

A SURVEY ON PEOPLE'S RESPONSE TOWARDS DEMONETISATION OF 500 AND 1000 RUPEE NOTES

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Abstract

Demonetisation means that the reserve bank of India has withdrawn the old 500 and 1000 rupee notes as an official mode of payment. It is the act of stripping a currency unit of its status as legal tender. Implementation of demonetisation by the government of India is the important issue in India. In this paper, an attempt has been made to understand the response of people towards demonetisation. To assess that, a survey of descriptive nature has been conducted. In this paper, with the use of survey, the real status of people inconveniences to the people, and positive and negative of demonetisation are identified.

Introduction

The past implementation of demonetisation around the world is briefed in this section. The description clearly depicts that the demonetisation is not a new concept to this world. The nations like Ghana, Nigeria, Myanmar, Soviet union, North Korea, Zimbabwe, and India have involved in changing their currency in the past. In 1982, Ghana tried to demonetise their 50 cedi currency notes. The aim behind the process was to scrutinize money laundering and corruption. The

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change was not welcomed warmly, creating chaos across the country and finally resulted in a move back to physical assets and foreign currency. The economy of Nigeria was collapsed because of the demonetisation move in the year 1984. Actually, the different coloured currency notes had been introduced by the then president Muhammadu Buhari to quash the old currency.

In 1987, 80% of Myanmar's currency was demonetised by the military to control black money, but the move was not successful. The demonetisation of 50 and 100 rupees had been done by Mikhail Gorbachev in Soviet Union during 1991. Within eight months of period, the demonetisation resulted in the change in leadership of Soviet Union. North Korea faced demonetisation of their currency in 2010, which led to major economy breakdown with people left to starve for basics. Zimbabwe once had hundred trillion dollar note, which was demonetised and was exchanged in a mocking way dropping trillion dollars to \$0.5 dollar. In India, in 1946, RBI demonetised the 10,000 rupee and 1000 rupee notes. At that time, the government introduced the fresh currency notes of Rs 1000, Rs 5000, and Rs 10000. Later in 1978, then Prime Minister Morarji desai implemented the demonetisation of the higher valued currency notes. Now again in 2016, demonetisation is implemented by Indian government.

Ban on Rs. 500 & Rs. 1000 currency notes were announced on television on 08 Nov, 2016 by Indian Prime minister Mr. Narendra Modi with immediate effect. According to the statement of prime minister, the reason behind this is to eradicate black money. The process of making invalid of the legal tender of the currency is called as demonetisation. The objective is to put curb on black money and fake currency which had been negatively impacting India's economy. The new units of 500 rupee and 1000 rupee notes will be released as equivalent amount of the value of the invalid currency. In India, it is the third time the demonetisation has been implemented. This study gives the impacts of demonetization on Indian economy. The paper covers the positive and negative impacts of demonetization on different sectors. A survey has been conducted and the analysis is done based on the survey.

The positive effects of demonetisation on Indian economy

Based on the literature survey, the positive impacts of demonetisation that can result among the people of India are addressed in this section. According to the statement of Prime minister of India, Black money will be eradicated and give way to the growth of India. With respect to

individuals, those who succeeded in getting cash from ATM or bank or already had sufficient valid cash must have realized the importance of saving i.e. not to spend money on unnecessary stuffs. Now, people are now buying stuffs only if really needed.

Unearth stashed cash, Collect taxes from this cash, and Stop black money flow are the three main objectives of demonetization. Since government has increased the tax from the black money holders, more money collected with the government will in turn benefit Indian economy i.e. GDP will increase. Collection of higher taxes will eventually benefit Indian economy as large amount of money will flow into the system which would be used for the nation's development such as infrastructure, roads, transportation, and many others. More the development projects in the country will give jobs to many people. Most importantly the money can be used for the welfare of the farmers.

More people will now open bank account, which would increase deposits in the banks and use banking for money transactions leading towards non-cash transparent digital transactions. People will start using debit or credit card or digital wallet. Ultimately this will benefit government's digital India initiative. Because of increase in deposits, banks will give loans and with lower interest rate. People will go for construction of house and creating more manpower requirement. Demand for gold will increase as more and more people will start investing in gold as an alternative to cash deposit in the bank. It will give rise to deposits through gold monetization scheme. So India will rely less on gold import as gold deposited through the scheme will be used to meet India's gold demand.

