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BALTIC JOURNAL OF LAW & POLITICS

A Journal of Vytutas Magnus University
VOLUME 15, NUMBER 4 (2022)
ISSN 2029-0454

Cite: *Baltic Journal of Law & Politics* 15:4 (2022): 509-517
DOI:10.2478/bjlp-2022-004053

A Public Opinion on the Impact of Demonetisation in Indian Economy

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Received: August 8, 2022; reviews: 2; accepted: November 29, 2022.

Abstract

Demonetisation refers to the act of removing a currency as a medium of exchange. In the end this type of cash is off from circulation and retired. Its associate degree process within which a country's currency unit is no longer a medium of exchange. Demonetisation could be a move within which a government bans the notes or coins of a particular denomination. The honorable Prime Minister Narendra Modi proclaimed ending in Bharat on Nov eight, 2016 wherever Rs five hundred and Rs one thousand notes were withdrawn from circulation. It had been a significant event of the year 2016. This paper makes an attempt to elucidate the that means of ending, examine the explanations for ending, verify the extent of ending, explore the positive and negative impact of ending on Indian economy. The study used both primary and secondary data. Primary data has been collected from 203 respondents using convenient sampling with structured questionnaires. Information such as age, gender, education, occupation on the impact of demonetisation was taken. Secondary information is also collected from various sources like books, articles, research papers, etc were collected. Primary data were collected through questionnaires. Simple percentages, graphs and chi-square were used. It can be concluded that after demonetization, digital payment is increasing one. All peoples are trying to adopt digital payment. Black money has reduced in the Indian economy. Corruption has reduced in India. Deposit in the bank, short term may rise, but in the long term, its effect will come down. Due to demonetization, the gross domestic product of India will decline.

Keywords

Demonetisation, black money, corruption, cashless economy, digitization

INTRODUCTION

Demonetization is the demonstration of baring a money unit of its standing as legitimate delicate. Ending is important at no matter purpose there's a distinction publically money. The recent unit of {money} ought to be resigned and supplanted with another money unit. one thing contrary to ending is demonetization wherever a sort of installment is reestablished as legitimate delicate. Announcement of eighty six of money notes as unlawful delicate in a very squint of your time on the night before 8th November 2016 ordered the formation of prompt break in day to day routines. This development left everyone amazed as this was a groundbreaking alternative and stunning one that was proclaimed with next to no earlier knowledge at nighttime at 8:15 p.m. attended by

our noteworthy Prime Minister Shri Narendra Modi. This idea of ending is not new. This move is concentrated on flushing the masses of "dark cash" out of our economy and obtaining them real, banked and accessible therefore it turns into a bit of our economy.

On assessing the economic science impacts it to some extent all over up being gainful: 1st, the uncollected financial gain at totally different Nagar Nigams distended and second it had been to boot a political move because it was a careful strike on dread funding, created notes flow will likewise be restricted. Anyway on economic science level huge variety of people is puzzling over this move as inexcusable owing to the problems looked by them. However fast causing to 1923, Dr B R Ambedkar, through his book 'Issues of Indian Rupee', prescribed dynamical money like mechanism to ascertain enlargement and dark money. Following the suit, India's most unforgettable ending move in 1946 met with a touch accomplishment with simply half dozen.3% of high price money notes being listed. Most as lately, Rhodesia demonetized its money as economy imploded and enlargement acquired exceptional levels in 2015, and June 2016 saw Asian country forbidding decisions and subordinates on riyal's USD stake.

The immediate effect of demonetization of economy would probably be short-lived. However, the long term effect will drive the Indian economy to new areas of growth in the coming times with its impact not just only on black money, terrorism and corruption but also in improving tax compliance, better fiscal balance and lowering inflation. Though the contraction in GDP by 0.5% cannot be ruled out due to fall in economic activity, growth in demand will start gaining momentum once the economy moves out of the transition stage of demonetization to remonetisation.

Demonetization drive has impacted the Indian businesses directly or indirectly in terms of impact on demand but the impact of demonetization is majorly seen on small businesses as these are highly driven by cash transactions. The labour-intensive sectors mainly agriculture and construction sector have been impacted since a major portion of transactions involve cash for the purchase of raw materials and payment to daily wage labourers. MSMEs sector has been impacted significantly as the sector is majorly driven by the contractual and daily wage work force and most of the mobile work force doesn't have their bank accounts at the place of their working.

