

Demonetisation in India: An Empirical Study on the Opinion of the General Public

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Abstract

The word demonetisation captured the imagination of the people and emerged as the biggest catchword at least in year 2016 in India. The sheer scope and scale of the decision made the experts, economists and policy makers across the globe to take a note of the move. The demonetisation, which impounded around 86% of the currency amounting to more than Rs 15 lakh crore, was indeed an unprecedented decision on the part of the ruling dispensation. The event has got cemented in the collective memory of our nation and will certainly go down in the history as a bold and overwhelming surprising decision.

The government had mentioned the rationale and goals of the demonetisation, initially and few were added to the list later. A pilot survey was conducted (December 2018) to gauge the opinion of the college students' and based on the lessons learnt, a comprehensive survey was undertaken in the 2019 to gauge the public opinion with varying demographic profile across India in which 1061 respondents participated.

The results of the survey indicate that on the dimension of stated goals of demonetisation, the respondents have opined in favour of the government.

Keywords: Demonetisation, Survey, Opinion, Demographic Profile

Introduction

The decision of the demonetisation, announced on 8th November 2016 by the Prime Minister was indeed come as a bolt from the blue for one and all. The decision led to taking away the legal status from the high value currency notes (Rs 500 & Rs 1,000) and resultantly rendering them worthless for undertaking economic transaction barring few exceptions.

Some of the major stated goals of the demonetisation chiefly included:-

- Flushing out the black money
- Curbing corruption
- Checking Counterfeit bank notes (FICNs)
- Checking anti-national activities (Stone Pelting, Naxalism, Terrorismetc.)
- Transforming the economy into Digital and Cashless Economy

- Improvement in the government revenue and tax base
- Gross Domestic Product (GDP) higher growth rate in the long term
- Cleaner economy in the long run

The reactions and point of views start rolling in immediately after the decision. Many experts, economists and researchers supported the decision as a bold and much needed one to streamline our economy by correcting the present state of affairs and underlying economic muddle. The demonetisation move was equated with the bitter yet effective pill to address the diseases infesting our nation in the form of economic improprieties like black money, corruption, terror funding etc.

Moreover, it is expected that the move would catapult the government revenues owing majorly to the digitalisation and formalisation of the economy which would further lead to handsome funds allocation to the desirable areas like welfare schemes, education, health, skill up-gradation and employment generation. This would play an instrument role in achieving a desired society driven on the principles of equity, inclusivity and sustainability

On the contrary, the critics of the decision relegated the move as an outrageous, unnecessary and irrational one subjecting the masses to unimaginable hardships, pain and misery. The move has dented the citizen's trust. No less than the person of stature of former Prime Minister Shri Manmohan Singh has termed it as a case of organised loot, the implementation of which was a monumental management failure in itself. The decision would bring down the GDP by 2%. Amartya Sen, the Nobel laureate, pointed out that the decision led to inconvenience and suffering as innocents being deprived of their own money and only an authoritarian government can cause the misery of such magnitude.

Nonetheless, the decision has certainly caused the inconvenience and hardships to the people but it is expected that in the long run, owing to the major benefits and positive spillovers, the decision would outweigh the short term cost. In the long run, the revenue of the government in terms of tax and non-tax is expected to rise owing to the transformation of the economy from informal to the formal economy. The black economy is expected to scale down resulting into the government revenue heading north and better bargaining power to the labours along with better employment opportunities and social security.

Review of Literature

C. Rammanohar Reddy (2019) "Demonetisation and Black Economy", the author of the book made a sincere effort to

gauge the different dimensions of the demonetisation. The formal objectives of the demonetisation remained unfulfilled especially the gross miscalculation of the amount of banknotes not returning to the banking channel. Against the expectation of Rs 4-5 lakh worth currency notes (25-33% of total demonetised currency notes) not returning by virtue of them being black money, only around 0.8% eventually did not come into the banking system which is the indication of the scale of the disappointment.

