

Analyzing the awareness and opinion of people regarding demonetization in India

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Abstract

The present study is an attempt to know the awareness of the people about the problem of demonetization and their opinion regarding it. The study is based on primary data and it has been collected from 161 respondents of Haryana and Punjab. Respondents from different age group, occupation and education level are included in this study. The study has used mainly mean, frequency and cross-tabulation tools for data analysis. The study found that majority of respondents is aware about the issue of demonetization. The survey reveals that people have first time seen long queues in front of banks and faced several problems at the exchange of currency at banks. The study concluded that people have welcomed the decision of govt. to change the currency and supported the govt. efforts for cleaning the black money and controlling the corruption in India.

Keywords: demonetization, black money, corruption and people

1. Introduction

Indian economy is one of the developing and fast growing economies in the world. Besides the different phases of development, Indian economy is facing several challenges such as corruption, terrorism, fake currency, illegal weapon smuggling and militancy. Almost all of these problems are closely connected with black money (Chaudhary, 2017) [3]. Black money and fake currency has always been a controversial issue in India and has always created hurdles in the proper growth of the economy. As the hard earned money could be used for productive purposes, goes out of the country, in the account of dishonest persons. In India, mostly black money is available in the form of gold and real estate. As per the report of World Bank (2010) black money generates a parallel economy which creates inflation in the economy as shown in the study of Schneider *et al.* (2010). It restricts government to legalize its revenues which can be used for social purposes and developmental activities. To control the black money and check the fake currency in the economy, honorable Prime Minister, Mr. Narendra Modi dropped a bombshell called as "Demonetization". It is done on the eve of 8th November 2016 in a historical interaction with country citizens through a national channel. As per the Annual report of Reserve Bank of India (2016), total bank notes in circulation valued to Rs. 16.42 lakh crores, out of which 86 percent (Rs. 14.18 lakh crore) of were of Rs. 500 and Rs. 1000 notes. These 86 percent of currency in circulation is banned

from the midnight of 8th November, 2016 under demonetization.

Demonetization is a well known procedure to withdraw a currency from circulation. This is done to replace the old currency with a new one. It is essential whenever there is a need to change in the national currency of any country. Demonetization is a process where govt. declares the currently running currency notes illegal to be tender after the declaration is made (Veerakumar, 2017) [13]. As per Sinha and Rai (2016) [10], Demonetization is defined as an act of stripping the currency unit of its status as a legal tender. It refers to the banning of current currency and replacing it with new currency. According to Reserve Bank of India Act (1934) Section 26, sub-section 2, in the process of demonetization Union govt. has been given the authority to declare that notes issued by the Reserve Bank will no longer be legal tender. Similar measures of demonetization had been tried in India as well as in the world also in earlier times:

- 1st time demonetization in India is done on 12th January, 1946 (Saturday): Notes of Rs. 500, 1000 and 10000 were banned to curb accounted money.
- 2nd time demonetization take place on 16th January, 1978 (Monday): Notes of Rs. 1000, 5000 and 10000 were taken out of circulation.
- 3rd time demonetization is carried out on 8th November, 2016 (Tuesday): Notes of Rs. 500 and 1000 were banned.

Table 1: Countries which exercised demonetization earlier in the World

S. No.	Country	Year	Effect on economy (Successful/ Unsuccessful)	Motive and Reason for failure
1	Singapore	1945	Partially successful	Motive: To change the banana notes
2	Britain	1971	Successful	Motive: It is done to bring uniformity in currency
3	Ghana	1982	Unsuccessful	Motive: To control black money Result: People supported black money market and invested in physical assets
4	Nigeria	1984	Unsuccessful	Motive: To gain a stable economy Result: Due to debt-ridden economy, people were not able to accept the change
5	Myanmar	1987	Unsuccessful	Motive: To control black money and corruption Result: Led to riots and results in killing of many people
6	Soviet Union	1991	Unsuccessful	Motive: To end black money Result: People did not accepted change due to poor harvest
7	Australia	1996	No side effects	Its motive was to replace the paper currency with plastic money
8	North Korea	2010	Unsuccessful	Motive: To lower down the market of black money and to improve the economy Result: People had left with no food and shelter
9	Zimbabwe	2015	Unsuccessful	Motive: To combat country's hyperinflation Result: Value of currency fell done to very low
10	Pakistan	2015	Can't be predicted	People have been given ample time to change the currency
Singapore (1945), Fizi (1969), European Union (2002) and Philippines (2015) had also implemented demonetization time to time in their economies.				

