

A study on the impact of “India- Demonetization 2016” on the educated working class of Kerala—A survey among the faculty members of the St. Xavier’s College for women, Aluva, Kerala, India.

(The sample represents the educated working class of the state of Kerala)

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Abstract: Government of every country focuses on long term prosperity and this can be attained only by wiping out the major evils of the society like corruption, black money and terrorism. And, Demonetization, 2016 rightly addresses this. The scheme has dealt a lethal blow to the parallel economy that casted its ugly shadow on the nation’s economy for long. Demonetization calls for a cashless, digitized India. The government asked the people to go cashless by adopting and adapting to the digital mode of financial transactions. The study focuses on understanding the opinion of the common educated man, who are meant to enact the whole process of transformation of India into a Digitized Economy and how they take this initiative of demonetization. On an average of 46% of respondents feel that demonetization will wipe out the major evils of the society. While 30% were neutral. They were sure that demonetization would address corruption more than black money. The respondents opined that demonetization affected the agriculture sector most when compared to Manufacturing and Service sector. They also say that the Lower Income Class was the most negatively impacted class of all. Respondents opined that at the onset of demonetization being declared, they resorted to Banks (82%) while some resorted to Post Offices (10%) for getting their invalid currencies exchanged. Majority felt that the process was more time consuming rather than sensing it as difficult. Inspite of the sample being, the well educated class of the economy ie. Academicians, the majority of 58%, were unaware of the recent modes like Adhar Enabled Payments, Unified Payment Interface, USSD etc, introduced to enable ease of going cashless. So the plight of the common man can be imagined. The respondents were neutral regarding whether Demonetization will reduce GDP. Whereas a majority of 56% agreed that Demonetization will end up in Digitized India even though 34% were neutral. The educated class of the State of Kerala feels that demonetization would be good, if it were to eradicate the evils of corruption, black money and terrorism. The study points out that majority is into equipping with cashless modes like Plastic Money, even though not the latest ones like E wallets and Mobile Banking, but a minority among this educated class is yet to adapt to the need of the hour i.e. going cashless. The move of the government was opined, as an initiative that was not well planned.

Keywords: Demonetization, Government, Digitized Economy, Cashless Economy

Introduction

Government of every country focuses on long term prosperity and this can be attained only by wiping out the major evils of the society like corruption, black money and terrorism. And, Demonetization, 2016 rightly addresses this. The scheme has dealt a lethal blow to the parallel economy that casted its ugly shadow on the nation’s economy for long. . In the wake of demonetization, there have been multiple debates on whether the radical and bold step taken by the central government was a judicious, well thought out and well implemented step. The nation of course stands divided in its opinion on whether the drastic measure taken by the government- which has plummeted the country into a financial paralysis, was an informed step.

Meaning

Demonetization is the act of stripping a currency unit of its status as legal tender. It is the process of removing a currency from general usage or circulation. On November 8th, 2016, Mr Narendra Modi, PM of India, announced demonetization of Rs 500 and Rs 1000 notes. After a couple of days of freezed monetary transactions, the government introduced the initiative by permitting restricted withdrawals on a rationed basis. Overhauling of all the invalid notes were called to be done within a prscribed period.

Review of Literature

Historically, previous Indian governments had demonetised bank notes. In January 1954, banknotes of 100 and 1,000 rupees were withdrawn and new notes of 100, 500 and 1000 rupees were introduced in 1954. The Janata Party coalition government demonetised banknotes of 1000, 5000 and 10,000 rupees on 16 January 1978 as a means of curbing counterfeit money and black money. In 2012, the Central Board of Direct Taxes had recommended against demonetisation, saying in a report that "demonetisation may not be a solution for tackling black money or economy, which is largely held in the form of benami properties, bullion and jewellery". According to data from income tax probes, black money holders keep only 6% or less of their ill-gotten wealth as cash, hence targeting this cash may not be a successful strategy.

On 28 October 2016 the total banknotes in circulation in India was Rs 17.77 trillion (US\$260 billion). In terms of value, the annual report of Reserve Bank of India (RBI) of 31 March 2016 stated that total bank notes in circulation valued to Rs 16.42 trillion (US\$240 billion) of which nearly 86% (around Rs14.18 trillion (US\$210 billion)) were Rs 500 and Rs 1,000 banknotes. In terms of volume, the report stated that 24% (around 22.03 billion) of the total 90266 million banknotes were in circulation. In the past, the Bharatiya Janata Party (BJP) had opposed demonetisation. BJP spokesperson Meenakshi Lekhi had said in 2014 that "The aam aurats and the aadmis (general population), those who are illiterate and have no access to banking facilities, will be the ones to be hit by such diversionary measures." The Government of India devised an Income Declaration Scheme (IDS), which opened on 1 June and ended on 30 September 2016. Under the scheme, the black money holders could come clean by declaring the assets, paying the tax and penalty of 45% thereafter.