Production process not only in the informal sector but also in the formal sector has been impacted directly or indirectly. Cash driven segments such as fruits and vegetable markets, horticulture and floriculture, agricultural and food processing, construction activities, among others have been impacted. Nonpayment of wages to the workers of cash driven sectors has adversely impacted the employment situation in the informal sector. Also, the formal sector is impacted as demand in the economy has been decelerated significantly. Since businesses are the backbone of the economy, we focus on secondary data survey to analyze the impact of demonetization on the business firms and to assess the impact on various sectors of the economy.

The sectors which are majorly impacted by demonetization includes retail sector followed by agriculture sector, real estate, construction, media & entertainment, gems & jewellery, tourism & hospitality, labour intensive sectors and automobiles sector.

Simply a period back, the South American nation prohibited one hundred Bolivar and also the nation went into complete tumult and plundering. Further, the monetary unit Zone would quit giving the five hundred monetary unit note post 2018 and can bring one hundred, two hundred monetary unit banknotes. Australia has projected to boycott AUD one hundred to battle dark money.

OBJECTIVES:

- To analyse the effectiveness of policy implementation in India.
- To explore the reasons for demonetisation in India
- To analyse the impact of demonetisation on Indian economy.

REVIEW OF LITERATURE

Uke & Sing, (2017) have discussed demonetisation and its effects in India where they studied the positive and negative impact of Demonetisation in India and the study was

based on secondary data. The main purpose of Demonetisation is to eradicate black money and diminish corruption. He expressed that the Government of India has been successful to some extent. Demonetisation had a negative impact for a short duration on Indian financial markets. But he pointed out that the real impact will be shown in the future.

Nagarajan(2017) The Demonetisation drive has effectively halted India's informal economy in terms of payment of agricultural wages, construction labour wages, and payments at small business outlets and shops, and thus is affecting the lives of almost 400 million people.

Hariharan et al., (2018) has stated that the move to Demonetisation Rs.500 and Rs.1000 currency tenders by the union government of India during the year of 2016 was a laudable and historic effort to clean up the decade’s long corruption and black money.

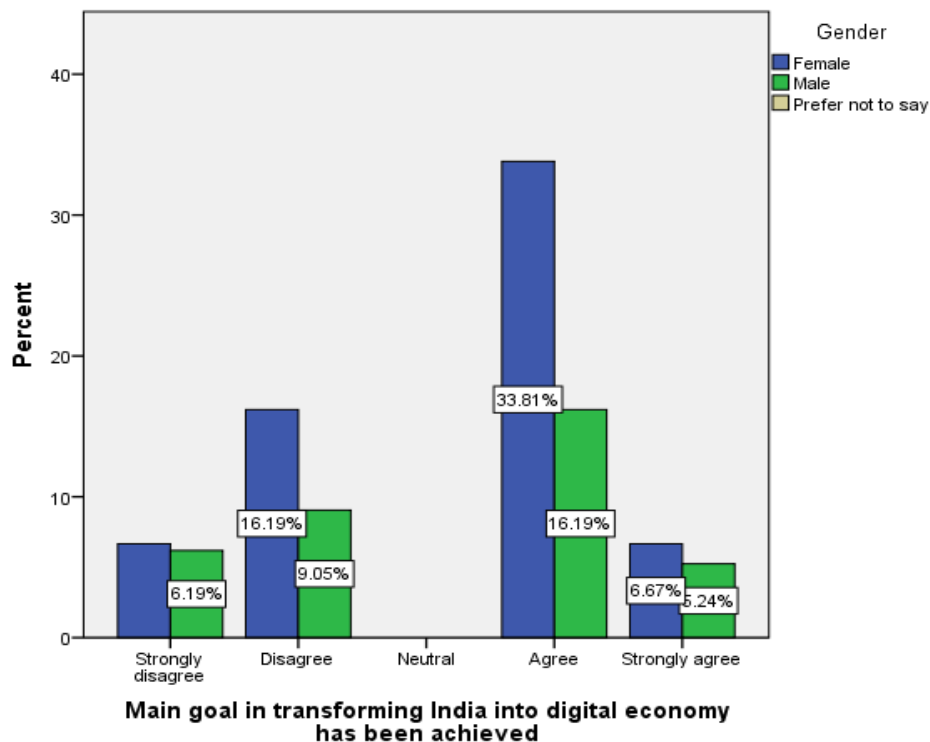
Memdani, (2020) studied the impact of demonetisation on the digitalisation of the cash transactions and move towards a cashless economy in India.

