

A Study on Demonetization and Its Impact on Common People of Urban Warangal

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Abstract: The demonetization instigated by the current government had a great significant impact on the Indian economy. In spite of the fact that saying demonetization as noble move, several constrains has brought into existence with series of hurdles for the citizens of India which may are transitory. An attempt has been made to uncover impact of demonetization on the common people. Samples of 100 respondents were randomly selected from Warangal District. It has been found that different variables namely gender, age, Educational Qualification, annual income and occupation have significant relationship with the impact of demonetization. Primary data was obtained using the structured questionnaire method and interviewing people in various lines of work while secondary data was obtained through internet and literature review. In people's perception, the move taken out by the government may reduce the burden of black money and eliminates corruption, counterfeit money and terrorist activities that leads the nation towards electronic payment systems.

Keywords: Demonetization, Black Money, Impact, Implementation.

I. Introduction

Demonetization is the decision from the government declaring the currently running currency notes illegal to be tender. This movement will promote the country to become a cashless economy by boosting up the use of e-transactions and subsequently may eliminate black money and can control terrorist financing activity. At present, in India mostly money transactions upto 80% are done with cash economy and remaining 20% is using debit and credit cards and other electronic payment systems.

The Rs10,000 notes were the highest denomination ever printed by the Reserve Bank of India, introduced for the first time in 1938. Historically for the first time the process of demonetization was came into act in January 1946, all Rs1,000, Rs5,000, and Rs10,000 notes were taken out of circulation and were reintroduced in 1954. In January 1978, Wanchoo committee- a direct tax inquiry committee, suggested demonetization to counter against the spread of black money. In November 2016, the announcement of demonetization was done by declaring the taking out of circulation of Rs.500 and Rs.1,000 banknotes which were valued around Rs.14.18 trillion (US\$210 billion) that accounts nearly 86%. Demonetization was also tried by some other countries like Australia and USA and was successful in their attempts to put the movement for better development of their nations. Change in the currencies had a negative impact on nation economy and led to failure of such step in other countries like Nigeria (1984), Soviet Union, Ghana (1982), Zimbabwe (2010), North Korea (2010), Pakistan (2015), Myanmar (1987), Soviet Union (1991) and Zaire (1997).

The demonetization movement put forward by the government has positive impacts like anticorruption practices, attack on fake Currencies, improvement in banking System, reduction in Government Liability, reduction in tax rates and negative impacts include GDP in the short run, impact on sectors with high cash transactions, initial disturbance to create cashless infrastructure.

Aims of Demonetization

- The main endeavor of demonetization is to hold back the black money, corruption, fake currencies and terrorism in India.
- This courageous step taken by the central government may take the nation towards the digital economy and bringing back the unaccounted money.
- The spark decision of the government may affect the common public for some extent but it is appreciable for the long-term welfare of the country.

Objectives of study

1. To study the background and concept of demonetization in India.
 2. To study the demographic profile of the respondents in Warangal and to analyze the factors impacting the common public on demonetization .
 3. To interpret the findings of the study and conclude the impact of demonetization on people of Urban Warangal.
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II. Review of Literature

- The study of Sukanta Sarkar (2010) focused on the existence of causes and impacts of black money in India in his research a study on the parallel economy in India: Causes, impacts & government initiatives.
- The main objective of Tax Research Team (2016) is to analyze the impact of demonetization on Indian economy and in their working paper stated in favour of demonetization.
- “Chasing Black Money in India” by Samal, Kishore C (1992) stated the history of the various measures taken by the Government of India to mop up black money.
- Tripathi Ashish K (2016) in the paper, “Demonetisation challenges for Rural India” points out that demonetisation is superior but our financial system should be ready to change.

III. Methodology

Research design

The current study has been taken up based on the objectives and scope. Warangal District was selected as study area for this research. Primary data was collected through survey method with well structured, close ended questionnaire and personal interview with the respondents. Secondary data was collected from different websites, journals, books etc. Samples of 100 respondents which represent different categories of gender, age, and, occupation in Warangal District have been selected by using random sampling method.

