

Demonetization: A Study Of Problems Faced By People And Their Perception About Its Impact On The Indian Economy

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Abstract- *The Government of India on 8th November 2016 took a very important economic decision to demonetize currency notes of 500 and 1000 denominations. The rationale behind the decision was to curb black money and deal with corruption. This is not the first time when the Indian government had demonetized the high value currency notes. Demonetization for the first time was implemented in 1946 and then in 1978. This paper attempts to identify perception of the common people about the impact of demonetization on the Indian economy as well as the problems faced by them. The study is with reference to people in Pune district and is based on a sample of 80 respondents. The research is based on both primary and secondary data. Questionnaire method is used to collect primary data and is based on Random Sampling Method. The research indicates that people faced lot of problems due to demonetization in while travelling, shopping, doing banking transactions and also had to curtail day to day requirements. But, it was observed that despite of the problems faced, 70% of the respondents appreciated the government's move to curb black money, corruption and reduce fake currency circulation, and finance to the terrorist activity through demonetization of high value currency notes.*

Keywords- Black Money, Corruption, Currency, Demonetization.

I. INTRODUCTION

Demonetization means to discontinue a particular currency from circulation and replace it with new currency. Demonetization is the act of removing the old unit of currency and replacing with a new currency unit. On 8th November, 2016 Prime Minister Mr. Narendra Modi announced demonetization of currency notes of denomination 500 and 1000 and declared that it will no longer be a legal tender.

This is not the first time when India went for demonetization of high denomination currency notes. The first decision on demonetization was implemented in 1946. The

currency notes of Rs 1,000 and Rs 10,000 were removed from circulation. However, the decision did not have much impact, as the currency of such higher denomination was not accessible to the common people. Both the notes were reintroduced in 1954 with an additional introduction of Rs 5,000 currency. In 1978, the then Prime Minister of India Morarji Desai announced the second currency ban wherein Rs 1000, Rs 5000 and Rs 10,000 were removed out of the circulation. The main aim of the currency ban was to curb black money generation in the country.

Reasons for Demonetization, November 2016

The government has stated many reasons behind demonetization policy such as it will reduce corruption and eliminate black money, stop fund flow to illegal activity, make people pay their income tax returns etc. It is also specified that it will help India become cashless society and thus a Digital India.

The decision to demonetize the currency notes had impacted various sectors of the economy such as on banking sector, wholesalers, retailers, stock exchanges, real estate, gold and commodity market as well as on the online transactions. Though the decision was implemented with the intention to have positive impacts on the Indian economy but had adversely affected the poor and middle class people who had to curtail their day to day requirements and stand in queue for long hours in front of the ATMs and banks to withdraw their money.

II. LITERATURE REVIEW

Some of the literature reviewed by the researcher for the purpose of the study is as follows:

Ms.E.KamatchiMuthulakshmi (2016) had discussed about the various issues and challenges of demonetization like liquidity crunch, consumption, loss of growth momentum etc.

and its short and long term implications on the Indian economy. (S.M.Jyasudha, 2016; S.M.Jyasudha, 2016)

Dr.S.M.Jayasudha, Dr. M.Thangavel (2016) had studied the impact of Demonetization on the Small retailers. It was found that most of the small retailers were not ready enough to make provisions of digital payments for their customers. Organized, large retailers and malls also faced the problem of sales reduction.

Dr.S.Balamurugan and B.K.Hemalatha (2016) had observed the implication of demonetization on various Indian start-ups like E-commerce startups, Cab startups, Wallet startups, Food delivery startups, Information technology startups, Accounting and financial consultancy startups. It was concluded that the country may experience recession in the coming few weeks but is expected to get back to its shape shortly. The demonetization drive will affect some extent to the general public, but for larger interest of the country such decisions are inevitable.

III. OBJECTIVES

The major objectives of the study are as follows:

1. To analyze the problems faced by the people in Pune as a result of Demonetization.
2. To study people perception about the impact of Demonetization on the Indian Economy.

IV. RESEARCH METHODOLOGY

Both primary and secondary data has been used for the purpose of the study. Primary data was collected by circulating well-structured questionnaire among 80 respondents in Pune. The respondents were selected using random sampling method. The data was analyzed using statistical tools like percentage method and average mean. Secondary data was collected from various sources like internet, journals and books.

