

Demonetization in the Transition of Afghanistan Economy: An Exploratory Study on Insights and Perception of Afghans

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Abstract

This research paper analyses the reaction of the common man/public on the National policy of Demonetization or re-monetization by the transition government of Afghanistan on October 07, 2002. We tried to study how ordinary people perceived the demonetization plan implemented by the government, in terms of its pros and cons from the business and economic perspective as well. We conducted a field survey across the capital, Kabul province, and circulate the developed and structured questionnaires for the common man to gather the data. We applied descriptive statistics and ordinal regression models to get the result to fulfill our research objectives. The finding of our study reveals that the common man/public highly appreciated the decision of the government. Despite bearing difficulties and hardships, they considered the decision as one of the best policy made by the government in Afghanistan. Decided at the right moment and implemented at sufficient time. Which indicates that the demonetization helped economic growth, increased the value of currency prevalence digital systems in Afghanistan.

Keywords: Currency, Demonetization, policy, public, common man, Monetary Policy.

Introduction

On Wednesday, September 2002 the new president of the transition government of Afghanistan, Hamid Karzai announced from televisions to the people of Afghanistan that his administration in coordination with Afghans and foreign experts and advisers decided to replace the currency and reform the banking system of the country. Through this decision, he assured the people of Afghanistan to be hopeful for the better future of the country. He also asserted that the new currency would help in controlling the massive inflation and stabilize the economy of the country. (IRIN-Asia, 2002). Demonetization was one of the most important issues for good governance in Afghanistan, which was an urgent need for the country. (Abdul Basir Ranjbar, 2019). The primary objectives of the demonetization were to steady the currency and build trust for the transition government. Because over the past decades of war in the country, the value of Afghani fell against the foreign currencies and had given climb to hyperinflation. due to uncontrolled printing by the warlords which led to economic loss, and the common man came to distrust the national banknotes because of these issues in many parts of

the country people turned to use foreign currencies for their day to day life, like Irani toman and Pakistani rupees. Unfortunately, during the past civil wars, they were not printing the money according to the standard principles and economic needs of the country. Every individual warlord was printing different currencies for their purposes and their warfare military. Therefore demonetization was needed to pull out all of these different currencies from circulation, replacing them with the new banknotes. (Akbar, 2018; Abdul Qayyum Areif, 2019; Amini, 2019; Hamidullah Farooqi former Minister of transport, 2019; Fazl Ahmad Joya, 2019; yadgari, 2019). The national accountability and transparency program involved the complete transformation of the public finance system! In 2001 at least three different currencies were in circulation; they use to print it in various centers, only one of which was under central government control. Although virtually identical in appearance, each traded for a different value, and only the money changers could determine the difference between them. Several bundles of currency were needed to buy essential goods. Therefore the newly established transition government after more than a decade of high inflation in 2002, led by the ministry of finance and the central bank decided that a new currency is essential for the national sovereignty and economic stability in the country. Despite the warned by the IMF that the exchange would take years, they suggested going for dollarization instead of issuing a new currency, and the united nation (UN), advised that it would require eight thousand bureaucrats, through careful management, subsequently general advice was that the cost of implementing the demonetization would be expensive. With this argument, The program began with one of the fastest-ever changes in the currency, and finally the difficult decision was made to demonetize the old notes by introducing new coins despite facing logistic difficulties because of inventory control and disposal of the considerable number of early records the demonetization process completed between October 2002 and January 2003. Where the success was achieved by the government of Afghanistan and the new currency built up credibility and provide a sound foundation for macro-economic management. (Ashraf Ghani, 2008; World Bank Country Study, 2005; Byrd, 2015)

Literature Review:

