



A Public Perception on the Effects of Demonetization in Indian Economy - an Analytical Study

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

The move which was taken by the Indian government to demonetize notes of the high denomination was undertaken on 8th November 2016. This study aims to analyze the impact of this change on the general Indian demographic. This study also brings out important psychosocial trends and patterns in an important segment of society with policy implications and it attempts to analyze the reasons behind the observed social behavior. The finding was that the majority of the people believed that the move was in favor of the nation and had public support but somewhere there also seemed to be an apparent lack of planning on implementation of the scheme. Hence, this study has focused the public opinion on the demonetization of Indian currency, its influence and consequences among the Indian population in all aspects including socio-economic effects.

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1. INTRODUCTION

On 8th November 2016, the Government of India announced the demonetization of all Rs.500 and Rs.1,000 banknotes of the Mahatma Gandhi Series. It announced the issuance of new Rs.500 and Rs.2,000 banknotes in exchange for the demonetized banknotes [1]. Head of the State Narendra Modi asserted that the activity would diminish the shadow economy, increment credit-only exchanges and lessen the utilization of unlawful and fake money to support criminal behavior, and psychological warfare. As per 2018 report from the Reserve Bank of India, roughly 99.3% of the demonetized banknotes, or Rs.15.30 lakh crore (15.3 trillion) of the Rs.15.41 lakh crore that had been demonetized, were saved with the financial framework, driving examiners to express that the work had neglected to eliminate dark cash from the economy [2]. The BSE - SENSEX and NIFTY 50 stock records fell north of 6% on the day after the announcement [3]. The move decreased the country's modern creation and GDP development rate. It is assessed that 1.5 million jobs were lost [4]. The move created a huge expansion in computerized and credit-only exchanges all through the country.

At first, the move got support from a few financiers along with worldwide observers. The move was condemned as half-baked and unjustifiable, and was met with fights, cases, and strikes against the public authority in a few spots across India. Discussions occurred concerning the move in the two places of Parliament.

Our study dives deep into the effects of demonetization which exist till this day. It's been 5 years since the move was made. This study will aim to tackle some of the problems faced by this change such as, how the decision changed the progress and state of the Indian economy in the present time, what social impact this change had, how the general population viewed this proposed change when it was introduced and how that attitude has changed towards it in recent times.

2. LITERATURE REVIEW

Deepa, K & Siegel, S. (2017) [5] did a study of around 200 families living in 28 ghetto or lower-pay areas in Mumbai toward the beginning of December 2016 to report and look at the prompt

and transient effect of the November 8, 2016, demonetization choice by the Indian government. The overview evokes changes in families' pay, use, and reserve funds following the strategy declaration as well as could be expected longer-run impacts and an emotional evaluation of the arrangement toward the start of December 2016. The researcher found that the strategy prompted a drop-in pay, with a typical drop in pay during the long stretch of November of around 10% of families' month-to-month pay. The impact shifts essentially across various gatherings, specifically between those getting a standard compensation and those not. The pay drop is related to a drop in utilization as well as changes in families' reserve funds in November. The authors recorded a huge contrast between past investment funds conduct and anticipated future reserve funds conduct, with the normal utilization of ledgers expanding and the normal utilization of money as a stockpiling of significant worth diminishing considerably. In conclusion, the study found that most of the respondents viewed the arrangement by and large as certain, including most of those that accomplished some deficiency of pay in November.

Kalyani, P. (2016) [6] found that demonetization is a collaboration where the public authority broadcasts the at this point running money notes to be prohibited after the declaration is made. This kind of declaration was made in the year 2016, by PM Narendra Modi. There was an extreme absence of money on the lookout and everyday trade was highly affected. The last demonetization was finished in the year 1978 when money notes of 5000/- and 10,000/- were invalidated in the year 2016, but this time people have various decisions to make trades like with electronic banking, adaptable banking, web shopping, e-wallets, Visas, charge cards, UPI [Unified Payment Interface], etc. There are two potential gains and disadvantages of demonetization. It resembles a recovery button in the Indian economy and flushes all the dead-set aside money into the economy, to the market through genuine channels. The work is for going through ruined trades and various e-wallet associations like Paytm, etc. are having a respectable response and the public authority is to enabling something almost identical. In this paper, the researcher has focused on the effects and examples on exhibiting/purchasing to the elective decisions available in the market

maintained by the study to all the more promptly appreciate the market situation.

