

# IMPACT OF DEMONETIZATION ON COMMON PEOPLE OF INDIA

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## **ABSTRACT**

The demonetization had a great major and instant impact on Indian economy. In this paper, an attempt has been made to find impact of demonetization on common people. Samples of 250 respondents were randomly selected from Amritsar District. It is found that demonetisation has adversely affected the daily routine life of common people of India. It also results that demonetization helps in curbing black money and reducing corruption, terrorism etc.

## **INTRODUCTION**

Demonetization means withdrawal of a particular form of currency from circulation. It is a process in which old unit of currency substituted with new unit of currency. According to investopedia, Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency. First time demonetization done in Jan 1946 and again in 1978 in India. On 8<sup>th</sup> Nov 2016 a Historical step taken by Indian Government i.e. 500 rupees note and 1000 rupees note replaced with the new 500 rupee note and 2000 rupees note. According to annual reports of Reserve Bank of India, there is circulation of Rs. 16.42 lakh crore currency in India out of which 86% (Rs. 14.28 lakh crore) was 500 rupees note 1000 rupees notes. The growth of higher denomination notes can be attributed to their demand which remains high but growth of smaller denomination very low. Due to demonetization circulation of money has been hampered. The Modi government said there are four major reasons behind the demonetization:

- ❖ To making the black money worthless.
- ❖ To stopping the funding of terrorism.
- ❖ To finish the problem of black money.
- ❖ For reducing the corruption from country.

## REVIEW OF LITERATURE

**Kaur (2016)** attempts to identify the Impact of demonetization in India. The main objective of this study was to study the impact of Demonetization (8<sup>th</sup> Nov 2016) on Indian economy. This paper was totally based on secondary data which was collected from various published sources like Reports, journals, Newspaper etc. This paper concluded that Demonetization step taken by Modi government would be positive for banking sector and infrastructure in the medium and long term. It would be negative for consumer durable, luxury items, gems & jewellery and real estate etc.

**Singh & Singh (2016)** attempt to study in their paper titled "Impact of Demonetization on Indian Economy" Impact of demonetization in India. The main objective of this study was to analyze the impact of Demonetization on Indian economy and various countries in past years and also to work out the probable consequences of the demonetization. This paper was based on secondary data which was collected through internet. This paper concluded, the experiences from different countries show that demonetization failed to fix a debt burdened and inflation ridden economy.

**Shah (2017)** attempt to find out about the impact of demonetization on rural India. The main objective of this study was to analyze the impact of Demonetization on common persons of India, on agriculture sector and on economy of India. Secondary data was collected from newspaper and internet etc. The conclusion of this paper states that the demonetization had major impact on the parallel economy but sudden announcement had created discomfort for general public.

**Muthulakshmi** attempts to study the Impact of demonetization on Indian economy. The main objective of this study was to analyze the current and immediate impact of Demonetization on Indian economy. This paper was based on secondary data which was collected through internet. This paper shows the positive and negative impact of demonetization on Indian economy. It also highlights the probable consequences of the decision of demonetization on various economic variables and entities.

## OBJECTIVES OF THE STUDY

1. To understand the concept of Demonetization.
2. To find out the possible effects of Demonetization on different sectors of the economy.
3. To find out the impact of demonetization on common people of India.

## RESEARCH METHODOLOGY

Amritsar District is the study area selected for this research. Primary data is collected through questionnaire. Samples of 250 respondents in Amritsar District have been selected by using random sampling method. For the purpose of analysis the data were further processed by using statistical tools. Simple Percentage and Chi-Square Test.

## LIMITATIONS OF THE STUDY

1. The study is restricted to the selected sample of Amritsar District so the result of the study cannot be generalized.
2. Present study is based on available information collected through questionnaire from 250 respondents only and secondary information published in articles, newspapers, journals etc.
3. The geographical area of the survey is Amritsar city for Primary Data.