Source: Based on various studies included in Review of Literature

Therefore, there is sufficient evidence to see the importance of the topic for discussion. Therefore, in the present study, an attempt is made to know the opinions of the people about the demonetization in India. The paper is divided into six different sections: Section I gives brief introduction of the paper, Section II scans the relevant literature on regional rural bans, Section III outlines the objectives and Section IV elaborates the research methodology. In Section V the data analysis is carried out, results are discussed and inferences drawn. Lastly Section VI concludes the paper.

2. Review of Literature

Various studies are available relating to the demonetization. Some of the relevant studies are reviewed as under: -
Undale and Gaggad (2016) ^[12] conducted a survey during 8-12 December, 2016 covering 124 respondents of Pune through structured questionnaire. The data had been collected through convenience sampling method. The study found that people supported the decision of demonetization irrespective of their age, gender and income. The study concluded that people supported demonetization but they were not happy with the way it had been implemented. Atif (2016) ^[1] discussed the problem of demonetization whether it would change the fate of the nation for good or not. The study found that middle and lower income group was suffering more by standing in long queues and neglecting all their priorities while rich community was enjoying this movement with ample availability of new currency.
Bhargava (2016) ^[2] assessed the impact of demonetization on India GDP through J-Curve. The study found that there was a drastic destruction in the wealth of high income segment during this period. Improved tax collections and increased rate of banking transactions are the positive impact of demonetization on Indian economy. The finding of Bhargava (2016) ^[2] was supported by Saini (2016) ^[7] also. Saini (2016) ^[7] evaluated the change drive of demonetization in Indian as the economy is changing itself to cashless economy. The study found that with the announcement of the news of

demonetization, 263 million farmers got shocked. The online transactions had increased to 25 percent as compared to the previous time period.

Sabanavis *et al.* (2016) ^[6] analyzed the consequences of demonetization on money supply, GDP and on online transactions. The study concluded that this move was a good effort to clean the formal economic system and would discard the black money from the economy. In the same line, Sinha and Rai (2016) ^[10] evaluated the consequences of demonetization on rural people. The study found that the decision of demonetization had lead to cash crunch and paralyzed the Indian economy specially the informal sector as many people did not have bank account. The study concluded that proper planning was required to implement it successfully.

Singh and Singh (2016) ^[9] analyzed the impact of demonetization on the different sectors of Indian economy. The study found that the unorganized sector had suffered more as compared to the organized sector. The commodities, agricultural sector and market for consumer durables had bad impacts but the positive impact is that there would be change in the spending pattern of consumers. Chaudhary *et al.* (2017) ^[3] examined the impact of demonetization on Indian economy, Indian currency and common public. The study had covered many issues like black money, poverty, corruption, fake currency, terrorism and tax cheating. The act of demonetization would help to eradicate these problems and helped to grow the economy.

Syamsunder and Sabariga (2017) ^[11] compared the impact of demonetization and its importance in the economic development of India as compared to the other countries. The study concluded that India would achieve significant growth by adapting the demonetization and its impact would be realized in long run. Veerakumar (2017) ^[13] conducted a primary study regarding the impact of demonetization in Coimbatore district in India. The sample of 100 people was taken in this study. The study found that variables like gender, age annual income, occupation had significant relationship

with demonetization. The study concluded that respondents favored the opinion that demonetization would help to curb the black money.

In the light of reviewed literature, it is found that there is no deficiency of studies regarding demonetization in India. In a very short span of time, a lot of work has been done by different researchers. But still there is need of the study to carry out specially focused on views of people like what they have gained or what they have lost or what problems they have faced during that time period. So, present study is an attempt in this direction.

3. Objectives and Hypothesis

- To assess the public awareness and opinion regarding demonetization in India.
- To analyze the public opinion on demonetization on the basis of their demographic profile.

4. Research Methodology

The present study is descriptive and exploratory in nature and is based on primary data. The data has been collected through the structured questionnaire. The questionnaire has been designed with the help taken from the study of Undale and Gaggad (2016) [12]. The questionnaire was pre-tested on the sample of 35 respondents and revised again with the help of suggested changes. The convenience sampling method is adopted for data collection. In all 200 respondents of selected areas of Haryana and Punjab were contacted out of which 161 were patient enough to complete the task of interview. So in all, a sample consisting of 161 respondents was finalized for further analysis which was run into two phases.

In the first phase, all 161 questionnaires were analyzed to assess the awareness of demonetization in India. In the second phase only 137 questionnaires were analyzed since 24 respondents were not at all aware of this problem. So, further analysis was not meaningful regarding the people opinion regarding the problem of demonetization in India. The study mainly used frequency; mean and cross tabulation for analyzing the data.