Limitations of the Study

1. The sample size is limited and the study is restricted to the city of Warangal which may not be an adequate representation of the entire population and the result of the study cannot be generalized.
2. The consequences made respondents reluctant to share their information, so the responses might be biased.
3. The respondents were in a situation of not fully aware of the terms and motives taken by the government.
4. The respondents answered differently to the same question owing to discrepancy in understanding of the question.

IV. Analysis and Interpretation

1. Demographic Representation

a. Gender

S.No	Gender	No. of respondents
1.	Males	68
2.	Females	32
	Total	100

Interpretation: The data collected for this research work consisted of 68 males and 32 females collected through questionnaires.

b. Age:

S.No	Age	No. of respondents
1.	20-30	56
2.	30-40	21
3.	40-50	14
4.	50-60	7
5.	Above 60	2
	Total	100

Interpretation: Out of the total 100 respondents of the sample, majority of 56 respondents fall in the age category of under 20-30 years, 21 respondents fall in the age group 30 to 40 years, 14 respondents falls in the age group 40 to 50 years, 07 respondents falls in the age category of 50 to 60 years and 02 respondents falls in the age group of 60 years and above.

c. Marital Status

S. No	Marital Status	No. of respondents
1.	Married	29
2.	Unmarried	71
	Total	100

Interpretation: The sample size consists of 29 married respondents and 71 unmarried respondents.

d. Occupation

S. No	Occupation	No. of respondents
1.	Business	15
2.	Self-employed	10
3.	Professional	14
4.	Salaried Govt.	23
5.	Salaried Private	32
6.	Retired	06
	Total	100

Interpretation: Out of the total 100 respondents, 12 respondents have their occupation as Business, 10 of them are Self – employed, 14 respondents have their occupation as Professionals, 23 of the respondents are employed by the Government, 32 of the respondents are working in the private sector, 06 respondents are Retired, whereas 03 of the respondents does not respond to this question.

e. Educational Qualification

S. No	Qualification	No. of respondents
1.	Upto school level	11
2.	Under-Graduation	41
3.	Post-Graduation	46
4.	No Responses	02
	Total	100

Interpretation: Out of the total 100 respondents, majorly 46 of the respondents fall under post graduation level, 41 are undergraduates and 11 respondents are upto school level, whereas 02 of the respondents does not respond to this question.

f. Annual Income

S. No	Income	No. of respondents
1.	Up to Rs.1,00,000	12
2.	Rs.1,00,001 to Rs.2,50,000	39
3.	Above Rs.2,50,000	48
4.	No Responses	01

Interpretation: Out of the total 100 respondents, 48 of the respondents fall under the annual income above Rs.2,50,000, 39 of respondents were in between annual income of Rs.1,00,001 to Rs.2,50,000 and 12 respondents are with annual income upto Rs.1,00,000 and whereas 01 of the respondents does not respond to this question.

g. Impact of Demonetization

S. No	Impact	No. of Respondents	Percentage
1.	Low	02	02
2.	Moderate	09	09
3.	Positive	89	89

Interpretation: From the study, it has been found that 89 of the total respondents felt that the impact is positive, 09 respondents felt that the impact of demonetization is moderate and but 02 of the respondents felt that they are affected negatively. Thus, it can be concluded that a majority of the respondents felt that the process of demonetization is good and has a positive impact on the society.

h. Pace of Implementation

S.No	Implementation	No. of Respondents	Percentage
1.	Low	00	00
2.	Moderate	65	65
3.	Positive	35	35

Interpretation: With regards to the implementation, the majority of the respondents felt that the process is being implemented at a moderate pace while some felt that it is done at a fast pace and nobody thought that it has been done at a slow pace.