The decision met with mixed initial reactions. Several bankers like Arundhati Bhattacharya (Chairperson of State Bank of India) and Chanda Kochhar (MD & CEO of ICICI Bank) appreciated the move in the sense that it would help curb black money and also supported the move adding that it would also accelerate e-commerce. Infosys founder N. R. Narayana Murthy praised the move. Finance Minister Arun Jaitley said that demonetisation would clean the complete economic system, increase the size of economy and revenue base. He mentioned the demonetisation along with the upcoming Goods and Services Tax (GST) as "an attempt to change the spending habit and lifestyle." The Indian National Congress spokesperson Randeep Surjewala welcomed the move but remained sceptical on the consequences that would follow. Chief Minister of Bihar Nitish Kumar supported the move. The demonetisation also got support from Chief Minister of Andhra Pradesh Nara Chandrababu Naidu Former Chief Election Commissioner of India S. Y. Quraishi said demonetisation could lead to long term electoral reforms. Indian social activist Anna Hazare hailed demonetisation as a revolutionary step. The President of India Pranab Mukherjee welcomed the demonetisation move by calling it bold step. The opinion of the masses varied both ways on micro-blogs and social media sites like Twitter.

By and large, international response was positive which saw the move as a bold crackdown on corruption. International Monetary Fund (IMF) issued a statement supporting Modi's efforts to fight corruption by the demonetisation policy. Chinese state media Global Times praised the move and termed it as "fierce fight against black money and corruption." Former Prime Minister of Finland and Vice-President of European Commission Jyrki Katainen welcomed the demonetisation move stressing that bringing transparency will strengthen Indian economy BBC's South Asia Correspondent Justin Rowlatt in his article praised the move for its secrecy and success and elaborated on reason behind demonetisation. Tim Worstall termed the demonetisation as welcome macroeconomic effect in his article in Forbes magazine. Swedish Minister of Enterprise Mikael Damberg supported the move by calling it bold decision. Singapore-based paper The Independent published a laudatory article on the move titled "Modi does a Lee Kuan Yew to stamp out corruption in India." Lee Kuan Yew was the Singaporean Prime Minister and is considered the architect of modern Singapore. "From making up his mind to rolling it out, a new Lee Kuan Yew is born in India. It will be reflected in the legacy of this Prime Minister," the article said.

The Indian Supreme Court while hearing one among a slew of cases filed against the sudden demonetisation decision in various courts, observed that it "appears to be carpet bombing and not surgical strike" which government repeatedly claims it to be. Nobel laureate Indian economist Amartya Sen, severely criticised the demonetisation move calling it a "despotic action" among other things. Former Senior Vice-President and Chief Economist of the World Bank, Kaushik Basu, called it a 'major mistake' and said that the 'damage' is likely to be much greater than any possible benefit. Pronab Sen, former Chief Statistician and Planning Commission of India member, called it a "hollow move" since it did not really address any of the purported goals of tackling black money or fake currency. Prabhat Patnaik, a former professor of economics at the Jawaharlal Nehru University, Delhi called the move 'witless' and 'anti-people'. He criticised the simple way in which black money was assumed as "a hoard of cash", saying that it would have little effect in eliminating "black activities" while "causing much hardship to common people." Noted economist and journalist, T. N. Ninan wrote in the Business Standard that demonetisation 'looks like a bad idea, badly executed

on the basis of some half-baked notions' Deepak Parekh (Chairman of HDFC) had initially appreciated the decision to ban the Rs. 500 and Rs. 1000 notes, but later said that the move had derailed the economy, and expressed skepticism about its outcome.

Chief Ministers of several Indian states like Mamata Banerjee, Arvind Kejriwal and Pinarayi Vijayan have criticised and led major protests against the decision in their states and in parliament. Initially, the move to demonetise and try to hinder black money was appreciated, but the manner in which it was carried out by causing hardships to common people was criticised. Several government ministers had declared before the demonetisation that they were holding large amounts of cash, including Arun Jaitley, who had more than 65 lakh rupees in cash. This led to speculation about whether and when the ministers had deposited the cash they held. The demonetisation also came in for sharp criticism from media outside India with the New York Times saying that the demonetisation was "atrociously planned" and that it did not appear to have combatted black money, while an article in a News Daily stated that "Modi has brought havoc to India".

Rationale of Study

Demonetization calls for a cashless, digitized India. The government asked the people to go cashless by adopting and adapting to the digital mode of financial transactions. The study focuses on understanding the opinion of the common educated man, who are meant to enact the whole process of transformation of India into a Digitized Economy and how they take this initiative of demonetization.

