



A STUDY ON IMPACT OF DEMONETIZATION ON COMMON PUBLIC OF BHIWANDI

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ABSTRACT:

Demonetization is the act of taking off a particular currency note from circulation. It is an act of cancelling the legal tender status of a currency unit in circulation. On 8th November, 2016 Prime Minister of India Narendra Modi announced the demonetization of Rs.500 and Rs.1000 notes with effect from midnight, making these notes invalid. India being cash-based economy, the move of government to make India a cashless economy, was shocking to all the citizens, especially the common people. The present paper examines the impact of demonetization among the common people in the Bhiwandi and their attitude towards the move of Government. The study found out that demonetization caused grievous injury to all those honest citizens who earn wages in cash, transact in cash and save in cash. However, people faced this hard ship only for a short span of time and recovered from this very quickly.

Keywords: *Demonetization, Black money, fake currency, Corruption, Cashless economy.*

INTRODUCTION

Demonetization is the act of stripping a currency unit of its status as legal tender. It is a process of removing a currency from general usage or circulation of money in a country. Demonetization is an act where the old unit of currency gets retired and replaced with a new currency unit. On Tuesday, 8th of November, 2016 India faced demonetization for the third time. Prime Minister of India Narendra Modi announced the Demonetization of Rs.500 and Rs.1000 notes with effect from midnight, making these notes invalid. The major reasons behind this move were controlling black money, controlling fake currency and controlling corruption. According to The Reserve Bank of India, the most important reason for the Demonetization of Rs.500 and Rs.1000 note was the rise of fake currencies of the same notes, and also the higher occurrence of black money in the economy. The fake notes are being used for illegal activities by anti-nationalists like terrorists and India being a nation of a cash-based economy, the circulation of fake currency continues to be a threat. But it has been taken care by Government that the public that a person who changed his higher value cash will get exactly the equal amount in lower denominations. The Modi government said there are four major reasons behind the demonetization:

- To making the black money worthless.
- To stopping the funding of terrorism.
- To finish the problem of black money.
- For reducing the corruption from country



This research studies the impact of demonetization among the common people in the Bhiwandi and their attitude towards the move of Government. India is a nation where only small percentage belongs to the rich class and majority of the population having a normal income, even though they are above poverty line. It is estimated that 23.6% of Indian population, or about 276 million people, lived below \$1.25 per day on purchasing power parity. Also, Indian economy is the cash-based economy where 90% transaction has taken place in cash only. In such situation the move to demonetize higher denomination notes had affected the whole economy.

Statement of the research problem:

The study deals with the impact of demonetization among the common people in Bhiwandi. In a developing nation like India, the act of demonetizing higher denomination notes is a risky attempt. Such moves affect the growth of the nation. This project helps to identify how far the common people were affected by the sudden demonetization policy and their reaction to this move. Also, to identify how far it helped in the removal of black money and corruption. The ultimate objective of this endeavour is to have a detailed view of demonetization and its implications for general public and economy as a whole.

Definitions:

- “Demonetization is a drastic innovation into the economy that involves removing the legal tender status of a currency”.
- “Demonetization can cause chaos or a serious downturn in an economy if it goes wrong.”
- The term demonetization refers to the act of stripping currency unit of its status as legal tender.

Impacts of demonetization:

- **Shortage of cash (short term effect):** After demonetization there is not sufficient amount of money in country. There is a shortage of cash.
- **Impact on small traders, labourers:** The labourers, small traders etc. are the class of working people who needs the frequent cash daily adversely affected because they don't use plastic money.
- **Consumption will be low:** After demonetization consumption will be adversely affected. Decrease in Consumption leads to decrease in production as a result growth automatically at low.
- **Impact on GDP:** India is the largest growing economy; Demonetization is a reason to reduce the growth rate of GDP during this period.
- **Impact on Bank Deposits and Interest Rate:** As the decision regarding the cancellation of old 500 rupees and 1000 rupees notes were announced all of sudden, people had very little time to react to the situation. Initially, Banks, as well as people, had faced lots of issues regarding the money deposited for the replacement of old notes to the new notes. Deposits were high all over the country as there was liquid cash available with banks in the form saving deposits from the people.
- **Impact on Black Money:** People invest their money into physical assests for the purpose to convert their black money into white money. As a result, black money reduces.
- **Low Inflation:** If the surplus disappears from the system, the currency valuation is slightly reduced. This will lower inflation if there is no open market intervention by the Reserve Bank of India. The security features of the newly issued 2000 and 500 notes in RBI.