## IMPACTS OF DEMONETIZATION ON INDIAN ECONOMY

1. Shortage of cash (short term effect): After demonetisation there is not sufficient amount of money in country. There is a shortage of cash.
2. Impact on small traders, labourers: The labourers, small traders etc. are the class of working people who needs the frequent cash daily adversely affected because they don't use plastic money.
3. Consumption will be low: After demonetisation consumption will be adversely affected. Decrease in Consumption leads to decrease in production as a result growth automatically at low.
4. Impact on GDP: India is the largest growing economy; Demonetization is a reason to reduce the growth rate of GDP during this period.
5. Impact on Bank Deposits and Interest Rate: As the decision regarding the cancellation of old 500 rupees and 1000 rupees notes were announced all of sudden, people had very little time to react to the situation. Initially, Banks, as well as people, had faced lots of issues regarding the money deposited for the replacement of old notes to the new notes. Deposits were high all over the country as there was liquid cash available with banks in the form saving deposits from the people.
6. Impact on Black Money: People invest their money into physical assets for the purpose to convert their black money into white money. As a result black money reduces.

## PROS OF DEMONETIZATION

- People who have huge amounts of black money in cash are at a complete loss now.
- Demonetization has forced economy to move towards digitalization.
- The use of fake money will be stopped completely.
- Huge sums of money especially in hard cash in the denominations of Rs. 500 and Rs. 1000 was used to fund Islamic terrorists, Naxalites and other non-state actors
- Now, these Organizations will suffer from shortage of funds

## CONS OF DEMONETIZATION

- Banks will be extremely over-crowded by people.
- There will be Shortage of Money for Common people.

- Many Indian housewives store money secretly so that they could be of help during times of financial crisis in their households
- Due to shortage of money in the market, a short-term cost push inflation will occur .
- The price of gold has already become sky high

## RESULTS AND ANALYSIS

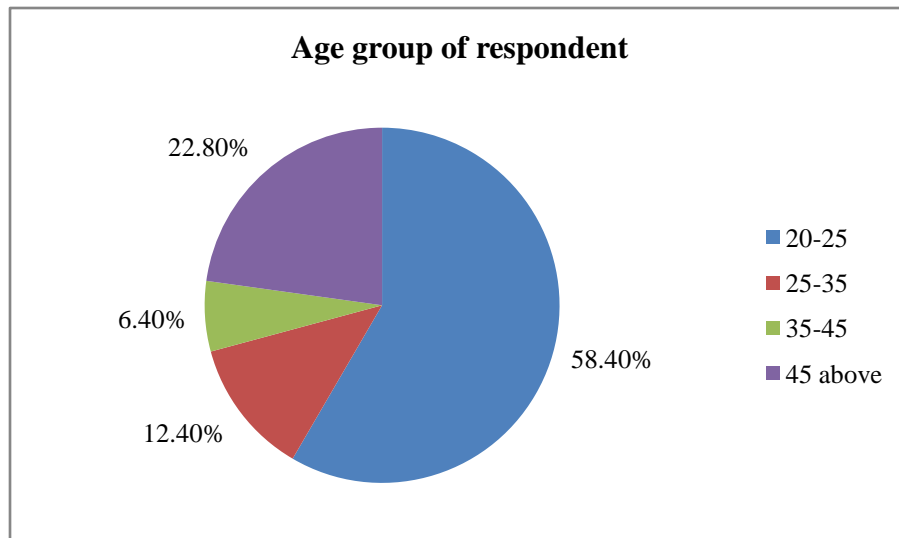
### Primary Data Analysis and Interpretation:

