

A Comparative Study of Pre and Post Impact of the Demonetization on the Public

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Abstract

This present paper analyses the impact of the demonetization in two phrases Pre and Post. The period of pre phrase is during the month November-December and the post phrase is after December. The present paper shows that how the people tackle the problem of demonetization, during that period, how they curtail their expenditure. The study reveals the dependence of the people on currency during pre-phrase. The paper also analyzes whether the digitalization proposed of the government work or not during the pre-phrase and post-phrase.

Keywords:- Paytm, BHIM, Digitalization

Introduction

Demonetization is referred to the withdrawal of old denomination currency from the economy and introduces the new denomination currency in the economy. There are two types of demonetization.

- Slow demonetization: - It refers to that situation where the government informs in advance that they declared demonetization at this particular time. In other words, in this case, public get information in advance about the demonetization and according to that, they prepare themselves in advance to face the demonetization well known. But there are certain disadvantages of slow demonetization like the people get alert and they convert their black money in white money before that time. That way the present government did not choose this type of demonetization, they go for another type.
- Surgical demonetization:- It refers to the situation where the government took sudden announcement about the demonetization. In this case, the government did not give any information in advance
Demonetization is the great decision which is enunciated by the Prime minister on 8th November 2016 through unscheduled live telecast address at 20:00 pm. According to the decision, all the currency, denomination of Rs 500 and Rs 1000 declared as no more legal tender currency except some area for the time being it is used like hospitals, transportation, railways etc.

Objective

- To analyze the impact of demonetization on the people
- A comparative study of Pre and Post Phases of demonetization
- To analyze digitalization and its outcome during this phases

Methodology

The study is based on the primary sources through direct personal investigation. For the analysis purpose, the researcher used various types of statistical tools are like the pie chart, graph etc.

Limitation

- Sampling technique used in a selection of sample is Non-Random Quota sampling.
- Sample size was restricted to 30
- This study was carried out among the peoples in the region of Dehradun district.

Review of Literature:-

- In 1946, first time RBI has taken the step of demonetizes higher currency of denomination notes of Rs 1000 & Rs 10,000. But RBI reintroduced in 1954.
- In 1978, notes were demonetized which was reintroduced in 1984.

Results and Discussion

This study is conducted in Dehradun, which is totally based on survey. A study is divided into two phases. The first phase analysis the impact of demonetization on the people during, November and December and the second phase of the study contain the impact of demonetization on people after the month of December. The study tells us about that how the propensity of the people gets affects by this demonetization. It contains types of a source on which study is based on the use of currency, use of apps, use of cards, etc.

Below the graph which reveals the use of currency during the demonetization and shows that how the people depend upon the different denomination. It contains two phases

