

COLLISION OF DEMONETIZATION ON SOCIETY – A CASE STUDY OF BELAGAVI DISTRICT

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***Abstract:** The Demonetization is the process of withdrawal of a particular form of currency from circulation and it had a great significant and immediate impact on the shape of the Indian economy as a whole and on the common citizen in particular. In this paper, an attempt has been made to find immediate impact of demonetization on the day to day life of the middle class people of India. Samples of 200 respondents were conveniently selected from Belagavi District. The data was collected by administering a standard and structured questionnaire and it was compiled and analyzed by using both mathematical and statistical tools and techniques. It is found based on the data that gaining political advantage was the primary motive of the move. It also results that, even though the Government claims that corruption, black money and terrorism were reduced substantially, in reality, consequences of the demonetization are showing the negative result.*

Key words: black money, currency, demonetization, economy, political advantage.

INTRODUCTION

Demonetization is the act of stripping a currency unit of its status as legal tender. It is the process of ceasing to produce and circulate particular forms of currency. This is necessary whenever there is a change of national currency. The old unit of currency is retired and replaced with a new currency unit. Legal tender is a medium of payment recognized by a legal system to be valid for meeting a financial obligation. It can be anything which when offered in payment extinguishes the debt. Coins and banknotes where usually defined as legal tender whereas personal cheques, credit cards, and similar non-cash methods of payment are not considered legal tender as debt obligations is not relieved until the payment is tendered. Higher denomination banknotes in Rs 1,000, Rs 5,000 and Rs 10,000 where reintroduced in the year 1954 and these banknotes were again demonetized in January 1978. Therefore, the last time demonetization was done in India is almost 36 years ago.

On November 8 2016, the government of India had banned old Rs 1000 and Rs 500 banknotes worth around Rs 20 trillion with the intention to control black money. The government move to scrap Rs. 500 and Rs. 1000 currency notes has had an adverse impact on the normal life of the common people. The demonetization has had a significant impact on the basic requirements of the common people of the country and it had become very difficult to lead day to day life for the general public irrespective of economic status. Demonetization was aimed at signaling a regime change, emphasizing the government's determination to penalize illegitimate activities and the associated wealth.

NEED FOR THE STUDY

In a developing country like India, there are some factors, which are indirectly affecting the economic growth of country such as unemployment, poverty, low level of standard of living and over population in the country. The study on collision of demonetization on society focuses on the immediate adverse impact on the people. In economies like

India where almost all economic activities are dependent on cash and near cash, the sudden decision of demonetization disturbed the normal life of the people and initially they were denied from accessing the financial institutions for their requirement and the greater majority of the total population was badly affected. Hence there is a need to study the actual impact of demonetization at grass root level on the common people.

REVIEW OF LITERATURE.

Jain P. M (2006), in his article E-payment and E-learning opined that E-payment will be able to check black" an analysis of growth pattern of cashless transaction system. Taking fullest advantage of technology quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out that the need for E-payment and modes of E-payments (i.e. NEFT, RTGS etc) and communication networks.

Annamalai S et al (2008), in their article "Retail transaction future bright for plastic money" projected the growth of debit and credit cards in the retail transactions and it is also mentioned that the growth factors (i.e. GDO, National Income) which leads to its popularity important constraints faced by banks and summarized with bright future and scope of plastic money (i.e. Debit or credit cards).

Alvares cliford (2009): In the report "the problem regarding fake currency in India "It is clearly noticed in their article that the country's battle against fake or black money is not getting easier and so many fake go undetected. It is also stated in their article counter filters hitherto had restricted printing facilities which made it easier to discover the black money.

Mayur shetty et al (2008), in their article states that Demonetization is enormous catalyst for banks. In India, recent struggle to review the stalled investment cycle has been chronicled and it has stated that multinational corporations are revving up the exclusive cape story even as domestic heavy weights remain sluggish.

Chakrabarty (2016) in his article "currency management in India" stated that massive withdrawal of banknotes from circulation not only means of banknotes from circulation not only means additional cost for printing of fresh notes but also additional requirement of various resources used in production of banknotes and also he stated that measures which are implemented for control black money circulating in the economy.

Sandeep Kaur (2016): In their Article "Demonetization and its impact in India "it is stated that the decision of government will fetch results in the long term from an equity market perspective this move would be positive for sectors like banking and infrastructure in the medium to long term.

Ashish Das et al (2008), in their article "cashless payment system in India a roadmap" states that, cash as a mode of payment is an expensive proposition for the government. The country need to move away from cash based towards a cashless payment system. This will help to reduce currency management cost, track transactions, check tax avoidance etc. It enhances the financial inclusion and integrates the parallel economy with main stream.

By the review of some selected literature, it is came to know that, all the authors have appreciated the move and identified the need for such a strong move to bring the economy to the normal track. But none of them seriously made an attempt to identify and criticize the adverse consequences of the same. Hence to fill the gap between the present and past research on the issues it is decided to study the collision of demonetization and

made an attempt to analyze the impact at grass root level by collecting actual opinion of the selected respondents through a structured questionnaire

OBJECTIVES OF THE STUDY

- To assess the awareness of responded towards demonetization in India
- To analyze the perception of respondent towards demonetization in India
- To identify the challenges of demonetization
- To ascertain the possibility of less cash economy
- To identify the practical problems faced by the common people irrespective of economic status.
- To suggest same measures to improve the effective implementation of less cash transactions.

