

A STUDY ON DEMONETIZATION OF HIGHER DENOMINATION INDIAN CURRENCY IN 2016

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Abstract Demonetization of Higher Denomination currency in India was announced on Nov 8, 2016. The unprecedented move announced by the Prime Minister of India in an untimely Television interview had affected the common people in many ways. From standing in long queue outside the ATM's and running from pillar to post to get change for the new 2000 Rs note common man of this country had suffered much. The objectives of Demonetization were to curb corruption and terrorism funding and this scheme was hailed as the tool to fight the war against Black money. Initially the move received huge applause from wide range of people from Economists to bankers and also the common man and woman of this county gave thumbs up to the scheme on all social media. But the aftermath of the implementation raised several eye brows. Was this scheme an ill advised one? Economists like Dr. Manmohan singh calling this scheme a monumental mismanagement and legalized plunder. This study aims to find the opinion of people on Demonetization and whether it had achieved the stated objectives. Let us go through the views of the people and analyze whether Demonetization of higher denomination currency in 2016- A Boon or Bane. This study is empirical in nature and the primary data is collected through structured questionnaires

Key words: *Demonetization, Corruption, Black money, A Bane or Boon*

INTRODUCTION

On 8 November 2016, the Government of India announced the demonetization of all 500 (US\$7.40) and 1,000 (US\$15) banknotes of the Mahatma Gandhi Series. The government claimed that the action would curtail the shadow economy and crack down on the use of illicit and counterfeit cash to fund illegal activity and terrorism. The sudden nature of the announcement and the prolonged cash shortages in the weeks that followed created significant disruption throughout the economy, threatening economic output. The move was heavily criticized as poorly planned and unfair, and was met with protests, litigation, and strikes.

Prime Minister of India Narendra Modi announced the demonetization in an unscheduled live televised address at 20:00 Indian Standard Time (IST) on 8 November. In the announcement, Modi declared that use of all 500 and 1000 banknotes of the Mahatma Gandhi Series would be invalid past midnight, and announced the issuance of new 500 and 2000 banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes.

The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the very next day after the announcement. In the days following the demonetization, the country faced severe cash shortages with severe detrimental effects across the economy. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash.

Initially, the move received support from several bankers as well as from some international commentators. It was heavily criticized by members of the opposition parties, leading to debates in both houses of parliament and triggering organized protests against the government in several places across India. The move is considered to have reduced the country's GDP and industrial production. As the cash shortages grew in the weeks following the move, the demonetization was heavily criticized by prominent economists and by world media. In this research work the researcher tried to find the views of people on Demonetization.

OBJECTIVES OF THE STUDY

1. To understand and identify the views of people on demonetization
2. To identify whether the scheme demonetization has met its specified advantages
3. To find out if there is a significant difference in the Initial opinion of people on Demonetization and their opinion after it is implemented

REVIEW OF LITERATURE

Arpit Guru and Shruti Kahanijow (2010)¹ researcher analyzed the black money income and said that black money is spread everywhere in India up to a large extent which continuously stashed towards abroad in a very large amount. The researcher also identified how black money had caused menaces in our economy and in what ways it is used.

Sukanta Sarkar (2010)² conducted a study on the parallel economy in India its Causes, impacts & Government initiatives in which the researcher focused on the existence of causes and impacts of black money in India. According to the study, the main reason behind the generation of black money is the Indian Political System i.e. Indian government just focused on making committees rather than to implement it. The study concludes that laws should be implemented properly to control black money in our economy.

Tax Research Team (2016)³ in their working paper stated in favor of demonetization its main objective is to analyze the impact of demonetization on Indian economy. This paper shows the impact of such a move on the availability of credit, spending, and level of activity and government finances

Alvares, Clifford (2009)⁴ in their reports “The problem regarding fake currency in India.” It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes

POPULATION AND SAMPLE SIZE

❖ Non Probability sampling was used by the researcher and in that convenient sampling was used

The researcher has used survey method to collect information from the respondents. Some questionnaire was distributed through Google doc. Information is collected from 110 respondents There were about 20 questions and information was collected from Students, Working men and women, Home makers, Retired people And businessmen and convenient sampling was followed where sample size consists of 35 Male and 75 Female. The questionnaires were distributed to them and primary data was collected accordingly. Respondents were divided on the basis of their age starting from twenty one.