It will fall as black money which was given in cash earlier will now become difficult to arrange due to scrapping of high denomination notes. And also fear from this strict decision will stop agents to demand money in cash. This way buying house will be less expensive as its demand will increase. Cash or physical gifts were the way to bribe an individual or business. After such a bold decision, many will fear taking bribes. India's ranking in corruption index will improve. Corruption has always kept foreign investors to stay away from investing in India. But with this decision, India's ranking on global scale in terms of investments and ease of doing business will improve as corruption will drastically reduce. The activities like terrorism and smuggling will

take a hit as they completely rely on cash funding which is done by counterfeiting the notes especially Rs. 500 & 1000. This is highly required in the nation's interest as it kills economy. Even if someone wishes to burn or torn black money, it will ultimately benefit India by the same amount. Because, that money cannot be used for any unethical purpose such as bribing and buying expensive items.

Effects of demonetisation on Common Man, Businesses, Services:

The economists suggested that if any inconvenience due to the demonetisation for people will be for a very short time and will be normal when the new notes get into circulation, businesses will be back as usual. Any person/business accepting cash currencies will directly suffer especially poor. In fact those who use their service i.e. common man will suffer the most for few days due to non-availability of lower denominations. However this won't last longer as banks would be offering extended working hours in addition to working on Saturday and Sunday to ease common man's pain.

All local grocery vendors who accept cash currencies will be affected. All drivers and middleman have preferred only cash. No credit card/online transfer etc. They will be impacted badly unless and until they are paid in lower denominations. Almost every industry has to deal with daily wage workers every day who are paid on a per day basis. So these workers earnings will be impacted as contractor or whoever pays them may not have lower denominations available with them. Either workers will have to accept these notes or get paid in lower currencies or get paid at a later date. Hotels/Restaurants businesses will also suffer especially those who accept only cash currencies. No lower currencies mean a visit to hotel by the customers.

Anyone buying/selling physical shares typically pays via cash. In normal scenarios, trading amount is always bigger in quantity and there is no alternative other than paying through lower denominations. Fruits and vegetables vendors or other does similar businesses: They all accept only cash, provided you are not buying from shopping mall and other places where multiple payment modes are accepted. Medicines are lifelines for the patients. Non-availability of lower denominations or non-acceptance of Rs. 500 & 1000 currency notes will result in either

medicines bought on credit/lower denominations or not bought at all due to the ban. Not everyone has Rs. 100 and Rs. 50 or lower currency notes in sufficient quantity. This certainly apart from medical shops will be badly impacted. Patients who are already hospitalized or are under process of getting hospitalized must have done some form of arrangements for money before 08 Nov 2016.

Real estate market will be the most badly impacted obviously due to black and white money which have been functional since years. Buyer normally pays certain % of money (black money) in cash to the builder/agents and remaining portion is paid via loan. Because the black money or brokerage paid to agents involve large sum and all paid in cash. So buyer will either have to re-decide on buying the house or home builder or agent will have to accept these banned notes at their own risk. Or buyer will have to arrange lower denominations and then pay. India's remotest places and northeast regions still have no access to banking and its various services. People from such regions will suffer.

Although ecommerce is growing at phenomenal rate in India, mode of payments used by Indians is largely cash on delivery. Because of this decision, their sales will slow down. So this will directly impact businesses of mobile phone companies, clothing, and jewellery especially as they contribute to bigger chunk of online ecommerce market places. Online transactions for buying insurance are on rise but still higher number of policies is sold offline. Since normal policy premiums are higher in amount, policies won't be sold offline by most of the companies. So those who are not ready to buy online will buy either at a later date or purchase using lower denominations. There are numerous businesses such as travel agents, ticket booking agents & many others will take a hit.

Review of literature

Rajkumar JD and Shetty SL² illustrated the possible immediate and longer term economic effects of demonetisation. Credit Analysis & Research Limited [CARE Ratings] in their report highlighted the probable consequences of this decision on various economic variables and

² J Dennis Rajakumar, S L Shetty, "Demonetisation: 1978, the Present and the Aftermath" *Economic & political weekly*, Vol. 51, Issue No. 48, 26 Nov, 2016.

entities. Effect on parallel economy, Effect on Money Supply, Effect on Demand, Effect on GDP, and Effect on Online Transactions and alternative modes of payment are considered for analysis. According to the report, In spite of the initial hiccups and disruptions in the system, eventually this change will be well assimilated and will prove positive for the economy in the long run. Black money hoarders will definitely lose out, eventually boosting the formal economy in the long run. Short term fall in real estate prices might benefit middle class citizens. This move by the Government along with the implementation of the GST will eventually make the system more accountable and efficient. This move by the government is likely to have long term benefits for the economy.