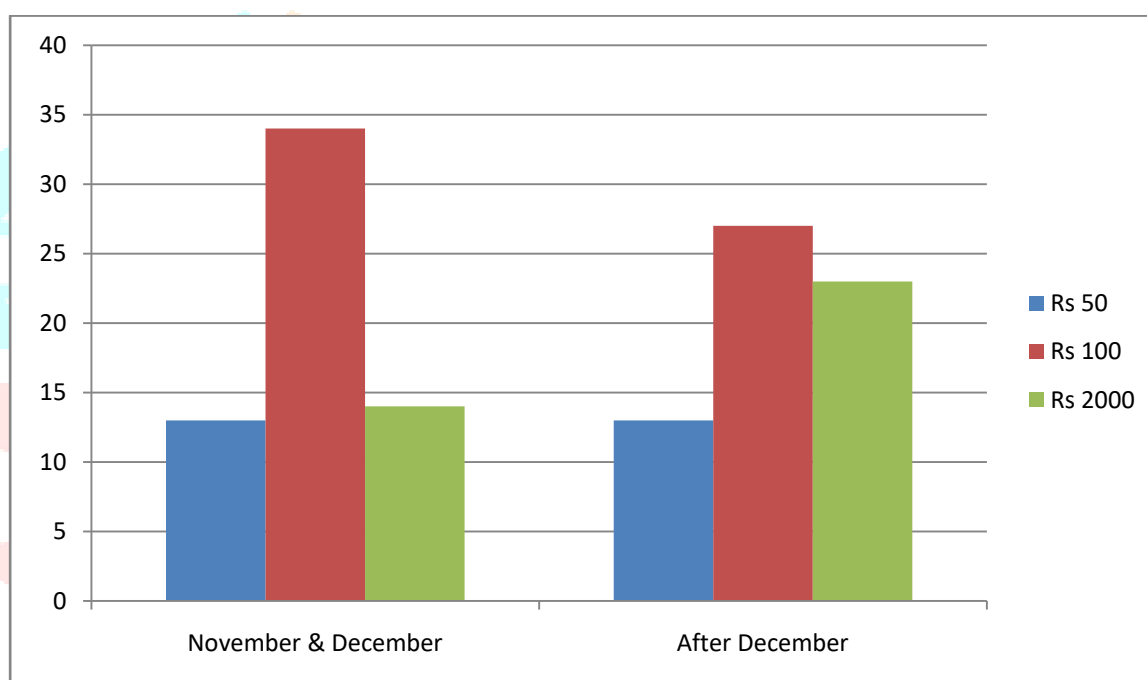


Figure.3:-Use of Currency

The above graph clearly shows that during the period of demonetization November and December the public totally depends upon the denomination of Rs 100 for their daily transaction because the small purchasing cannot be possible by the denomination of Rs 2,000. The reason is that the RBI didn't release the currency denomination of Rs 500 in the economy. During this period the denomination of Rs 100 plays an important role for the public. It is also seen that the use of denomination of Rs 50 and Rs 2,000 all most same in this period.

After December there is sudden change the in use of currency as shown in the above graph. There is suddenly decline in the currency of denomination of Rs100 as compared to earlier period November and December. The reason is quite simple the RBI release the currency denomination of Rs 500 in the economy and the public now is capable to do small purchasing by this denomination currency. By doing this we can also see that there is a sudden increase in the use of currency denomination of Rs 2,000 as compared to an earlier period whereas denomination of Rs 50 remains same as it in the earlier period.

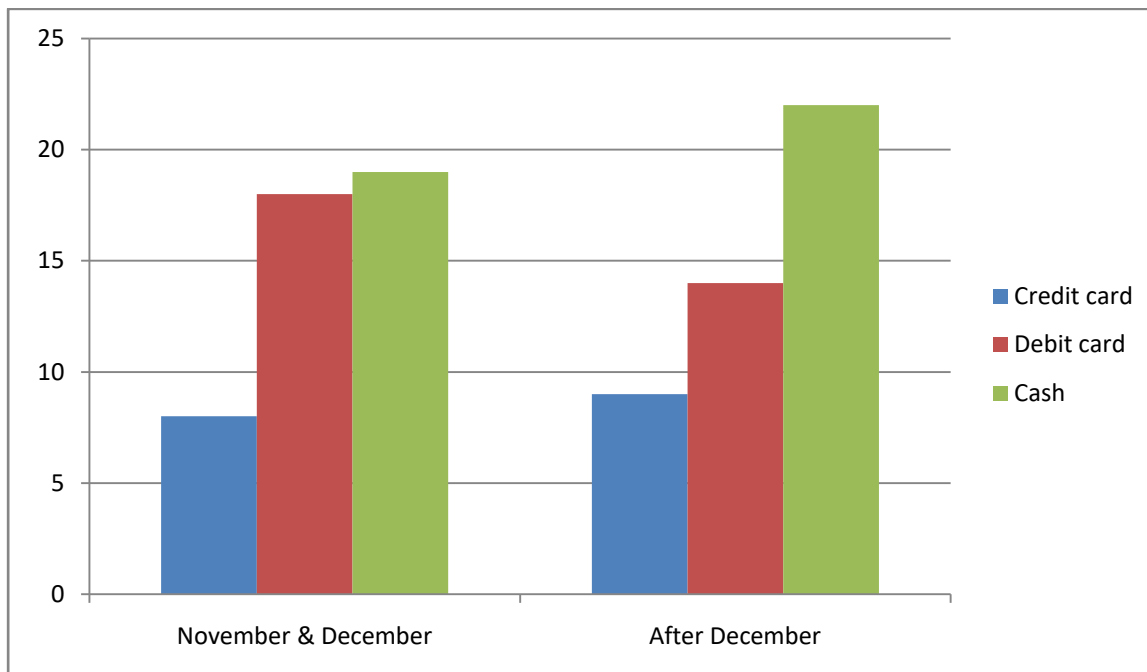


Figure.4:-Use of cards during demonetization

During the demonetization as we know that there are some difficulties for the public especially for the purchase of goods and services. So the above graphs make this picture clearly that how the people perform their purchasing by the use of various types of cards like credit, debit etc. From the above graph it is totally clear that during both phases the public totally depends upon the cash, but during the period of demonetization, public use the cash by some restriction and instead those who unable to use the cash they start using their debit cards for their purchasing or shopping. In this category generally, household are identified and the category falls under the use of credit cards is the businessman and it has remained all most same during both phases. After December there is the sudden change in the position of cash and use of debit cards, it shows that the use of cash increase in the economy and there is the decline in the use of debit cards from the earlier period. The reason is that every people get the money especially the denomination of Rs 500, by which they increase their purchases on the goods and services in the large quantity and the restriction on cash totally remove, by increasing the supply of money in the economy by the RBI.