TESTING OF HYPOTHESIS

HYPOTHESIS: 1

Ho: There is no association between demonetization and its negative impact on economy

H1: There is association between demonetization and its negative impact on economy

Table 1		DEMONETIZATION HAD LEAD TO SLOWDOWN IN ECONOMIC ACTIVITY					Chi square	P value
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	0.046	9.678
DEMONETIZATION	A BANE	26	43	8	3	1		
	A BOON	4	14	7	4	0		

INFERENCE

In the above Chi- Square table the P value is 0.046 for Demonetization and its Negative impact on Economy. The P value is below the significance value of 0.05. Therefore the Null Hypothesis Ho is rejected and Alternative Hypothesis H1 is accepted. Therefore **it is accepted that there is association between Demonetization and the negative impact on Economy.** In other words Demonetization had negatively affected the Economy.

HYPOTHESIS: 2

Ho: There is no association between demonetization and eradication of black money

H1: There is association between demonetization and eradication of black money

Table 2		DEMONETIZATION HAD ERADICATED BLACK MONEY					Chi square	P value
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	0.267	5.200
DEMONETIZATION	A BANE	1	8	20	31	21		
	A BOON	1	7	8	8	5		

INFERENCE

In the above Chi- Square table the P value is **0.267** for Demonetization and Eradication of black money. The P value is above the significance value of 0.05. Therefore the Null Hypothesis Ho is accepted and Alternative Hypothesis H1 is rejected. Therefore **it is accepted that there is no association between Demonetization and Eradication of Black money.** In other words Demonetization had not eradicated Black money.

HYPOTHESIS: 3

Ho: There is no association between demonetization and reduction in circulation of counterfeit currency

H1: There is association between demonetization and reduction in circulation of counterfeit currency

Table 3		DEMONETIZATION REDUCED THE CIRCULATION OF COUNTERFEIT CURRENCY					Chi square	P value
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	0.066	8.815
DEMONETIZATION	A BANE	3	27	19	21	11		
	A BOON	3	9	12	5	0		

INFERENCE

In the above Chi- Square table the P value is **0.066** for Demonetization and Reduction in circulation of Counterfeit currency. The P value is above the significance value of 0.05. Therefore the Null Hypothesis Ho is accepted and Alternative Hypothesis H1 is rejected. Therefore **it is accepted that there is no association between Demonetization and Reduction in circulation of Counterfeit currency.** In other words Demonetization had not reduced the circulation of Counterfeit currency.

HYPOTHESIS: 4

Ho: There is no association between demonetization and reduction in terrorism to certain extent

H1: There is association between demonetization and reduction in terrorism to certain extent

Table 4		DEMONETIZATION REDUCED TERRORISM TO A CERTAIN EXTEND					Chi square	P value
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree		
DEMONETIZATION	A BANE	1	18	18	26	18	0.081	8.293
	A BOON	3	8	8	8	2		

INFERENCE

In the above Chi- Square table the P value is **0.081** for Demonetization and Reduction in Terrorism to certain extent. The P value is above the significance value of 0.05. Therefore the Null Hypothesis Ho is accepted and Alternative Hypothesis H1 is rejected. Therefore **it is accepted that there is no association between Demonetization and Reduction in Terrorist activities.** In other words Demonetization had not reduced Terrorist activities.

HYPOTHESIS: 5

Ho: There is no association between demonetization and corruption free India

H1: There is association between demonetization and corruption free India

Table 5		DEMONETIZATION ALONE CAN MAKE INDIA FREE FROM CORRUPTION					Chi square	P value
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree		
DEMONETIZATION	A BANE	1	6	10	33	31	0.210	5.864
	A BOON	3	3	4	11	8		

INFERENCE

In the above Chi- Square table the P value is **0.210** for Demonetization and it alone can make India free from corruption. The P value is above the significance value of 0.05. Therefore the Null Hypothesis Ho is accepted and Alternative Hypothesis H1 is rejected. Therefore **it is accepted that there is no association between Demonetization and Corruption free India.** In other words Demonetization alone cannot make India free from corruption.

