



## Measuring the Impact and Acceptance of Demonetization: A Data Extensive Analytical Study

Dr. Nidhi Arora

Abjee Infosolutions Pvt. Ltd.  
Ahmedabad, Gujarat

C-RIM Poonam Arora

St. Kabir Institute of Professional Studies,  
Ahmedabad, Gujarat

**Abstract**— Recent demonetization has affected people of India in variety of ways. A common man understands no facts and figures in support of demonetization; he only knows the immediate effects of demonetization decision by the Indian government. The purpose of this paper is to explore the impact of demonetization on people of India and the level of their acceptance. A survey was done on about 400 people belonging to different age groups living in various areas in Ahmedabad to measure the degree to which it has been accepted by a common man in India. The results indicate that inspite of all the problems like lack of money in ATMs, long queues, unavailability of cash in hand, majority of respondents view the demonetization drive as positive even including those who experienced loss of income during this period.

**Keywords**— demonetization, economy, analyse, currency, denomination

### I. INTRODUCTION

The term demonetization has become a talk of every small town since the government has pulled old currency of Rs.500 and Rs.1,000 out of circulation. On 8th November 2016 at 20:00 hrs Government of India had announced the demonetization of these denominations. When a currency note of a particular denomination ceases to be a legal tender, it is termed as demonetization. But since our government was replacing the older notes with newer ones, it is more appropriate to call the move as scrapping or phasing out of certain currency notes. According to Government, the agenda of this move was 4 fold: to eliminate counterfeit currency, to get hold of black money, to fight against corruption and to reduce terrorism.

The term demonetization is not new to the Indian economy. According to an article on the hindu business line [2], the highest denomination note ever printed by the Reserve Bank of India was the Rs 10,000 note in 1938 and again in 1954. But these notes were demonetised in January 1946 and again in January 1978, according to RBI data. While this is the third time in the Indian history that Indian high value currency has been stripped of its status as a legal tender, the first two instances of demonetization did not have an impact like the recent one. This is primarily because, this time, the demonetized currency represents 86% of the total currency in circulation. In a country where 68% of the transaction are cash based, a move like this is definitely going to have several long- as well as short-term impacts [4].

Demonetization has affected many sectors in different ways. Not only common man's life is affected by it but almost all the business sectors are also affected due to inability to make payments in cash. Demonetization has given a new meaning to the monetary transactions in India. As Modi government wants India to become cashless, they brought demonetization into being and directly or indirectly pushed citizens of India into digital economic grid. It was a major decision which is widely regarded as one of the landmark economic decisions in Indian history. While the country is still trying to grip the outcomes of this decision, people have strongly raised their voices both in favour and against this decision. Resultantly, many myths also floated in the country making things worse. On the other hand, demonetization has helped the government track black money. Large amount of black money was kept hidden by tax evaders.

Demonetization helped government uncover huge amount of unaccounted cash. According to estimates made by RBI, people have deposited more than Rs.3-4 lakh crores worth of black money in the bank accounts [5]. It

was also discovered that a big part of black money was being used for funding terrorism, gambling, in inflating the price of major assets classes like real estate, gold and other social evils. Demonetization is considered as a tool to effectively countermeasure against such activities. All such activities are expected to get reduced for some time and also it will take years for people to generate that amount of black money again and hence in a way it may help in putting an end to the circle of people doing illegal activities to earn black money. A major advantage of demonetization is that government got a good amount of tax revenue by people disclosing their income and depositing money in their bank accounts can be used for betterment of society. The money can be utilized in providing good infrastructure, hospitals, educational institutions, roads and many other basic facilities for poor people of society. As this was a great move taken by Indian government, it is desirable to study the effect of Demonetization on common man life style, the difficulties faced by people who faced unavoidable cash needs for medical emergencies or social functions in their houses and whether cashless economy is good for economy as well as illiterate people.

The objectives of this study are to find upto what extent Indian people have accepted Demonetization as well as to know perception of people towards black-money and corruption. We have also focussed in knowing its impact on males and females separately as different group of people have been affected by Demonetization differently. People were facing lots of difficulties those days due to shortage of cash or cash crunch affected their daily expenditures. A well structured questionnaire for the demonetization is made to achieve the objectives. This questionnaire was given to the 400 people from a good mix of males and females belonging to different age group. To get the sufficiently good results, a proper sample size is decided and divided it into equal gender and age groups to get the response and comparisons are done to understand their acceptability for demonetization.

