Research Article

Study on Demonetization and its Counter- Effect on the Common Man Life

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Abstract

In spite of the fact that Demonetization has Bring into existence so many constrains must negotiate with series of hurdles for the citizens of India, and they had confronted so many state of difficulty that needs to be resolved; they faced wait in line problems in the banks and ATMs for depositing and withdrawing money. Citizens of India faced problem of less expenditure of goods due to the lack of cash liquidity. Various businesses broke up due the lack of liquidity; business proprietors as well as person who uses goods or services faced so many question raised for consideration or solution. Government has given so many legal means to recover a right or obtain redress for a wrong to the citizens for time to time. Some economics connoisseur said that positive and forceful consequence of demonetization will showed in future. Government has also increased the withdrawal limits so that the queues in front of banks and ATMs have brought down. In some manner black money also seems to be comes out to many cooperators. Now we should wait and watch the on the whole impact of demonetization constrain.

Keywords: Demonetization, Economic Crisis, Financial Sector, E- Commerce.

Introduction

With the bounteous proclamation that came on 8th November, 2016 as regards the Forbid the public distribution of Rs 500 and Rs. 1000 currency notes, there were Widely circulated or diffused tremble went through by the people in India. 86 per cent of the currency in circulation discontinued to become legal tender after midnight of that day(2). According to Bloomberg statistics, the volume of cash transactions in India is 98%, compared to 55% in the UK and 46% in the UK. In India, the reading limit on e-commerce has been limited to 500 to 1000 economic organization, which were making hue and cry about the move that has brought unnecessary problems for them.
rupees in purchasing power in cash. At the same time, the limit of Rs 2,500 on ATMs is completely complicated. According to Surjit Bhalla, the BJP government will take an adventurous step and this credit goes back to our Prime Minister Narendra Modi(3). If this step is successful, it will be the biggest improvement in India. This policy will quietly make money for the economy by dragging out the black money(4).

Field Survey and Effect of Demonetization
In order to scrutinized the effect of the demonetization on a common man and its employment we will arrange a field survey, which were randomly select 100 peoples.

The survey was based on a questionnaire in which their money expenditure on various aspect of lifestyle along with their common problem faced during the demonetization along with effect on their employment and daily income was calculated.

The questionnaire were divided in 3 main section
1. Money expenditure on various aspect of lifestyle
2. Common problem faced during the demonetization
3. Effect on their employment and daily income

Data were randomly calculated on general opine of the peoples and tables and graph were plot according to their percentage and mean value.

Survey Criteria 1
Money expenditure on various aspect of lifestyle:
In this section were taken 10 money expenditure criteria of a common people and calculate the percentage decrease due to demonetization.

<table>
<thead>
<tr>
<th>Lifestyle</th>
<th>% Decrease in lifestyle expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to 25%</td>
</tr>
<tr>
<td>1 Daily market activities</td>
<td>7</td>
</tr>
<tr>
<td>2 Other social activities</td>
<td>8</td>
</tr>
<tr>
<td>3 Marriage/birthday function</td>
<td>12</td>
</tr>
<tr>
<td>4 Daily business activities</td>
<td>15</td>
</tr>
<tr>
<td>5 Expenditure on education</td>
<td>25</td>
</tr>
<tr>
<td>6 Expenditure on transport</td>
<td>2</td>
</tr>
<tr>
<td>7 Expenditure on medicine</td>
<td>58</td>
</tr>
<tr>
<td>8 Expenditure on health</td>
<td>61</td>
</tr>
<tr>
<td>9 Spending on consumption</td>
<td>48</td>
</tr>
<tr>
<td>10 Spending on outing</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 1: Response in % Decrease in lifestyle expenditure.
Figure 1: Effect of demonetization on the general expenditure of lifestyle.

On tabulated the observed data in Table 1 we will find that there were a general 25-50% decrease in the maximum expenditure except medicine health and consumption. In these three sectors the bigger currency were accepted for a long range, so more peoples were going there to expand the 500 and 1000 Rs currency as being in line for exchange is much hectic and uncertain in results.

On analyzing the graph plotted on the data (Figure 1) observed the maximum downfall were reported in outing or tourism sector with 65% opinion, while Medicine (58%), Health (61%) and Consumption (48%) has lowest recorded downfall in the demonetization. Other social activities (41%), Marriage/birthday function (37%), Daily business activities(35%), Expenditure on education(35%) and Expenditure on transport (65%) opine have reported in the decreases up to 50%.

