

IMPACT OF DEMONETISATION ON THE GENERAL PUBLIC

Dr V Shanthi

Associate Professor and Head
Department of Corporate Secretaryship
Ethiraj College for Women, Chennai – 600 008

Abstract: *The call to demonetise high value currencies came as a shock to the general public with its secrecy and surprise announcement by the Government in November, 2016. The decision made more than 86% of the money in the economy to a valueless piece of paper overnight. But it is laudable on the part of the Government on the level of secrecy maintained by it. It is crystal clear from the series of events taken place in the couple of years that Demonetisation 2016 was not a sudden but a well-crafted strategy to ensure minimal disruptions in the economy and it had considered as a good chance for the people and the economy as a whole to get cleansed from various anti-social evils like black money, counterfeit notes, etc.*

Keywords: *Demonetisation, Black Money, Counterfeit notes, Digitalisation.*

INTRODUCTION

Digitalisation being one of the main agenda of Demonetisation 2016, the economy witnessed large amount of high denomination currencies entering the banking system. The focus now is on how to increase the adoption of electronic payments at all levels—from households upwards. Despite the growth in the technological front there were many infrastructural and economic constraints in accelerating digitalisation. The main question is whether it was necessary to put the economy through this toilsome activity in order to move towards digitalisation. Digitalisation of payments is a process that has been underway in India for a decade and more. It has made considerable progress in transactions between companies in the organised sector and among those comfortable with electronic form of payment.

STRATEGIES TO COPE WITH THE IMMEDIATE EFFECTS OF DEMONETISATION

- Stringent use of cash. Cash should be used only to purchase products that are essential. Any big spend in cash must be postponed
- Use of debit and credit cards wherever possible
- Use Net banking or cheques for fund transfer
- Avoid hoarding of cash
- Prefer bank transactions to cash transactions
- Be tax compliant
- Don't help in the conversion of black money into white

REVIEW OF LITERATURE

Press Trust of India (PTI), WASHINGTON (2017) The World Bank had stated that the adverse effects of demonetisation in India will disappear in the medium term, with short-term costs. Ayhan Kose, the Director of Development Prospects Group at the World Bank told that any reform has short-term costs but ultimately would bring long-term gains. In India, it is expected that the adverse effects of these changing of notes would basically disappear in the medium term. In the latest report, the World Bank revised its estimates of India's growth rate in 2016-17 fiscal years from previous projection of 7.6% to 7%. But, Kose said the World Bank is expecting growth picking up over the period Financial Year (FY) 18 and Financial Year (FY) 19, supported by private consumption, infrastructure spending and a rebound in investment growth. It was stated that India has already undertaken a wide range of reforms.

Prime Minister Narendra Modi (2017) said that while addressing the media that Black money has all been forced out into the open, whomsoever it may belong to - whether it is corrupt politicians, bureaucrats, businessmen or professionals. Counterfeit notes, which the intelligence agencies had reported to be available in high volumes with the enemy countries, had been instantly neutralised.

OBJECTIVES OF THE STUDY

- To study the perception of Demonetisation and its impact between the different employment status of the respondents
- To study the perceived causes of Demonetisation and their impact on Demonetisation
- To study the sector wise impact of Demonetisation

METHODOLOGY

This paper aims to analyse the effect of Demonetisation on the general public. The sample for this study comprises 200 people from Chennai. Random sampling was employed. The methodology includes ANOVA, Chi-square and Friedman's Rank test.

PERCEPTION OF DEMONETISATION AND ITS IMPACT BETWEEN THE DIFFERENT EMPLOYMENT STATUS OF THE RESPONDENTS

NULL HYPOTHESIS: There is no significant difference in the perception of demonetisation and its impact between the different employment status of the respondents

ANOVA for significant difference in the perception of demonetisation and its impact between the different employment status of the respondents

Constructs of Demonetisation		Occupation					
		Government	Private	Self Employed	Home maker	F value	P value
Objective Achievement	Mean	11.48	9.76	10.15	10.04	3.464	.017
	SD	(2.54)	(2.43)	(2.11)	(1.99)		
Effect on Economy	Mean	14.09	12.32	13.29	12.65	4.486	.005
	SD	(2.59)	(2.43)	(2.11)	(2.17)		
Effect on Common People	Mean	18.74	15.77	17.31	16.00	6.263	.000
	SD	(4.06)	(3.30)	(3.10)	(3.19)		
Implementation	Mean	19.09	16.89	18.02	17.46	4.858	.003
	SD	(2.86)	(2.67)	(2.69)	(2.96)		
Overall Impact of Demonetisation	Mean	63.39	54.74	58.77	56.15	7.672	.000
	SD	(10.19)	(8.68)	(7.60)	(7.06)		

Since the P value is less than .05 the null hypothesis is rejected at 5% level indicating that there is a significant difference in the perception of demonetisation constructs and its impact between the different employment status of the respondents. The perception of demonetisation varies for different employment status relating to the constructs - objectives accomplished, effect on economy, effect on common people, overall impact of demonetisation and implementation.