**Table 1**  
**Gender Status of the Respondents**

Particular	Respondents	%
Male	127	50.8%
Female	123	49.2%
Total	250	100%

**Table 2**  
**Age group of respondent**

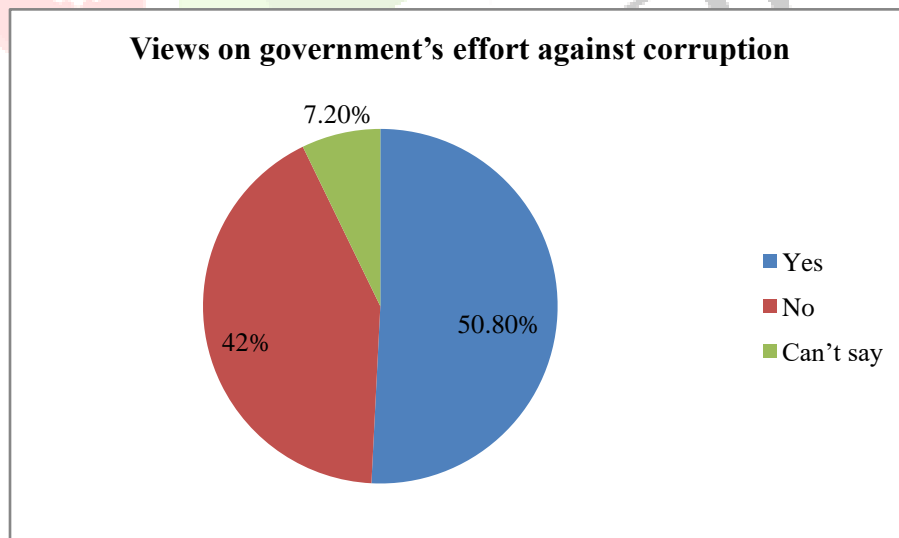
Particular	Total respondent	%
20-25	146	58.4%
25-35	31	12.4%
35-45	16	6.4%
45 above	57	22.8%
Total	250	100



The total respondents for this study are 250. Maximum respondents i.e. 146 are in the age group of 20 – 25 years whereas the 31 numbers of respondents are in the age group 25 – 35 years, 16 numbers of respondents are in the age group 35 – 45 years followed by 57 respondent 45 years and above.

**Table 3**  
**Views on government's effort against corruption**

Particular	No. of respondents	%
Yes	127	50.8%
No	105	42%
Can't say	18	7.2%
Total	250	100%

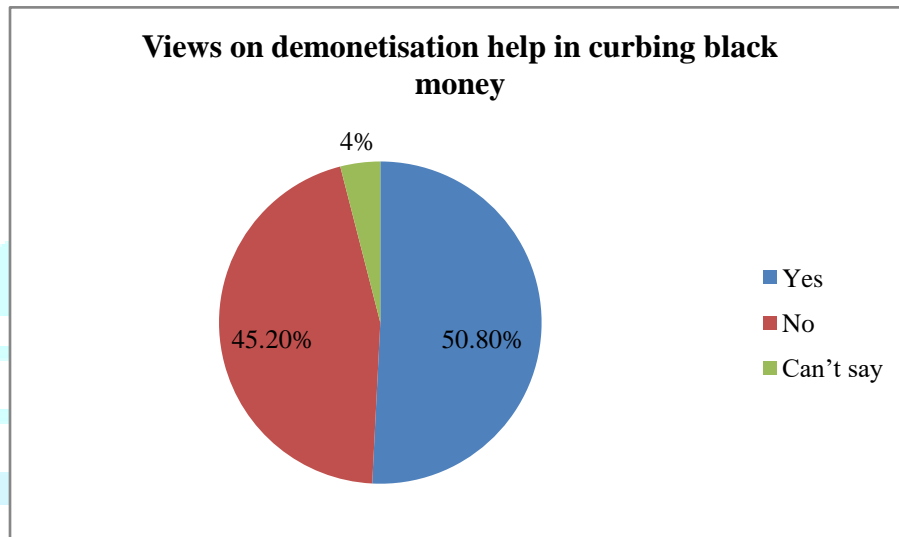


Out of the total 250 respondents, 127 respondents said yes that government's effort against corruption is successful whereas 105 respondents said no, 18 respondents were not sure.

Table 4

## Views on demonetisation help in curbing black money

Particular	No. of respondents	%
Yes	127	50.8%
No	113	45.2%
Can't say	10	4%
Total	250	100

