	<i>t-statics</i>	<i>p - Value</i>	<i>Mean Difference</i>
All- H5	-2.0630	0.040*	-1.5000
B2B – H6	-1.9060	0.056**	-2.1700
B2C- H7	-1.1860	0.237	-0.3570

According to table 4, EPS is significantly reduced in all companies by an average of 1.5 values during demonetization, with 417 companies considered at a 5% significance level. However, in connection with our previous result of CAR, EPS is more negatively impacted for B2B companies than for B2C companies. This result clearly demonstrates the impact of allowing retail businesses to use banned currency in denominations of INR 500 and 1000 until December 31, 2016. However, in the long term, it has a more negative impact on B2C companies in comparison to B2B companies, which can be observed in this paper through CAR. But in the short term, EPS results are more negatively affected for B2B companies due to demonetization.

Table 5: Event study result for change in stock liquidity

<i>After – Before / Stock Liquidity</i>	<i>t-statics</i>	<i>p - Value</i>	<i>Mean Difference</i>
All – H8	1.9720	0.049*	0.1644
B2B – H9	0.6320	0.529	0.0878
B2C – H10	2.0070	0.046*	0.2093

From the above table 5, it can be observed that the impact of demonetization on the magnitude of returns per unit change in volume is significant at a 5 per cent level. After two days, all 417 stocks on the exchange

showed a 0.166 percent increase in returns per unit change in volume compared to the previous two days. This can be interpreted as a positive impact of demonetization on the liquidity of a stock. This is also in line with lower risk and lower returns after the demonetization announcement. However, demonetization shows a non-significant impact on liquidity changes for B2B companies. B2C companies have 0.209 percent more liquidity after demonetization at a 5% significant level than B2B companies, which is consistent with lower returns but higher financial performance.

Figure 1 shows a graphical representation of Mean AR (MAR) and Mean CAR (MCAR) for the 2 days before the day of the announcement and 2 days after the demonetization announcement.

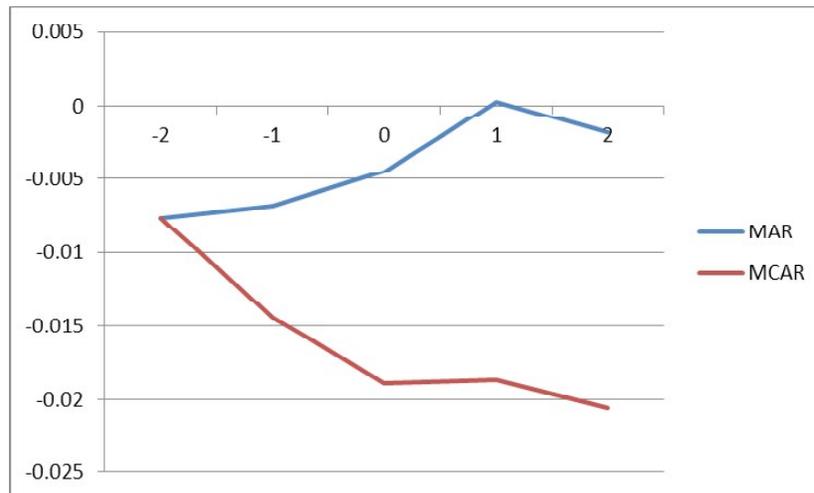


Figure 1: MAR and MCAR

As shown in figure 1, it can be seen that abnormal returns are continuously improving but negative. However, on the next day of announcement, day 2, it is a positive signal, improving the MCAR trend from declining to increasing. The abnormal returns clearly show the negative impact of demonetization in the short run on the overall equity market. However, figures 2 and 3 are separately shown for MAR and MCAR graphs for B2B and B2C companies to get a more specific impact on this group of companies.