HDFC Bank Investment Advisory Group³ report elaborates that the extinguishing of the major proportion of unaccounted currency would reduce from the liabilities of the government and would add to its finances. Increased belief of keeping cash in the banks rather than stashed at home and use formal banking channels for their spending needs. Another element of the demonetization would be reduction in cash transactions in real estate. This is likely to reduce to real estate prices and make it affordable to some extent. This move is likely to lead to better tax compliance, raise the Tax to GDP ratio and improved tax collection. The reduced ability of the unorganized sector to deal in cash would impact the demand. Kavita Rao et al⁴ in their paper an attempt is made to present a discussion of the likely effects classified into very short term as in the next two months, the short term as in a six months to a year and the rest as medium term. Within these, an attempt is made to distinguish between the effects if there is full remonetisation to the extent of deposits made in banks and a scenario of partial remonetisation.

Statement of the Problem

In current the major historical reforms over the Indian economy was ban of 500 and 1000 rupee notes. On the day November 8, 2016 our Prime Minister Mr. Narendra Modi announced that the

³ *HDFC Bank Investment Advisory Group, "Demonetization and its impact Event Update" November 11, 2016.*

⁴ *Dr. Kavita Rao, Dr. Sacchidananda Mukherjee, Dr. Sudhanshu Kumar, Mr. D.P. Sengupta, Suranjali Tandon and Sri Hari Nayudu, "Demonetisation: Impact on the Economy", Tax Research Team :National Institute of Public Finance and Policy,(NIPFP Working paper series) New Delhi, No. 182, 14-Nov-2016*

500 and 1000 rupees notes are invalid. According to our Prime Minister the reason for banning 500 and 1000 rupees notes are to eradicate black money. The process of making invalid of the legal tender of a currency is called as demonetisation. It is the third time that demonetisation has been implemented. For the past two to three months people of India are facing the post demonetisation effects. Different class of people have faced different kind of problems. Small and medium sized business relying on cash transactions are seeing total demand collapse. With the help of a survey, an attempt has been made to identify the inconveniences to the people due to demonetisation. An analysis has been done to indicate the expectation of the people towards the outcome of demonetisation.

Objective of the study

1. To study the opinion of respondents towards demonetisation
2. To find out the problem faced by the respondents due to demonetisation
3. To examine the level of support from the public to the government towards demonetisation
4. To reveal the positive and negative impact of demonetisation

Research Methodology

The study was descriptive in nature. Convenience sampling method was used to collect the data. In this study both primary and secondary data was used. Primary data were collected through personal interviews and field work. Secondary data were collected from news papers, business magazines, websites and some important sources of information used in this work. The questionnaire comprises of the questions related to the opinion of the participants, their view on motive for demonetisation, their cash transaction difficulties, and positive and negative aspects of demonetisation. The sample size of the study was 50. Statistical tools used for the study area

- Simple average method
- Henry Garrett's Ranking Technique

Analysis and Interpretation

Table 1 Age of Respondents

S. No	Age	No. of Respondents	Percentage
1.	18-27	19	38
2.	28-37	16	32
3.	38-47	10	20
4.	48 & Above	5	10
Total		50	100

On the basis of age it is clear from the above table that the highest percentage level of respondents are in the age of 18-27 years and the percentage is 38%.

Table 2 Gender

S. No	Gender	No. of Respondents	Percentage
1.	Male	20	40
2.	Female	30	60
Total		50	100

On the basis of the gender, it is found from the table that the highest percentages of respondents are female respondents (60%).

Table 3 Qualification of Respondents

S. No	Qualification	No. of Respondents	Percentage
1.	Illiterate	5	10
2.	Graduate	8	16
3.	PG	27	54
4.	Diploma	1	2
5.	Others	9	18
Total		50	100

On the basis of educational qualification the table highlights that the post graduate respondents are of the highest (54%) among all.

Table 4 Occupation of Respondents

S. No	Occupation	No. of Respondents	Percentage
1.	Government	5	10
2.	Private	8	16
3.	Business	27	54
4.	Agriculture	1	2
5.	Unemployed	9	18
Total		50	100

There are 54% of respondents belonging to business category.

