

Demonetization & its Impact on Financial Inclusion: a case study of District Rajouri.

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Abstract : Financial inclusion has set up an example for attaining overall growth. The government of India brings about various measures for financial inclusion. Whereas the extent of financial inclusion has improved but still there is a requirement of various aspects to become India digitally financially included. The govt. of India announced demonetization from the midnight of 8th November 2016 as a tool to crack down the stock of black money, corruption & terrorism activities. With the application of demonetization, it has driven the country towards a cashless society. Lakhs of the people even in far flung areas have started using the cashless transactions. This scheme mainly affects the common people, businesses, financial institutions as well as distinct industrial framework of India. The main motive of this scheme is to make India digital economy as well as financial inclusions cashless. For this cause the new generation should be influenced to educate and help the poor and elderly with digital education and transactions. Demonetization has a greater impact on the process of financial inclusion which has been studied on large segments of the society on various players of financial inclusion such as ordinary individual, informal economic sector, rural population, MSMEs; & E- wallet companies'. This paper stresses to study the demonetization & its impact on financial inclusion.

IndexTerms - Financial Inclusion, Demonetization, Digital Economy, Cashless Economy.

I. INTRODUCTION

Financial inclusion is the process of providing easy access of financial products & services required by all sections of the society including accessible groups such as disadvantaged & low income groups at a reasonable cost in a fair & transparent manner. It is the new paradigm move to the economic growth of the nation which plays a prominent role in dragging the poverty. Large sections of the households have no ease to banking products. They have only one option to borrow money from landlords at the enormous changes which cause exploitation. With the opening of digital financial services i.e. ease to financial services through large number of electronic platforms, the idea of digital financial inclusion has also gained bunch of significance in latest years. People who are digitally financially included transact digitally using debit/credit cards, point of sale (POS) machines, online banking, and mobile financial services. According to financial inclusion insights survey near about 63 percent of Indian adults are digitally included As per the latest Financial Inclusion Insights survey, 63 percent of Indian adults are digitally included while 62 percent having bank accounts. India is one of the major & poorest country in the world, standing 160th in per capita GDP, Now still clients have ease to insurance & get benefits from the government delivered to a debit card relatively than less secure means. Growing financial inclusion will open up services to poor, rural and other disadvantaged groups, population segments that have not always had easy access to financial services in the past.

II. DEMONETIZATION

Demonetization is a process of removing or abolishing the value attached to the money by the government in a country. The French were the first to use the word Demonetize. It is executed to replace the old currency with a new one, and is necessary whenever there is a need to bring about a change in the national currency of any country when demonetization was announced back in year 2016; the ruling government assured the people that it was a work in progress rather than an end result. Government was very sure that this step would pay rich dividends in the long run. The finance experts of Jammu and Kashmir pointed that this step did not have any negative effect on the state and instead it helped bring down prices of the real estate which had once gone beyond reach but earlier the effect of demonetization was very colossal. It hit the tourism industry badly. People from different parts of the country were deficient in cash and could not plan their trips to Kashmir would be more severe on individuals who earn incomes in cash and spend it in cash. To a lesser extent it also affected the individuals who earn incomes in non-cash forms but need to withdraw in cash for consumption purposes, since a number of sectors in the economy still work predominantly with cash. After a year of demonetization the state has started to accommodate to this major move and mitigate the losses that occurred due to demonetization. Demonetization is the most prominent & significant when there is a change in state economy. It is the way of changing old currency with the new one. It is the system where government announces the presently running currency notes unauthorized to be tender after the announcement is made. This is one of the big step taken by the government of India in order to expose black money, curb corruption as well as terror funding. It is not the new concept as earlier it was done in January 1946 when Rs 1000, 5000 & 10000 notes were taken out of circulation in order to deal with unaccounted money that is black money & second time, it was done in 1978 at the time of Moraji Desai government when Rs 1000, 5000 & 10000 notes were demonetized but at the same time these notes were reintroduced. Last time it was happened on 8th of November 2016 by govt. headed by Shri.

Narendra Modi. He announced that from midnight Rs 500 & Rs 1000 notes would be invalid except organization declared by the government & announced those Rs 500 & Rs 1000 banknotes in exchange for the old banknotes. They further announced that people can deposit & change the notes from the banks & post offices till December 30th 2016. The main reason behind this policy was to curb corruption, black money & fake currency.

Rajouri, a place of historical importance and one of the backward and hilly districts of the state with a total population of 6.42 Lacs as per 2011 census is situated on the line of actual control (LOC) The small size holdings coupled with poor irrigational facilities makes it impossible/ cumbersome to intensify agricultural backwardness more ever, hill ranges hamper the infrastructural development which also effects the progress in other sectors.

The district with an area of 26, 30 sq. kms have peculiar physical features .The Dhani Dhar range runs across the northern eastern part of the district topography of Rajouri, Budhal and part of Kalakote Tehsil consists of numerous hills and small valley of meandering brooks. The Tehsil of Sunderbani, Nowshera and Kalakote mostly plain and Kandli lie in the south and hilly Budhal Tehsil in the north east of the district. As per 2011 census the total population of the district is 6.42 lacs. The urban population comes to 0.5 lacs and 5.9 lacs in the rural population of the district, the locations of the Rajouri, Sunderbani, Nowshera, Thanamandi, Darhal, and Kalakote have urbanized character.