2. Relationship between the Demographic Profile of the Respondents, Impact and Implementation of Demonetization

a. Age and Impact

S.No	Age	Level of Awareness			Total	Positive %
		Low	Moderate	High		
1.	20-30	06	16	34	56	60.8
2.	30-40	03	01	17	21	80.9
3.	40-50	01	02	11	14	78.5
4.	50-60	00	04	03	07	42.8
5.	Above 60	00	01	01	02	50.0

Interpretation: Based on the above table, it can be concluded that, few respondents from different age groups have been negatively impacted by the move taken by the government. Surprisingly, the majority of percentage of 30 to 40 years age group shows that they are positively impacted. From the positive percentage, the impact is moderate within the age groups of 50 to 60 years and above.

Chi Square test for age and impact of demonetization:

H0: There is no significant relation between Age and Impact of Demonetization.

H1: There is a significant relation between Age and Impact of Demonetization.

Age and Impact	Age	20-30	30-40	40-50	50-60	Above 60	Grand total
Observed (O)	Low	06	03	01	00	00	100
	Moderate	16	01	02	04	01	
	High	34	17	11	03	01	
Expected (E)	Low	5.6	2.1	1.4	0.7	0.2	100
	Moderate	13.4	5.04	3.36	1.68	0.48	
	High	36.96	13.86	9.24	4.62	1.32	
(O-E)	Low	0.4	0.9	-0.4	-0.7	-0.2	Tabulated X ² 2.776
	Moderate	2.6	-4.04	-1.36	2.32	0.52	
	High	-2.96	36.96	1.76	-1.62	-0.32	
(O-E) ²	Low	0.16	0.81	0.16	0.49	0.04	Calculated X ² 13.05
	Moderate	6.76	16.32	1.84	5.38	0.27	
	High	8.76	9.85	3.09	2.62	0.10	
(O-E) ² /(E)	Low	0.02	0.38	0.42	0.7	0.2	Df4
	Moderate	0.50	3.23	0.54	3.20	0.56	
	High	0.23	0.71	0.33	0.61	1.42	

*significant at 5% percent level

Interpretation: At the 95 % level of confidence, the calculated X² is 13.05 which is greater than the tabulated X² which is 2.776. So the deviation is highly significant between age and the impact of demonetization and therefore, the null hypothesis is rejected.

b. Age and Implementation

S.No	Age	Level of Awareness			Total	Positive %
		Low	Moderate	High		
1.	20-30	10	27	19	56	34.0
2.	30-40	04	12	05	21	23.8
3.	40-50	03	09	02	14	14.2
4.	50-60	01	01	05	07	71.4
5.	Above 60	02	00	00	02	00.0

Interpretation: From the above given table, it can be said that based on the age group, a very few number of respondents have a negative view on the implementation process of demonetization. Based on the positive percentage, age groups of 20 to 30 years, 30 to 40 years, 40 to 50 years and 50 to 60 years shows many have a moderate view on the implementation of the process, whereas age group 50 to 60 years felt that the implementation is done positively at higher percentage. People above 60 years feel that it is a negative sign.

Chi Square test for age and Implementation of demonetization:

H0: There is no significant relation between Age and Implementation of Demonetization.

H1: There is a significant relation between Age and Implementation of Demonetization.

Age and Implementation	Age	20-30	30-40	40-50	50-60	Above 60	Grand total
Observed (O)	Low	10	04	03	01	02	100
	Moderate	27	12	09	01	00	
	High	19	05	02	05	00	
Expected (E)	Low	11.2	4.2	0.2	1.4	0.4	100
	Moderate	27.44	10.29	6.86	3.43	0.98	
	High	17.36	6.51	4.34	2.17	0.62	
(O-E)	Low	-1.2	-0.2	1.0	-0.4	-2.0	Tabulated X ² 2.776
	Moderate	-0.44	1.71	2.14	-2.43	-0.98	
	High	1.64	-1.51	-2.34	2.83	-0.62	
(O-E) ²	Low	1.44	0.04	17.64	0.04	1.96	Calculated X ² 161.227
	Moderate	0.193	2.92	105.89	47.1	11.77	
	High	2.68	2.28	42.38	18.9	4.70	
(O-E) ² /(E)	Low	0.13	0.09	88.2	0.02	4.9	Df4
	Moderate	0.007	0.28	15.4	13.73	11.93	
	High	0.15	0.35	9.76	8.70	7.58	

