



Demonetization: A Boon to Indian Citizens

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ABSTRACT

Demonetization is the act of stripping a currency unit of its status as legal tender. Prime minister of India Mr. Narendra Modi announced demonetization of Rs. 1000 and Rs. 500 in India on 8th November 2016 out of the blue. Demonetization is not new for the Indian economy as higher denomination currencies were demonitised in the year 1938, 1946, and 1978 respectively. However, it is first time in Indian economic history to demonetize legal currency notes without prior notice to curb and flush out black money from system as declared by Government of India. For a populous and democratic economy like India opinion of Indian citizens is most important as the success of any policy change. This paper is basically an initiative to understand, evaluate and review the Indian citizen's views regarding recent demonetization in India.

KEYWORDS : demonetization, Indian citizen views, Black money

Introduction

Demonetization is a phenomenon wherein currency notes are withdrawn from circulation in economy reason being discontinuation or replacement with the new currency notes. Demonetization is not new for the Indian economy as higher denomination currencies were demonetized in the year 1938, 1946, and 1978 respectively. However, it is first time in Indian economic history to demonetize legal currency notes without prior notice .In India Demonitisation of 1000 and 500 Rs notes declared on 8th November 2016 has open declared motive of curbing Black money and promoting cashless Economy.

Demonetization: Global Review

Across globe with different motives demonetization has taken place s huge impact on economy is summarized below in table 1.

Table 1: History of demonetization with noted outcomes

Ghana	1982	Ghana rolled out the decision to demonetize their 50 cedi currency notes in order to monitor money laundering and corruption. The change was not welcomed warmly.
Nigeria	1984	Nigeria's economy collapsed after the 1984 demonetization move that did not go as planned. The military government of then President Muhammadu Buhari introduced different coloured notes to invalidate their old currency in order to fight black money.
Myanmar	1987	Around 80% of Myanmar's currency was demonetized in 1987 by the military to curb black money, but the move resulted in a lot of protests and the country witnessed several killings.
Soviet Union	1991	Under the governance of Mikhail Gorbachev in 1991, the then Soviet Union demonetized the higher denominations of ruble bills, the 50s and 100s. The move did not go well and resulted in takeover of Mikhail's leadership within eight months of the plan.
North Korea	2010	North Korea faced demonetization of their currency in 2010, which led to major economy breakdown with people left to starve for basics.
Zimbabwe	NA	Zimbabwe once had hundred trillion dollar note, which was demonetized and was exchanged in a mocking way dropping trillion dollars to \$0.5 dollar.

Literature Review

A report published by Care Ratings highlights that removal of these 500 and 1000 notes and replacement of the same with new 500 and 2000 Rupee Notes is expected to curb the funding for anti-social elements like smuggling, terrorism, espionage, etc. This paper

concludes that this decision of govt. will definitely fetch results in the long term. In the sectors such as Banking and Infrastructure, Consumer Durables, Luxury items, Gems and Jewelry, Real Estate and allied sectors. This report states that Indeed, India suffers from a serious rash of corruption, which hurts honest, hard-working families.in case of ditching paper money altogether, the cure is worse than the disease. The CRISIL report states that the liquidity squeeze caused by the demonetization will be negative across many sectors. With 86% of currency in circulation suddenly becoming non-usable it will have immediate impact on overall level of economic activity. Demonetization, it was a good move and an indication from the Centre that we need to move on and use technology more and more. However, the execution should have been better. This Paper evaluates that without adequate and proper planning; the demonetization-driven cash crunch has rendered Indian economy paralyzed for short duration as the informal sector which comprises of 40 percent share in GDP has become unviable.

Research Objective

The basic objective of undertaking this research is to understand and evaluate the responses of Indian citizens regarding demonetization and to analyze the agreement level of the Indian citizens regarding demonetization declaration and Implementation.

Research Methodology

The study exploring the responses of Indian citizens on recent demonitisation is based upon the descriptive research design for which primary data is collected by structured close ended questionnaire which was floated on social media to collect responses from Indian citizens soon after demonitisation that is in the month of November 2016. Responses of 161 respondents were received through convenience sampling method out of which 156 responses only are considered due to their suitability of the objectives. Information received from the respondents were analyzed and interpreted with the help of SPSS 17 Programme.

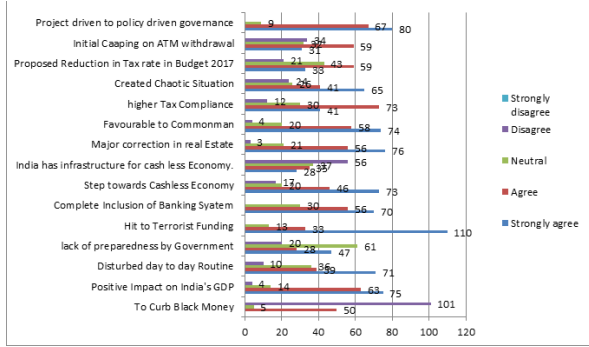
Analysis and Findings

The following section highlights the detailed analysis of the survey conducted on demonetization. Out of 156 respondents, 98 were male and 58 were female. This finding Regarding Age it was found that out of total 156 respondents 152 are having age less than 35 years and only 4 respondents have age between 35 to 45 years. This represents the young Indian Generation.