PERCEIVED CAUSES OF DEMONETISATION AND THEIR LEVEL OF IMPACT

NULL HYPOTHESIS: There is no significant difference between the perceived causes of demonetisation and their impact on demonetisation

Chi-Square test for association between the Objectives of demonetisation and on their level of impact

Perceived Causes of Demonetisation	Level of impact of Demonetisation				Chi square value	P value
	Low	Moderate	High	Total		
Black money	34	83	40	157	16.864	0.10
	21.7%	52.9%	25.5%	100.0%		
	64.2%	86.5%	78.4%	78.5%		
Terrorism	4	3	2	9		
	44.4%	33.3%	22.2%	100.0%		
	7.5%	3.1%	3.9%	4.5%		
Counterfeit notes	3	4	6	13		
	23.1%	30.8%	46.2%	100.0%		
	5.7%	4.2%	11.8%	6.5%		
Digitalisation	12	6	3	21		
	57.1%	28.6%	14.3%	100.0%		
	22.6%	6.3%	5.9%	10.5%		
Total	53	96	51	200		
	26.5%	48.0%	25.5%	100.0%		
	100.0%	100.0%	100.0%	100.0%		

The Chi-square value of 16.864 with a P value of .01 indicates that the null hypothesis is rejected at 5% level. There is a significant relationship between perceived causes of demonetisation and their impact on demonetisation. 52.9% opined that black money would create a moderate level of impact of demonetisation, counterfeit notes (46.2%) a high level of impact, terrorism (44.4%) along with Digitalisation (57.1%) a low level of impact.

SECTOR WISE IMPACT OF DEMONETISATION

NULL HYPOTHESIS: There is no significant difference in the impact of demonetisation on the various sectors

Friedman's Rank Test for significant difference in the impact of demonetisation on the various sectors

Sector	Mean Value	Mean Rank	Chi square value	P value
Agriculture	4.52	1		

Real Estate	4.55	2	136.9	.000
Hotel	4.74	3		
Manufacturing	4.9	4		
Transport	5.31	5		
Service Sector	5.68	6		
Pharmaceuticals	5.7	7		
Automobile	6.29	8		
Tourism	6.49	9		
Education	6.83	10		

Since the P value is less than 0.05, the null hypothesis is rejected. Hence, it can be concluded that there is a significant difference in the impact of demonetisation on the various sectors as indicated by the mean ranks. Based on the mean ranks Agriculture (4.52) is ranked first followed by Real estate (4.55), Hotel (4.74), Manufacturing (4.90), Transport (5.31), Service sector (5.68), Pharmaceuticals (5.70), Automobile (6.29), Tourism (6.49) and Education (6.83). Hence, it is concluded that the primarily worst affected sectors of the economy are – Agriculture, Real Estate and Hotel while the least affected being Education sector.

FINDINGS

- The perception of demonetisation varies for different employment status relating to the constructs - objectives accomplished, effect on economy, effect on common people, overall impact of demonetisation and implementation.
- There is a significant relationship between perceived causes of demonetisation and their impact on demonetisation. Based on the row percentage a maximum of 52.9% opined that black money would create a moderate level of impact of demonetisation, counterfeit notes (46.2%) a high level of impact, terrorism (44.4%) along with Digitalisation (57.1%) a low level of impact.
- There is a significant difference in the impact of demonetisation on the various sectors as indicated by the mean ranks. Based on the mean ranks it is concluded that the primarily worst affected sectors of the economy are – Agriculture, Real Estate and Hotel while the least affected is Education.

CONCLUSION

A step like this may result in the cleaning up of a system for which many believed it could not be done, as earlier attempts did not have significant impact. Demonetization is a small measure with a small price to pay for the bigger goal of flushing out the entire black money from the country. This is what the people of this country were demanding for a long time and it has finally happened. Nations were never built in a day and stepping-stones like this may not be easy to traverse but are essential to reach the final destination.

REFERENCES

- [1] https://www.huffingtonpost.in/2017/01/11/world-bank-revises-indias-growth-rate-to-7-after-demonetisatio_a_21652484/
- [2] <https://www.indiatoday.in/india/story/exclusive-pm-narendra-modi-newsmaker-of-the-year-first-since-demonetisation-360208-2016-12-29>