5. Results and Discussion

Understanding the demographic background and their opinion regarding demonetization is essential as there is a significant association among the awareness of the respondents and their age, education level, occupation and area.

Table 2 presents a demographic profile of respondents. In this table age is divided into six categories, education level is divided into four categories and occupation is divided into six categories to segregate the respondents. Out of total 137 respondents 88 are male and 49 are female. 66 respondents are from urban area and 71 respondents belong to rural area i.e. from different villages. Majority of respondents (76 percent) are graduate and post graduate. The salaried and business class people are included in the survey as most of these people have their account in banks and do banking transactions more as compared to the farmers and house wives. The respondents belonging to age group 21-30, 31-40 and 41-50 are mainly included in this survey as students and persons related to age group greater than 50 have low transactions with banks.

To get deeper insight about the opinion of people regarding

demonetization, it is essential to check the respondent's awareness regarding this event. The table 3 shows that out of total 161 respondents 137 respondents are aware about the drive of demonetization and 24 respondents only heard about "Notebandi" but don't know about the demonetization in detail. They don't know which types of notes are banned and which types of notes are newly introduced and the date when this change is introduced in Indian economy. As these respondents have no knowledge regarding this issue so they have been excluded from further analysis.

137 respondents are fully aware and have deep insights regarding it. They know that the notes of Rs. 500 and Rs. 1000 have been banned and notes of Rs. 500 and Rs. 2000 has been newly introduced. On the 8th November, 2016 demonetization has been announced. So the data collected from these respondents is further analyzed. As per table 4, 95 percent respondents are aware about the cash withdrawal limit through ATMs in the initial days of demonetization. The cash limit in the initial days of demonetization was fixed Rs. 2000 and after some days, it was increased to Rs. 2500. As shown in table 5, 68 percent of respondents are of the view that any of the documents i.e. a valid identity proof which can be Aadhar card, driving license or ration card was required for exchanging the money through bank branches. 27 percent respondents said that Aadhar card was required at that time.

Public sector banks and post offices are permitted to exchange the currency but there is some of the confusion whether private sector banks and co-operative banks are allowed or not to change the money. In table 6, it is shown that 130 respondents responded that co-operative banks are not permitted to change the currency from old notes to new notes. When it is asked from the respondents whether they have seen such a long queues in front of banks earlier or it is the first time they have seen such type of scene, 123 respondents said that it is the first time they have seen such type of rush in front of the banks. The table 7 shows that 79 male (35 urban and 44 rural) and 44 female (22 urban and 22 rural) are responded that it is the first time for them to see the rush for exchange of money in the banks. 14 respondents said they have earlier seen such type of rush in banks. People belongs to rural areas are more who have seen such type of queues in front of banks as compared to the people of urban areas.

As shown in table 8, 29 percent respondents have visited many times the bank after the announcement of demonetization. 49 percent respondents have visited 1 time and 2 time the banks for changing the money after the demonetization. After the announcement of demonetization, people rushed to the banks for exchanging the currency and faced various types of problems. Table 9 showed that 50 percent respondents had faced almost all types of problems like long queues, cash unavailability, document formality and also non co-operation from banking staff. 22 percent respondents replied that they had found long queues in the banks while 24 percent said that cash was unavailable when their turn came. However all the efforts had been done by the banks that people were not to suffer but still there were some of the problems that respondents felt during that time period.

When it was asked from the respondents whether it had created problem in short run or long run, 76 percent of respondents replied that it had created a problem in short run

only. It would not create any problem in long run. Political parties have different opinion regarding the demonetization in India. Some of the parties are supporting the govt. for making good effort to curb corruption while some other political parties are creating certain issues regarding it. 79 percent of respondents (73 male and 35 female) agree with the response that some of the parties are doing politics on the issue of demonetization as indicated from the table 11. There is no difference is found in the opinion of urban and rural people as both are of the same opinion that some of the parties are

creating problems relating to this issue.

As shown in the table 12, 25 percent respondents agree that this scheme has been successfully implemented in India. 48 percent of respondents are of the opinion that it has been implemented successfully but with few shortcomings. As they think that some of the improvement is required to put in action to its successful implementation. 11 percent respondents replied that it has been badly implemented. Govt. had not planned properly regarding it and launched this scheme.