According to Anwarulhaq Ahady, Governor of Da Afghanistan Bank in 2002. Currency reform (demonetization) in Afghanistan was the most successful movement in the region, which brought many goods for the country. Indeed demonetization paved the way for the private banks and financial institutions to start their activities. The transition to a free rupture system, which was incorporated in the Afghan constitution, decreasing the inflation rate, interdependency and modernizing of the central

bank, the transfer of commercial property to commercial banks and repayment of the central bank to its main tasks. Are the positive outcomes of this policy. This made a revolution for the banking section. We have not been aware of the amount of old currency in circulation, because multiple types of currency used to be printing by multiple people. Therefore, a single currency came in circulation for the first time after decades. With the successful implementation of demonetization policy by the new government of Afghanistan at the beginning of 2003 and relatively tight monetary policy, a new currency introduced with one new, Afghani replacing 1,000 old notes. As well as an increased supply of food staples, prices remained broadly stable in the first eight months of 2003. After demonetization, inflation comes down with the average rate close to zero, which was almost 100 percent before, i.e., by the end of 2002. As an outcome, the yearly rate of inflation had fallen to 51 percent by August 2003. (DAB, Da Afghanistan Bank, 2009; News), 2002; IMF, staff team, 2003). Before the demonetization 2/3 of the currency in circulation had been printed by different local individuals, and the central bank had control over 1/3 of the total currency in circulation only. The demonetization which implemented in late 2002 brought desirable changes, stability, and trust for the economy in the country. The central banking law, independent status for the central bank by the constitution and law for controlling money laundering and financing of terrorism at both national and international levels has passed. Embodying the independent status of the central bank granted by the constitution. Also, the establishment of the 12 commercial banks is the outcome of the demonetization in Afghanistan. (Da Afghanistan Bank, Combined Issue (2005-2006)). Demonetization was one of the most important decisions taken and executed by the government which for the first time after decades made able the central bank to take control over the printing, introducing and circulating a single currency for the people. Also, this movement had a tremendously favorable impact on the economy in different sectors. The GDP in sectors increased over time in Afghanistan after the demonetization. (Panah, 2019).

According to Taj Mohammad Akbar, former governor of Pushtany Bank (2002), The implementation of demonetization needed some disciplines. For example, determine money, to determine people, and for a specific period. Which the government did not pay much attention to that, that is why the middle-class people who had deposits in the banks suffered from this policy. It also needs to be noted that widespread corruption exists in the process of implementation of the demonetization policy by in charge authorities. (Baker, 2002).

According to Gosh et al. (2017), Demonetization does not lead to a reduction in inflation as it can only achieve through

the recession, has given the scenario of Indian Economy, but not may slightly decrease in money. They discussed in their book (p15,58,64) that demonetization resulted in the most significant adverse effect on the informal economy due to loss of liquidity, which drastically affected trading and supply chain across the country. It also substantially negatively impacted primary societies as the central co-operative banks have been excluding for exchange of notes due to technique and infrastructural scarcity. (p.56) (Jayati Ghosh, 2017) Despite the hardship and difficulties in the process of demonetization of currency in India the ordinary people and public are still in favor of the government decision for demonetization, especially, the young generation is more optimistic and considered the decision appropriate, taken at the right time. They also opine that in the long-term, the decision will bring more fruitful and secure growth to the economy and society as well. (Avinash and Arunima, 2019).

According to Singh et al. (2017), Demonetization policy affects the sentiment of the people in India they opine majority of the people was happy with this decision during the initial days, but their attitude was more negative as the ordinary people had to suffer many problems until the new banknotes made available. Out of 29 states and the national capital, New Delhi 9 states had negative sentiment, which includes a share of 30% various social, economic factors were not happy with the demonetization decision. People, agriculturalists bear hardship in obtaining new currencies, and lack of known alternatives that could use for performing various banking operations were factors explained this displeasure. The rest of the people of the state in India supported the demonetization decision executed by the government of India. (Prabhsimran Singha, 2017). The demonetization impact felt by every citizen in India more in the social sector and the worst effects were on the poor and common man, the effect of demonetization on the economy is through the liquidity side (Dash, 2017). In 2002 many European countries of the European Union demonetized their all currencies and coins and adopted new currency called the euro in order to have single money to bring a better integrality among European Union countries. Likewise, in countries like the USA, Russia, Australia, North Korea, Ghana, Nigeria, Zimbabwe, Venezuela, and many other countries. Demonetization took place in the past for different purposes, and the common goal in these countries was to fight against black money and Inflation. (Surendra S. Yadav, 2017) Demonetization brings misery for the economy in both the micro and macro level. (Kumar, 2017). Zimbabwe, after participation in the second Congo, experienced annual hyperinflation rate of 89.7 sextillions from 2007 to 2009. The government of Zimbabwe adopted a multi banknote system in which several foreign currencies were accepted as legal tender while the former Zimbabwean