Survey Criteria 2
Common Problem Faced During the Demonetization
The main problem was arising during the demonetization is the replacement or exchange of the currency from the banks while on very short notice or sudden implementation of the stoppage of 500 and 1000 Rs currency. The bigger currency holder would try to hack the bank to immediate exchange of their currency which in turn creates a huge shortage of money in banks also. Due to security reasons heavy currency loading in ATMs are also reduced. These all were create a chaos in the crowd and lead to un-satisfaction on this significant step of the Indian Government. In this section we will try to take peoples opinie on the general problems create in this situation.
Table 2: Common Problem Faced During the Demonetization.

<table>
<thead>
<tr>
<th>Common Problem</th>
<th>Yes</th>
<th>No</th>
<th>Can’t say</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Supply of new currency note was not sufficient</td>
<td>98</td>
<td>2</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>2 People are still suffering from negative effect</td>
<td>88</td>
<td>10</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>3 No solution obtain through demonetization</td>
<td>48</td>
<td>32</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>4 It serves no purpose</td>
<td>28</td>
<td>42</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>5 More corruption is happening</td>
<td>40</td>
<td>35</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>6 GOI shouldn’t have done it</td>
<td>30</td>
<td>50</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>7 Common people faced many problems more in rural area</td>
<td>71</td>
<td>25</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>8 It creates problem to small business /entrepreneurs</td>
<td>81</td>
<td>10</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>

Due to overcrowd in the bank’s the common people faced a lot of problems and concluded a lot of description about this step, in order to such consequences we were find that most of the people find trouble in their common life due to demonetization but still support the government for such a strong step. According to table 2 Most of the people voted in the yes category in the situation like Supply of new currency note was not sufficient by 98% peoples, People are still suffering from negative effect by 88%, Common people faced many problems more in rural area 71% and It creates problem to small business /entrepreneurs by 81% but still there were conflict in the peoples like No solution obtain through demonetization were voted in yes by 48% and they were also accept that these were only short term counter effect. While It serves no purpose and GOI shouldn’t have done it were strictly denied by the peoples and were answered in no by simultaneously 42% and 50% peoples.

There were a tie situation in the peoples regarding increased corruption as 40% voted in yes while 355 voted in no and 25 % were undecided this category, but all will accepts its short duration and hope for a better future as per sown in Figure 2.

Table 3: Problems faced by local people during demonetization period.

<table>
<thead>
<tr>
<th>Problem faced by general people</th>
<th>Agree</th>
<th>Disagree</th>
<th>Confused</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Standing in bank line</td>
<td>98</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>2 Spending from savings</td>
<td>68</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>3 Sales decrease</td>
<td>87</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>4 No salary to staff</td>
<td>24</td>
<td>43</td>
<td>33</td>
</tr>
<tr>
<td>5 Less customer</td>
<td>78</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>6 Customers purchasing power reduced</td>
<td>89</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>7 Borrow money at high interest</td>
<td>26</td>
<td>47</td>
<td>27</td>
</tr>
<tr>
<td>8 Destroy business activities by 10-50%</td>
<td>81</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>9 Daily income decreases</td>
<td>89</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>10 Job/business opportunity decreases</td>
<td>71</td>
<td>12</td>
<td>17</td>
</tr>
</tbody>
</table>
Figure 2: Effect of demonetization on the general expenditure of lifestyle.
Figure 3: Problem faced by general people during demonetization.

Survey criteria 3: Problem Faced By General People during Demonetization
As suddenly diminishes of the 1000 and 500 currency from the market will lead a drastic changes in the market situation, most of the peoples try to spend the money on the small market on their needs but as the shopkeepers were also face the same problem they will denied to accept money in big currency. This survey is based on such type of problems in the market and evaluates it in favor of demonetization and presented in tabulated form in table 3.
On the survey as plotted in Figure 3 it were find that most of the local peoples were agree with situation like Standing in bank line (98%), Spending from savings (68%), Sales decrease (87%), Less customer (78%), Customers purchasing power reduced (89%), Destroy business activities by 10-50% (81%).

Daily income decreases (89%), Job/business opportunity decreases (71%) but there were some hype were also spread which were strongly denied by the peoples like No salary to staff (43%), Borrow money at high interest (47%).