Moreover, demonetisation had in reality encouraged financial transactions of illicit nature and turn out to be the biggest money laundering operation. The former governor of RBI, Raghuram Rajan had not supported the demonetisation and advised against it in early 2016 as the long term benefits would be outweighed by the short term cost. Secondly, as compared to demonetisation, there are other effective and better options available to deal with the black economy. The quantum of counterfeit high value currency notes detected post demonetisation has been around Rs 582.7 million which was insignificant in the light of the sheer scale of the demonetisation.

The demonetisation decision has caused a disproportional deleterious impact on the informal sector. It is still not clear as to how much of that damage to the informal sector is permanent and temporary in nature. The author points out that higher cash prevalence in the economy do not necessarily mean a larger black economy. and higher usage of digital medium of for undertaking economic transaction does not necessarily lead to smaller black economy.

Meera H Sanyal (2018) "The Big Reverse: How Demonetisation Knocked India Out", the author in her book did a ruthless attack on the move. The reports and data on the impacts of the move have not been able to capture the true nature of the colossal misadventure. The extent of inconvenience, hardships and misery the most unfortunates faced owing to the demonetisation failed to get the enough representation in the mainstream media.

The decision has caused unimaginable sufferings to the innocents on account of them being deprived of access to their own money. The most suffered were the small businessmen and farmers due to liquidity shock and invariably found themselves back in the clutches of the money lenders and informal channels due to lack of access to formal channels of borrowing. The move has dented the trust of people.

The RBI has fallen from the grace due to its powerlessness to stand straight and strong to the ruling dispensation on the decision of demonetisation and eventually submitted to the pressure and dictates of the government. In the process the RBI's autonomy and giant standing came under fire.

Moreover, the series of official notifications, which were at times contradictory in nature, post demonetisation decision have added to the prevailing confusion and inconvenience. However, the author appreciated the role of bankers for the hard work put in and commitment shown post demonetisation in order to ensure the smooth transition. Nonetheless, few black sheep maligned the whole banker's community and damaged the credibility. The author indicated that the owing to its sheer callousness, the move of demonetisation would be rather better to be an unforgettable experience.

Sheenu Jain(2017)“Dimishing the Digital Divide: Cash is not Accepted!”, the researcher cautioned that there would be turbulence in the transformation of our economy to digital platform. The appropriate measures and arrangements should be made by providing the enabling environment to ensure that such transformation be people driven based on their choice and not forced upon them.

The government shall come up with the necessary and sufficient policy initiatives in the legislative, technological and infrastructure domain to ensure smooth transition to the digital and cashless economy by addressing the underlying issues of digital divide, education and financial literacy. A digital system rooted on the principles of accountability, trust, security and transparency go in long way in making the general public confident to go digital in place of undertaking economic activities in cash form.

The researcher emphasised, there is utmost need of visionary leadership, robust digital infrastructure, public-private partnership and strong cyber laws to achieve smarter and cashless economy in the times to come.

L.N. Nathuramka (2017) “Assessing the Impact of Demonetization”, the researcher reflected his concern over the stress on the economy (disproportionally on the poor and informal sector) caused immediately after the demonetisation decision. Nevertheless, the move was based on the good intentions of the government chiefly driven to address the economic problems which were eating into the vital of our nation for quite some time. However, the move fell short of addressing the problem of corruption, black economy and terror funding in a holistic and comprehensive manner.

Nevertheless, the people supported the resolve and astonishing courage reflected by the government to address the economic illegalities prevailing in our economy. The move was flawless in capturing the popular imagination and in turn got the support of the people. The citizens endured the short term inconveniences and hardships owing their trust in the decision and confidence of long term benefits.

The research suggested that the citizens should be appropriately rewarded for their support and sacrifices by the government in terms of restructuring the direct tax system, rationalisation of the tax rates, better welfare schemes, streamlined infrastructure, higher funds allocation to human resource development etc.