dollar deserted. The most common currency was the U.S. dollar without official recognition of dollarization. Dollarization in Zimbabwe overcame the hyperinflation issue and endorsed an unassuming real return to economic growth by drastic but necessary measures. (Bostrom, 2017). We have studied Various aspect of demonetization in different countries in the existing literature where the researcher expected that in one hand the research paper contributes to the current literature in the other hand it serves as a potential reference for the policymakers in countries like Afghanistan to extend better policies in the future.

Statement of Research Question

Historically, more than a few countries across the globe developed countries and developing economies have faced hyperinflation, which resulted in a significant drop in the values of their currencies. Afghanistan is no exception. Afghanistan experienced hyperinflation during the 1990s to 2001. In 2002, Afghanistan was experimenting with the transition phase. The low level of economic growth, unemployment, hyperinflation, and unstable prices are the factors that directly affected the common man's life in Afghanistan. The lifestyle of ordinary citizens paralyzed, suffering from having the deposit with the banks, and these factors should control and manage appropriately. In this direction this study has become more prominent, and betterment of the common man is a holistic duty of the policymakers, government, and researcher as well, therefore Demonetization movement if successfully done could help in mitigating inflation, boosting economic growth, as well as bring several goods and services within reach of the common man. Thus there is a considerable scope for further research on demonetization in Afghanistan to critically evaluate and understand its impact on the lifestyle of the ordinary people. Our study contributes to the existing literature, and acts as a potential reference for policymakers in developing countries like Afghanistan for the central bank, in the future to extend better policies for the concerned government.

- 1.How is the reaction of common man/public on demonetization?
- 2.Does the common man face any problem and hardship during the demonetization?
- 3.The decision taken by the government to demolish old notes and introduce new currency was appropriate and helped the economic growth in the country?
- 4.Does the decision affect the small business, contract laborers, controlling the investment of mafia, reduction of tax evasion, and business dealings?

Research objectives

To verify how common man/public has apparent the

movement and how is their opinion regarding recent demonetization in the country, also to study the hardships and difficulties faced by them in the process demonetization and so on. We assemble the views of the common man on the national policy by the government of Afghanistan measure with the following research objectives.

§ To understand the reaction of the common man on demonetization.

§ To study the hardships and troubles faced by the respondents during the demonetization.

§ To study the satisfaction of common man from the demonetization policy implemented by the government of Afghanistan.

Research Limitation

This study is an attempt to assemble the views of the common man/public on the national policy, demonetization by the government since we studied the unknown population,

(Common man/public) in the capital of the country (Kabul province) the result of the study may not be generalized to all common man/public in all regions of Afghanistan.

Research Delimitation

Although it is a fascinating topic to survey among the common man/public may be affected overall by the national policy of demonetization or re-monetization in Afghanistan, this study overlooked the stated issue. The paper is organized to discuss methodology in section 3. Section 4 represents the results, and chapter 5 concludes the article and provides a recommendation for future research in this field.

Research Method:

Population and Sample

The population of the study is ordinary people/ public, a sample size of 250 has selected across Kabul province, the capital of the country Afghanistan. Majority of the respondents are from the unorganized sectors, the people who do not have a stable income and salary like daily wages workers, agriculturalists, shopkeepers, and small business owners.

Data and Questionnaire

A structured questionnaire has been prepared, and interviews were done with some in charge authorities, executive members of the demonetization movement and some experts in the country regarding the demonetization. Two hundred and fifty questionnaires distributed among the selected sample in different districts of Kabul province to collect the data. The respondents were asked to answer to

multiple types of questions in the questionnaire and tick their wants choice answers, a sample of 250 surveys has collected. We have checked the reliability of the polls, and the result in scale items as 0.803, which specify that the investigation is 80.3 percent reliable.