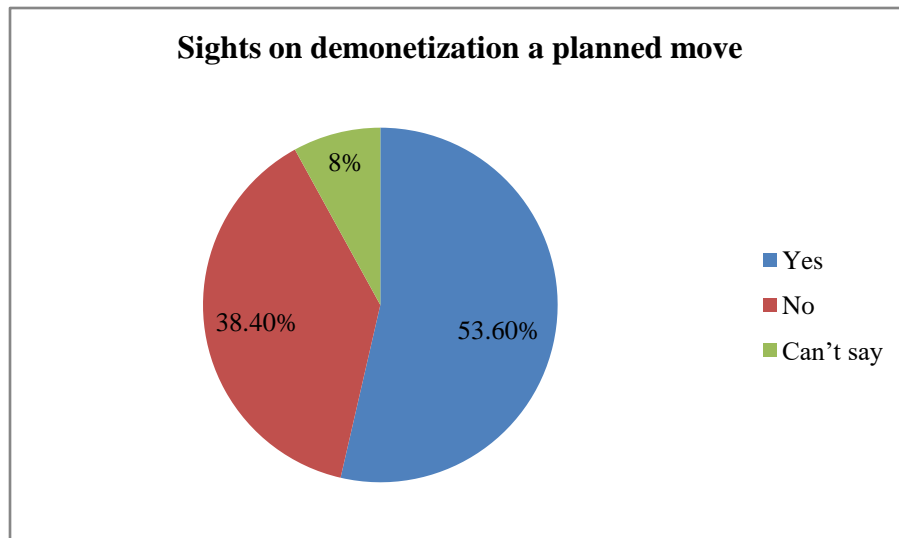


According to 127 respondents out of the total 250 respondents, demonetization will help in reducing black money, whereas 113 respondents said no and 10 respondents were not sure.

Table 5

## Sights on demonetization a planned move

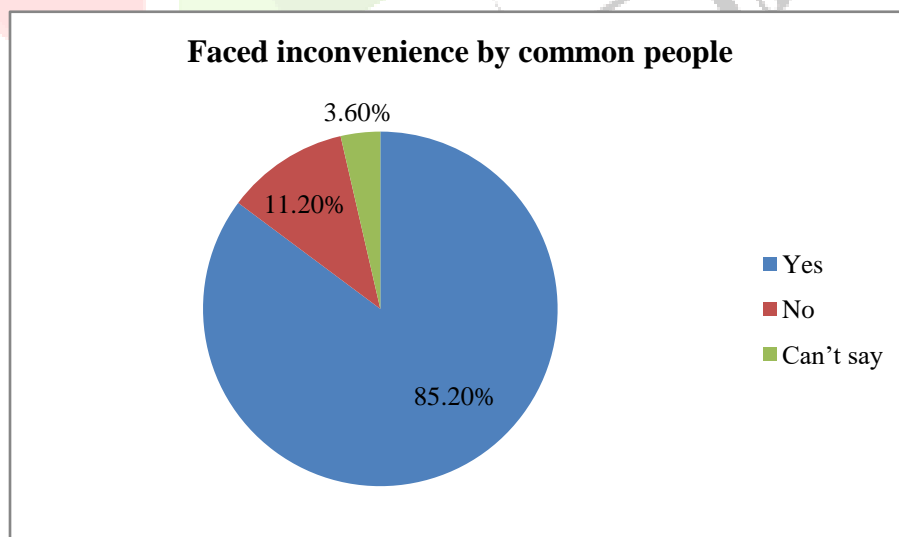
Particular	No. of respondents	%
Yes	134	53.6%
No	96	38.4%
Can't say	20	8%
Total	250	100



Out of the total 250 respondents, 134 respondents said yes that demonetization was a planned move of the Modi government, whereas 96 respondents said no and 20 respondents were not sure whether it is planned a move.

**Table 6**  
**Faced inconvenience by common people**

Particular	No. of respondents	%
Yes	213	85.2%
No	28	11.2%
Can't say	9	3.6%
Total	250	100