Deepa Krishnan (2017) “Survey of the Effects of Demonetisation on 28 Slum Neighbourhoods in Mumbai”, interviews were undertaken by the researcher around a month after the demonetisation decision that is in the early December 2016. The survey was administered on 200 households in 28 slums.

The study attempted to gauge the opinion on the various facets of the decision and the impact on their savings, revenue and expenditure along with the appraisal of the decision of the demonetisation. The socio-economic status of the households indicated majority of them being falling to lower-middle class in Indian context as around 66% of the households had monthly median earning in the range of Rs 8-18 thousand. The result of the survey signposted that the household income decreased immediately after demonetisation (November 2016) with variation on the dimension of occupation, organisation; along with decrease in consumption and shift in saving pattern. Nevertheless, majority of the respondents supported the demonetisation as a desired strategy on the part of the government.

The researcher concluded that the time is still not fructify to give a final judgment on the demonetisation decision and once the more data is available with passage of time, the impact of the decision would be gauged in a comprehensive manner.

Local Circles (2016), piloted a survey in 200 cities of India, a citizen engagement social site. A total number of 9,000 people participated in the survey. The survey results reflected a strong backing to the decision. The results indicated that only 3% of the respondents were against the decision. However, on the question of implementation, 24% graded it as poor as against the 51% and 25% of respondent marking it as good and average respectively.

What was even more encouraging for the government is fact that a strong majority of the respondents (79%) pointed out that they do not mind the inconveniences caused. Furthermore, 18% of the respondents opined that though the implementation process is causing inconveniences but still they stand by the decision.

The results are indeed music to the ears of the ruling dispensation, which came under a lot of criticisms from various quarters. The government decision has in fact gone down well with the public, based on the results of the

survey.

Research Methodology

The survey method was applied through a structured questionnaire to assess the general public's opinion on the goals mentioned by the government behind demonetisation. In December 2018, a pilot survey was conducted to capture the college-going students' view on demonetisation through a structure questionnaire designed for this purpose.

A full-scale comprehensive survey was conducted in the month of May-June 2019 based on the learning from the pilot survey. A total of 1061 participants, with varying demographic profile, presented their opinion on the different dimensions of the demonetisation, administered through a questionnaire.

The respondents were requested to present their opinion on

various dimensions of demonetisation on 6-point Likert scale, where 1 and 6 depicting strongly agree and strongly disagree respectively. The SPSS was applied to analyse the participants' responses.

Research Objectives

Mentioned below are the research objectives:-

i. To gauge the opinion of public about the need of the demonetisation.

ii. To capture the opinion of the public on the goals stated by the government behind the decision of demonetisation.

Data Analysis and Interpretation

Demographic Profile

The demographic profile of the respondents comprises of gender, age, annual income & educational level.

Table 1
Demographic Profile of the Respondents

Particulars	No. of Respondents	Percentage
A. Gender		
Male	538	50.7
Female	523	49.3
Total	1061	100
B. Age (in Years)		
Up to 25	514	48.4
25 to 40	438	41.3
Above 40	109	10.3
Total	1061	100
C. Educational Level		
Up to Graduation	503	47.4
Above Graduation	558	52.6
Total	1061	100
D. Annual Income (in Rs)		
Up to Rs. 5 Lakh	548	51.6
Above Rs. 5 Lakh	513	48.4
Total	1061	100

Source: Primary Data collected by the Researcher through Questionnaire

The table 1 comprises of the summary of the demographic profile of the respondents. From the table, it can be seen that out of total 1061 respondents, 50.7% are male while female accounts for 49.3%. On the dimension of age, 48.4% are up to the age of 25 years while respondents between 25-40 years and above 40 years are 41.3% and 10.3% respectively. Similarly, in terms of the educational level of the respondents, 47.4% are up to graduation level and 52.6% are above graduation level. Finally, on the

strand of annual income of the respondents, 51.6% fell into the income bracket of up to Rupees 5 lakh and 48.4% in above Rs 5 lakh.

