

Perception Measure for the Effect of Demonetization on Common Man

Krishan Kumar*

Lecturer in Commerce, Government Senior Secondary School Tohana, Fatehabad

Abstract – This study has been attempted to assess the impact demonetization had on the lives and daily lifestyle of the common man in India. The study analyzes the impact through the various parameters which are an important part of the life structure of the Common Man in India. The study also facilitates to have a glimpse regarding the various demographic parameters that have been affected by the demonetization like the age group, occupation, locality, annual income. The findings of the study may be limited but it can definitely provide an overview of the impact that demonetization has had of common man in India. It also provides a narrow perspective response of the common man towards the demonetization, that is, whether they believe it to be good for them or the other way round. Descriptive Research design has been used by the researcher to express the data about the problem that is being studied. For achieving the objectives of the study data has been collected by primary as well as secondary sources.

Keywords: Demonetisation, Withdrawal Limits, Mobile Wallets.

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INTRODUCTION

On the heels of The Undisclosed Foreign Income and Assets (Imposition of Tax) act of 2015; and the Income Disclosure Scheme of 2016, the Narendra Modi government has announced demonetization of 500 and 1000 currency, which has been referred as a masterstroke by many experts. Demonetization refers to the decision of the RBI / Government of India to recall the prominence of a currency note to be used as a legal tender as the monetary worth they carry is ensured by RBI and once the monetary worth has been revoked or demonetized, the currency note cannot be used. Globally, the central banks pursue a practice wherein former currency notes are recalled and new currency notes with intensified security features are issued so as to overcome the peril of counterfeit currency.

This is only the second-time post-Independence (even afore Independence demonetization was done in 1946) that the measure such as demonetization has been declared. The last time this was done was in 1978 under Morarji Desai Government when 1000, 5000 and 10000 notes were demonetized.

EXCHANGE OF OLD NOTES

The Reserve Bank of India stipulated a window of fifty days until 30 December 2016 to deposit the demonetized banknotes as credit in bank accounts. The banknotes could also be exchanged over the

counter of bank branches up to a limit that varied over the days:

Initially, the limit was fixed at 2,000 per person from 8 to 13 November.

This limit was increased to 4,500 per person from 14 to 17 November.

The limit was reduced to 2,000 per person from 18 November.

All exchange of banknotes was abruptly stopped from 25 November 2016.

WITHDRAWAL LIMITS

Cash withdrawals from bank accounts were restricted to 10,000 per day and 20,000 per week per account from 10 to 13 November. This limit was increased to 24,000 per week from 14 November 2016. A daily limit on withdrawals from ATMs was also imposed varying from 2,000 per day till 14 November, and 2,500 per day till 31 December. This limit was increased to 4,500 per day from January 1, and again to 10,000 from January 16, 2017. Limits placed vide the circulars cited above on cash withdrawals from Current accounts/ Cash credit accounts/ Overdraft accounts stand withdrawn with immediate effect. The limits on Savings Bank accounts will continue for the present and are under consideration for withdrawal in the near future. Limits vide the circulars cited above

placed on cash withdrawals from ATMs stand withdrawn from February 1, 2017. However, banks may, at their discretion, have their own operating limits as was the case before November 8, 2016.

EXCEPTIONS

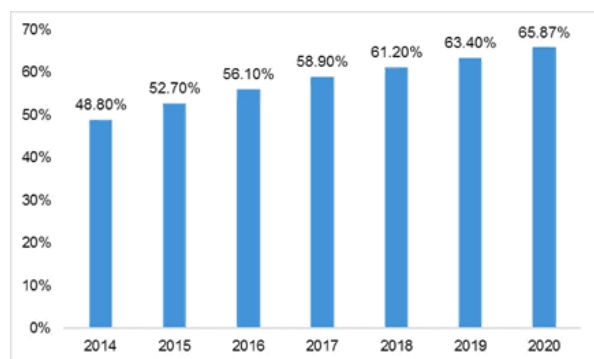
Under the revised guidelines issued on 17 November 2016, families were allowed to withdraw 250,000 (2.5 lakh) for wedding expenses from one account provided it was KYC compliant. The rules were also changed for farmers who are permitted to withdraw 25,000 per week from their accounts against crop loans.

DEMONETIZATION, MOBILE WALLETS AND DIGITAL INDIA

Erstwhile, digital disconnect has been a supreme defiance in India, as many have favored transacting in cash instead of making use of bank transactions and plastic money. With demonetization in effect, several digital payment solution providers have created innovative ways to captivate new customers. The result has been mobile wallets like Paytm witnessing 200 percent increase in app download numbers, and Ola Money seeing a 1,500 percent increase in wallet recharges. These digital wallets not only help in paying electricity, DTH, and transport bills, but they also facilitate payments at nearby mom-and-pop stores that are already registered for these services.