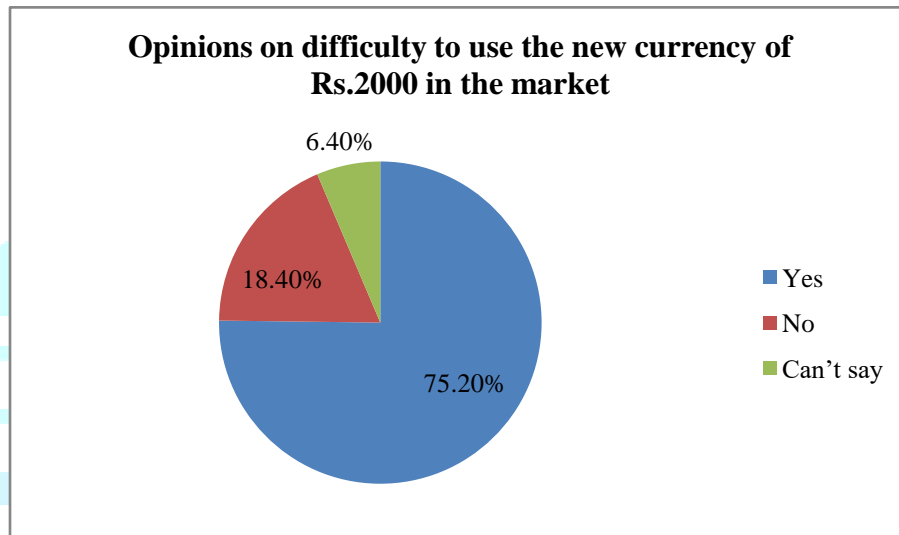


Out of the total 250 respondents, 213 respondents faced inconvenience due to currency ban, whereas 28 respondents said no and 9 respondents were not sure.

Table 7

**Opinions on difficulty to use the new currency of Rs.2000 in the market**

Particular	No. of respondents	%
Yes	188	75.2%
No	46	18.4%
Can't say	16	6.4%
Total	250	100



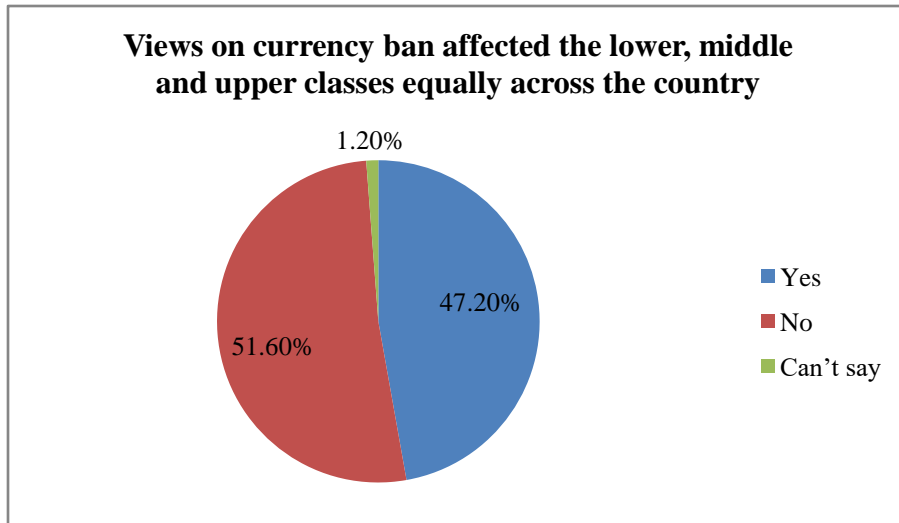
Out of the total 250 respondents, 188 respondents said that they find it difficult to use the new currency of Rs.2000 in the market, whereas 46 respondents said no and 16 respondents not sure.

Table 8

**Views on currency ban affected the lower, middle and upper classes equally across the country**

Particular	No. of respondents	%
Yes	118	47.2%
No	129	51.6%
Can't say	3	1.2%
Total	250	100