2.1 Merits of Demonetization

- It helps in making the country corruption free.
- It assists the government in tracking black money.
- It has helped to prevent the funds which are being used for illegal activities like terrorism.
- It improves the online payment system to attain the goal of cashless society.
- It supports in reducing tax by reassuring higher tax payments.
- It helps in bringing the unaccounted black money & removal of old currency into banking system to increase in bank deposits.

2.2 Demerits of Demonetization

- Due to demonetization there arises a disturbance of business activities.
- It creates a problem for small- scale business operations that deals in cash.
- Demonetization causes inconveniences to the general public.
- It makes the enormous economic cost to the country.
- By demonetization there is a decrease in sales .especially for cash based sales.
- There arises a problem of wage/labour payments.

III. OBJECTIVES OF THE STUDY

- To study the demographic profile of respondents in the study area.
- To make the in-depth study of financial inclusion.
- To study the impact of demonetization on financial inclusion in the study area.

IV. RESEARCH METHODOLOGY

4.1 Primary Data

Rajouri district is the study area selected for this research. Primary data is collected through well structured questionnaire. Sample of 100 beneficiaries in District Rajouri have been selected by using random sampling method. The collected information were reviewed and consolidated into a master table. For the purpose of analysis the data were further processed by using statistical tools. The statistical tools are

- Simple Percentage
- Ranking Method

4.2 Secondary Data

Information has been collected from various reports presented by the Govt. of India. Despite of this data has also collected with the help of articles, RBI reports, research papers, magazines, books etc.

4.3 Analysis and Interpretation

4.3.1 Demographic Profile of the People

Table 4.1: Demographic Profile of the Respondents

Factors	No. of Respondents N=100	Percentage
Gender		
Male	63	63
Female	37	37
Age (Years)		
Up to 25	14	14
26 to 50	57	57
Above 50	29	29
Educational Qualification		
Up to School Level	68	68
Graduate	21	21
House wife	11	11
Occupation		
Business	46	46
Employee	30	30
Professionals	24	24
Annual Income		
Up to Rs.1,00,000	14	14
Rs.1,00,001 to Rs.2,50,000	42	42
Above Rs.2,50,000	44	44
Type of Family		
Nuclear Family	36	36
Joint Family	64	64

Source: Field Survey

Table no.1 describes the socio-economical, cultural, and traditional profile of the respondents for the study. Out of 100 beneficiaries who were taken for the study: it has been identified that most (63%) of the beneficiaries are male, (57%) whose age group is under 26 to 50 years, most (68%) of the beneficiaries are up to school Level, (46%) of the beneficiaries are businessman and the annual income of (44%) respondents is above Rs.2, 50,000, (64%) of the beneficiaries belong to nuclear family.

4.3.1 Demographic Profile of the People

Table 2: Shows the Factors Impacting the People's on Demonetization

Factors	5	4	3	2	1	Total	Mean Score	Rank
Demonetization helps to destroy corruption, illegal activities etc.	14	54	18	4	10	100	3.74	1
Demonetization helps to Destroy Black money in India	42	26	14	41	4	100	3.68	2
People are affected by Demonetization	22	38	16	16	08	100	3.7	3
High impact on Real estate, gold rate, stock exchanges	28	38	8	8	18	100	3.5	4
Implementation of Electronic Payment	20	30	14	24	12	100	3.22	5

The above table shows about the weighted average of each factor regarding the impact of demonetization. From the calculated weighted average demonetization destroy of corruption, illegal activities is been the first by the respondents and it is followed by black money, real estate, gold rate etc. Also from the table it is evident that implementation of electronic payment has been considered as the last by the respondents in the study area.

V. SUGGESTIONS

- In the present scenario demonetization is largely based upon ordinary man instead of the persons related to financial institutions .In order to make the awareness among the people who are not related to the financial institutions, government should take the steps to conduct seminars, workshops at district level to make people aware about financial services.
- Simple application software should be developed so as to enable every stakeholder to get access to different financial services.
- There should be periodic demonetization in an economy because it can control corruption, black money transfers and to a large extent it can reduce fake currency note making.

- Central as well as state government should take a step to make application software which is easy to understand for individual users to perform money transfers which will work towards minimizing cash theft threats and in turn can provide safety to the public at large.
- Demonetization process should not be a solo decision; there should be an involvement of all stakeholders so as to make it a proper channel to get access to different financial needs and to cater all the business transactions.

VI. CONCLUSION

Demonetization is one of the big steps taken by the govt. of India in order to track black money, curb corruption, fake currency etc. According to RBI report about 80% of the Indian economy is under the suspension of black money. It creates a huge problem for the citizens of India particularly for business sector. The main purpose of demonetization is to convert black money into white money but the goal of achieving the overall growth of the country would be possible only when it is used for development purposes. It has brought changes in the area of economy. This mission was successful for the govt. of India to some extent. Due to this, the amount of cash liquidity in banks increased day by day because of this the image of banks in the minds of people becomes good.

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