*significant at 5% percent level

Interpretation: At the 95 % level of confidence, the calculated X² is 161.227 which is greater than the tabulated X² which is 2.776. So the deviation is highly significant between age and the Implementation of demonetization and therefore, the null hypothesis is rejected.

c. Occupation and Impact

S.No	Occupation	Level of Awareness			Total	Positive %
		Low	Moderate	High		
1.	Business	00	07	08	15	53.4
2.	Self-employed	00	05	05	10	50.0
3.	Professional	00	05	09	14	64.3
4.	Salaried Govt.	00	17	06	23	26.1
5.	Salaried Private	00	25	07	32	21.8
6.	Retired	00	04	02	06	33.4

Interpretation: From the above table, it can be concluded that, demonetization was not shown any adverse impact over any individuals in any of the aforesaid occupational groups. This tells us that the move which has been taken by the government is considered in a positive light from people in all occupational categories.

Chi Square test for Occupation and Impact of demonetization:

H0: There is no significant relation between Occupation and Impact of Demonetization.

H1: There is a significant relation between Occupation and Impact of Demonetization.

Occupation and Impact	Occupation	Business	Self-employed	Professional	Salaried Govt.	Salaried Private	Retired	Grand total
Observed (O)	Low	00	00	00	00	00	00	100
	Moderate	07	05	05	17	25	04	
	High	08	05	09	16	07	02	
Expected (E)	Low	00	00	00	00	00	00	100
	Moderate	9.45	6.3	8.82	14.49	20.16	3.78	
	High	7.05	4.7	6.58	10.81	15.04	2.82	
(O-E)	Low	00	00	00	00	00	00	Tabulated X ² 2.571
	Moderate	-2.45	-1.3	-3.82	2.51	4.84	0.22	
	High	0.95	0.3	2.42	5.19	-8.04	-0.82	
(O-E) ²	Low	00	00	00	00	00	00	Calculated X ² 12.16
	Moderate	6.00	1.69	14.59	6.30	23.42	0.04	
	High	0.90	0.09	5.85	26.9	64.6	0.67	
(O-E) ² /(E)	Low	00	00	00	00	00	00	Df5
	Moderate	0.63	0.26	1.65	0.43	1.16	0.01	
	High	0.12	0.01	0.89	2.48	4.29	0.23	

*significant at 5% percent level

Interpretation: At the 95 % level of confidence, the calculated X² is 12.16 which is greater than the tabulated X² which is 2.571. So the deviation is highly significant between Occupation and the Impact of demonetization and therefore, the null hypothesis is rejected.

d. Occupation and Implementation

S.No	Occupation	Level of Awareness			Total	Positive %
		Low	Moderate	High		
1.	Business	00	11	04	15	26.7
2.	Self-employed	00	07	03	10	30.0
3.	Professional	00	10	04	14	28.5
4.	Salaried Govt.	00	12	11	23	47.8
5.	Salaried Private	00	20	12	32	37.5
6.	Retired	00	05	01	06	16.7

Interpretation: From the above table, it is seen that no respondents feel that the implementation of the demonetization process was dreadful. A majority of the respondents felt that the implementation was at a moderate pace. The occupation groups, Salaried Government and Private have a somewhat positive response whereas Business, professionals, self-employed employees and retired have more of a negative response with respect to the implementation of the process,

Chi Square test for Occupation and Implementation of demonetization:

H0: There is no significant relation between Occupation and Implementation of Demonetization.