## **II. BACKGROUND**

Demonetization technically is a termed informally as liquidity shock in which the flow and availability of currency is brought to an end all of a sudden. The results of such a situation are quite obvious; it halts currency consumption, no more investments, degradation in production or sometimes a negative impact on employment etc. This is not the first time that demonetization has been implemented in a country. There are various developing countries where black money is increasing very quickly. It occurs at all levels of society, from local and national governments, civil society, judiciary functions, large and small businesses, military and other services and so on [6]. The government has implemented a major change in the economic environment by demonetizing the high value currency notes of Rs.500 and Rs.1000 denominations. These ceased to be legal tender from the midnight of 8th of November 2016 [1]. The proposal by government involved elimination of these existing notes from circulation and a gradual replacement with a new set of notes. In the short term, it was intended that the cash in circulation would be substantially squeezed since there are limits placed on the amount that individuals can withdraw [3].

Demonetization is one of the most unforgettable experiences for people in this era and probably a striking economic event of our time. Its impact is felt by every Indian citizen and it has affected the economy as around 86% of currency value in circulation was withdrawn without replacing bulk of it. As a result of the withdrawal of Rs.500 and Rs.1000 notes, there occurred huge gap in the currency composition as after Rs.100; Rs.2000 is the only denomination [7]. Multiple studies have been conducted regarding demonetization in India since post demonetization in 1978. The studies show how black money, terrorist funds, fake notes, corruption affect Indian economy adversely and because of this factor Indian economy is still considered as a developing country. However, very few studies have been conducted recently after announcement of demonetization on 8th November shows demonetization will help to unearth black money by discontinuing currency notes of Rs.500 and Rs.1000. The above discussion concludes that demonetization undertaken by the government is a big step which is going to affect the economy. It is important to analyze research pertaining to demonetization and its effect on Indian economy.

Most of the researches point towards black money, corruption, terrorist fund, and inflation which prevent Indian economy to be a strong. Post demonetization of 1978, there were many after effects experienced by people then. But at the same time it is also found in literature that it had a positive impact on economy. This time also it is expected to help the economy by interest rates going down because of flood of cash into banks which ultimately reduced inflation rates and increase in GDP growth of Indian economy.

### III. SWOT ANALYSIS

Demonetization is not foolproof and like other measures this also carries some strengths and opportunities as opposed to the weaknesses and threats to deal with. If the objectives with which demonetization was put forward are achieved through sound implementation, it is going to have a strong impact on India's anti-corruption drive. But at the same time it was reported to have weak planning behind such a huge drive. SWOT analysis has been carried out to view demonetization from all four aspects as shown in figure 1.



Figure 1: SWOT Analysis of Demonetization in India

Further, during the demonetization period majority of people were affected in various ways. There were many cases of wedding ceremonies, social functions, health emergencies etc. when it was announced that the currency which people are holding would not be a circulation entity anymore. Hence, to study the acceptance of demonetization, we have done a survey considering people living in Ahmedabad city. People accepted that they are still facing problems but at the same time they had faith on the government's decision and considered that this is going to benefit them in long run eliminating malpractices from the country. Media had also reported on regular basis the long queues outside banks and ATM machines and the inability of ATM machines in despising cash. Consequently people also suffered because of no cash in hand to spend even for buying medicines. There are endless issues and tolls reported during the panic period for people.

### IV. RESEARCH METHODOLOGY

The methodology used here is exploratory in nature as the survey is done to know the acceptance of respondents after demonetization came into force. The government believed that the move of demonetization will bring structural changes to the economy and so this study is aimed to find out the effect of demonetization and its acceptance level by people of Ahmedabad. This study also tries and examines the impact of demonetization from the viewpoint of common citizens of country. For registering the opinions of the respondents, a well structured questionnaire was prepared and a survey is conducted over 400 people of Ahmedabad following non probability convenience sampling. It had questions on the following categories:

1. Demographic details: to gain an idea about the sample through age group, gender, occupation and income levels.
2. Impact of the process: to know the effect of demonetization on the respondents.
3. Acceptance level: To know the opinion of respondents.

The data collection is primary in nature and the approach followed by the study is quantitative. Responses were collected from 400 people having the following demographic details:

Table 1: Demographic Details

No.	Demographic Parameter	Category	No. of Respondents	Percentage of Respondents
1	<b>Gender</b>	Male	200	50
		Female	200	50
		Total	400	100
2	<b>Age Group</b>	Below 18 years	52	13
		18-25 years	68	17
		25-45 years	132	33
		Above 45 years	148	37
		Total	400	100
3	<b>Monthly Income</b>	Below Rs. 25000	112	28
		Rs. 25000 - 45000	124	31
		Rs. 45000 - 60000	112	28
		More than Rs. 60000	52	13
		Total	400	100
4	<b>Occupation</b>	Service	132	33
		Student	52	13
		Business	156	39
		Homemakers	60	15
		Total	400	100

Equal number of responses was taken from males and females belonging to four different age groups in which the dominating age group is the people of more than 45 years of age. Respondents were divided into four different categories based on their occupation which also includes students as they are the budding talent and future citizens of the country and their views are important in structuring the economy. Also, people of different income levels are made part of this survey to know the overall impact of demonetization on different age groups having different income levels.