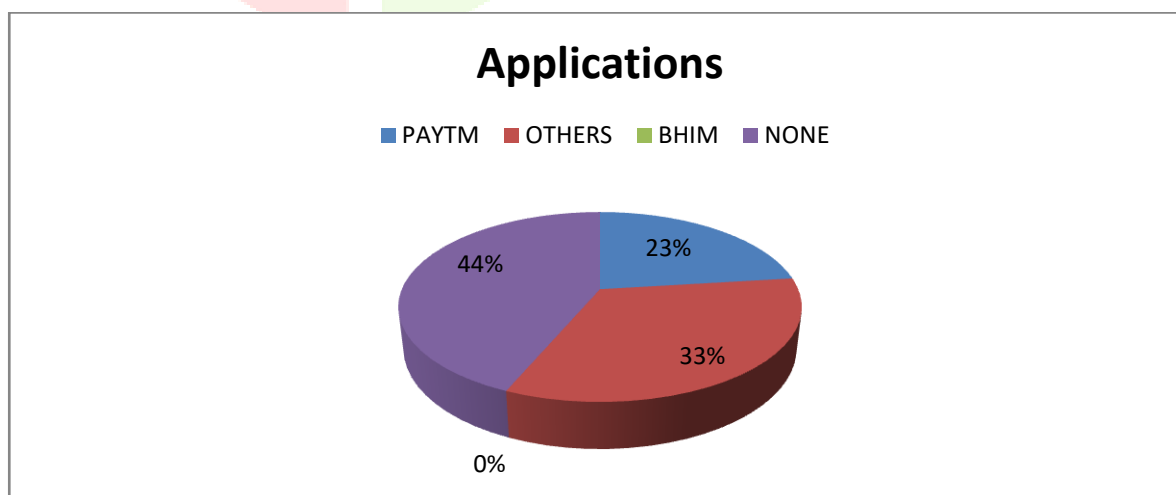


Figure.5:-Use of application during November and December

In the period of demonetization the government encourages the public for the digital payment in the economy by using various types of digital payment apps because there is a shortage of currency in the economy, to promote digitalization the government launch some application so that economy became

cashless, these apps like BHIM, PAYTM, others. But the results of this survey find quite different, the above pie chart shows the use of the different types of the application during this period. The study reveals that around 44% of the people didn't use any type of apps during this period while 23% people use the PAYTM app for the payment for their transaction, and remaining 33% people use some other payment apps for the transaction. But the apps BHIM (Bharat Interface For Money) have found no users, it may be happening because of it late launching on 30 December 2016.

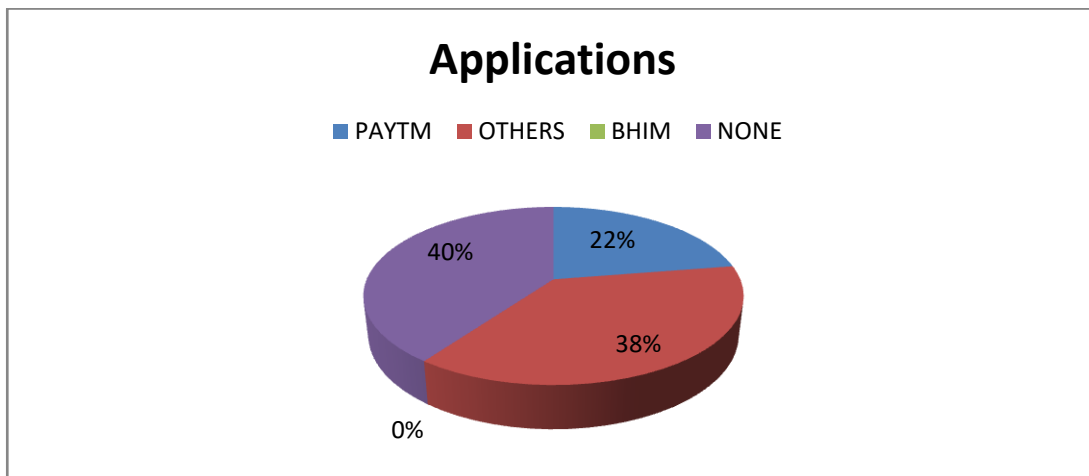


Figure.6:-Use of applications after December

The above chart reveals the study after the period (December) of demonetization, in this study result is different from the earlier period as there is decline in the users of the PAYTM apps by 1% and there is increase the users of others apps around 5%, and the situation of the BHIM app remaining same as it earlier, it happens because the people still have lack of knowledge about the applications uses, they don't know that how to use these apps and how it secure their payments. To solve this problem and to promote digitalization, there is a need for awareness among the public.