H1: There is a significant relation between Occupation and Implementation of Demonetization.

Occupation and Implementation	Occupation	Business	Self-employed	Professional	Salaried Govt.	Salaried Private	Retired	Grand total
Observed (O)	Low	00	00	00	00	00	00	100
	Moderate	11	07	10	12	20	05	
	High	04	03	04	11	12	01	
Expected (E)	Low	00	00	00	00	00	00	100
	Moderate	9.75	6.5	9.1	14.95	20.8	3.9	
	High	5.25	3.5	4.9	8.05	11.2	2.10	
(O-E)	Low	00	00	00	00	00	00	Tabulated X ² 2.571
	Moderate	1.25	0.5	0.9	-2.95	-0.8	1.1	
	High	-1.25	-0.5	-0.9	2.95	0.8	-1.1	
(O-E) ²	Low	00	00	00	00	00	00	Calculated X ² 3.41
	Moderate	1.56	0.25	0.81	8.70	0.64	1.21	
	High	1.56	0.25	0.81	8.70	0.64	1.21	
(O-E) ² /(E)	Low	00	00	00	00	00	00	Df5
	Moderate	0.16	0.03	0.08	0.58	0.03	0.31	
	High	0.29	0.07	0.16	1.08	0.05	0.57	

*significant at 5% percent level

Interpretation: At the 95 % level of confidence, the calculated X² is 3.41 which is greater than the tabulated X² which is 2.571. So the deviation is highly significant between Occupation and the Implementation of demonetization and therefore, the null hypothesis is rejected.

Problem Faced By Common People during Demonetization

S.No	Problem Faced By Common People	YES	NO	Can't say	Total
1.	Standing in bank line	99	01	00	100
2.	Borrow money at high interest	19	43	38	100
3.	Spending from savings	69	21	10	100
4.	Insufficient Supply of new currency	92	03	05	100
5.	trouble to small business /entrepreneurs	75	10	15	100
6.	Influence on daily wage earners	73	19	08	100
7.	Affect on medical care	83	13	04	100
8.	Affect on family ceremonies	86	04	10	100

Interpretation: From the above table, most the respondents agreed that demonetization has affected and caused inconvenience to the people regarding medical care (83%), family ceremonies (86%) and it has also affected daily wage earners (73%), Job/business opportunity decreases (75%). It can be also seen that the move has led to shortage supply of cash (92%). Most of the local peoples were agree with situation like Standing in bank line (99%) and spending from savings (69%). Some hype was also wide-spread regarding borrow money at high interest (43%), which was strongly denied by the people.

V. Findings

1. From the study, it was found that (where the total respondents are 100, and out of that 32 are females and 68 are males). The majority of the respondents are accepting the move taken by the government which may take the country to step forward in development and few of them do not support due to their inconvenience.
2. The process of demonetization is at first-rate and has a positive impact on the society. 89 of the respondents felt that the impact is positive, 09 of them felt that the impact of demonetization is moderate and 02 of the respondents felt that they are affected negatively.
3. A majority of the respondents are more positive about the government and believe that this move can improve the economy of the nation. According to people response, the level of problem created by sudden demonetization is somewhat high and moderate.
4. Almost all age groups have positive high impact score and moderate in implementation of the process.
5. The percentage of positive impact for all categories of occupations is either moderate or high impact. With respect to the implementation of the process, Occupation groups like Business, Salaried Government and Private have a positive response whereas professionals and self-employed employees have more of a negative response.

VI. Conclusion

Based on the survey, we found that there is an impact of demonetization on the lives of common people in the study area. Even though the people got exaggerated on this move, they still supported the demonetization step taken by the government. In their perception, it is only a temporary issue and this could put forward the nation to eradicate black money. Implementation of demonetization seems to be sharp and sudden but the decision may bring long lasting changes in Indian economy that reduces corruption and encourages alternative electronic payments that creates an efficient cashless infrastructure in India.

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