The study basically aimed to know how well people of Ahmedabad have taken demonetisation as a move by the government to control corruption. Various factors were considered to achieve it. These factors include: inconvenience faced by common citizens, time spent in queues, withdrawal of required money, availability of money for livelihood and support rendered to the effort of government. The other objective is to know how beneficial is this mission of banning current currency from the viewpoint of common man. What according to respondents are the future benefits of bearing all inconveniences? To know this, respondents were asked about their speculations about cashless economy, benefits of transparency of money supply and the elevation in the standards of health, education and other social benefits for the common man of the country.

The independent variable here is gender which is categorical in nature and the effect of gender is to be measured on two different dependent variables identified as acceptance level of demonetisation and the inconvenience faced during the same. On the basis of these variables, the following hypotheses were framed:

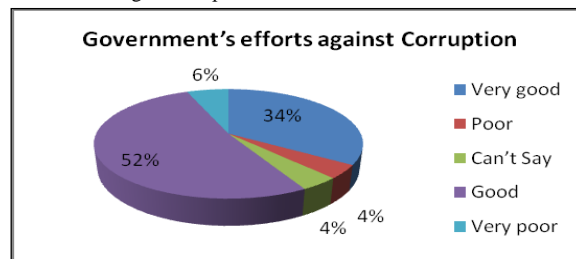
**H<sub>01</sub>**: There is no significant difference between the average inconvenience faced by males and females in government's fight to curb black money.

**H<sub>02</sub>**: There is no significant difference between average acceptance of demonetization among males and females. The objective here is to analyse whether there is any difference between the two gender categories over the acceptance of demonetization among males and females.

#### V. DATA INTERPRETATION

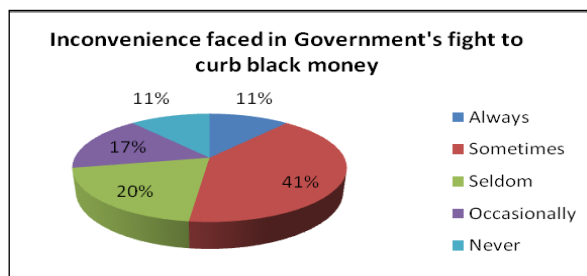
While the data is analyzed several responses were taken and interpreted. To begin with, respondents were asked whether black money exist in country or not and around 67% respondents answered positively and said they believe that black money exist in country. 83% of these respondents' have accepted that definitely evil of corruption and black money needs to be fought and eliminated.

Figure 2: Opinion on Government's Efforts



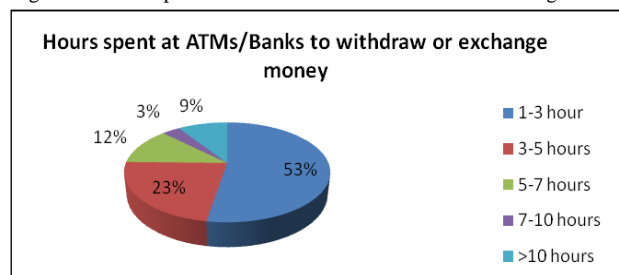
Relating demonetization as an effort to curb corruption and circulation of black money, 52% out of 400 respondents say that the government's move of demonetization is good and around 34% people rate it as very good. Looking at the overall scenario, the response is one sided and is totally positive. This interprets that the citizens of country support the government and its mission to achieve a better India.

Figure 3: Inconvenience Faced in Government's Fight



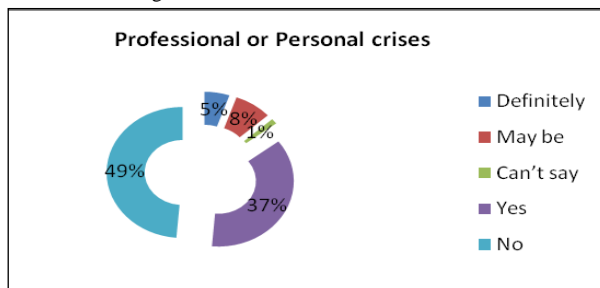
The above chart shows that only 11% people never faced any inconvenience in the implementation of demonetization. An equal percent of people said that they always faced problems. The highest response of 41% said they faced inconvenience during this move but that was sometimes and 20% people responded seldom. This interprets that there were no major problems that were faced by people though more than 50% of the respondents faced overall inconvenience due to demonetization but they still support the government's move of demonetizing currency.