The vision of associating Indians through digital media has been further encouraged by this move on the part of the government. The m-wallet (mobile wallet) segment broadly consists of services related to banking transactions, transfer of money as well as value-added services like bill payments, shopping, ticketing, etc. Of these services, m-wallets are primarily used for the transferring money, followed by the payment of bills.

Global mobile phone internet user penetration 2014-2020



Source: Technavio

Until recently, a meagerness of felicitous infrastructure was contemplated as a major road

block for the vision of **Digital India**, but with the launch of 4G internet along with the present use of 3G internet and increased mobile penetration, it seems that, in less than a decade, many Indians will swap to a digital medium for financial transactions. Mobile as a point of sale (**PoS**), point of purchase and point of acceptance have the likelihood to mitigate the digital divide between urban and rural India, along with drawing the masses into the net of **financial inclusion**. India is poised to witness a major revamp of its economy through the filling in of current loopholes in the financial system and the channeling of the money market through better organized mediums.

LITERATURE REVIEW

Former Prime Minister and a noted economist Dr. Manmohan Singh termed the move initiated by the current Prime Minister Narendra Modi as hollow and disastrous for the Indian Economy in the long run. He had predicted in November only that the process of demonetization will cut off India's GDP by 2% and supported the claim with evidences that almost all the rating agencies had put down growth estimates from 7.6% to 7% and as low as 6.3% and As a consequence, employment in fall in agriculture and informal sector, which contributes 45% to the national income. Also, it is important to take note of grievances of the ordinary people who have suffered as a result of this imposition on the country overnight by the Prime Minister. Modi had asked for a period of 50 days of cooperation towards demonetization; but for the poor and deprived sections of the society, 50 day period can be torturous and hence, about 60 to 65 people had lost their lives

Zoya Hasan, TOI, stated that as a result of demonetization, nearly 86% of the currency in the economy powered by cash transactions, with 54% people without bank accounts, was wiped out in a single stroke. The move disrupted the lives of the ordinary people, led to widespread hardship for the poor, major job losses and over a hundred deaths. The shock move invited widespread criticism. It provoked protests and a lot of anger and agitation, but most of it was directed against local irritants, particularly banks. There were numerous reports of angry crowds locking up banks and jamming roads to protest against the non-disbursement of cash.

An analysis of how much it costs RBI to print a new, high-value currency note, and impact on the exchequer if it is pulled out of circulation. If we look at the net incremental currency added by denomination (each year RBI issues new notes of different denominations while retiring old notes that are soiled or torn), the share of large value notes is more abrupt—net addition of Rs.500 and Rs.1,000 notes in 2014-15 accounted for over 86% of all notes added. (The actual value of notes printed of these denominations might be lower as such notes are less

likely to be retired compared to currency of lower denomination).

In April 2015, an article in the Economic Times scrutinized the costs of printing different denominations of Indian currency notes, based on data published by RBI in response to a Right to Information query. Exemplifying research by former Standard Chartered Plc chief executive Peter Sands, the economist Ajit Ranade contended large denomination notes are highly likely to be used for illegal and unconstitutional activities and not so much as a medium of traditional transaction, and displacement of such notes can go a long way in cutting the stocks of such funds (popularly known as black money in India).

OBJECTIVES OF THE STUDY

The objectives for the study are as follows:

- To study the impact of demonetization on cash deposits and cash withdrawals.
- To analyze the effect of demonetization on real estate, health care and education for a common man
- To understand the loopholes on the part of the government while implementing the move- whether people perceive it to be a planned affair or a vague one
- To study the overall impact on the livelihood of a common man

RESEARCH METHODOLOGY

The implication of this study is to assess the impact demonetization had on the lives and daily lifestyle of the common man in India. The study analyzes the impact through the various parameters which are an important part of the life structure of the Common Man in India. The study also facilitates to have a glimpse regarding the various demographic parameters that have been affected by the demonetization like the age group, occupation, locality, annual income. The findings of the study may be limited but it can definitely provide an overview of the impact that demonetization has had of common man in India. It also provides a narrow perspective response of the common man towards the demonetization, that is, whether they believe it to be good for them or the other way round.

Research Design

Research design is the plan and arrangement of the research comprehended so as to get the solution or answers of the research problem. It is the plan that guides in collecting the data. The research design in

this research is the Descriptive Research. It involves descriptive statistics of tabular, graphical and numerical summaries of the data. The main objective of this design is to express the data about the problem that is being studied. It also involves the use of statistical tools.