METHODOLOGY

The study used both primary and secondary data. Primary data has been collected from 203 respondents using convenient sampling with structured questionnaires. Information such as age, gender, education, occupation on the impact of demonetisation was taken. Secondary information is also collected from various sources like books, articles, research papers, etc were collected. Primary data were collected through questionnaires. Simple percentages, graphs were used.

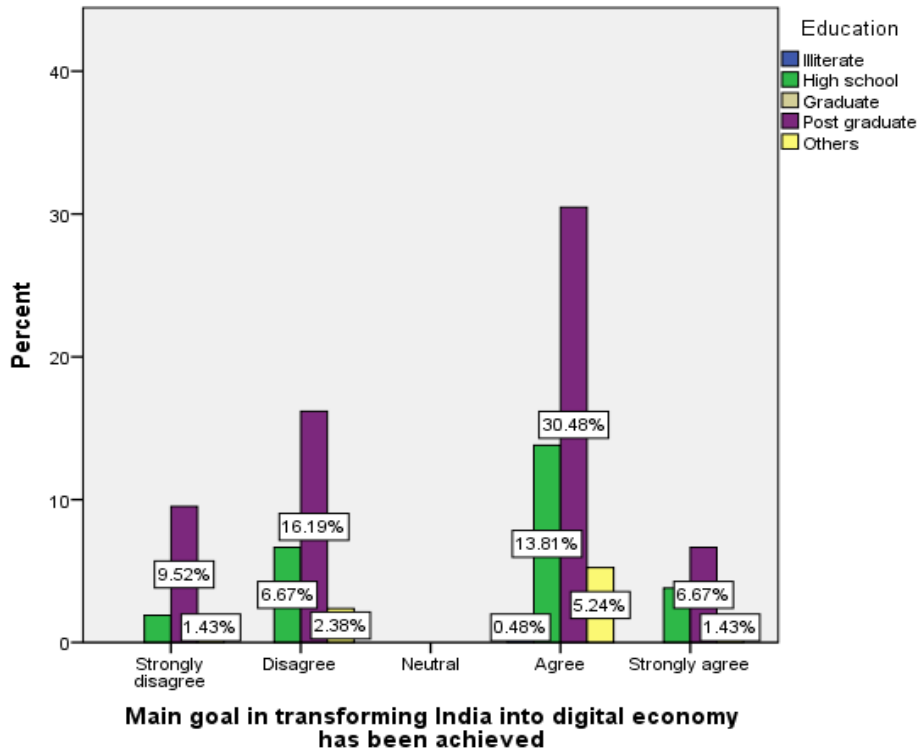
Data analysis:

Figure 1:



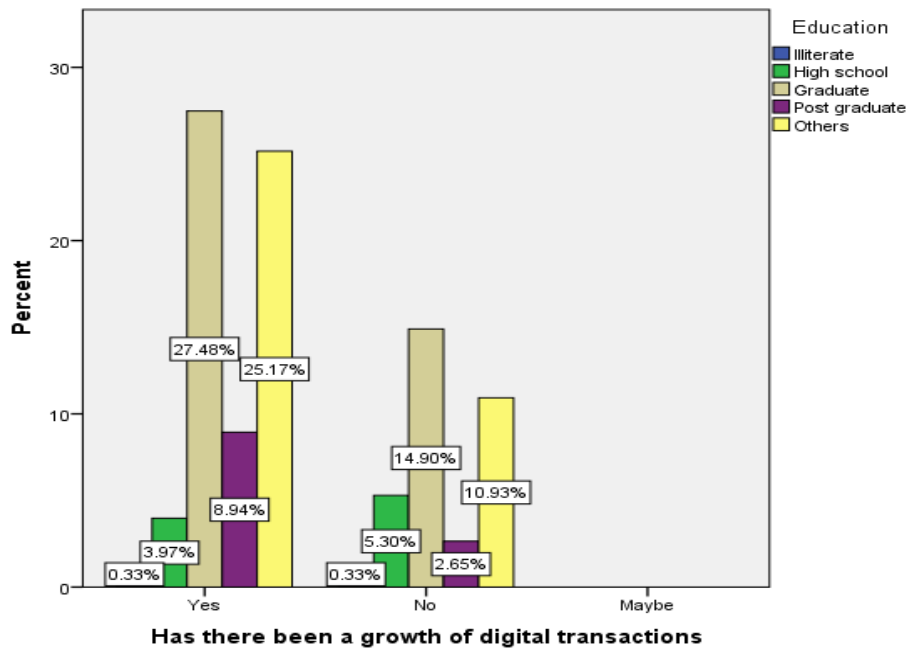
Legend: Figure 1 shows the distribution between gender and opinion on main goal in transforming India into a digital economy.