Figure 4: Hours Spent at ATMs/Banks to Withdraw or Exchange Money



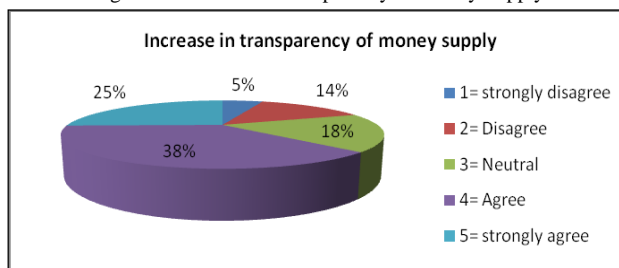
The above chart depicts the number of hours; respondents had to invest to withdraw money. The question was asked to know the reasons of inconvenience that people faced during the ban of Rs 500 and Rs 1000 old notes. Out of 400, 53% people responded that they had to stand on an average 1-3 hours a day in the ATM or Bank lines to withdraw money. Around 39% said that this continued for around 3 days that they had to stand in queues. Though 10% of the respondents had to stand for more than 10 days in bank lines as they could not withdraw money in initial days because of the unmanageable crowd. But this helped around 52% of people in withdrawing sufficient amount of money for their daily living.

Figure 5: Professional or Personal Crises



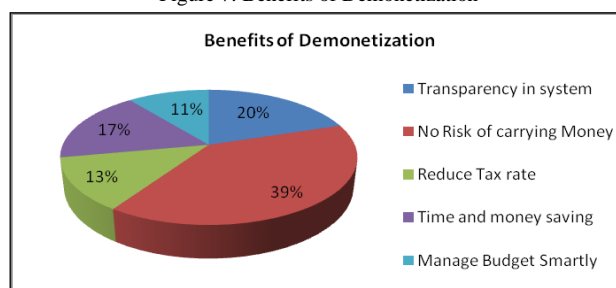
Out of 400 respondents, 10% could not withdraw money even after standing for days in bank queues but among them around 50% people responded that they never faced professional or personal crises during the process of demonetization. Almost equal percent of respondents gave opposite opinion when asked about problems faced in arrangement of money in family functions and grand occasions. While 35% people said they did not find any problems and they could manage money for arranging grand gathering, 35% people opinion that sometimes it was difficult to arrange money and organize a family function. To understand the views about benefits of demonetization, respondents were asked whether the process will increase the transparency of money supply in country.

Figure 6: Increase in Transparency of Money Supply



Around 38% of the respondents agree that demonetization will bring in the degree of transparency of money supply in the country. 41% people believed that the economy will be forced to go cashless as an impact of demonetization which is a new move towards the better world. Also, 27% of people feel that this move will reduce inflation in the economy. The best benefit according to 30% of people is that demonetization will bring real estate, education, health and other social benefits in common man's reach and the best response received is that the current currency ban has impacted every class of people almost equally.

Figure 7: Benefits of Demonetization



According to the survey, demonetization will lead to cashless economy which will have various benefits. Around 3%, the highest, believed that this will decrease the frequency of carrying physical money which eventually will decrease the risk of being stolen away or carrying heavy wallets. 20% people believed that this will bring transparency in system of money exchange. Almost equal percent of people said that this will save time in carrying out transactions involving money. Other benefits being found are reduction in tax rates due to online transactions and easy budget management.

The survey revealed that the people of Ahmedabad have accepted the government's move of demonetization with open hands though they faced minor inconvenience. The distribution being normal, to measure whether this



acceptance is same for both males and females, t- test is applied to know the average difference in their acceptance levels. Equal number of males and females responded to the questions.

Considering the first hypothesis:

**H<sub>01</sub>**: There is no significant difference between the average inconvenience faced by males and females in government's fight to curb black money.

**H<sub>a1</sub>**: There is no significant difference between the average inconvenience faced by males and females in government's fight to curb black money.

Table 2: Summary Statistics

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Facing inconvenience in Government's fight to curb black money	1	200	2.74	1.188	.084
	2	200	2.77	1.181	.083

The above table shows the statistical summary of the respondents. Equal number of males and females responded to the question.