Table 5 Income Level of Respondents

S. No	Income	No. of Respondents	Percentage
1.	Below 10000	20	40
2.	10002-20000	15	30
3.	20001-40000	8	16
4.	Above 40000	7	14
Total		50	100

On the basis of income level the table highlights that 40 % of respondents belonging to the salaried class of below 10000 categories participated in the survey.

Table 6 Opinion of Respondents on Demonetisation

S. No	Factors	No. of Respondents	Percentage
1.	A Bold Move	16	32
2.	A Welcoming Policy	13	26
3.	Unplanned Implementation	8	16
4.	I Support the Objective Not the Method	9	18
5.	A Utter Misery for Common Man	4	8
Total		50	100

From table 6, it is observed that 76% of respondents favoured the demonetisation by opting between any one of the choices “a bold move, a welcoming policy, and I support the objective not the method”.

Table 7 Primary Motive of Respondents

S. No	Factors	No. of Respondents	Percentage
1.	Financial Inclusion	6	12
2.	Surgical Attack on Corruption/Black Money	29	58
3.	Political Maneuvering	6	12
4.	Moving Towards Online Transaction	6	12
5.	No Idea	3	6
Total		50	100

As shown in Table 8, 55% percentage of the respondents is saying that the motive for the demonetisation is surgical attack on corruption/black money. So this shows that people believing the voice of prime minister.

Table 8 Severe Cash Crunch due to Demonetisation

S. No	Factors	No. of Respondents	Percentage
1.	Yes	21	42
2.	Yes But I Don't Mind	17	34
3.	No	12	24
Total		50	100

On the basis of severe cash crunch table addresses the inconvenience faced by the people. 42% of the people show that they had suffered a crisis due to severe cash crunch. 24% of the people obtained for not minding the crises faced.

Table 9 Inconveniences for the People due to Demonetisation

S. No	Factors	No. of Respondents	Percentage
1.	Lack of Routine Work	7	14
2.	Delay in Salary	6	12
3.	Inability to Buy Essential Items	14	28
4.	For the Betterment of the Nation I Accept All the Inconveniences	19	38
5.	Inconveniences to Regular Bank Activity	4	8
TOTAL		50	100

On the basis inconvenience table shows that 38% of the respondents accept the inconvenience, but the acceptance for the betterment of the nation. 28% of the respondent they have no money to buy essential items.

Table 10 Waiting Time of Respondents at ATM/Banks

S. No	Factors	No. of Respondents	Percentage
1.	1-3 Hours	23	46
2.	3-5 Hours	9	18
3.	Over 8 Hours	2	4
4.	A Day	6	12
5.	More Than a Day	10	20
Total		50	100

48% of the respondents have spent 1-3 hours time at ATM/BANKS to withdraw or exchange money. And 20% of the respondents spent more than a day, 18% of the respondents spent over 8 hours for the exchange of money.

Table 11 People Opinion for Withdrawal Limit

S. No	Factors	No. of Respondents	Percentage
1.	Should be Increased	32	64
2.	The Existing Limits for the ATM Withdrawal Should be Continued	6	12
3.	Should be Lowered	2	4
4.	Current Limit is Fine	9	18
5.	No Idea	1	2
TOTAL		50	100

On the basis of this table shows that 64% of the respondents wanting the increasing the limit for the cash withdrawal from ATM machine.

Table 12 Opinion on Standard Of Living

S. No	Factors	No. of Respondents	Percentage
1.	Strongly Agree	16	32
2.	Agree	13	26
3.	Neither Nor Agree	7	14
4.	Disagree	9	18
5.	Strongly Disagree	5	10
Total		50	100

Nearly 60% of the people say that demonetisation would improve the standard of living among the common man.

GARETT'S Ranking Method

Garett ranking technique has been used to analyse the factors favouring the decision of demonetisation by government. Under the Garett ranking technique the percentage position is calculated by using the formula given equation (1).

$$\text{Percentage position} = \frac{100(R_{ij} - 0.5)}{N_j} \quad (1)$$

where, R_{ij} = the Rank given for i^{th} variable by the j^{th} respondent

N_j = the number of variables ranked by the respondent

The analysis shown in Table 14 is applicable for those favouring the decision of demonetisation by the government. The respondents were asked to rank the five factors identified for the purpose of this study as 1,2,3,4, and 5 in order to know their preferences in the positive aspects of demonetisation.