Data Collection

The data for the purpose of conducting the research has been collected through both primary and secondary sources.

PRIMARY SOURCE: For this research work, the primary data was collected through the questionnaires that were sent to individuals through online channels like mails and social networking tools. The questionnaire was a structured questionnaire that was prepared using the 'google docs'.

SECONDARY SOURCE: For this research work, the secondary data was collected through websites, articles published, news, journals, online database; etc and has been mentioned in the introduction chapter.

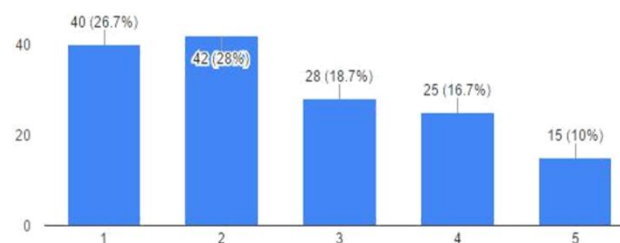
Sampling

For the purpose of carrying out the research, primary data was obtained through convenient and random sampling technique. 5-point Likert Scale and Demographic Information was obtained through the questionnaires. A response of 150 respondents from Haryana has been used for the analysis.

Statistical Tools

For the analysis of the data, statistical calculations have been done using the statistical software SPSS v16.0 and the technique used was RELIABILITY ANALYSIS and FACTOR ANALYSIS (Multivariate Analysis Techniques).

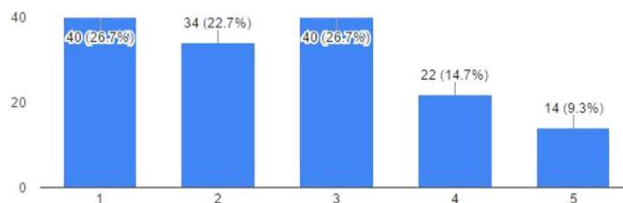
Data Analysis and Interpretation



STATEMENT 1: Difficulty by standing in queues to withdraw Own hard earned money.

Interpretation: About 28% of the respondents agree that it was difficult for them to withdraw their own earned money due to the withdrawal limits set

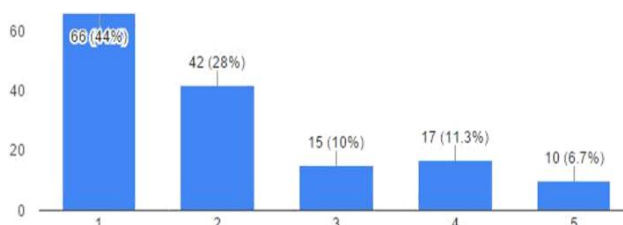
by the government and the RBI and the long queues in banks due to demonetization. It is followed by approximately 27% of the respondents strongly agreeing to the fact that demonetization had deprived them from their own money. Near about 10% of the respondents feel that they didn't feel any difficulty at all (strongly disagree) to withdraw their money from banks.



STATEMENT 2: Cash transactions to make small payments seeing a total demand

Collapsed due to lack of currency

Interpretation: Here, people have a mixed response, i.e. approximately 27% of the respondents strongly agree that their cash transactions had collapsed/ reduced due to cash crunch and near about the same percentage of respondents feel that the affect on their cash transactions was neutral. Approximately 10% of the respondents strongly disagree that there was any impact on their cash transactions; they had enough provisions to make small payments in cash even in the period of cash crunch.



STATEMENT 3: Government did not make adequate provision of cash in banks which caused most of the inconveniences.

Interpretation: Here, the respondents are in majority in favor of the statement. A maximum of 44% of the respondents strongly agree that it was the lack on the part of the government to make adequate provisions for cash in banks that caused most of the inconveniences. Had the government been vigilant enough, it would have made proper provisions for the contingencies to curb the trauma every common man had to face because of currency ban. Around 6% of the respondents strongly disagree to this.

RELIABILITY ANALYSIS

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.796	.800	20

The ideal value of alpha in reliability statistics is considered 0.7. In this, it is 0.796 which is above the ideal value. Hence the data for our five-point Likert scale is accurate and reliable.

FACTOR ANALYSIS

Factor analysis is a data reduction technique. The following contains the results by the Principal Component Analysis (PCA) under Varimax with Kaiser Normalization Method.