Table 3: Independent Sample t-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Facing inconvenience in Government's fight to curb black money	Equal variances assumed	.010	.921	-.295	398	.768	-.035	.118	-.268	.198
	Equal variances not assumed			-.295	397.984	.768	-.035	.118	-.268	.198

Assuming the equal variances as a result of Levene's test, the result above shows that the significant t value is 0.768. Comparing it with the level of tolerance, it is being observed that the sig value is greater than 0.05. So according to the hypothesis testing rule H<sub>0</sub> is accepted. This proves that there is no significant difference between the average inconvenience faced by males and females in government's fight to curb black money. This implies that the group of males and females doesn't show difference between the problems faced during the move of demonetization as an initiative to curb corruption and black money.

Considering the second hypothesis:

**H<sub>02</sub>**: There is no significant difference between average acceptance of demonetization among males and females.

**H<sub>a2</sub>**: There is significant difference between average acceptance of demonetization among males and females.

Table 4: Summary Statistics

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Acceptance of demonetization	1	200	2.30	.966	.068
	2	200	2.35	1.021	.072

The above table shows an ignorable difference between the mean values of males and females regarding acceptance of demonetization. That shows that the mean response over two categories is more or less similar.

Table 5: Independent Sample t-Test  
**Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
								Lower	Upper	
Acceptance of demonetization	Equal variances assumed	1.207	.273	-.553	398	.580	-.055	.099	-.250	.140
	Equal variances not assumed			-.553	396.768	.580	-.055	.099	-.250	.140

Assuming the equal variances to be true as an interpretation of Levene’s test, the result above shows that the significant t value is 0.580. Comparing it with the level of tolerance, it is being observed that the sig value is greater than 0.05. So according to the hypothesis testing rule; Ho is accepted. This proves that there is no significant difference between the acceptance of demonetization by males and females. This implies that the groups of males and females both have accepted government’s move of demonetization as an initiative to curb corruption.

**VI. CONCLUSION**

Analysing the facts and figures catalogued from the survey, the study reveals that majority of the people believe that black money exists in country and measures should be taken to restrain its circulation and use which will help in fighting against the evil of corruption which eventually will eliminate black money. 45% of respondents rate the government’s moves to tackle black money as brilliant whereas 27% of respondent still think it could have been better. Most of the people believe that the current government has taken a massive action in the form of demonetization to combat corruption and they believe that banning the old currency notes of 500 and 1000 was a ginormous step towards achieving the goal. Though there were lot of problems being faced by common people like standing in queues for long hours and many days they could withdraw sufficient amount of money needed for daily spending. Study also reveals that people faced difficulties in arranging big amount of money for family functions but still Ahmedabad have accepted demonetization and they rated this drive as good. Also, the group of males and females doesn’t show diversity between the problems faced during the move and there is no significant difference between them over acceptance of demonetization. Majority of people believe that this initiative will bring transparency of money supply making India a cashless economy and bringing all social needs in gamut of common people. They also believe that demonetization has affected the poor, the middle class and rich equally across the country but using plastic money for every transaction is a kind of game that only rich and literate people can play, illiterate people will face major problems and cashless transactions will also bring in risk of security. Though on another hand, the study reveals that online payments will reduce the risk of carrying money, will save lot of time and will bring in lot of transparency in system. Overall, people of Ahmedabad are in support of the government’s effort of hampering corruption and even though there were problems that they had to face but the citizens of Ahmedabad have accepted demonetization as a move for a better Country.



REFERENCES

- [1] Braga, F.D., Isabella G and Mazzon J.A., (2013), Digital wallets as a payment method influence consumer in their buying behaviour.
- [2] High-value Notes Demonetisation: Its 1978 Redux!, The Hindu Business Newslite, N.p., 8 Nov. 2016, Web.
- [3] Rao, K., Mukherjee, S., Kumar, S., Sengupta, D.P., Tandon, S. and Nayudu S.H. (2016), Demonetisation: Impact on the Economy, NIPFP Working paper series.
- [4] Nadia Noorani CFA, (2016), Demonetization And Its Impact On The Indian Economy, Seeking Alpha, N.p., 19 Dec. 2016, Web.
- [5] Rs 3-4 Lakh Crore Black Money Deposited in Banks Post Demonetisation, Business Today, N.p., 11 Jan. 2017, Web.
- [6] Sarkar, S. (2010), Economic Journal of Development Issues, 11 & 12(1-2).
- [7] Tojo Jose (2016), What Are the Impacts of Demonetisation on Indian Economy?, Indian Economy, N.p., 16 Dec. 2016, Web.