Table 13

Rank	Percentage Position	Garett's Table Value
1	$100(1-0.5)/5$	10
2	$100(2-0.5)/5$	30
3	$100(3-0.5)/5$	50
4	$100(4-0.5)/5$	70
5	$100(5-0.5)/5$	90

Table 14

S. No	Factor	Rank					Total No. of Respondents	total score	Mean score	Rank
		1	2	3	4	5				
1.	Bank deposit base and savings	20	3	6	6	4	39	2300	58.97	I
2.	Improve monetary transmission and reduce lending rates	1	19	10	6	3	39	2015	51.66	III
3.	Create room for further monetary accommodation	2	9	18	6	4	39	2030	52.05	II
4.	Ready study now go: financial inclusion via JHAN DHAN	7	4	3	19	6	39	1795	46.02	IV
5.	Support government finances	9	4	2	2	22	39	1535	39.35	V

The analysis shown in Table 15 is applicable for unfavouring the decision of demonetisation by the government. The respondents were asked to rank the five factors identified for the purpose of

this study as 1,2,3,4, and 5 in order to know their preferences in the negative aspects of demonetisation.

Table 15

S. No	Factor	Rank					Total No. of Respondents	total score	Mean score	Rank
		1	2	3	4	5				
1.	All the bank money is held abroad or is in the form of assets	8	-	-	-	3	11	860	78.18	I
2.	People find a way to get around	-	7	1	2	1	11	570	51.8	II
3.	Bring back the black money stashed abroad first	1	1	7	2	-	11	565	51.36	III
4.	The decision followed extensive plans	1	1	2	6	1	11	495	45	IV
5.	People will continue to do black transaction	1	2	1	1	6	11	345	31.36	V

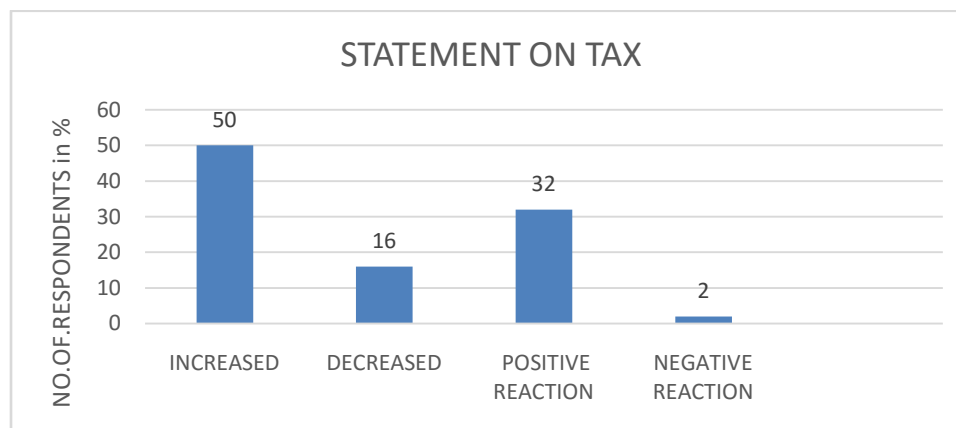


Figure 1 Opinion of Respondents of the Effect of Demonetisation on Tax

50% of respondents opined that the tax income for government of India has increased because of demonetisation and is shown in Figure 1.