As shown in Figure 2, it can be seen that abnormal returns are continuously improving but negative for B2B companies. In fact, on the next day of announcement, it is in the same direction and converted to positive abnormal

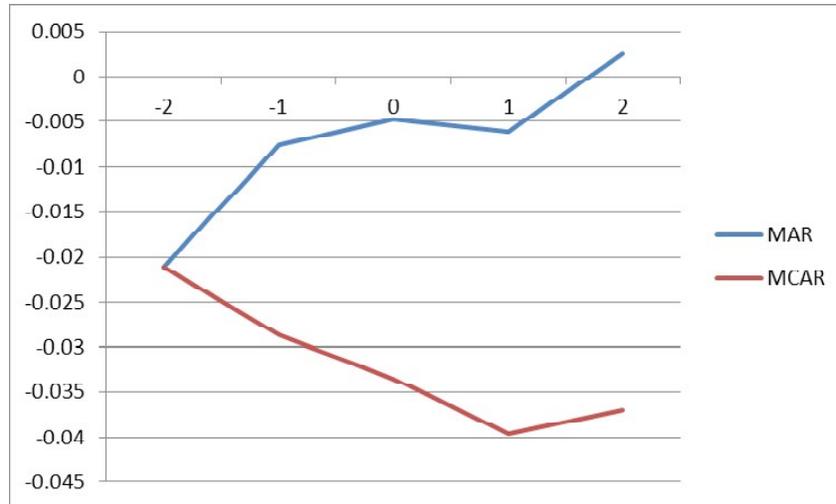


Figure 2: MAR and MCAR for B2B

returns from day 2 that shows an improving MCAR trend from declining to increasing. Hence, from day 2, no reversal of abnormal returns is identified, showing no significant impact of demonetization in the short run on B2B companies in the equity market.

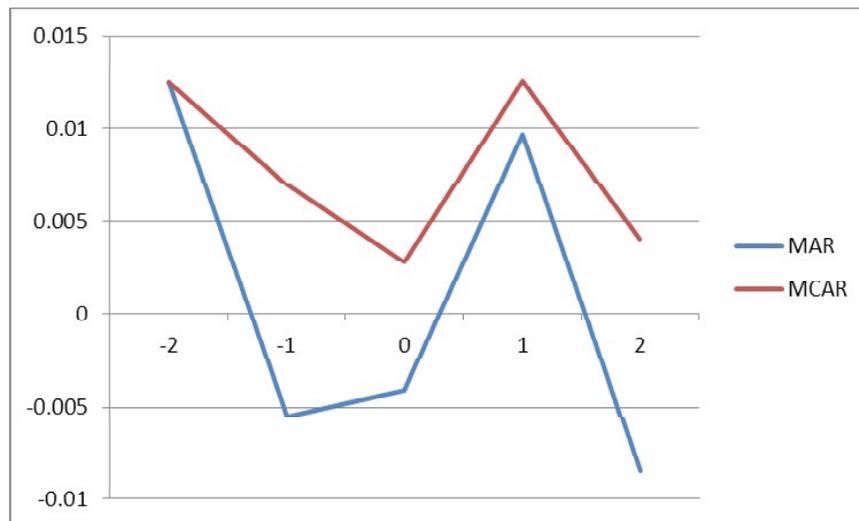


Figure 3: MAR and MCAR for B2C

As shown in figure 3, it can be seen that abnormal returns are converted to negative from positive on a day before the announcement in B2C companies.

However, on the next day of announcement, day 2, it is significantly positive, showing an improving MCAR trend from decline to increase for B2C companies. At the same time, 2 significant reversals of abnormal returns clearly show the significant negative impact of demonetization in the short run on B2C companies in the equity market.

From Figures 1, 2 and 3, we can conclude that overall negative impacts are due to significant negative impacts coming from B2C types of companies, while B2B companies are not affected much due to the announcement of demonetization. Table 6 shows the overall results of all the hypotheses chosen for the study.