KMO and BARTLETT'S TEST

The sampling adequacy was measured by KMO and Bartlett's Test.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.854
Bartlett's Test of Sphericity Approx. Chi-Square	1.6363
Df	190
Sig.	.000

The value of KMO Measure of Sampling Method should be greater than 0.5 which is the absolute minimum value. The ideal value is above 0.8 and in our case, the value of 0.854 was obtained. It is indicative of high category. Therefore, sampling was considered significant and ideal for further analysis. The value of chi-square statistics at 190 degree of freedom obtained was 1.636 and is considered significant at 0% level. The significance value of 0.001 is considered desirable which in our case in 0.000 and it is absolutely desirable and significant. Hence factor analysis can be carried out on the responses collected from the respondents.

There are 20 variables in the questionnaire. These 20 variables were factorized with Varimax Rotation to interpret the variables. The following table shows the

Eigen value and the percentage of factor explained by the variable. The method reduces the data and observes the relevance of the data. It is observed that out of 20 variables, 4 variables explain over 64.037% of the total variances.

FINDINGS

As per the demographics, the number of males and female respondents is near about same. 47% of the respondents are males and 53% of the respondents are females. 59% of the respondents are up to 25 years of age, 17% of them belong to 26-35 year age group, followed by 11% from 36-45 year age group and 13% are above 45 years of age. Taking qualification as the parameter, 45% of the respondents are post graduates, 38% are graduates. 11% professionals and 6% have studied up to senior secondary level. Area wise, 71% are from urban area, 26% belong to semi-urban area and only 3% belong to the rural area. 48% of the respondents are students, 21% of them are professionals, 17% of them belong to the service class, 5% belong to the business class and 5% are retired, while only 4% of the respondents are home-makers. Talking about annual income, 51% of the respondents earn up to ₹3 lakhs annually, 28% between 3-6 lakhs per annum and 21% earn more than 6 lakhs annually.

Assessing the statements, we find that the respondents strongly agree that the whole process for currency ban was not implemented properly, it should have been planned, tested and then implemented; there were not proper provisions for cash and the poor people had been the most sufferers. The major benefit if this process has been to the private digital payment companies whose customer base has seen a sudden rise due to the shift regime to a cashless economy. The respondents agree that there were loop holes in the banking system as well were the bank personnel were not cooperative during the initial days and also, they tried to benefit some special people. They had to stand in long queues for hours outside banks and ATMs and there were not proper provisions for cash and that the impact of demonetization is going to affect the lifestyle of a common man for a very long time. In spite of all the issues, the respondents also agreed that this whole process of demonetization is going to be beneficial for the common man. The respondents were neutral towards any impact demonetization had had on their necessities or their future goals or career, and they feel neutral towards the impact of cash crunch on expenditures on marriages and cost of real estate, education and health care facilities, etc. the respondents strongly disagreed to the statement that ATMs and Banks in their locality were being steadily supplied with money. There was excessive shortage of currency flow in the market.

SUGGESTIONS

The policy although good, was not implemented with adequate care and precautions and provisions for contingencies.

The government could have started not printing prior to the time of making the announcement of the scrapping of the currency and adequate and timely funds could have been provided to the banks and money should have been made available in the ATM machines to be dispensable to the general public so that they did not have to face such massive difficulties and traumas.

Proper articles could have been published by the government regarding the whole process, procedures, withdrawal limits, deposit instructions etc., and such information could also have been dispensed in rural areas where majority of people are illiterate and they could not understand such a situation properly and there were instances of people throwing 500 and 1,000 currency notes in water bodies thinking that they are of no worth to them. Had the proper information and awareness been provided to them, such a situation could have been avoided?

The government could have addressed the people at regular intervals asking them to maintain their calm and do not panic in such a situation. The people of India, in the absence of any support had to face many difficulties, some of which were so severe that the outcomes of that almost irreversible.

Adequate time could have been provided to the general public to deposit the cash held with them into their accounts and also the withdrawal and deposit limits could have been set aptly. There was a limit on daily withdrawal and it was difficult for people to survive of such meagre amount of money and this had made lives of the people miserable.

The checking of people accounts, which was made later after they deposited the cash held with them into their account, should have been done earlier, because in the mean-time, people had started getting their money converted with the help of some legal or others by illegal means and hence there was no solution to the problem of corruption.

Mobile vans could have been provided at various areas for providing help to people who were facing difficulty in getting their money converted into new currency. Lack of such proper facilities imposed various kinds of problems which is evident from the number of deaths due to mental tension during the demonetization period.

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Corresponding Author

Krishan Kumar*

Lecturer in Commerce, Government Senior Secondary School Tohana, Fatehabad