Table 2: Socio-Economic Factors of Respondents

Variables	Respondents -137		Variables	Respondents -137	
	Number	Percent		Number	Percent
Gender			Educational Level		
Male	88	64.2	School Level	18	13.1
Female	49	35.8	Graduate	36	26.3
Total	137	100	Post Graduate	69	50.4
Age (years)			Other Qualification	14	10.2
15-20	12	8.8	Total	137	100
21-30	30	21.9			
31-40	52	38.0	Occupation		
41-50	27	19.7	Student	29	21.2
Greater than 50	16	11.7	Salaried	67	48.9
Total	137	100	Businessman	22	16.1
Area			House wife	14	10.2
Urban	66	48.2	Others	5	3.6
Rural	71	51.8	Total	137	100
Total	137	100			

Source: Primary Data

Table 3: Awareness regarding Demonetization

S. No.	Particulars	Yes	No
1	Do you know about the drive of demonetization in India	137	24
2	Notes of what denomination have been demonetized	137	24
3	Notes of what denomination have been newly introduced	137	24
4	When demonetization have been introduced	137	24

Source: Primary Data

Table 4: What was the limit of cash withdrawal through initial days of demonetization

Amount	Response (frequency)	Response (percentage)
2000	131	95.6
2500	6	4.4
Total	137	100

Source: Primary Data

Table 5: Which document was required for exchanging the money through bank branches

Amount	Response (frequency)	Response (percentage)
Aadhar Card	38	27.7
Driving License	1	0.7
Ration Card	4	2.9
Any of the above	94	68.7
Total	137	100

Source: Primary Data

Table 6: Which category of banks was not permitted to exchange the money

Amount	Response (frequency)	Response (percentage)
Private sector banks	2	1.5
Co-operative banks	130	94.9
None of the above	5	3.6
Total	137	100

Source: Primary Data

Table 7: Have you first time seen such a long queues in front of banks

Gender	Response	Urban	Rural	Total
Male	Yes	35	44	79
	No	5	4	9
	Total	40	48	88
Female	Yes	22	22	44
	No	4	1	5
	Total	26	23	49
Total	Yes	57	66	123
	No	9	5	14
	Total	66	71	137

Source: Primary Data

Table 8: How many time you visited the banks after demonetization

Particular	Response (frequency)	Response (percentage)
Not Visited	30	21.9
1 time only	37	27.0
2 time only	31	22.6
More than 2 time	39	28.5
Total	137	100

Source: Primary Data

Table 9: What type of problems you faced in the banks

Particular	Response (frequency)	Response (percentage)
Long queues	30	21.9
Cash was unavailable	33	24.1
No help from bank officers	3	2.2
Document formalities	2	1.5
All of the above	69	50.4
Total	137	100

Source: Primary Data

Table 10: Demonetization can create problem in

Particular	Response (frequency)	Response (percentage)
Long run only	6	4.4
Short run only	104	75.9
Both in long and short run	13	9.5
Neither in long nor in short run	14	10.2
Total	137	100

Source: Primary Data

Table 11: Do you think some of the parties are politicizing the issue of demonetization in India

Gender	Response	Urban	Rural	Total
Male	Yes	33	40	73
	No	7	8	15
	Total	40	48	88
Female	Yes	19	16	35
	No	7	7	14
	Total	26	23	49
Total	Yes	52	56	108
	No	14	15	29
	Total	66	71	137

Source: Primary Data

Table 12: Is this world's biggest drive of demonetization has been successfully implemented

Particular	Response (frequency)	Response (percentage)
Very successful	34	24.8
Successful with few shortcomings	65	47.5
Not very successful	23	16.8
Badly implemented	15	10.9
Total	137	100

Source: Primary Data

6. Conclusion

From the above analysis, it can be concluded that majority of respondents are aware about the drive of demonetization in India and they have knowledge about what denomination of notes have been banned and what denomination of notes have been newly introduced. Also remember the date of demonetization in India that has become a historical date. People are of the view that they have faced several problems like long queues in banks, cash unavailability, and document formalities when they visited the bank after demonetization. Majority of the respondents said that it has created a problem in short run only and in long run, there would be no problem regarding it. The respondents agreed that the scheme has been successfully implemented but there were some of the shortcomings which could be improved.

At the end, it can be said that people are aware of this problem related to the economy and has actively participated to change the currency and supported the govt. decision even after facing several problems. The public has joined hands with the govt. to curb the black money and control the corruption in the country. The joined hands of the public and govt. has made the terrorists and black money holders handicapped for the some of the time. This effort done by the govt. is an outstanding effort to improve the economy and also for making the system more transparent.

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