V. DATA ANALYSIS AND INTERPRETATION

I. Demographic profile

Factors	No. of Respondents (80)	Percentage
Gender		
Male	49	61.3
Female	31	38.7
Age		
18-25	22	27.6
25-35	23	28.7
35-45	23	28.7
<45	12	15
Occupation		
Service	54	67.50
Self-Employed	6	7.5
Business	-	-
Others	20	25
Annual Income Level		
Less than 1 Lac	7	8.75
1 Lac- 3 Lac	9	11.25
3 Lac- 5 Lac	15	18.75
More than 5 Lac	38	47.5
Not employed	11	13.75

II. People support for demonetization.

Factors	No. of Respondents	Percentage
Support for Demonetization		
Yes	55	69.6
No	16	20.3
May Be	8	10.1
Support for the Implementation Measures adopted by Government for Demonetization		
Yes	50	62.5
No	30	37.5

III. Problems faced by people due to demonetization.

Table 1: Availability of Cash

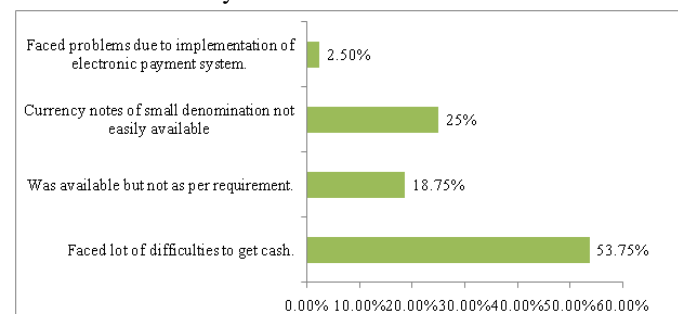


Table 2: Banking Transactions

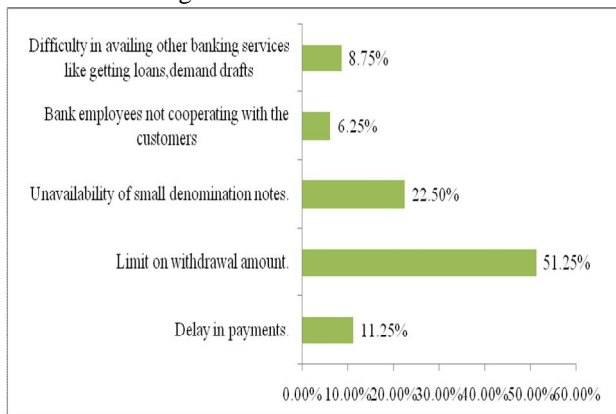


Table 3: Travelling

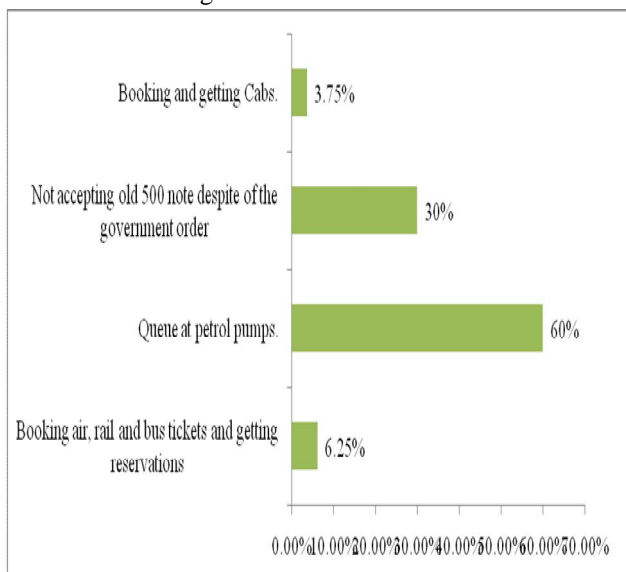


Table 4: Shopping

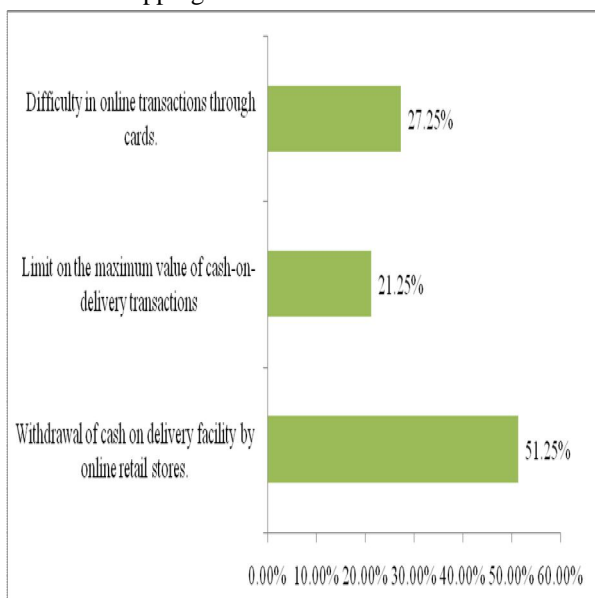
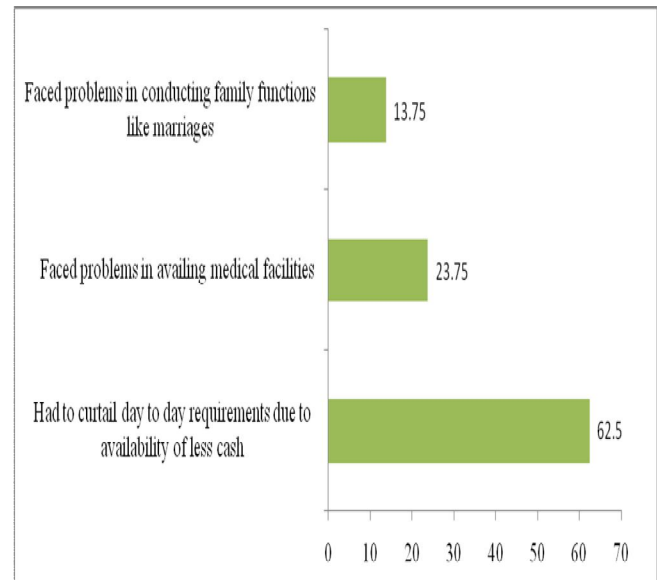


Table 5: Others



IV. People perception about impact of demonetization on the Indian economy

Table No. 6

Factors	Mean Score	Rank
Curtailing black money	281	3
Reduction in fake currency circulation & terror financing	289	2
Reducing corruption & illegal activities	262	5
Help India becoming a digital economy.	299	1
Reduction in rate of inflation	258	6
Overall economic development & reduction in unemployment	245	7
Positive impact real estate, gold and stock exchange.	259	4

VI. FINDINGS

- 1- It was found that majority of respondents were male (61%) and females being 38%.
- 2- It was found that majority of the respondents were between the age group of 25-45.
- 3- It was observed that 67% of the respondents were from the service sector with average income above 5 lacs.