Vij, D.D. (2018) [7] found that demonetization continued onward on the eighth of November 2016. Perhaps it was the very best decision later, an opportunity that affected everybody in India: an official, finance supervisor, government employee, specialist, housewife, youth, etc. Demonetization done by Prime Minister Narendra Modi last year was with a great intent to diminish degradation and dark cash from the economy, get straightforwardness and more conspicuous formalization of the economy. This single decision hooked the economy for quite a while, and everybody exchanged words on its impact on the Indian economy as well as its impact on business. With the economy rising up out of that unseen jerk of cash crunch and endeavoring to be offset, it is an extraordinary opportunity to inspect the effects of this demonetization on our economy. Anyway, it might require 5-6 years to understand the complete eventual outcomes of this demonetization; a few transient effects are extremely evident. This paper was undertaken to sort out these transient impacts of demonetization on the Indian Economy both Pros and Cons. This study embraces an edifying, logical philosophy considering helper data to sort out the positive and unfavorable results of this demonetization on the Indian economy in the latest year.

Singh, A. (2017) [8] started by explaining how the Indian government announced the demonetization of all 500 and 1,000 rupee notes from the Mahatma Gandhi Series at midnight on November 8, 2016. The government asserted that by taking this measure, the shadow economy would be reduced and funds used to finance terrorism and unlawful behavior would be less frequently used. This program has a significant impact on enterprises, citizens, financial institutions, and India's broad industrial base. It has been clear that instead of being productive, Demonetization has dealt India's economy a fatal blow, causing much more than just destabilization. Demonetization's supporters may have had good intentions, but the hardship it has brought on millions of Indians is unjustified. The anguish that people could feel if 86 percent of their blood were withdrawn from their body is comparable to the amount of Rs. 500 and Rs. 1000 notes that make up the total amount of money in circulation in India, particularly in the vast rural areas. The underdeveloped banking

system in the countryside completely caught the poor off guard. For the tech class to comprehend the impact on the ground, they have little access to critical social theory. There is a lack of empathy. In conclusion, a better option would have been to give businesses and consumers more authority over economic decision-making, simplify, rationalize, and lower taxes, decrease regulations, limit officials' discretion, close loopholes, and expand the tax net.

Veerakumar, K. (2017) [9] points out that the Indian economy was significantly and immediately impacted by demonetization. This paper seeks to determine how demonetization has affected the general population. 100 respondent were randomly chosen for samples from the Coimbatore District. This thorough interview with a wide demographic ranging in four factors—gender, age, annual income, and occupation—has been found significantly correlate with the effects of demonetization. It also shows that respondents ranked demonetization as helping to remove black money, followed by corruption, terrorism, and other issues. As an overall picture, Indians were shocked by the government's decision to demonetize the largest denomination note. Demonetization is implemented in response to several of issues, including tax evasion, the use of counterfeit money, and the financing of illicit activity. Some persons are depositing cash notes into bank accounts in excess of the permitted limits, which has revealed unreported income subject to increased taxes and other penalties. Alternative payment methods like e-wallets, online banking transactions, and the use of debit and credit cards have expanded, and this will lead to the development of productive cashless infrastructure.

Bose, F. (2019) [10] Brings to light how the government's move to demonetize the highest-value note stunned the people of India. Demonetization was used as a solution to a variety of problems, such as tax evasion, the usage of illegal bills, and the funding of illegal activity. Some people used to deposit more cash than is allowed into bank accounts, which has exposed unreported income subject to higher taxes and other penalties. An effective cashless infrastructure has emerged as a result of the growth of alternative payment methods like e-wallets, internet banking, and the use of debit and credit cards. Because it raised transaction costs, the demonetization exercise affected many of the lives of the majority of people. Due

to the top-down planners' knowledge gaps, the planning process has unseen repercussions. This exercise was promoted by interest groups who sought to gain from it in both the United States and India and was marketed as a strategy to accelerate GDP development. The surge in interest in digital payments is the only apparent positive trend. The number of digital payments among English-speaking Indians, who are likely members of the middle and higher echelons of Indian society, has undoubtedly increased.