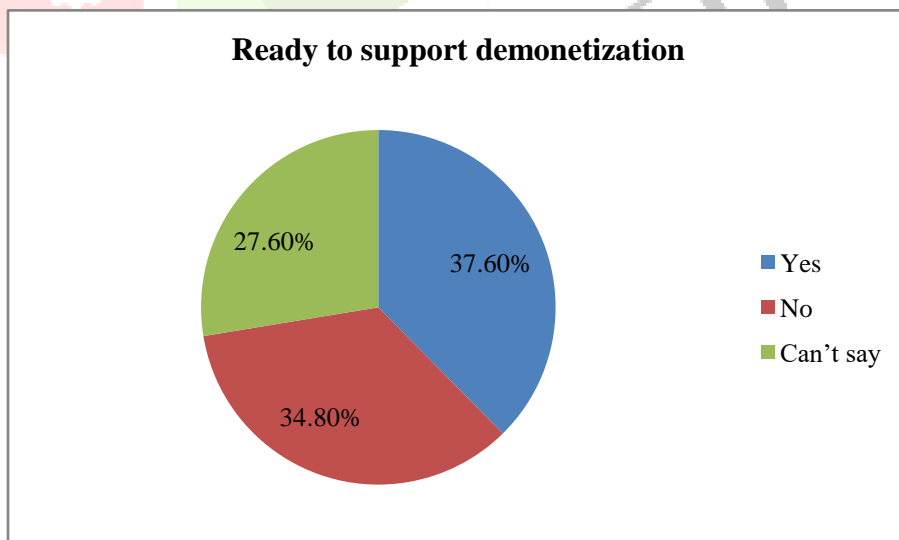




According to 118 respondents out of the total 250 respondents, the currency ban adversely affected all the lower, middle and upper classes equally across the country, whereas 129 respondents said no and 16 respondents were not sure.

**Table 9**  
**Ready to support demonetization**

Particular	Respondents	%
Yes	94	37.6%
No	87	34.8%
Can't say	69	27.6%
Total	250	100

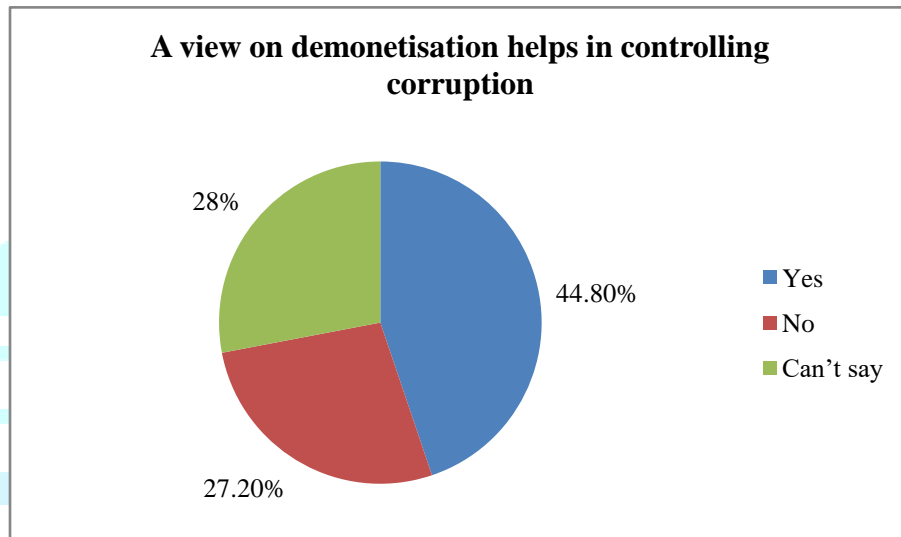


Out of the total 250 respondents, 94 respondents ready to support demonetisation, whereas 87 respondents said no and 69 respondents were not sure.

Table 10

**A view on demonetisation helps in controlling corruption**

Particular	Respondents	%
Yes	112	44.8%
No	68	27.2%
Can't say	70	28%
Total	250	100