Advantages of demonetization:

- People who have huge amounts of black money in cash are at a complete loss now.
- The use of fake money will be stopped completely.
- Huge sums of money especially in hard cash in the denominations of Rs. 500 and Rs. 1000 was used to fund Islamic terrorists, Naxalites and other non-state actors.
- Demonetization can drive the adoption of digital payment methods and encourage individuals and businesses to use formal banking channels.
- Demonetization can lead to increased tax compliance. This can help boost government revenues, fund public services and reduce the tax burden on honest taxpayers.
- Demonetization can improve transparency and accountability in financial transactions by reducing the use of cash for illicit activities such as money laundering and tax evasion.
- Demonetization can help control inflation by reducing the amount of currency in circulation and curbing excessive money supply.

Disadvantages of demonetization:

- Banks will be extremely over-crowded by people.
- There will be Shortage of Money for Common people.
- Many Indian housewives store money secretly so that they could be of help during times of financial crisis in their households
- Due to shortage of money in the market, a short-term cost push inflation will occur.
- The price of gold has already become sky high.
- Demonetization can disrupt economic activity by causing cash shortages, reducing consumer spending and slowing down business transactions.
- The health care sector may face challenges during demonetization as patients may struggle to pay for medical services, medicines and hospitals bills due to cash shortages.
- Demonetization can disrupt logistics operations, increase transportation costs and lead to delays in delivery schedules.

History of demonetization:

- ❖ **Demonetization-1946:** On the 12 January 1946, notes valued Rs 500, Rs 1000 and Rs 10000 ceased to be legal tenders. The objective of the drive was to curb black money and black marketing.
- ❖ **Demonetization-1978:** On 16 January 1978, the second Demonetization drive was announced, when notes of Rs 1,000, Rs 5,000 and Rs 10,000 were demonetized. The 1978 demonetization had affected only about 1.8% of the currency notes in circulation in terms of value. The objective of the drive was once again, to prevent illegal transactions in the market and to curb black money.
- ❖ **Demonetization-2016:** Currency notes valued Rs 1000 and Rs 500 ceased to be legal tenders since 08 November 2016. The objective was again to curb black money and to curtail the shadow economy. The recent demonetization drive has drawn both; a lot of praises as well as a lot of criticism on different counts, be it the impact on the common man, the impact on the industries and the impact on the economy.



LITERATURE REVIEW

Kaur (2016): attempts to identify the Impact of demonetization in India. The main objective of this study was to study the impact of Demonetization (8th Nov 2016) on Indian economy. This paper was totally based on secondary data which was collected from various published sources like Reports, journals, Newspaper etc. This paper concluded that Demonetization step taken by Modi government would be positive for banking sector and infrastructure in the medium and long term. It would be negative for consumer durable, luxury items, gems & jewellery and real estate etc.

Singh & Singh (2016): attempt to study in their paper titled “Impact of Demonetization on Indian Economy” Impact of demonetization in India. The main objective of this study was to analyze the impact of Demonetization on Indian economy and various countries in past years and also to work out the probable consequences of the demonetization. This paper was based on secondary data which was collected through internet. This paper concluded, the experiences from different countries show that demonetization failed to fix a debt burdened and inflation ridden economy.

Shah (2017): attempt to find out about the impact of demonetization on rural India. The main objective of this study was to analyze the impact of Demonetization on common persons of India, on agriculture sector and on economy of India. Secondary data was collected from newspaper and internet etc. The conclusion of this paper states that the demonetization had major impact on the parallel economy but sudden announcement had created discomfort for general public.

Muthu Lakshmi (2017): attempts to study the Impact of demonetization on Indian economy. The main objective of this study was to analyze the current and immediate impact of Demonetization on Indian economy. This paper was based on secondary data which was collected through internet. This paper shows the positive and negative impact of demonetization on Indian economy. It also highlights the probable consequences of the decision of demonetization on various economic variables and entities.

Guru and Shruti Kahani Jow (2010): Researcher analyzed the black money income? Need for amendment in DTAA & ITEA and analyzed that black money is spread everywhere in India up to a large extent which continuously stashed towards abroad in a very large amount. The researcher also identified how black money had caused menaces in our economy and in what ways it is used.

RESEARCH METHODOLOGY

Objectives:

- ❖ To know the opinion of people about demonetization policy.
- ❖ To know the opinion of people about abolishing black money and corruption through demonetization.
- ❖ To analyze the demographic profile of the respondents in Bhiwandi.
- ❖ To work out the probable consequences of the Demonetization.
- ❖ To describe the impact of demonetization adopted in 2016 by present government on Indian economy and system.

Limitations:

- ❖ The study may have a limited sample size, which could affect the generalizability.
- ❖ There may be biases in the selection of participants.
- ❖ The data collection methods may have limitations in term of accuracy and reliability.
- ❖ The study may have been conducted during a specific time frame.