Syngle, T. (2017) [11] did research that was conducted on 60 people, 30 of whom were female house owners and 30 of whom were domestic helpers in Sector 23 in Chandigarh, India. Demonetization's psychosocial impact was analyzed qualitatively. All of the women appeared to be well-informed about the demonetization drive. Women domestic employees appeared to have higher savings that were solely for family requirements which they retained in cash, despite having a bank account in certain cases, whereas women house owners' personal savings were mostly for personal reasons held in cash and in a bank account. Following demonetization, barely half of lady house owners and 80% of domestic employees continued to create personal savings. As a result, demonetization discouraged more female homeowners from generating personal savings as opposed to domestic help. Compared to the majority of female domestic employees, barely half of the female homeowners have recovered control of remonetized personal funds. This might be a significant de-motivator for women homeowners to continue with the habit of personal savings because this group of women saved mostly for personal purposes. More domestic employees than lady homeowners thought demonetization would aid in the abolition of corruption. According to this study, domestic employees proved to be more self-sufficient in managing their savings after the demonetization than female house owners.

Arun, K., Srinagesh, A., & Ramesh, M. (2017) [12] analyzes the people's sentiments with regards to the Indian government's demonetization decision using Twitter data sets. Tweets are samples of society's opinions, and it can get the sample of positive and negative sentiments about the Indian government's demonetization decision. For this Twitter sentiment analysis, data cleansing, bigrams, polarity, and sentiment scores, as well as graphical approaches, are utilized. Overall

sentiment ratings show that 31% are positive, 9% are negative, and 60% are neutral, indicating that the public mood or view is completely positive from the retweets. It also led to an improvement in India's income streams, such as income tax payments and digital payments, as the GDP increased to 7.3 percent between 2016 and 2017. The majority of the tweets are in favor of demonetization.

Das, T.K. (2017) [13] attempted to explain the mixed response of people on the decision to demonetization. A dual concern model is used to explain this behavioral pattern of different groups of people. The model shows that the resolution to conflict due to demonetization was from fighting and forcing compromise through demonetization. The model is based on balancing two dimensions which are concern for self and concern for others. This two-dimensional model takes in five different conflict resolutions: Competition, avoidance, compromise, accommodation, and collaboration. For people who didn't own black money their concern for self-regarding was low, and their conflict style was accommodation. People who possessed unaccounted cash their concern for self-regarding black money was high, and their conflict style was competition. Common people's concerns changed gradually due to the cash crisis, inability and inaccessibility to digital payments, and loss of jobs due to the slowdown of some economic activities. The government is continuously advocating and incentivizing to change from a cash-based economy to digital payments [14].

3. METHODOLOGY

The goal of this research is to discover the impacts of demonetization that still exist today, as well as people's reactions to this choice. A questionnaire was created, with questions such as, 'Do you think the introduction of the 2000 Rupees note is a positive thing in the realm of digital payments?' To further understand people's perspectives, a survey was conducted, collecting responses from 236 persons with a bachelor's and master's degree as their greatest level of education. Following an exhaustive assessment of the literature, data was collected according to a well-structured plan. Demonetization's psycho-social impact was qualitatively assessed by integrating information directly connected to demonetization, ownership of demonetized cash and its handling, and the social impact that the action had caused. We were able to obtain the outcomes for this study

based on this data. The data were processed using statistical tools such as simple percent (%) and bar graphs after the acquired information was analyzed and summarized into pie charts and graphs.

4. DATA ANALYSIS

From Table 1, it was found that 67 percent of respondents did not know the people who were adversely affected due to demonetization, only 33 percent of respondents revealed that it was affected.

The Table 2 revealed that this demonetization was in the interest of the nation 77 percent and 22 percent of the respondents opined that it was not in the interest of the nation.

From Fig. 1, it was revealed that both the Upper class 32 percent and Lower class 22 percent affected due to note ban. The majority of the 46

percent of respondents revealed that the Middle class people were affected due to the currency note ban.