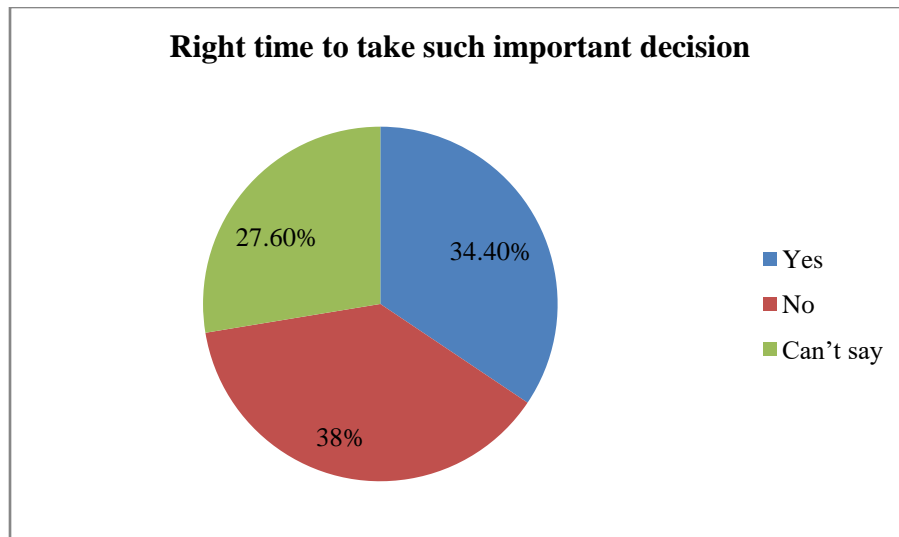


According to 112 respondents out of the total 250 respondents, demonetization will help in controlling corruption, whereas 68 respondents said no and 70 respondents were not sure.

Table 11

**Right time to take such important decision**

Particular	No. of respondents	%
Yes	86	34.4%
No	95	38%
Can't say	69	27.6%
Total	250	100

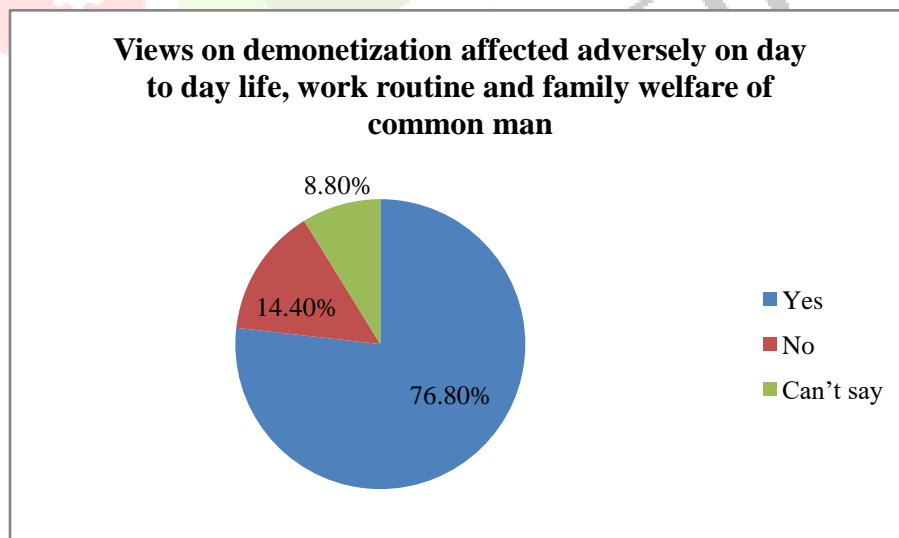


Out of the total 250 respondents, 86 respondents said yes that it is the right time to take such a important decision, whereas 95 respondents said no and 69 respondents were not sure.

**Table 12**

**Views on demonetization affected adversely on day to day life, work routine and family welfare of common man**

Particular	No. of respondents	%
Yes	192	76.8%
No	36	14.4%
Can't say	22	8.8%
Total	250	100