Figure 2:



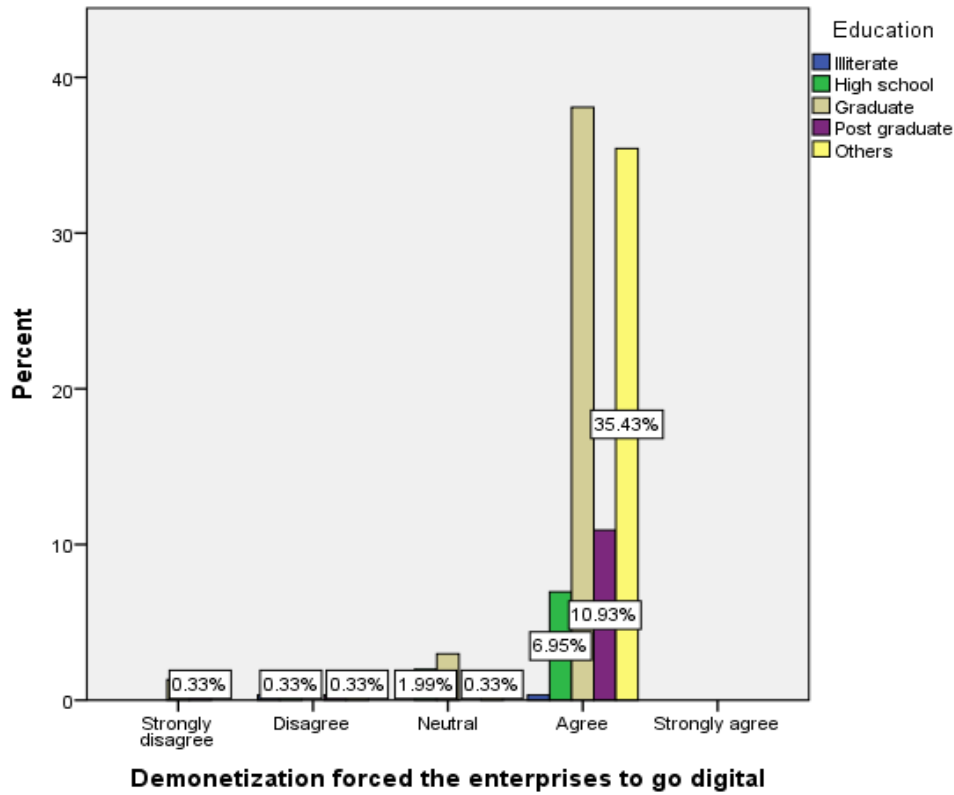
Legend : Figure 2 shows the distribution between education and opinion on the main goal in transforming India into a digital economy.

Figure 3:



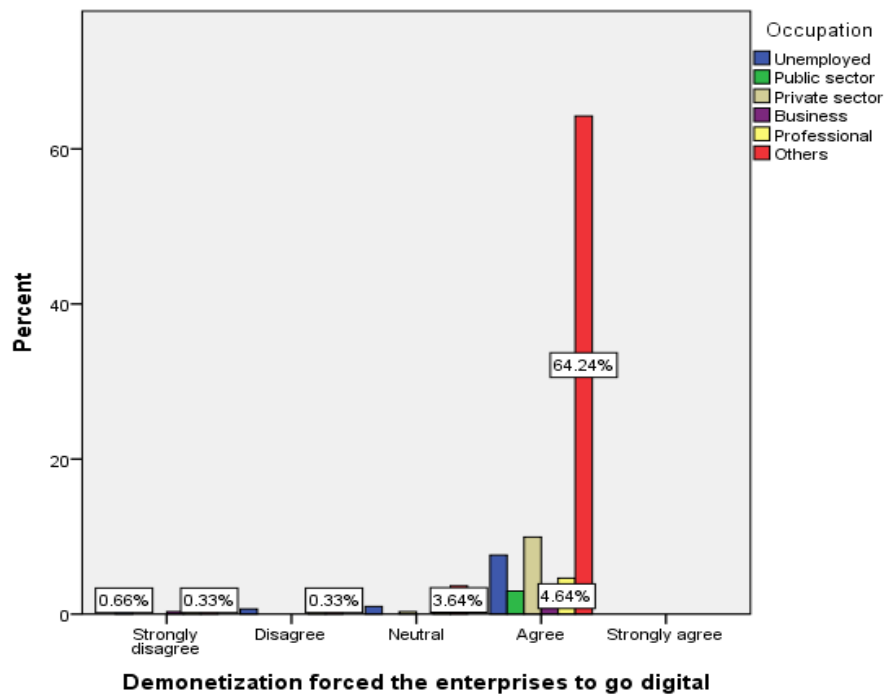
Legend: Figure 3 shows the distribution of the growth of digital transactions and educational qualification.