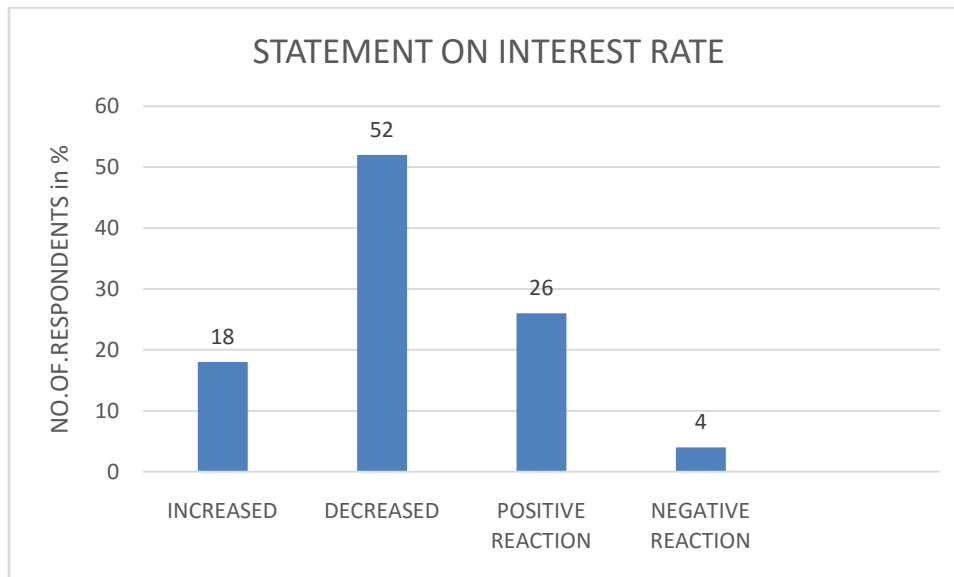


Figure 2: Opinion of Respondents of the Effect of Demonetisation on Interest Rate

The Figure 2 gives the response for the opinion on the effect of demonetisation on interest rate. There are 52 % respondents saying that the demonetisation would result in the decrease in the interest rates. This is an important benefit to the people as the interest rates for their loans will fall.

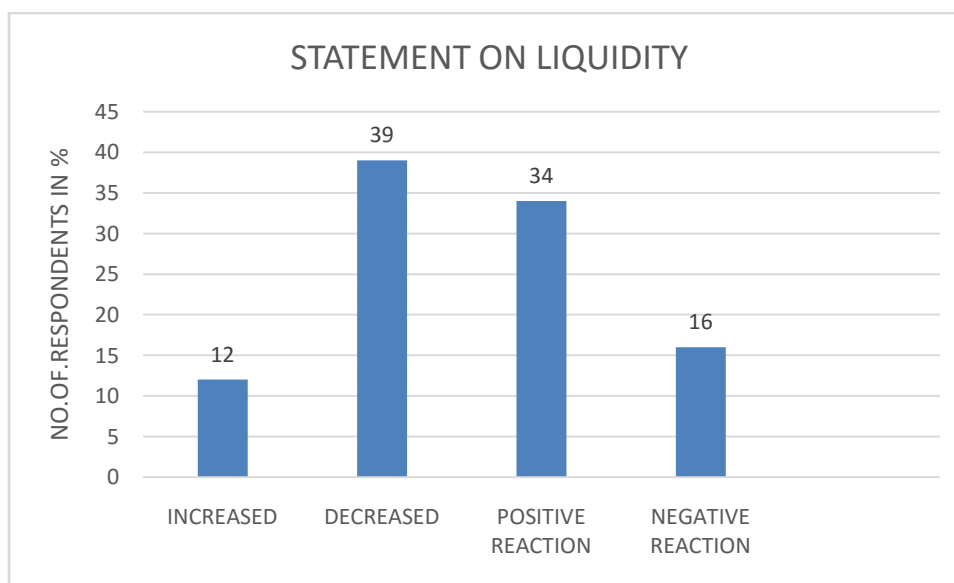


Figure 3: Opinion of Respondents of the Effect of Demonetisation on Liquidity

39 % of the respondents have opined that the demonetisation will reduce the liquidity so that an individual has less cash to meet immediate and short-term obligations. This is indicated in Figure 3.