Objectives of Study

The following are the objectives

- ✓ To understand the opinion of the educated common man on the impact of demonetization.
- ✓ To study the views of the people with regard to the extent of agreement regarding the initiative, to attain the set goals of demonetization.
- ✓ To analyse to what extent people have adopted and adapted to the cashless modes which reflects the readiness of the people to Go Digital.

Research Methodology

The type of research depended upon is that of Fact Finding Opinion Study and the method adopted for the same is Survey Method. The study adopts Primary Data sources, collected with the help of questionnaires. The population being large, the current study focuses on sample survey of a minor representation of the educated working class of the state of Kerala. The sample being the Faculty members of St Xaviers College for Women, the sample size is chosen to be 70 respondents. Sampling would be categorized as convenient sampling.

Data Analysis

1. Do You Think Demonetisation Is Effective In Eliminating Black Money In India?

	No. of respondents	Percentage
Yes	28	40.0
No	18	25.7
Neutral	24	34.3

Table 1 shows that out of 70 respondents, 40% agrees that demonetisation eliminates Black money in INDIA, whereas 25.7% disagrees. 34.3% have neutral opinion about the same.

2. Does Demonetisation Help In Freezing "Terrorism Financing"?

	No. of Respondent	Percentage
Yes	32	45.7
No	12	17.1
Neutral	26	37.2

Table 2 shows that among the total respondents 45.7% supports the view that Demonetisation help in freezing Terrorism financing. While 37.2% have a neutral opinion. Only 17.1% opposes the view.

3. Does Demonetisation Help In Reducing Corruption In Any Manner?

	No. of Respondents	Percentage
Yes	34	51.4
No	20	28.5
Neutral	14	20.1

From the table 3 the interpretation drawn is that the majority of the respondents have the opinion that demonetization helps in reducing corruption which constitute 51.4% of the total. 28.5% are against this statement and 20.1% have neutral opinion .

4. WHICH INCOME GROUP IS AFFECTED MOST?

	No of respondents	Percentage
Lower class	37	51.4
Middle class	25	34.7
Upper class	10	13.9

Table 4 reveals that out of the total respondents, 51.4% feels that the group that demonetization affected most is the lower income group. Only 13.9% respondents say it to be upper income group and remaining respondents (34.7%) say middle income group.

5. Did You Have 1000 & 500 Rupees Currencies With You When Demonetisation Was Announced?

	No of Respondents	Percentage
Yes	66	94.3
No	4	05.7

From the table 5, it can be seen that majority of respondents were in possession of 1000 & 500 Rupees at the time of announcement of demonetisation. Only 5.7% were not having.

6. If Yes, What Means Among These ,Did You Resort To ,For Exchanging These Invalid Notes”.

	No of respondents	Percentage
Bank	60	81.08
Post office	8	10.81
Booked Railway Tickets	1	01.35
Used in Government Hospitals	1	01.35
Others	4	05.41

It can be seen from the table 6 that, out of the total respondents 81.08% exchange these invalid notes with bank, 10.81% with post office. Only 1.35% have exchanged through booking railway tickets and Government hospitals . 5.41% have exchanged through other sources.

7. This Process Of Exchanging Invalid Notes In Your Opinion Was –

	No of Respondents	Percentage
An easy task	6	08.45
A time consuming task	41	57.75
A difficult task	22	30.99
Indifferent about the process	2	02.81

From the table 7 ,it is evident that majority of respondents which constitute 57.75% have the opinion that exchanging invalid notes is a time consuming task While 30.99% considers it as a difficult task. 8.45% viewed it as an easy task where as the remaining were indifferent about the process.

8. Did You Get Sufficient Money To Meet Your Demands?

	No of respondents	Percentage
Yes	24	33.3
No	46	65.7

According to table 8, only 33.3% of the respondents got sufficient money to meet their demands, whereas majority of them did not get sufficient money.

9. Was Your Purchasing Power Affected?

	No of respondents	Percentage
Decreased purchase	50	71.4
Increased purchase	0	00.0
No change	20	28.6

Table 9 shows that the highest number, i.e. 71% of respondents purchasing power decreased, while 28.6% had no change. No respondent's purchasing power seem to have increased.

10. Are You Depending On Modes Of Transaction Other Than Liquid Cash?

	No of respondents	Percentage
Yes	46	65.71
No	24	34.29

From the table 10, it is clear that 65.71% of respondents depends on modes of transactions other than liquid cash. Around 34.29% were depended on liquid cash only.

11. Among The Following You Make Use Of Other Than Liquid Cash Mode For

	No of respondents	Percentage
Buying grocery	18	20.22
Travel	13	14.61
Paying utility bill	21	23.60
Shopping consumer goods	37	41.57

From table 11, it can be seen that 41.57% uses other modes of transaction for shopping consumer goods, 23.6% uses it for paying utility bill and 20.22% for buying grocery. Remaining 14.61% uses it for travelling purposes.