Need of Demonetisation

Once the respondents mentioned their demographic details, they were requested to specify the opinion about need of the demonetisation in 2016.

Table 2

Opinion of the Respondents about the Need of Demonetisation

Response	Number of Respondents (N)	Percentage
Strongly Disagree	165	15.55
Disagree	182	17.15
Slightly Disagree	104	9.80
Slightly Agree	185	17.44
Agree	264	24.88
Strongly Agree	161	15.17
Total	1061	100
Mean Score	3.64	
Level	Agree	

Source: Primary Data collected by the Researcher through Questionnaire

From the table 2, it is apparent that in the opinion of the respondents, demonetisation was needed in 2016 as the median score (3.5) is less than the mean score (3.59). Out of the total number of respondents, 24.88% and 15.17% had agreed and strongly agreed with the decision of demonetisation. On the other hand, 15.55 and 17.15% of the respondents reflected strong disagreement and disagreement respectively to the demonetisation decision.

This would quite satisfying for the government as the

people stood by the decision of the demonetisation and repositied their faith in the intent to clean up our economy and achieving a strong and resilient economy in future.

Achievement of the stated goals of the demonetisation

In order to collect the opinion of the respondents on the achievement of the demonetisation goals, the 6 point Likert scale was applied. The 1 reflecting strongly disagree and 6 indicating strongly agree.

Table 3**Summary- Opinion of the Respondents about Achievement of Goals of Demonetisation**

S. No.	Decisive Role played by Demonetisation in	Response of the Respondents						Total	Mean Score	Level of Agreement
		St. D	D	Sl. D	Sl.A	A	St.A			
1	Removal of the Black Money	167	187	119	196	248	144	1061	3.57	Agree
2	Checking and Curbing Corruption	143	201	129	194	265	129	1061	3.59	Agree
3	Checking prevalence of FICNs	93	137	118	207	283	223	1061	4.05	Agree
4	Checking Anti-national Activities (Naxalism, Terrorism, Insurgency, Stone Pelting etc.)	97	146	118	214	274	212	1061	4.00	Agree
5	Transformation into Cashless and Digital Economy	60	109	100	194	353	245	1061	4.32	Agree
6	Improvement Government Revenue & Higher Tax Base	63	146	128	244	325	155	1061	4.02	Agree
7	Higher Gross Domestic Product (GDP) growth rate in the long term	105	173	118	271	280	114	1061	3.74	Agree
8	Cleaner Economy in the long run	77	169	133	226	308	148	1061	3.91	Agree