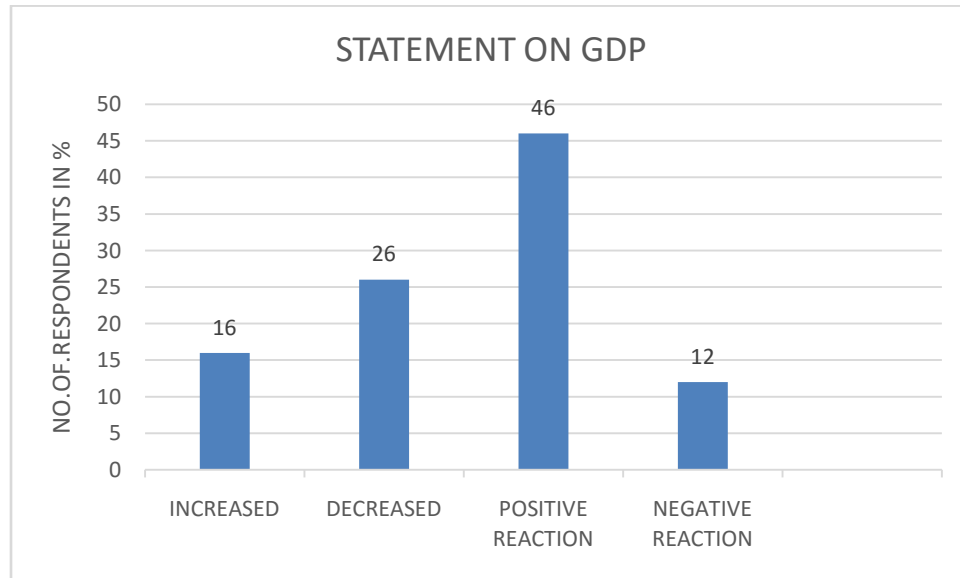


Figure 4: Opinion of Respondents of the Effect of Demonetisation on the Gross Domestic Product (GDP)

Findings

- People have agreed upon the view of our prime minister that the demonetisation is a surgical attack on corruption/black money.
- Even though people have cash crunch, they support the demonetisation by accepting all the shortcomings and crisis they have faced
- The lack of routine work, the delay in salary, and inability to buy essential items are the crises faced by the people during these period but most of the people are ready to accept these inconveniences for the betterment of the nation.
- People want the government to increase the withdrawal limit from ATMs.

Conclusion

The demonetisation caused inconveniences like Inability to Buy Essential things, lack of routine work, and delay in salary. From the study stated that people have accepted all the inconveniences for the betterment of the nation. Also people opined that proper precautions might have been

taken from the government to avoid such inconveniences. People believe that the demonetisation would eradicate corruption and black money. The more revenue for government from the demonetisation should be used for the development of nation.

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**A SURVEY ON PEOPLE'S RESPONSE OF DEMONETISATION OF 500 AND 1000
RUPEE NOTES**

1. **Name** :
2. **Age** : 18 - 27 28 - 37 38 – 47 48 & above
3. **Gender** : Male Female
4. **Educational qualification:** Illiterate Graduate PG Diploma thers
5. **Occupation** : Govt. Private Business Agriculture Unemployed
6. **Monthly income** : Below 10000 10001 – 20000 20001 -40000 above 40000

Indian government has implemented demonetisation.

7. State your opinion?

- A bold move
- A Welcoming policy
- Unplanned implementation
- I support the objective not the method
- A utter misery for common man

8. According to you what was the primary motive for this move?

- Financial inclusion
- Surgical attack on corruption/Block money
- Political maneuvering
- Moving towards on line transaction
- No idea

9. Have you faced any professional or personal crisis due to a severe cash crunch?

- Yes
- Yes but I don't mind
- No

10. In the inconvenience for the people due to demonetisation listed below, which you have most affected?

- Lack of routine work
- Delay in salary
- Inability to buy essential items
- For the betterment of the nation I accept all the inconveniences.
- Inconvenience to regular bank activity(Loan enquiry, pass book printing, locker usage)

11. How much time you have spent at ATM/BANKS to withdraw or exchange money?

- 1-3 hours
- 3-5 hours
- Over 8 hours
- A day
- More than a day

12. What is your opinion of the Rs.2500 per day withdrawal limit from ATM machines?

- Should be increased
- The existing limits for ATM withdrawal should be continued.
- Should be lowered
- current limit is fine
- no idea

13. Demonetisation will improve the standard among the common man in India-Do you agree?

- Strongly agree
- Agree
- Neither nor disagree
- Disagree
- Strongly disagree

14. Are you favouring the decisions of demonetisation by government?

- Yes No

If yes, rank the positiveness listed below

- Bank deposit base and savings
- Improve monetary transmission and reduce lending rates
- Create room for further monetary accommodation
- Ready study now go: financial inclusion via JHAN DHAN
- Support government finances

If no, rank the negativeness listed below

- All the bank money is held abroad or is in the form of assets
- People find a way to get around
- Bring back the black money stashed abroad first
- The decision followed extensive plans
- People will continued to do black transaction

15. Impact of demonetisation on the following economic aspect of our country -

Tick your options

STATEMENT	INCREASED	DECREASED	POSITIVE REACTION	NEGATIVE REACTION
Tax				
Interest Rate				
Liquidity				
GDP Ratio				