Data Analysis

We Analysis the reaction of common man/public and hardships faced by them in the process of Demonetization or re-monetization in Afghanistan using median, mode, and simple descriptive statistics. We use the Ordinal Regression Analysis (ORA) to measure the impact of demonetization on the perception of the public. The variable appropriateness of the decision considered as the response variable. And the variable viz., the demonetization utility measured by public reactions, opinion, management of money circulation, mode of transactions, hardship, difficulties, household requirement, monetary commitment, time frame, family life, day to day life, economic growth, petty shop owners, contract laborers, informal commercial, investment of mafia, tax evasion, formalized payment system, business dealings, benefit of the economy represented on the five-point scale, are considered as covariates (explanatory variable), in the study. These are done to verify whether opinions relating to the effectiveness of the decision are correlated, and support to predict the respondents, beliefs concerning the decision accuracy. Therefore, to make sure the efficiency of the demonetization from a different age, gender, education, family size, and occupation groups' perspective, we deem these five specific measures as a descriptive variable in the analysis. The result of these categorical factors, along with the response variable, is presented in table 1. We classify the respondents' age as group A. 25-30, B. 31-35, C. 36-40, D. 41-45, E. 46-50, and F. ♀ (51). Likewise, the occupational group categorized as daily wage workers, agriculturalists, shopkeepers, small business holders and others which stand for by those citizens who have not considered under the working class such as housewife (homemakers) and those who are a part of the unorganized labor-class.

The following is the general expression of our ordinal regression model:

$$\text{logit} Y_{i,j} = \alpha_j - \left[\sum_{i=1}^n \beta_i X_{1i} + \sum_{i=1}^p \gamma_i X_{2i} + \delta F + \zeta B + \eta I + \lambda M + \varsigma S + \theta T + \varepsilon_j \right]$$

Where, $Y_{i,j}$ present the cumulative probability of j^{th} category for the i^{th} case; $\text{logit} Y_{i,j}$ indicate log of an odds ration $\left[\log \frac{\psi}{1-\psi} \right]$ Where, ψ probability of people in favor of demonetization; α_j is the threshold/intercept value; X_1 and X_2 are factors in the ordinal regression model representing age group and occupational group with β and γ coefficients respectively; n and p indicate one less than the total number of categories in the age group and professional group respectively. The variables F , B , I , M , S , and T represent the covariates of the model, measuring the response of common man/general public reaction and Opinions on the management of money circulation by the government. Also their mode of transactions, hardships and difficulties faced by them, the household requirement of them, monetary commitment, time frame giving to them, family life, day to day life them, economic growth, petty shop owners problems, contract laborers, informal commercial, investment of mafia, tax evasion, formalized payment system, business dealings, overall the benefit to the economy respectively. The coefficient of these covariates is δ , ζ , η , λ , ς , and θ , respectively.

Table 1: Case processing Summary Statistics

Panel A: Decision Appropriateness						
Demonetization:	SD	D	N	A	SA	
Frequency (%)	6 (2.4)	17 (6.8)	48 (19.2)	113(45.2)	66 (26.4)	
Panel B: Age Group						
Age:	(25-30)	(31-35)	(36-40)	(41-45)	(46-50)	(51-55)
Frequency (%)	109 (43.6)	47 (18.8)	47 (18.8)	18 (7.2)	9 (3.6)	20 (8.0)
Panel C: Occupation Group						
Occupation:	Daily Wages	Agriculturalist	shopkeeper	small business holder	Others	
Frequency (%)	50 (20.0)	83 (33.2)	23 (9.2)	25 (10.0)	69 (27.6)	

Note: the table reports sums of 250 complete responses out of 250 sample sizes. Values inside the parenthesis represent figures in percentage.