12. Which Mode Do You Depend On The Most, At The Onset Of Demonetisation?

	No of respondents	Percentage
Liquid cash	24	30.38
Net banking	10	12.66
NEFT/RTGS	05	06.33
Mobile banking	01	01.27
Debit/Credit cards	38	48.10
E-Wallets	01	01.26

According to table 12, 48.1% depended on debit or credit card at the onset of demonetization. 30.38% depended on liquid cash, While 12.66% depended on Net banking, and 6.33% on NEFT/RTGS. Only 1.26% depended on mobile banking and E-Wallet.

13. Are You Aware Of Any Of The Following Financial Transaction Modes?

	No of respondents	Percentage
Unified Payment Interface	07	10.00
USSD	02	02.86
Aadhar Enabled Payment System	24	34.29
None of the above	37	52.85

According to table 13, majority of the respondents were not aware of UPI, USSD and Aadhar Enabled payment system. Whereas 34.29% were aware of Aadhar Enabled payment system and 10% of the respondents knew about UPI. Only 2.86% of them were aware of USSD.

14. Which Sector Was Affected The Most?

	No of respondents	Percentage
Agriculture	30	41.10
Service sector	22	30.14
Manufacturers	21	28.76

The table 14 shows that Agriculture sector was affected the most i.e., 41.10%. The service sector was affected by 30.14% and the remaining 28.76% by Manufactures.

15. Demonetisation Will Reduce The Growth Rate Of The Economy (GDP).

	No of respondents	Percentage
Strongly Agree	15	21.42
Agree	22	31.42
Neutral	28	40.00
Disagree	03	04.28
Strongly Disagree	02	02.88

As per table 15, A majority of 40% is neutral about negative impact of demonetization on GDP, but compared to disagreement about the same, agreement seems to hold a better portion i.e., 21% and 31% as to 4% and 3%.

16. Demonetisation Will End Up In Digitized India.

	No of respondents	Percentage
Strongly Agree	09	12.85
Agree	30	42.85
Neutral	24	34.28
Disagree	05	07.14
Strongly Disagree	02	02.88

Table 16 shows that an aggregate of 56% feels that demonetization will end up in a Digitised India, 34% is neutral about the same and 10% does not support the statement.

17. Do You Think The Government Has Planned The Demonetisation Well?

	No of respondents	Percentage
Yes	16	22.85
No	54	77.15

Table 17 highlights that a majority of 77% feels that the move was not planned well and the rest feels that it was a well planned move.

18. Comments

- Demonetisation is a bold move coupled with lackluster implementation.
- Move is a failure-the intended targets know how to avoid the trap, they are seasoned dealers in black money.

Conclusion

On an average of 46% of respondents feel that demonetization will wipe out the major evils of the society. While 30% were neutral. They were sure that demonetization would address corruption more than black money.

The respondents opined that demonetization affected the agriculture sector most when compared to Manufacturing and Service sector. They also say that the Lower Income Class were the most negatively impacted class of all. Respondents opined that at the onset of demonetization being declared, they resorted to Banks (82%) while some resorted to Post Offices (10%) for getting their invalid currencies exchanged. Majority felt that the process was more time consuming rather than sensing it as difficult. In spite of going through this hectic task they say that insufficient money was the result.

It seems that the initiative impacted the life style of the people, consumption and purchases decreased and triggered more usage of cashless transactions for buying consumer goods as well as paying utility bills. And 66% commented that they are resorting to means other than liquid cash. This shows that a majority is ready to accept the situation and get adapted to the need of the hour. Out of the various digitized modes respondents say that they still use Debit /Credit cards more (48%). E wallets, Mobile Banking and Net Banking are still in far reach. Some (30%) say that alternates to liquid cash are not acceptable as they are resistant to change just like every other average Indian.

In spite of the sample being, the well educated class of the economy i.e. Academicians, the majority of 58%, were unaware of the recent modes like Adhar Enabled Payments, Unified Payment Interface, USSD etc, introduced to enable ease of going cashless. So the plight of the common man can be imagined.

The respondents were neutral regarding whether Demonetization will reduce GDP. Whereas a majority of 56% agreed that Demonetisation will end up in Digitized India even though 34% were neutral.

Conclusion

The educated class of the State of Kerala feels that demonetization would be good, if it were to eradicate the evils of corruption, black money and terrorism. The study points out that majority is into equipping with cashless modes like Plastic Money, even though not the latest ones like E wallets and Mobile Banking, but a minority among this educated class is yet to adapt to the need of the hour i.e. going cashless. The move of the government, was opined, as an initiative that was not well planned.

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