In most of the cases which were exclusively time period based and peoples believe that with patience these all were diminished and they were confused with the present time scenario but decided to being in uncertain because of their belief that this all will end one day these situations are like Sales decrease (11%), No salary to staff (33%), Borrow money at high interest (27%), Destroy business activities by 10-50% (15%), Job/business opportunity decreases (17%).

Some Other Aspects to Know the Effectiveness of Demonetization
1. Why India demonetized only 500 and 1000 currency notes
According to the Reserve Bank of India report, about 86% of the recurring value of 500 rupees and 1000 rupees circulated notes. The government therefore decides to eliminate this vast amount from the market (Fig. 4). And most of the fake notes exist as 500 and 1000(5).

Figure 4: Percentage share of demonetization in circulation by value in financial year 2015-16.
2. Impact of demonetization on Indian Economy
Either way, consumption of economic and economic activity has decreased. But it increased the bank's deposited money. At the time of disposal consumption is decreasing and the market is in a recession, but bank statements will be better for the future of the economy(5).
- Liquidity crunch (short term effect)
- Welfare loss for the currency using population
- Loss of Growth momentum
- Impact on bank deposits and interest rate
- Impact on black money
- Impact on counterfeit currency
- Consumption will be hit (Fig. 5)

![Diagram of Consumption, Production, Employment, Growth, Tax revenue]

**Figure 5**: Impact of demonetization on Indian Economy.

3. Impact of demonetization on loan from banks in India.
According to the central bank, deposits exceeded Rs 5 trillion between November 10 and November 18 after filing a currency exchange report with the Indian bank (Fig. 6). Due to many banks such as SBI and ICICI, HDFC PNB has reduced deposits(5, 6).
4. Impact of demonetization on Indian financial market
Under the consequences of demonetization, the Indian financial market experienced a secular downturn, Nifty 50 fall approx 6.3% and S & P BSE Sensex fell 5.9% from November 8 to 22(Fig. 7) (7).
5. Impact of demonetization on next financial year
According to Pranab Sen (India's first statistician), the government's target economic growth rate of 7.5 percent for next year's fiscal year is not optimistic, and the ban on sudden currency or demonetization has adversely affected the IT industry sector (Fig.8). The IT sector accounts for 45% of India's GDP, and about 80% of India's employment is in the IT sector(8).

6. Impact of note ban on Auto Assets Backed Loan
According to Moody's Investor Services Monetization of has a negative impact on Indian automotive asset support in the short term and will continue through the end of March 2017(9).

7. Impact of demonetization on FMCG industry
The FMCC industry fell by 1-1.5% or Rs. 3,840 in November compared to October. November purchases were down 6.4% compared to October. Purchase of personal hygiene products such as toilet soaps, toothpaste and shampoo saw the worst drop in retailers. According to consumer point of view, one out of five housewives had reduced spending by 50% or more. They have reduced the categories of impulsive categories such as biscuits and salted snacks as compared to daily necessities such as flour, rice, pulse and sugar(6).

8. Demonetization will help to fight with black money and reduce corruption.
According to Adi Godrej demonetization may had considerable negative effect at the
earlier stage but after some days the situation had improved and it will have a positive impact on the economy. The Chairman of the Godrej group also said that it would help to fight with black money and it will also reduce corruption. He further said there is a fair amount of cash has come into the economy and more is being coming regularly basis, and this is good sign for the economy(8).

9. Effect of demonetization on e-commerce

Due to demonetization people start preferring more online shopping due to crunch of cash. The graph shows the status of online shopping traffic pre and post demonetization. Despite bringing chaos in its initial days, demonetization in the long run is considered beneficial to the growth of e-commerce in India (Fig. 9). One of the long term benefits for the e-commerce industry is reduction in payments via COD cash on delivery. For online retailers COD involves additional cost and the risk of returns or thefts is higher in this form of payment(10).

Figure 9: Effect of demonetization on e-commerce.

Conclusion

Demonetization in India is a great effort taken by Indian government to combat with black money and corruption. It is a bold decision taken by government. The main purpose of demonetization is eradicating the black money and reduces the corruption.

Government of India has become success to some extent. Most of the black money has been crushed. Amount of cash liquidity increased in the bank day by day. And anybody knows if the bank has more deposits then bank become stronger. The country in which bank is strong then that country is more financially strong.

In future banks will able to do more and more loans to the individual and to the industrial sectors so that production will grow in our country, employment will be generate, and our country can develop at
very fast rate. But this is only future perfections; upcoming few months will show the actual economic condition of our country.

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