

**Negative Effects of Rapid Devaluation of National Currency on
Banking Sector in Georgia**

Levan Samushia

Tsira Barbakadze

Ana Gelovani

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Academic Supervisor: Nikoloz Kavelashvili, PHD

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Statement

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Levan Samushia _____

Ana Gelovani _____

Tsira Barbakadze _____

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Abstract

The main objective of this thesis is to outline possible effects of fast devaluation process on banking activity. Accordingly, the focus of the study is to reveal possible behavior of customers during the process of fast devaluation in order to show possible risks for the banking sector caused by this behavior.

In order to test the hypothesis, the qualitative research methods are used in this study. Within the research, the existing customers were questioned via interview. In addition, a general research was conducted in order to evaluate the attitude of customers. Even the representatives of particular banks were interviewed. Also, the official statistics related to the subject has been analyzed in details. We used specific data requested particularly for this thesis from the statistics department of the National Bank of Georgia.

The study also includes practices of other countries in geographical and historical context. We examined the examples of those banking sectors that are closer regionally and according to the level of development; the banking sectors, which experienced similar processes in a larger scale.

In addition to the fact that there is an in-depth examination of possible results caused by the process, the study also outlines the possible threats caused by these results for the banking sectors. The recommendations are provided for the commercial banks as well as for the National Bank.

Key words: currency devaluation, exchange rate, banking, strategy, customer behavior.