- 4- It was found that 70% of the respondents supported the government's decision to demonetize high value currency notes but 38% of the respondents were against the implementation measures adopted for demonetization.
- 5- As per Table No. 1 (Availability of Cash), majority of the respondents () said that cash was not easily available.
- 6- As per Table No.2 (Banking Transactions), 51% of the respondents faced problem due to limit on withdrawal amount.
- 7- As per Table No.3 (Travelling), 63% of the respondents had to face difficulty due to queue at petrol pumps.
- 8- As per Table No. 4 (Shopping), 50 % of the respondents faced difficulty due to the withdrawal of cash on delivery facility by online retail stores.
- 9- As per table No. 5(Other Problems), 62% of the respondents had to curtail their day to day requirements due to availability of less cash.
- 10- As per Table No. 6, majority of the respondents were of the opinion that demonetization will help India to become a Digital Economy as well as it would reduce fake currency circulation and financing terrorist activities.

VII. CONCLUSION

The aim of government's decision to demonetize high value currency note was to curb black money, make India digital economy, reduce corruption and deal with inflation. Most of the Indian citizens are with decision though they have faced lot of problems in travelling, shopping, doing online banking transactions and also had to curtail their day to day requirements which has impacted their lives to a great extent. People were of the opinion that Demonetization will help India become a Digital Economy as well as reduce fake currency circulation and financing terrorist activities.

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