Now if we move towards digitalization, which is the very important step towards the cashless economy. In this survey around 75%, people agree with this digitalization as shown in the below graph. It also makes the clear picture about the postponed expenditure of the public during period

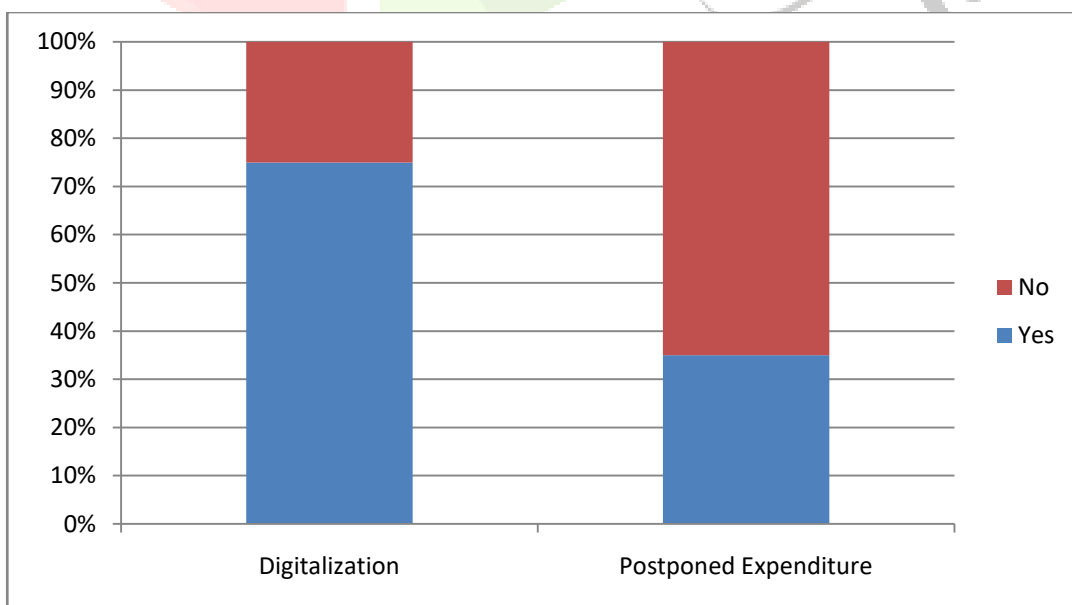


Figure.7 Digitalization & Postponed Expenditure

The above graph shows that the people are supporting this digitalization, but there are some people, who have postponed their expenditure around 35%. In this case marginal propensity to consume became low, but there is an increase in marginal propensity save. Around 65% person has no problem regarding their consumption, they continue with their consumption. In addition, this consumption may be continued either through cash or maybe through cards because of lack of data, we cannot say exactly how this consumption consumes by them.

Conclusion: - The case study revealed that during demonetization the people have to face some problem but that is manageable, there are some areas where the public have to cut down their consumptions, for the short time period. This problem is face because of delay in supply of denomination of Rs 500 in the economy. During this period the public just put a restriction on their daily consumption but still that, they manage to use cash and an only small section of the society is uses the cards for their transactions especially those who know about the uses of cards for purchase purposes. This process of demonetization encourages the public's to use the digital payment system, but as per study in the majority of cases, the public didn't use the application system. In the study, maximum people are supporting this digitalization but there are some loopholes in our economic system as our economy is not totally ready to become cashless. Achieving a 100% cashless society will never be possible, but one can always start from a less cash society and then move towards becoming mostly cashless.

Suggestion:-

- There is a need spread of awareness in the city that how to use these digital systems and how it works.
- Encourage digital transaction and banking habits among the people and improve the banking system
- The size of the informal economy needs to be curtailed. All payment to the workers in the informal sector with the business, contractors, landlords and other rich and higher middle classes houses have to be made digital.
- Proper cybersecurity, so that online payment is to make relatively risk-free and need strictness in the cyber laws. If the crime is conduct by the cyber then they get legally punish.

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