We have check essential model fit condition with the help of baseline comparison and test the ordinal regression assumptions applying multicollinearity test and parallel line test to review the appropriateness of our empirical approach. In the ordinal regression model presumes no multicollinearity between each of the explanatory variables. Because multicollinearity makes the inferences less competent, and also results reveal in insignificant t-value, but highly significant model fit criteria (Enders, 2015). These make the overall model incorrect. We used tolerance value and Variance Inflation Factor (VIF) to test this statement, which has a maximum amount of 10 and 0.10, respectively, in case of these two statistics (Gujarati, 2011). The cost of the $VIF > 10$ and the values of the tolerance < 0.10 in any of the cases indicate about the not existence of a multicollinearity problem. The next fundamental

assumption related to the ordinal regression is the assumption of proportional odds, which shows the correlation between the dependent variable and independent variable does not change for dependent variable's categories, as well as there should not be any changes in the assumption parameter for different groups. Also, parameter estimations do not change for cut-off points. In ordinal regression, the test on proportional odds examines the equality of the various groups and decides whether the assumption holds or not. If the hypothesis does not own, interpretations about the results will be inaccurate (Erkan ARI, 2014). The premise of proportional odds has tested with the assist of the full likelihood ratio test to judge against the fit of the proportional odds model with varying location parameters (Laerd Statistics, 2013). The result of all the mention tests has discussed in the bellow section.

Result and Discussion:

In our survey regarding demonetization and its impact on the common man/ general public, their reaction and opinion on the national movement of demonetization and re-monetization by the government, most of the respondents have favorable views toward the policy of currency conversion. The short findings of the survey specify that the respondents deemed the decision as appropriate and they were happy for the movement, and the decision was acceptable to them, which have been practiced at the right time by the government. The public seems to be more positive towards the digitalization and formalized system of the payments in the country. Concerning, 78.4 percent, acceptance of the decision the respondent are happy and admire the determination. Whereas 10.8 percent, 6.0 percent 4.4 percent are facing a huge problem, confused and shocked and not accepted the action of the government for demonetization of currency. We use the opinion and reaction

of the common man/public on decision demonetization and its appropriateness, management of money circulation, the timing of demonetization, and awareness of the public regarding demonetization and sufficiency of time frame by the government of Afghanistan to this national movement. The same results have represented in the following table 2. According to descriptive statistics which reveals that most of the respondents are agree and strongly agree for the appropriateness of the currency conversion decision by the government. Therefore they accept hardship for the future economic and social, benefit of the country as mode value the variable introduction of new currency is 5 with the favorable median value of 5. Also, the money circulation was well planned, and the public agrees. Likewise, the timing of demonetization, public awareness and time frame given by the government for this movement reveals by the mode and median values which indicates that the majority of the responses concentrated on the Likert scale indicator 'Agree.'

Table 2: Opinion and Reaction on Demonetization by Common man/Public

Variable	Mode	Median
Reaction on Introduction of New currency	5	5
Management of Money circulation	4	4
Opinion on the decision of demonetization	4	4
Right Time for demonetization	4	4
Public Awareness	4	4
sufficiency of Time	4	4

Note: the respondents choose answers on scales from strongly disagree to agree strongly, where data value range from 1-5, which 1 stand for strongly disagree and five-stand for strongly agree.

We measured the hardships and problem faced by the respondents in the process of demonetization by collecting their response on the problem faced by them viz., waiting in the queue for exchanging the old currency to new banknotes,

use of old notes for purchasing goods, daily household requirement with the old notes during the initial days of demonetization. Also, the hardship created due to the lack of prior preparation by the respondents is in bellow, Table 3.

Table 3: Difficulties and Hardship faced by ordinary man/ General Public

Variables (%)	SD	D	N	A	SA	Mode	Median
Waiting in lines	23(9.2)	36(14.4)	80(32.0)	84(33.6)	27(10.8)	4	3
Problem purchasing with old notes	13(5.2)	33(13.2)	53(21.2)	120(48.0)	31(12.4)	4	4
Daily household requirement	19(7.6)	35(14.0)	70(28.0)	97(38.8)	29(11.6)	4	4
Lack of prior preparation	10(4.0)	43(17.2)	62(24.8)	101(40.4)	34(13.6)	4	4

Note: values inside the small brackets represent figures in percentage. Scales data value range from 1-5 where one stands for strongly disagree and five stands for strongly agree.