In the Questions related to the success of this scheme in Table 3, it was found that 41 percent of the respondents revealed that it was not a successful scheme and the remaining 58 percent revealed that it was a successful scheme.

The Table 4 shows that, a majority of the people believed that the introduction of the 2000 Rupees note was a mistake and should not have been brought forward in a world of digital payments.

In Fig. 2, it was found that due to lack of proper planning, 32 percent was the reason for the failure followed by a change in the RBI leadership 27 percent and others 25 percent. Nearly 16 percent of the respondents revealed that poor leadership by the government for the failure of this scheme.

Table 1. Distribution of the respondents who was adversely affected by demonetization

S. No.	Particulars	Percentage
1	Yes	33.3%
2	No	66.7%
Total		100%

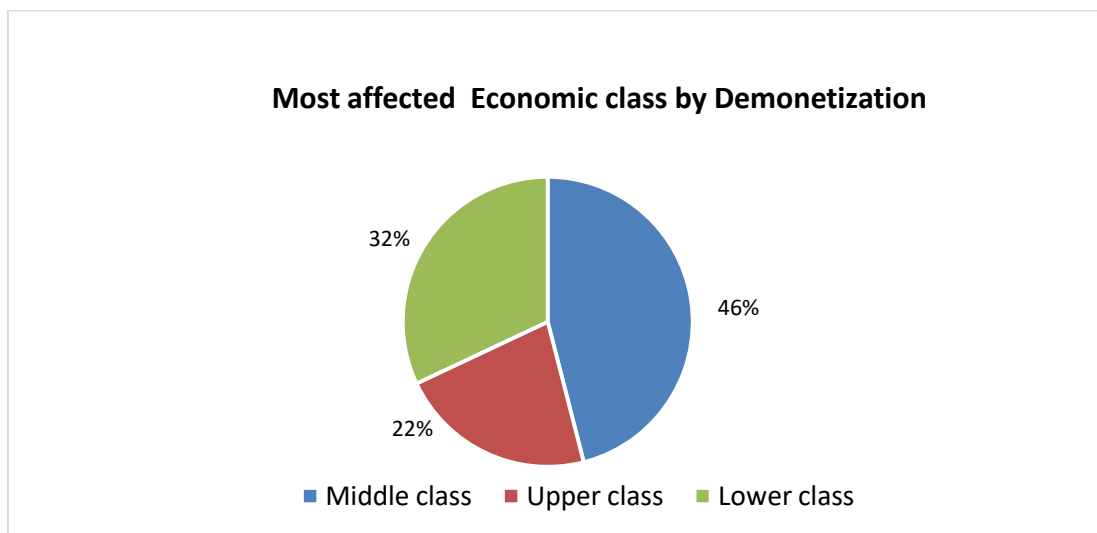


Fig. 1. Distribution of the respondents on the most affected Economic class by the Demonetization

Table 2. Distribution of the respondents believes the move of demonetization to the interest of the nation

S. No	Interest of the nation	Percentage
1	Yes	77.8%
2	No	22.2%
Total		100%

Table 3. Distribution of the respondents on the opinion of demonetization in its scheme implementation

S. No	Opinion of successful	Percentage
1	Yes	58.3%
2	No	41.7%
Total		100%

Table 4. Distribution of the respondents on introduce 2000 rupees currency note is good things in the world of digital payment