Scope:

- ❖ The findings of the study can provide valuable insights to policy makers on the effectiveness and implications of demonetization.
- ❖ Researchers can use the study as a reference point for further research on the impact of demonetization.
- ❖ The study can raise awareness among the general public about the effects of demonetization on their daily lives.
- ❖ The study can help businesses in Bhiwandi and other regions understand the challenges and opportunities presented by demonetization.

Data collection method:**❖ Research design:**

The type of research followed in the study is survey, which is used as a popular data collection method used with descriptive studies. The essence of survey method can be explained as “questioning individuals on a topic or topics and then describing their responses”. The survey method of primary data collection is used to test concepts, reflect attitude of people, establish the level of customer satisfaction and a set of other purposes. Survey method can be used, quantitative, as well as, qualitative studies.

❖ Source of data:

the study uses both primary and secondary data.

- **Primary data:** Primary data is collected by using a structured questionnaire method. A questionnaire was framed to collect the information to fulfill the objectives of the study through google form.
- **Secondary data:** secondary data were collected from articles in newspapers, media reports, journals, relevant web sites etc. to know the impact of demonetization.

❖ Sample size:

Information was collected from people of Bhiwandi which forms the universe of the study. The number of sampling units from the universe is called the size of the sample. From the universe, 120 units were selected and were asked about the impact of demonetization.

❖ Sampling technique:

Convenient sampling technique was followed for the study. One of the reasons to adopt this technique is that all are aware of the topic. Statistically to arrive at conclusions, data were analyzed by using percentage analysis method.

DATA ANALYSIS & INTERPRETATION**1) Do you know about demonetization?**

Out of the total 120 number of respondents.

83% of respondents were said as Yes.

8% of respondents were said as No.

9% of respondents were not sure said as May be.

What was the impact of demonetization on common public?

Out of the total 120 number of respondents.

23% of respondents were said as Positive impact.

29% of respondents were said as Negative impact.

48% of respondents were said as both Positive & Negative impact.



2) Have you faced any inconvenience by demonetization?

Out of the total 120 number of respondents.

57% of respondents were said as Yes.

25% of respondents were said as No.

18% of respondents were not sure said as can't say.

3) Demonetization will improve the quality of life of the common public?

Out of the total 120 number of respondents. 31% of respondents were Completely agreed. 2% of respondents were only Agreed.

27% of respondents were Neutrals.

24% of respondents were Disagreed.

16% of respondents were not sure as Can't say.

4) The ban on Rs 500 & Rs 1000 notes will bring end to.

52% of respondents were said as Black money.

19% of respondents were said as Corruption.

4% of respondents were said as Terrorism.

25% of respondents were said as Fake currency.

5) Do you think black money exists in India?

49% of respondents were said as Yes.

19% of respondents were said as No.

30% of respondents were not sure said as may be.

2% of respondents were not aware said as Can't say.

6) have you faced any difficulty in using Rs 2000 note in the market?

71% of respondents were said as Yes.

15% of respondents were said as No.

14% of respondents were not sure said as May be.

7) What do you think demonetization helps in controlling corruption?

43% of respondents were said as Yes.

33% of respondents were said as No.

24% of respondents were not sure said as May be.

8) Did the government of India take the right step to curb black money from the nation?

43% of respondents were said as Yes.

25% of respondents were said as No.

32% of respondents were not sure said as May be.

9) Have you ready to support the demonetization?

23% of respondents were said as Yes.

36% of respondents were said as No.

41% of respondents were not sure said as May be.

CONCLUSION

Demonetization though it has created some positive and some negative impacts on different sectors. Apart from positive benefits it created some inconvenience to poor sections of the society. In short run also we could easily identify the decision taken will have far reaching impact on the economy.

Demonetization is a beneficial process even though it has some demerits that may render it



unfavorable in various ways. However, before any demonetization program is carried out, it should be carefully thought through and its impact on the poor should be considered. In this way, demonetization can be a chance for a fresh new start, or it can be something that causes unnecessary confusion for a country. The study “A Study on Impact of demonetization on common public of Bhiwandi”. This study helps to solve the problem comes the demonetization in the future.

SUGGESTIONS

- Government should take sufficient steps to cater the needs of people before implementing any such policies.
- The impact of such moves should be studied well by appointing a special committee comprising of experts in the various fields.
- Banks and other financial institution should provide assistance to both government and people equally, especially during the time of such situations.
- The needs of poor should be met with due importance while implementing such policies.
- People should make prompt payment of tax and other liabilities to the government, so that such actions or policies can be avoided to some extent.
- People should adopt electronic modes of payment, so that they can avail money or make payment any time from any part of nation.

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