Figure 4:



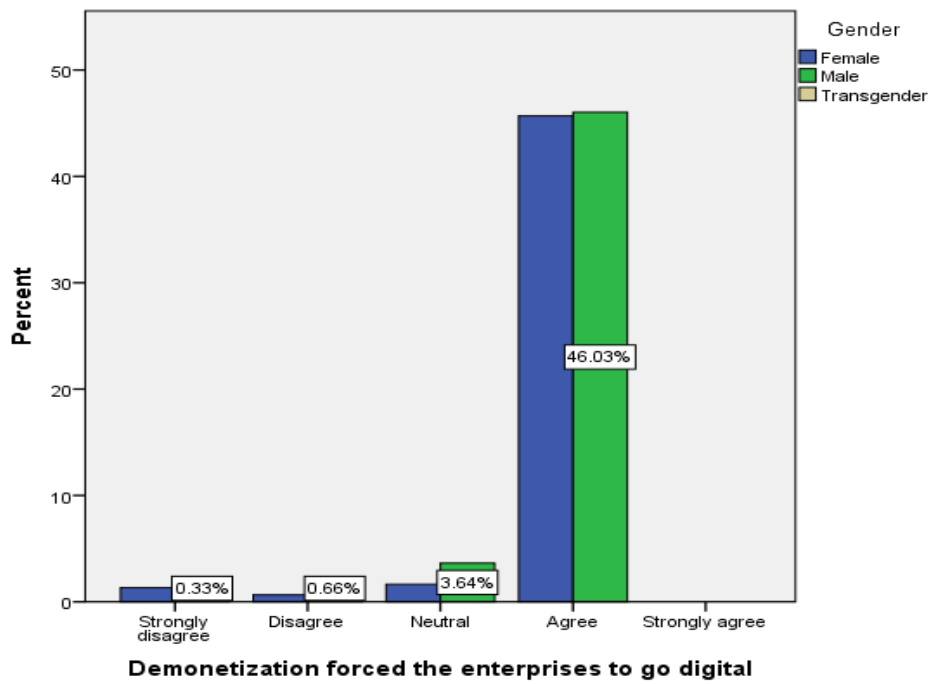
Legend :Figure 4 shows the distribution between the educational qualification and opinion on whether demonetization forced the enterprises to go digital.

Figure 5



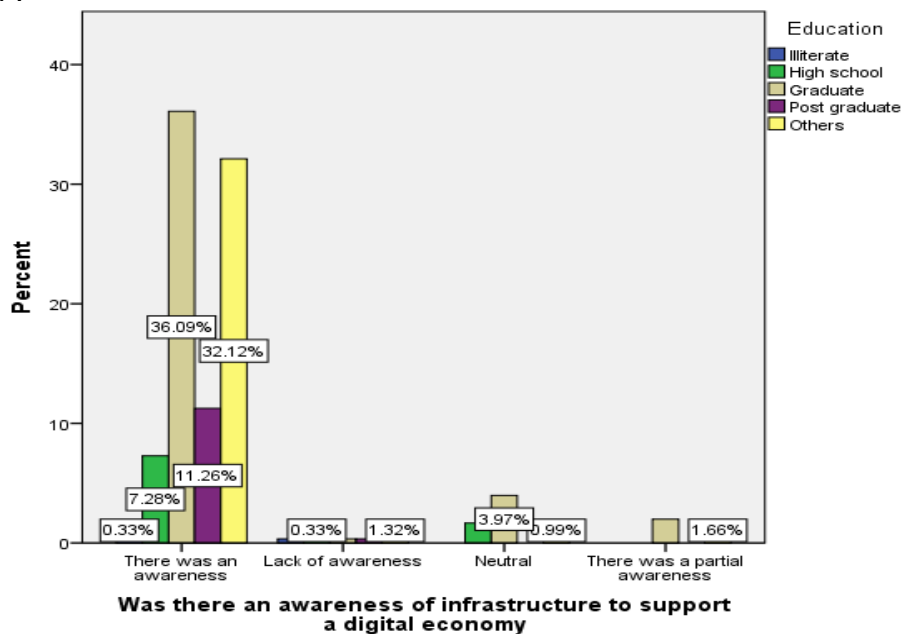
Legend :Figure 5 shows the distribution between occupation with opinion on the demonetization forced the enterprises to go digital.