S. No	Introduction of the Rs.2000 note and digital payment	Percentage
1	Yes	41.7%
2	No	58.3%
Total		100%

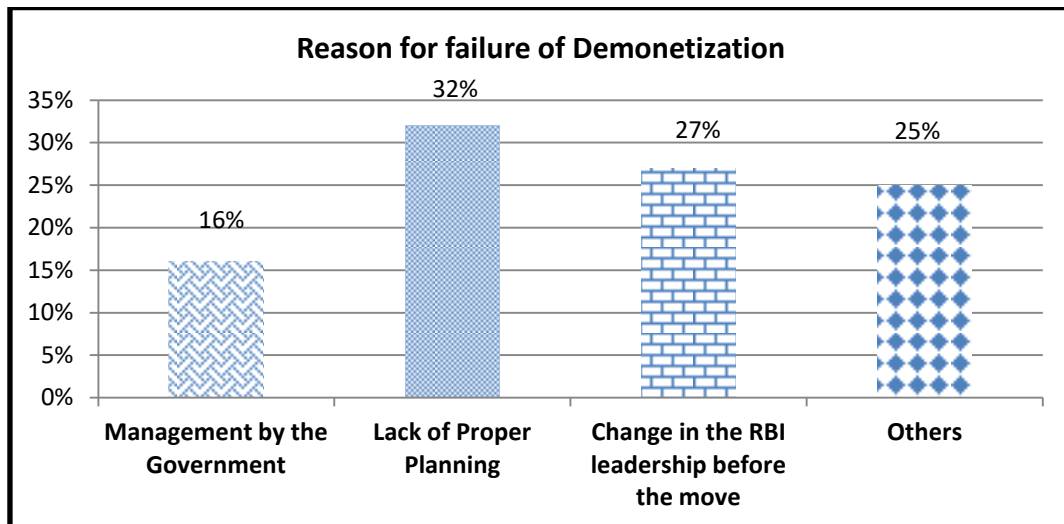


Fig. 2. Distribution of the respondents on the reason for the failure of demonetization

5. RESULTS

About two-thirds of the people surveyed had no idea about who had been negatively affected by the change. The larger part of the reviewed individuals accept that the move was without a doubt in light of a legitimate concern for the country and the larger part believed that the move should happen for the interest of the nation. Around 60% of individuals accept that the public authority didn't execute the plans well they

ought to have and there was some ailing in the rollout of the plan. The larger part of the reactions showed that the lower and working class were confronted with the brunt of the move and the privileged were generally unaffected. Individual discernment are made to such an extent that it was an effective move and finished its underlying objective it at first set off on a mission to do. Two-Thirds accepted that the plan was effective. A greater part of individuals accepts that the presentation of the 2000 Rupees

note was a slip-up and shouldn't have been presented in that frame of mind of computerized installments. The most reactions on why the plan might have fizzled were accepted to be the absence of legitimate preparation at 82 percent. Whereas unfortunate authority and change in RBI administration came practically the same at 32 percent and 35 percent separately as well as where 23 percent likewise accepted that there might be different explanations behind the disappointment.

6. DISCUSSION

The Indian government announced the demonetization of all 500 and 1,000 rupee currency notes from the Mahatma Gandhi Series on November 8, 2016. Additionally, it announced its lease offers 500 and 2,000 rupee currency notes in place of the currencies that were demonetized. According to Prime Minister Narendra Modi, the move would diminish the shadow economy, boost cashless transactions, and decrease the use of illicit and counterfeit money to finance, crime and terrorism. Approximately 99.3% of the demonetized banknotes, or 15.3 trillion rupees (15.30 lakh crore), were deposited in the banking system, according to the Reserve Bank of India report from 2018^[14], which prompted analysts to conclude that the endeavor to eradicate dirty money from the economy had failed. On the day following the announcement, the BSE - SENSEX and NIFTY 50 stock indices both decreased by more than 6%. The action decreased the nation's industrial output and GDP growth rate. 1.5 million Jobs are thought to have been lost. Additionally, the shift resulted in a notable rise in digital and cashless transactions across the nation.

The general consensus agrees that the move was done with good intent and could have been a driving force in reducing the flow of black money, however, this same demographic believes that the overall plan lacked proper structure and organization. The result was days of uncertainty and panic that followed November 8, 2016, and the middle class was the most affected section of the society.

7. CONCLUSION

This study identifies significant psychological trends and patterns in a critical part of society, with policy consequences. Even though the fact that Demonetization has created several challenges for Indian residents, they have

experienced long queues at banks and ATMs while depositing and withdrawing money. People in India are incredibly adaptable, as seen by the huge support for the move and swift transition to e-wallets. According to the study, the majority also agreed that the decision was in the best interests of the country and had successfully reduced the flow of black money and corruption. Furthermore, it aims to evaluate the reasons for the observed social behavior. A more extensive study with a larger sample dispersed across a greater geographic area as well as diverse social background would shed more light on the crucial psychological behavior and thoughts of individuals following demonetization.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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