HYPOTHESIS: 6

Ho: There is no association between demonetization and monumental mismanagement associated with it

H1: There is association between demonetization and monumental mismanagement associated with it

Table 6		DEMONETIZATION IS A MONUMENTAL MISMANAGEMENT AND BLUNDER					Chi square	P value
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree		
DEMONETIZATION	A BANE	22	26	19	12	2	0.038	10.151
	A BOON	2	7	8	11	1		

INFERENCE

In the above Chi- Square table the P value is **0.038** for Demonetization and whether it is a monumental mismanagement and blunder. The P value is below the significance value of 0.05. Therefore the Null Hypothesis Ho is rejected and Alternative Hypothesis H1 is accepted. Therefore **it is accepted that there is association between Demonetization and monumental mismanagement and blunder associated with it.** In other words Demonetization is a monumental mismanagement and blunder.

ANOVA**HYPOTHESIS: 7**

Ho: There is no significant difference in initial opinion of people on demonetization when it was announced and their opinion after it is implemented

H1: There is significant difference in initial opinion of people on demonetization when it was announced and their opinion after it is implemented

ANOVA TABLE

Table 7	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.819	1	10.819	8.071	0.005
Within Groups	144.781	108	1.341		
Total	155.600	109			

(Source: Computed Data)

INFERENCE

In the above ANOVA table the P value for Initial opinion of people on Demonetization and their opinion after it is implemented is 0.005. The P value is below the significance value of 0.05. Therefore the Null Hypothesis H_0 is rejected and Alternate Hypothesis H_1 is accepted. This shows that **there is significant difference between Initial opinion of people on Demonetization and their opinion after it is implemented.**

CORRELATION HYPOTHESIS: 8

H_0 : There is no relationship between demonetization a monumental mismanagement and slowdown in economic activity

H_1 : There is relationship between demonetization a monumental mismanagement and slowdown in economic activity

CORRELATION

Table 8		DEMONETIZATION IS A MONUMENTAL MISMANAGEMENT AND BLUNDER	DEMONETIZATION HAD LEAD TO SLOWDOWN IN ECONOMIC ACTIVITY
DEMONETIZATION IS A MONUMENTAL MISMANAGEMENT AND BLUNDER	Pearson Correlation	1	0.402**
	Sig. (2-tailed)		.000
	N	110	110
DEMONETIZATION HAD LEAD TO SLOWDOWN IN ECONOMIC ACTIVITY	Pearson Correlation	0.402**	1
	Sig. (2-tailed)	.000	
	N	110	110

(Source: Computed Data)

INFERENCE

Looking at the above table the P value is less than 0.05 for the correlation between Demonetization a monumental mismanagement and slowdown in economic activity. Hence the hypothesis "There is no relationship between Demonetization a monumental mismanagement and slowdown in economic activity" is disproved. The above table shows a **positive correlation between Demonetization a monumental mismanagement and slowdown in economic activity. But the correlation value is 0.4.** This shows that there is a low correlation between Demonetization a monumental mismanagement and slowdown in economic activity.

CONCLUSION

"73.6% of the respondents rated Demonetization scheme as Bane and 26.4% of the respondents rated it as Boon"

The Intention of our Prime Minister was right. We need to end Corruption, Black money, Reduce terrorism funding, Fake currency racket to develop our country and to protect our Nation. But the scheme of Demonetization is not the right one.

Demonetization did not fulfill the promises made by our Prime Minister. It only added to the misery of common man. To end Corruption and the evils of Black money structural reforms must take place in our Country. Bureaucrats must not be controlled by the Politicians. Qualification should be there for Cabinet Ministers and other Ministers. For example Finance Minister must hold a degree in Finance and other Ministers must hold a degree in relation to their Portfolio. Change the view of people that Politics is for bad people and it is a dirty pit. Educated Indians must come forward to contest elections. People contesting for election should not have any criminal proceedings against them. Do not favor Politicians and Businessmen they have Black money and not the common man of this country. Introduce strict laws to take action against people caught in corruption charges. Do not give Bribe and finally the people of this country must wake up **“DO NOT VOTE FOR NOTE”** Think twice before you vote. Only when these changes take place in our Country **we can make India a better place to live** Free from corruption, Black money, Fake currency and Terrorism.

“DEMONETIZATION IS ORGANIZED LOOT A LEGALIZED PLUNDER AND A MONUMENTAL MISMANAGEMENT”

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