Further it was observed that 78 % respondents are post graduate and 16 % are graduate. Whereas 68 % are engaged in service sector 13% in Business, 10% are professionals and remaining 9% are homemaker. This analysis depicts that the responses are received

from highly educated, employed and young Indian citizens.

Chart 1 Response on Demonetization



It can be easily inferred from the above table that respondents have their agreement with the demonetization implementation mean value being higher than 4 in majority and Standard Deviation ranging from 0 to 1. However they do believe that extra efforts are needed to cope up with the situation from Government and improvement on Cashless Infrastructure should be focused.

Table 2: Descriptive Statistics of Agreement Level of Respondents on demonetization.

Statements	Mean	Std.Deviation	Mode
Demonetization is a master stroke to curb Black Money	4.61	0.55	5
It will have positive impact on India's GDP.	4.34	0.74	5
Day to day routine was disturbed due to demonetization.	4.096	0.96	5
There is lack of preparedness by government to meet requirement of situation created by demonetization.	3.65	1.04	3
Terrorist funding is hit by demonetization.	4.62	0.64	5
It would support inclusion of all Indian citizens in Indian Banking system.	4.25	0.76	5
Demonetization is a step towards cashless Economy.	4.12	1.01	5
India has infrastructure for cash less Economy.	3.22	1.12	2
Real estate in India will have a major correction due to demonetization.	4.31	0.77	5
Issuance of new currency notes in India will surely yield the benefits in favor of common man.	4.29	0.79	5

Demonetization would result in higher Tax compliance.	3.91	0.87	4
Sudden declaration of demonetization created chaotic situation in your city.	3.94	1.09	5
Post demonetization Indian government should cut Income Tax rate in Budget 2017.	3.66	0.95	4
Initial Capping of withdrawal from ATM was not appropriate.	3.56	1.04	4
It's a remarkable shift from project driven to policy driven governance in India.	4.4	0.60	5

Education and Demonetization

The respondents were asked to give their views on recent demonetization announced by Prime Minister of India on five point likert scale. Further the differences in their responses Based on their educations are analyzed with the help of one way ANOVA test .H0: There is no significance difference in responses received on demonetization from different educational backgrounds.

ANOVA education						
Statements	Sum of Squares	df	Mean Square	F	Sig.	Reject Ho/ Fail to reject Ho
Demonetization is a master stroke to curb Black Money.	6.431	2	3.216	12.150	.000	Reject Ho
It will have positive impact on India's GDP.	11.715	2	5.857	11.905	.000	Reject Ho
Day to day routine was disturbed due to demonetization.	2.836	2	1.418	1.520	.222	Fail to Reject Ho
There is lack of preparedness by government to meet requirement of situation created by demonetization.	4.923	2	2.461	2.291	.105	Fail to Reject Ho
Terrorist funding is hit by demonetization.	.955	2	.478	1.184	.309	Fail to Reject Ho
It would support inclusion of all Indian citizens in Indian Banking system.	11.910	2	5.955	11.706	.000	Reject Ho
Demonetization is a step towards cashless Economy.	1.804	2	.902	.880	.417	Fail to Reject Ho
India has infrastructure for cash less Economy.	25.616	2	12.808	11.559	.000	Reject Ho

Real estate in India will have a major correction due to demonetization.	5.190	2	2.595	4.491	.013	Reject Ho
Issuance of new currency notes in India will surely yield the benefits in favor of common man.	8.828	2	4.414	7.709	.001	Reject Ho
Demonetization would result in higher Tax compliance.	10.910	2	5.455	7.800	.001	Reject Ho
Sudden declaration of demonetization created chaotic situation in your city.	5.703	2	2.852	2.414	.093	Reject Ho
Post demonetization Indian government should cut Income Tax rate in Budget 2017.	1.673	2	.837	.908	.406	Fail to Reject Ho
Initial Capping of withdrawal from ATM was not appropriate.	8.123	2	4.062	3.875	.023	Reject Ho
It's a remarkable shift from project driven to policy driven governance in India.	.125	2	.063	.169	.844	Fail to Reject Ho

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From the above table it can be seen that there is mixed out come on responses received from individuals on demonetization. It can be seen that there are no differences on responses received from different educational backgrounds with regards to statements such as Demonetization disturbed day to day routine, lack of preparedness by government to meet the situational requirements, Terrorist funding is hit by demonetization, a step towards cashless economy and its effect on reduction in tax rate in budget 2017.

Conclusion

In a populous and democratic country like India the opinions, reviews and acceptance of Indian citizens play an instrumental role in success or failure of a change in structure or policy declared by Government. The Study revealed that the demonetization is having wide acceptance irrespective of Age, Occupation, Gender or Education. However disagreement prevails in the implementation parts such as lack of proper preparedness of Government to meet the needs of Situation, existence of Cash less Infrastructure and Reduction in Tax rate to be proposed in Budget 2017.

Limitations and Future Scope of Study

This Study is limited to reviews of Indian citizens on Demonetization which can be conducted with larger sample size and implementer's perspective can also be covered. Further this study can be taken up in Remonitisation area Considering the Cool Down period which is very important for any policy change implementation.

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