Though 10.8, percent of the respondent strongly agrees that they wait in lines to change their currencies. Similarly, 33.6 percent of the respondents answered they agree with the problem regarding standing in the queues. 32.0 of the respondents are neutral with this regard, and 14.4 and 9.2 percent of the respondents are disagreeing and strongly disagree with the waiting in the queues, respectively. Likewise, 60.4 percent of the respondents are agreed and strongly agree. They perceived that demonetization caused them a problem for purchase of goods using the old currency notes, 21.2 percent of the respondents are neutral in their response, 13.2 and 5.2 percent of the respondents strongly disagree and disagree with the existence of the problem in buying goods and services during the beginning days of

demonetization respectively. Like that majority of the respondents are agreeing with the problem exists for the buying of the household requirement during demonetization and also most of the respondents are affected due to lack of prior preparation for the introduction of new currency.

Table 4 describes the statistic variables related to the opinion of common man/public about the impact of demonetization on economic activities. The following variables which are measured by collecting views on the adverse effect on economic growth, small shops, contract laborers, other aspects of informal economy and business dealings are describing the impacts of the movement on commercial and industrial activities.

Table 4: Estimation on impact on Economic Activities

Variable	Mode	Median
Economic growth	4	4
Petty shops	4	4
Contract labourers	4	4
Other aspects of the informal economy	4	4
Business dealings	4	4

Note: the data inside the table present scales from strongly disagree to agree strongly, where one stands for strongly disagree and five-stand for strongly agree.

Table 4 represents that the majority of the respondents' views relating to the decision of introduction of the new currency are positive; they confirm that the demonetization decision is appropriate and helps economic growth. 71.6 percent of the respondent is agreed and strongly agree, which reveals that the decision helped the economic growth. Similarly, Most of the respondents have the views that the decision hurt small shops; contract laborers whose income

depend on daily earnings, as well as other aspects of informal economy business dealings, are in cash, all together shown median and mode value of 4 on ordinal scale respectively. Furthermore, the respondents are in favor of the claim demonetization. All these findings indicate the possible adverse effect of the movement on economic activities as per the reaction of the common man.

Table 5: Opinions on Demonetization in future

We are tolerant of the temporary hardships created during the demonetization for the bright future of our country.					
Citizen s Views:	SD	D	N	A	SA
Frequency (%)	2(0.8)	9(3.6)	32(12.8)	119(47.6)	88(35.2)
Mode			4		
Median			4		

Note: the value inside the small brackets represents the percentage. The numbers are from Likert scale data where one stands for strongly disagree, and five stands for strongly agrees.

We also analyze the opinion of the common man on demonetization to study their sentiment toward the future. Despite bearing the hardship, 82.8 percent of the respondents have positive views to endure hardship for the future benefit of the economy in the country. The result

regarding this aspect has represented in table 5. Moreover, both median and mode value reveals that the majority of the respondents agree and their views are toward positive to bear hardship for the future economic benefit of their country.

Table 6: Test of Ordinal Regression Assumptions

Panel A: Test of Multicollinearity								
<i>Variable</i>	<i>Petty shops</i>	<i>Contract Laborers</i>	<i>Investment Of Mafia</i>	<i>Future tax evasion</i>	<i>Business dealings</i>	<i>Formal Payment system</i>	<i>Age group</i>	<i>occupation</i>
<i>Co-linearity statistics</i>								
Tolerance Level	0.777	0.829	0.771	0.757	0.931	0.827	0.908	0.883
VIF	1.286	1.206	1.298	1.321	1.074	1.209	1.101	1.133
Panel B: Test of Parallel line Assumption								
Model Value	-2Log Like.			Chi-Square		D.F		P-Value
Null hypothesis	595.584			47.948		45		0.354
General	547.636							

In order to get a clear sign about the suitability of the demonetization movement, from the common man/public's viewpoint, we run ordinal regression. With the variables impact of demonetization on small shops, contract laborers, investment of mafia, future tax evasion, business dealings and formalized payment system represented in Likert scales as our independent (covariates) along with categorical based variables of age and occupation. Moreover, the appropriateness of the demonetization decision by the government for demolishing the old money and introducing of the new currency, which shows the opinion of the common man/public as our dependent (response) variable.