Table 6: Hypotheses summary

<i>Hypothesis Number</i>	<i>Alternate Hypotheses</i>	<i>P-Value</i>	<i>Decision</i>
H1	There is a significant impact of demonetization on overall companies' stock returns.	0.028*	Supported
H2	There is a significant impact of demonetization on B2B companies' stock returns	0.253	Not supported
H3	There is a significant impact of demonetization on B2C companies' stock returns.	0.003*	Supported
H4	There is a significant difference in the impact of demonetization on B2B and B2C companies' stock returns	0.023*	Supported
H5	There is a significant impact of demonetization on overall companies' EPS.	0.040*	Supported
H6	There is a significant impact of demonetization on B2B companies' EPS.	0.056*	Supported
H7	There is a significant impact of demonetization on B2C companies' EPS.	0.237	Not supported
H8	There is a significant impact of demonetization on overall companies' stock liquidity.	0.049*	Supported
H9	There is a significant impact of demonetization on B2B companies' stock liquidity	0.529	Not supported
H10	There is a significant impact of demonetization on B2C companies' stock liquidity.	0.046*	Supported

5. DISCUSSION

From the results, we could find support for seven hypotheses and could not find support for three hypotheses. The reasons were identified for the hypotheses

which were not supported and we found them very interesting and noteworthy. We could not find support for H2 (There is a significant impact of demonetization on B2B companies' stock returns). This result is supported by the fact that B2B companies mainly have non-cash-based dealings and the effect of demonetization was almost negligible and hence, the stock price also not impacted. Similar result was found in Chandan & Kaushik (2017) study based on Indian stock market. Likewise, we could not find support for H7 (There is a significant impact of demonetization on B2C companies' EPS.). This result is supported by the fact that though B2C companies mainly have cash-based dealings, but due to government exemptions given for a short period of time has not impacted much of their sales and accordingly EPS was not impacted much. However, Anoop et al., (2018) study found negative impact of this event on Nifty Auto Index, Nifty Financial services index and Nifty FMCG index which is majorly driven by B2C companies. Similarly, we could not find support for H9 (There is a significant impact of demonetization on B2B companies' stock liquidity). This result is supported by the fact that B2B companies mainly have non-cash-based dealings and the effect of demonetization was almost negligible and hence, the stock price and liquidity were not impacted immediately due to the announcement.

6. IMPLICATIONS

The study has a lot of real-world applications. First, traders can wager on B2B businesses even when market liquidity is an issue during such infrequent occurrences. Having B2B stocks in the portfolio might reduce overall risk because demonetization is a rare occurrence that may result in short-term liquidity concerns. Second, before making such judgments public, the government and policymakers should lay a solid foundation; they should concentrate on risk-reduction techniques since they may aid B2C businesses and small-scale vendors in operating smoothly. Finally, during times of low liquidity, investors and analysts should concentrate on the long-term effects and can benefit by purchasing desirable companies for less money, which may result in multi-fold returns over time.

The study has important theoretical consequences in addition to practical ones. The signalling theory has been expanded by the study to include unusual events. The study also improved the body of knowledge on event studies, particularly when it came to sectoral and micro-market structure research.

7. CONCLUSION

Companies that rely largely on cash-based transactions are anticipated to be by events like demonetization (B2C). However, our findings indicated that the impact on B2C was less severe than that on B2B because retailers had until December 31st, 2016, to accept the demonetized currency. Each business will undoubtedly experience short-term setbacks, but the Indian government's initiatives to liberalise the retail sector have benefited B2C companies and lessened these effects. Other nations may experience the same thing. In order to come up with solutions to deal with the negative effects of demonetization, particularly in the short term, policymakers can use the present study paper as a starting point for their brainstorming sessions. Stock liquidity was not significantly affected during this event period, suggesting that traders and investors shouldn't be very concerned. It is true that after the announcement, liquidity increased. The event's overall effects on these segments have been mixed, implying that major stakeholders should be ready for similar announcements in other emerging economies. Future studies can concentrate on long-term repercussions since the current paper only addressed short-term effects. Only 500 listed organisations were analysed, but other companies' results might be more intriguing and unique, opening the door for future researchers to expand this study.

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Conflict of Interest

This article's publication does not include any conflicts of interest.

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