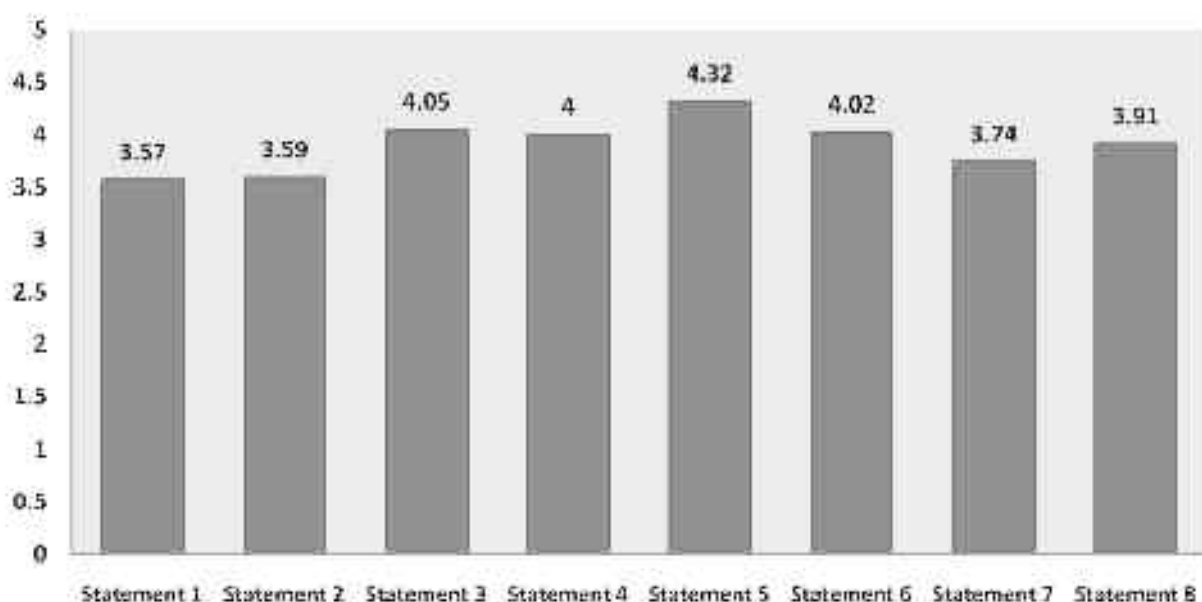
Source: Primary Data collected by the Researcher through Questionnaire

St.D- Strongly Disagree, D- Disagree, Sl.D- Slightly Disagree

Sl.A- Slightly Agree, A- Agree, St.A- Strongly Agree

Figure 1

Summary- Opinion of the Respondents about Achievement of Goals of Demonetisation



Source: Based on the data from Table 3

The table 3 and figure 1 are depicting the respondents' opinion about the achievement of the goals. The responses of the respondents were captured on the 6 point Likert scale as presented in the table. The result varies between 3.57 and 4.32 which are above the median score of 3.5 in all the cases (stated goals of the demonetisation), thereby leads to the agreement of the respondents with the achievement of the goals of demonetisation.

This is certainly a huge encouragement for the government as the respondents agree with the efficacy of demonetisation in achieving the stated goals. What is even the matter of high morale booster for the government is the fact that the mean score is above 4, reflecting strong support, in case of goal of demonetisation namely checking counterfeit currency, checking anti-national activities, transformation into digital economy and improvement in tax base & revenue of the government. Therefore, in nutshell, the stated goals of the demonetisation have been achieved to a larger extent.

Conclusion

Even after around 3 years of demonetisation, the opinion of public seems quite divided. The claims of the government about the demonetisation got both the supporters and

critics. Even the recent slump in the GDP growth rate has been blamed on the demonetisation and Goods & Services Tax by some experts and economists. The cost-benefit analysis associated with the move has certainly polarized the opinion of the experts, economists and general public.

However, respondent indicates that the public has supported demonetisation move on the strand of the stated objectives by the government. This would really be an encouraging outcome for the government which was facing scathing attack chiefly owing to the hardships caused in the initial stages of the implementation and the unintended negative consequences of the decision as experienced with the passage of time.

This could possibly be due to the positive perception of the respondents about the intent behind the move due to which they stood with the government in spite of the initial glitches in the implementation that resulted in inconveniences at the end of the masses at large. There is also a line of reasoning, in the German language the word *schadenfreude* meaning feeling of pleasure due to misfortune of others played itself out in people support to the demonetisation. The feeling that I lost one eye but rich will go blind would have possibly led to the overwhelming

support for the move. Finally, the government was able to sell its narrative beautiful where any opposition was seen with suspicion (they being corrupt and having black money) and at worst being anti-national. On the other hand the opposition found wanting to take the fight to the government and challenge the narrative in an effective and meaningful way.

It does take a genius to take a position on the demonetisation at this point of time as such unprecedented measure unfold over a long period of time and effects economic, political and socio-cultural realm. The single minded agenda of the government should be to provide an enabling environment to the people to ensure smooth transition in the times to come to the desired state of affair.

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