First, we report the results of model diagnostic statistics in table 6 to check whether the ordinal regression model used in this study satisfied all qualifications/statements. The test of multicollinearity used in this study is to check whether there is a high correlation between our explanatory variables or not (Avinash and Arunima, 2019) here the findings in our research reveals that our model is free from multicollinearity issues, if $VIF > 10$ or tolerance < 0.10 , it indicates multicollinearity. However, in our study, the tolerance values are > 0.10 , and VIF values are < 10 . Thus there is no multicollinearity.

The ordinal regression model used in this paper is based on the fundamental assumption of proportional odds which

shows that an equal effect is observable for each explanatory variable at each cumulative split of the ordinal response variable (Laerd Statistics, 2013). Likewise, in this study, we use the parallel line test to assess whether our model convinces the proportional odds assumption, or not. The result of the identical line test has represented in panel-B table 6.

We can observe in Table 6 that the probability value of the test is not significant at a 5 % level of significance. Therefore we cannot reject the null hypothesis. Here the null hypothesis states that the location parameters (i.e., slope coefficients) are the same across response categories. Therefore it is describing that the model used in our study satisfies the proportional odds assumption.

Before looking to the estimates of our ordinal regression model, we confirm the goodness of model fit to test whether the observed data are inconsistent with the fitted model. If they are not the value is higher than the significance value, we conclude that the data and the model predictions are the same and that we can say that we have a good model. So that here we compared the baseline model with the model used in our study, the deviance goodness of fit test X^2 value shows for us that our model presents right prediction than simple intercept-only (baseline) model. (Sadeq, 2010).

Table 7: Overall Model fitting Information

Model	2Log Likelihood	Chi-square	D.F	P-Value
Intercept only	635.507	39.923	15	0.000
Final	595.584			

Table 7 present the overall model fit or the final model, which statistically significantly predict the dependent variable over and above the intercept-only model, $X^2(15) = 39.923$, $P < 0.000$. (Laerd Statistics, 2013). After performing the multicollinearity and parallel assumption tests and

performing overall model fit confirmation, we persist further to discuss the consequence of our ordinal regression analysis represented in the following table 8. From the independent variables used in this study to detain the impact on dependent variables, all the variables are statistically

significant apart from the reduction of the variable of tax evasion in future and business dealings. The variable representing the harmful impact on small shops highlights that an increase in the value of the variable will be associated with an increase in odds considering the appropriateness of the demonetization decision by the government for demolishing old currency, over the response on against the decision are more considerable than 0.639 times. Likewise, the odds for the variable impacts on contract laborers, the respondents on against the decision appropriateness of the demonetization decision are higher than 1.713 times, also the decision adverse impact response on investment of mafia, reduce in future tax evasion, business dealings formalized payment system as indicates by higher odds ratio relating to these variables.

In relating to the categorical variables age group, the results

shows there is more possibility that the group A (25-30), B (31-35) and C (35-40) are more likely to present optimistic response towards the appropriateness of the decision demonetization compare to the groups D (41-45), E (46-50) and F (above 50). The statically significant value for group A, B and C are firmly in support of the demonetization decision is 0.522, 0.397 and 0.469 times higher than the group D, E, and F as revealed by the odds ratio values. The reason that can be giving for the groups A, B, and C for considering the decision more accurate than the other categories in the age group is that they think that the decision could impact on small shops, contract laborers, investment of mafia, future tax evasion, business dealings, and formalized payment system. Moreover, through this provide ease for the people in the country.