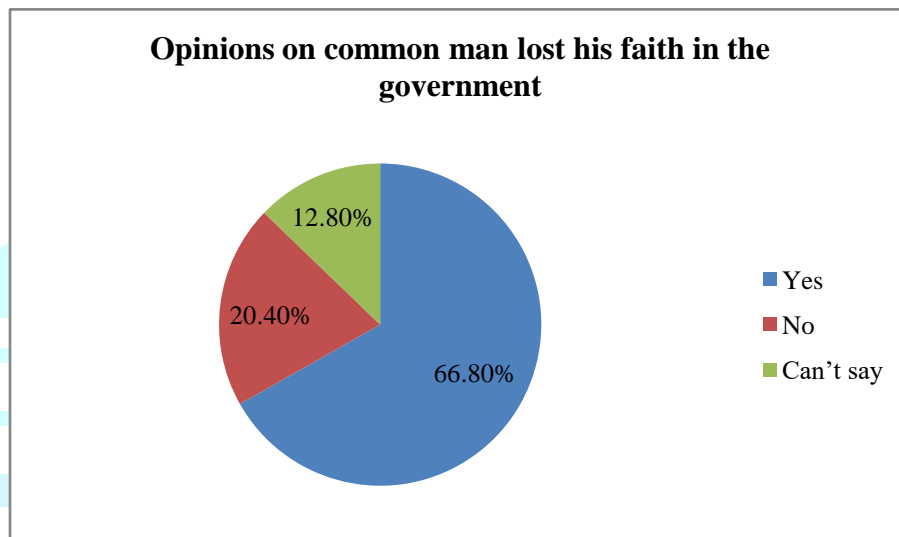


Out of the total 250 respondents, 192 respondents said demonetization affected adversely on their day to day life, work routine and family welfare, whereas 36 respondents said no and 22 respondents were not sure.

Table 13

**Opinions on common man lost his faith in the government**

Particular	No. of respondents	%
Yes	167	66.8%
No	51	20.4%
Can't say	32	12.8%
Total	250	100



Out of the total 250 respondents, only 167 respondents said that the common man lost his faith in the government, whereas 51 respondents said no and 32 respondents were not sure.

**TESTING OF HYPOTHESIS**

H<sub>0</sub>: Common people of India are highly satisfied with the decision of Demonetization.

H<sub>1</sub>: Common people of India are not at all satisfied with the decision of Demonetization.

$$\text{Chi-Square test} = \sum (O-E)^2 / E$$

Sr. No	Factors	Expected Value	Observed Value (O)	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
1	Government's efforts against corruption are satisfactory so far	200	127	73	5329	26.645
2	Demonetisation will help in curbing black money	200	127	73	5329	26.645
3	Demonetisation was planned move of the government	200	134	66	4356	21.78
4	Demonetisation cause of inconvenience	200	213	-13	169	0.845

	to common people					
5	Difficult to use the new currency of Rs.2000 in the market	200	188	12	144	0.72
6	Currency ban has affected the poor, the middle class and the rich class equally across the country	200	117	83	6889	34.445
7	People ready to support the demonetisation	100	94	6	36	0.36
8	Demonetisation will help in controlling corruption	200	112	88	7744	38.72
9	Right time to take such a dashing decision?	100	85	15	225	2.25
10	Demonetization affected adversely on day to day life, work routine and family welfare of common man	200	192	8	64	0.32
11	Common man lost his faith in the government	200	167	33	1089	5.445
	Total					158.175

Degree of freedom =  $(n-1) = (11-1) = 10$

Level of confidence = 0.95 (95% significance level)

Chi square table value = 18.307

Calculated value is more than table value, hence, null hypothesis i.e. Common people of India are highly satisfied with the decision of Demonetization is accepted at 95% significance level.

## FINDINGS

1. Out of the total 127 respondents, 50.8% respondents mentioned that Government's efforts against corruption are satisfactory.
2. According to 50.8% of the respondents, Demonetisation will help in curbing black money.
3. 53.6% of the respondents mentioned that demonetization was a planned move.
4. 85.2% of the respondents mentioned that demonetisation cause of inconvenience to common people.
5. 75.2% of the respondents said that they find it difficult to use the new currency of Rs.2000 in the market.
6. According to 46.8% of the respondents, the currency ban adversely affected lower, middle and upper classes equally across the country

7. 37.6% of the respondents were ready to support the demonetisation
8. Only 44.8% respondents think the Demonetisation will help in controlling corruption
9. According to 34% of the respondents it is the right time to take such an important decision.
10. 76.8% of the respondents mentioned that demonetization affected adversely on their day to day life, work routine and family welfare.
11. Only 66.8% of the respondents said that the common man has lost his faith in the government.

## CONCLUSION

Demonetization has created positive and negative impact on the different sectors of the economy. There seemed to be a decline in the profit growth, a decline in sales volumes as well as GDP growth etc. But all the negative effect was short run effects. At the time of demonetization people faced so many problems in the exchange of currency notes. Some people are supporting the decision of demonetization still they are facing problems. The main objective of Demonetization is to reduce the Black money from India. There are so many issues related with black money in India, which cannot be solved though demonetization of currency.

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