Figure 6:



Legend: Figure 6 shows the distribution between gender and the opinion on demonetization which forced the enterprises to go digital.

Figure 7:



Legend: Figure 7 shows the distribution between education and the opinion on awareness of infrastructure to support a digital economy.

RESULT

In **figure 1** the independent variable gender is compared with the dependent variable which is the main goal in transforming India into a digital economy .The highest response was from female (33%) than male (16%).They agreed to the statement. In **figure 2** the independent variable education is compared with dependent variable which is the main goal in transforming India into a digital economy .The more response was from post graduate (30%) than high school (13%) students and they agreed to the statement. In the **figure 3** the response for the dependent variable the main goal in transforming india into a digital economy is achieved .The majority of response was agree (50%).than disagree (25%). In the **figure 4** the independent variable education is compared with the dependent variable demonetization forced the enterprises to go digital. The more response was from graduates (37%) than people belonging to other categories (35%).In the **figure 5** the independent variable occupation is compared with the dependent variable demonetization forced the enterprises to go digital. The more responses was from other people (64%) than people belonging to the private or public sector. In **figure 6** the independent variable gender is compared with the dependent variable demonetization forced the enterprises to go digital.The more response was from male (46%) than female (45%). In the **figure 7** the independent variable education is compared with the dependent variable was there an awareness of infrastructure to support a digital economy. The more response was from graduates (36%) than other category people (32%).

DISCUSSION

In **figure 1** the independent variable gender is compared with the dependent variable which is the main goal in transforming India into a digital economy .The highest response was from female (33%) than male (16%).They agreed to the statement. This is because now days the transactions has become digital. In **figure 2** the independent variable education is compared with dependent variable which is the main goal in transforming India into a digital economy .The more response was from post graduate (30%) than high school (13%) students and they agreed to the statement.Nowa days transactions are mainly digital so this may the reason behind the answer. In the **figure 3** the response for the dependent variable the main goal in transforming india into a digital economy is achieved .The majority of response was agree (50%).than disagree (25%). The current scenario answers the question. In the **figure 4** the independent variable education is compared with the dependent variable demonetization forced the enterprises to go digital. The more responses was from graduates (37%) than people belonging to other categories (35%).The response was agreed because from small shop to big shop everyone has digital payment this shows that this forced the enterprises to move digital. In the **figure 5** the independent variable occupation is compared with the dependent variable demonetization forced the enterprises to go digital. More responses were from other people (64%) than people belonging to the private or public sector.The response was agreed because of seeing digital payment in all types of shops. In the **figure 6** the independent variable gender is compared with the dependent variable demonetization forced the enterprises to go digital.The more response was from male (46%) than female (45%).The answer was more from male and agreed to the statement because males are more exposed to purchasing than female. In the **figure 7** the independent variable education is compared with the dependent variable was there an awareness of infrastructure to support a digital economy. The more response was from graduates (36%) than other category people (32%). Most respondents agreed to the statement because unless and until there is no infrastructure there will not be a growth in the digital economy.

CONCLUSION

Since the past century governments across the world were taking the decisions of demonetization. Though the currency which was demonetized may differ, the objectives largely have remained the same means to remove black money, stop illegal activities, and bring currency into the mainstream. The decision of demonetization was taken by keeping the national interests in priority. Though the decision might have caused inconvenience to the general population, it definitely had the national interest and economic growth at its core. People of India are very much adaptive and is evident from the massive support for the move and quick change to e-wallets. Even in the first week of demonetization some sectors of the economy have shown growth while some other sectors such as impulsive purchase sector (biscuits, soft drink etc.,) have shown decline. Farmers and Rabi sowing do not seem to have been affected, reflected by the increase in sowing area. Currently the Indian economy is taking 'V' shape after the effect of demonetization. After demonetization, digital payment is increasing one. All peoples are trying to adopt digital payment. Black money has reduced in the Indian economy. Corruption has reduced in India. Deposit in the bank, short term may rise, but in the long term, its effect will come down. Due to demonetization, the gross domestic product of India will decline.

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