Table 8: Estimates of Ordinal Regression Parameters

Variable	Coefficient Notation	Estimates	Std Error	Wald Statistics	P-Value	Odds Ratio
Constant (SD)	α_1	-1.968	1.048	3.527	0.060**	0.140
Constant (D)	α_2	-0.501	0.992	.255	0.613	0.606
Constant (N)	α_3	0.987	0.987	1.000	0.317	2.683
Constant (A)	α_4	3.196	1.008	10.062	0.002***	24.434
Petty shops	δ	-0.448	0.152	8.713	0.003***	0.639
Contract Laborers	ζ	0.538	0.156	11.838	0.001***	1.713
Investment of Mafia	η	0.323	0.123	6.971	0.008***	1.382
Future tax evasion	λ	0.060	0.124	.231	0.631	1.061
Business dealings	.	-0.076	0.133	.321	0.571	0.927
Formalized payment system	.	0.385	0.138	7.745	0.005***	1.469
Age Group						
A. (25-30)	β_1	-0.651	0.490	1.763	0.184	0.522
B. (31-35)	β_2	-0.925	0.540	2.929	0.087*	0.397
C. (36-40)	β_3	-0.757	0.529	2.051	0.152	0.469
D. (41-45)	β_4	-0.175	0.637	0.076	0.783	0.839
E. (46-50)	β_5	-0.186	0.775	0.057	0.810	0.830
F. (Above 50)	β_6	0.000	.	.	.	1.000
Occupational Group:						
Daily wages workers	γ_1	-0.641	0.376	2.904	0.088*	0.527
Agriculturalists	γ_2	-0.330	0.340	0.945	0.331	0.719
Shopkeepers	γ_3	-0.005	0.474	0.000	0.991	0.995
Small Business holders	γ_4	-0.670	0.446	2.262	0.133	0.512
Others	γ_5	0.000	.	.	.	1.000

Similarly, in the occupational group, our findings indicate that all the categories in this group are most probably to a positive rating response toward the demonetization decision. Except “others” category which represent the unorganized labor class and jobless people which more likely not much confident about the decision. Although the result indicates significant value for the group daily wage workers, 0.527 respectively and thus, the odds that regular wage workers are strongly favoring the decision is 0.527 times greater than the remaining other groups. Though the group ordinary wage workers profoundly affected due to demonetization, like age group A. (25-30), B. (31-40), which are looking forward more optimistic to the impact of the decision on the society and economy.

Conclusion:

In Afghanistan prior 2002 three versions of currency were in circulation, there was official Afghani, which had been issued under the central government by previous regime. Apart from that, two other versions of coins issued by private individuals they were printing in different centers. Several bundles of currency were needed to buy essential goods. As well as due to the hyperinflation during the 1990s by 2001, the money lost its value, against the foreign currencies. Therefore the transitional government decided to introduce a new single currency with the objectives to take control over the issuing of coins and control the massive inflation to stabilize the value of money and economy. However, this policy brought the citizens of the country to take their old coins to the banks and change it to new banknotes. With this background, in this paper, we examined the reaction of the demonetization from common man/public perspective and the difficulties faced by them in the process of conversion of their old notes. The result of our study reveals that the majority of the people despite tolerating the hardships have been actively happy with this policy implemented in the country by the government. The findings of the study indicate that respondents considered the decision appropriate, taken on time to address the issues confronting the economy. The ordinal regression analysis findings show that our respondents in the age group of B. 31-40 are likely in favor of the demonetization decision as against the rest of the respondents. Likewise, daily wage workers, in occupation groups are firmly in support of the decision compare to 'others' category represented by jobless, bakeries, unorganized labor class as a highlight by cumulative odds ratio. Finally, in general, the study findings reveal that the majority of the respondents have favorable views toward the demonetization movement in spite of tolerating difficulties and hardship during the implementation of this policy. The reason behind this positive viewpoint due to the ordinary people believe is that the movement may help economic growth, decrease in prices of goods and commodities, the prevalence of digital

systems which will boost development and economic growth in Afghanistan.

Avenue For Future Research:

In this paper we studied “Demonetization in the transition of Afghanistan economy: an exploratory study on Insights and perception of Afghans” With carefully studying and depth interviews with the governors of the government banks and in-charged executive members of the demonetization process in the country, we discover many dimensions of the topic which need investigation. Therefore, further studies are encouraged to investigate the different legal aspects of the process demonetization, like, the method of eliminating the old notes and the amount of corruption in the process of implementation of elimination of the early records in the country.

List Of Abbreviations:

IRIN:	Integrated Regional Information Networks
UN:	United Nation
IMF:	International Monetary Fund
DAB:	Da Afghanistan Bank (the Afghanistan central bank)
GDP:	Gross Domestic Product
ORA:	Ordinal Regression Analysis
VIF:	Variance Inflation Factor

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Endnotes:

1. Ashraf Ghani and Clare Lockhart, Fixing Failed States, A Frame Work For Rebuilding a Fractured World, (New York: Oxford University Press, Inc, 2008), 208.