METHODOLOGY

The study covers only Belagavi district of Karnataka state. The area selected by taking into account the relative importance and quantity and quality of business activities in Belagavi district. The sample size of 200 respondents was selected from area of study using the convenience sampling method. The data was collected after one month of announcement of demonetization decision. The collected data was analyzed with the help of mathematical and statistical tools and presented systematically in the form of table and graphs. As the studies limited only to Belagavi district, and the analysis is purely based on the respondents opinion findings may not be generalized.

PREPAREDNESS FOR DEMONETIZATION - GOVERNMENT AND RBI EFFORTS

- Government on its part is working at various levels to reduce the dependence on cash.
- Opening bank accounts for the unbanked under Pradhan Mantri Jan-Dhan Yojana
- Adoption of direct benefit transfer
- The recently launched Unified Payments Interface by National Payments Corporation of India makes digital transactions as simple as sending a text message.
- Implementation of the goods and services tax, for example, should encourage businesses to go cashless.
- The RBI and finance ministry have made Financial Literacy Centers (FLCs) a cornerstone of the PMJDY.
- These centers provide tailored financial education programmers to introduce adults to banking products and setting financial goals.
- Major social-media effort to promote cashless transactions, which include e banking, debit and credit cards, card-swipe or point-of-sales (POS) machines and digital wallets.
- As an incentive to banks and manufacturers of POS terminals, the government has waived 12.5 per cent excise duty and four per cent special excise duty on these machines
- RBI has also issued licenses to open new-age small finance banks and payments banks, which was expected to give a push to financial inclusion and bring innovative banking solutions.

Table showing demographic profile and response of respondents on the collision of Demonetization on society.

	Response	No of respondents	Percentage
Shortage of currency	Shortage	148	74
	No shortage	52	26
Impact of Demonetization	Negative	104	52
	Positive	96	48
Alternative payment methods	Available	160	80
	Not available	40	20
Use of cashless payment system	Strongly agree	52	26
	Agree	120	60
	Strongly disagree	8	4
	Disagree	16	8
	Can't say	4	2
Preference on plastic money	Preferred	128	64
	Not preferred	72	36
View about adopting cashless payment system	Willing to adapt	152	76
	Not willing to adapt	48	24
Ways to educate the people	Advertisement	76	38
	Personal visit	60	30
	Discussion with others	20	10
	Training	32	16
	Other ways	12	6
Potential threats to the cashless payment system	Dos attack	64	32
	Trojan horses	40	20
	Hackers	68	34
	None of these	8	4
	Above all	20	10

Source: Survey Data

Above table shows that, the greater majority 74 % of respondents agreed that there was shortage of currency notes during demonetization of currency notes. And also opined that, the main reason for the shortage was lack of preparedness of the Government, before announcing the move. Majority of people opined that they have supported the policy adopted by prime minister not with the willingness, but because of false illusion created by the Government and media. 68% of respondents were in favor of cashless payment system not because of their awareness about the advantages, but because of non-availability of currency on time. But afterwards people adapted and addicted to the cashless payment willingly. The greater majority i.e. 64% of the respondents preferred plastic money for their economic activities at that time and the primary motive was user friendly advantages of the plastic money. Even though the people were willing to adapt cashless payment mechanism, there was no much acceleration because of unlimited security issues involved, the presence of mischievous middleman and the neutrality of banking institutions in the country.

FINDINGS

- It is found that demonetization was required in the Indian economy to control the widespread corruption and black money. But after implementation political parties took the undue advantages of the move because of which were people were suppose to face number of problems and it has disturbed the normal life common people of India at large.

- The intention of the Government to curb the black money was not achieved effectively, because of non preparedness of the system, which also created some unwanted problems.
- Because of very slow rate of re-monetization and lack effective alternative payment mechanism, exchange of old currency with that of the new was created incontinences to both common people and financial institutions.

SUGGESTIONS

- If the Government was seriously willing to curb the black money and corruption, it should have used some other relatively effective measures objectively and the demonetization should have been the last move.
- To reduce the intensity of ill effects of the move, Government should have accelerated the speed of digital literacy programmes and should have made necessary arrangements for the same, even in the every nook and corner of the county.
- It is suggested that government should have adopted and implemented the strict guidelines, rules and regulation on demonetization. By that the Government would have accelerated the positive impact of demonetization little more effectively and parallel economy would have been eradicated.
- The government should frame and implement strict cyber laws, which is the need of the hour and which automatically increases the cashless payment by reducing the quantity of cyber crimes at a larger extent.

CONCLUSIONS

An unprecedented, bold move leading charge from the front, the PM in the most secretively planned, seamlessly executed a move to root out unaccounted and counterfeit currency. A combination of national security concerns and wider agenda to filter out unaccounted income guided the Government to make this move. Figures of high denomination currency in circulation in past 5 years compared to growth in the economy pointed towards indicators of unaccounted money in circulation. This is a big leap forward for a truly digital and modern economy to emerge. This is a path-breaking move by the Prime Minister to eradicate black money from the economy and mitigate the counterfeit money problem, both of which will do good to the Indian economy over time when Government shoulder the responsibility to sustain the positive impact of Demonetization and Re- monetization for long period of time.

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