

Impact of Demonetization in rural area of Telangana

*Dr. Ravi Prakash.K. , **Dr.M.Sukanya

Abstract:

This research has come up to know the impact of demonetization on the rural area of Telangana. The Government of India has taken several measures to bring stability to the economy. One of the decisions taken by the government is to demonetize 500 and 1000 rupee notes. The decision was taken on November 8th, 2016 to curb corruption, to remove black money and to make India a cashless economy. This paper has made an attempt to study the impact of demonetization on the rural area. The impact was more on the rural people because of less availability of digital transactions and banking facilities. The findings of this study have shown the adverse effect on the rural area.

Keywords: Demonetization, Government, Black Money, Cashless Economy Etc.,

1. Introduction:

Demonetization is removing a particular form of currency from the circulation. Demonetization follows Remonetization which means the new currency is replaced with the old currency. The country will demonetize their currency due to multiple reasons like to curb the black money, to make a cashless economy. To remove corruption etc. on Nov 8th, 2016 Indian government decided to demonetize 500 & 1000 rupee notes.

India had already demonetized currency in 1946 with the complete ban of 1000 & 10000 rupee notes. According to the report given by the Reserve of India on March 31st, 2016, the total currency of Rs.1000 and Rs. 500 notes in circulation was 16.42 lac crore. The old notes can be exchanged till 31st December 2016. Banks started accepting the deposits from 10th of November. Within the period of 18 days half of the money was returned to the banks and by December 31st 97% of old notes around 15 lakh crores were deposited in banks. And at the time of demonetization the limits were set regarding with draws from bank i.e., 10,000 per day and 20000 per week per account and 2000 from ATM per day (from Nov 10 to Nov 13) and from Nov 14 the limits were changed i.e., 24,000 from bank and 2500 from ATM till 31st December.

After that government has provided with new scheme i.e., pay taxes and convert your black money into white money. Though the people have time to deposit money till the end of the year they thought that depositing large amount of cash in banks may lead to payment of higher taxes. So, they rushed to foreign exchange counters, jewelry shops, and also started investing in Real estate sector. Indian Railway authorities found that the large number of people booked their tickets particularly in 1A and 2A for the longest distance. Only 5% of Indians pay income taxes and just 15% of the economy is in tax net.

India is the second most populated country in the world. Out of 121 crores of Indian population 37.7 crore population belongs to Urban areas, 83.3 core population live in Rural areas as per the census 2011. India is a rural populated country. Rural people are involved mostly in Agricultural sector. Agricultural sector contributes 17% to the GDP. It is the biggest employment source of India. . A daily wage worker earns their income on a daily basis but due to demonetization cash flow was reduced in the area. So, the people have stopped hiring daily wage workers due to shortage of money and their income has suddenly stopped. Purchasing power of people was reduced. Daily wage earners faced many problems because they don't have any bank accounts to exchange their savings. The poor and lower middle class people who rely on cash for their daily activities are the main victims. Only 5 to 6 % of Indian's wealth is estimated to hold in cash components. The rich people have engaged mules to lineup and exchange their currency. The common man faced hardships in daily purchases even though they don't have black money.

2: Review of literature:

Amandeep Kaur¹, examined the impact of GDP, comparing the tax revenue with inter-country. The data collected from the secondary data and conducted a study on the parallel economy. The main reason for black money is due to the political system i.e., the government of India focused n taking decisions rather than implementing it. Due to demonetization common men faced many problems with no cash and wasting time in queues in front of ATMs.

According to **JaiprakashBisen**², money is very important in the economy which circulates among different sectors. When the circulation of money stops then the problem will arise. In the case of demonetization, many farmers faced a very big problem. The small and marginal farmers affected a lot compared to large farmers. The lower income people and the people who did not use the alternative payment method have affected.

According to **prof SandeepKaur**³, the main aim of demonetization is to remove black money, corruption, fake currency and terrorism. Many people thought that this is going to fetch the positive results. But the government didn't achieve its goal as expected. It can fetch results from an equity market perspective. This gives positive results for sectors like banking and infrastructure etc. this can lead to better tax compliance, lower inflation, decreased corruption, elimination of fake currency from the economy and can fetch positive results in the long run.

According to **K. Veerakumar**⁴, demonetization is very important when the government decides to change the national currency. Some people started depositing the money in excess of specified limits into banks subject to high taxes and penalties. Many people opted for alternative payment methods such as e-wallets, an online transaction using debit & credit cards. This will lead to a cashless infrastructure.

According to **Anil I Ramdurg**⁵, demonetization is a tool used to curb the black money. Demonetization is usually followed by remonetization. The demonetization process increased the demand for e-banking and e-commerce to some extent. The people can deposit their old currency and exchange their money with new currency subject to taxation. But many people exchanged their currency without paying the taxes with the help of the bank managers. The main aim of demonetization is not achieved but many small or middle-class people suffered from a shortage of money.

3. Research Methodology: The research Design for the study is shown by taking the objectives into consideration. Using Secondary data and Primary data, by designing a questionnaire based on the problems identified is given to the General public located in and around Telangana area.

The following table shows the Demographic profile of the respondents

Variables	No. of Respondents	Percentage
Age		
1. 21-30	12	0.24
2. 31-40	24	0.48
3. 41-50	12	0.24
4. Above 50	2	0.04
Gender		
1. Male	34	0.68
2. Female	16	0.32
Income		
1. < 1,00,000	0	0.00
2. 1L to 3L	19	0.38
3. 3L to 5L	28	0.56
4. > 5L	3	0.06
Occupation		
1. Farmer	11	0.22
2. Daily Worker	11	0.22
3. Teacher	4	0.08
4. Others	24	0.48

The above table gives the description of the demographic profile of the respondents. A sample size of 50 respondents was chosen for the study which includes 34 male and 16 females. (24%) of the total sample belongs to the age group of 21-30, 48% belongs to the age group of 31-40, 24% belongs to the age group of 41-50 and 4% belongs to the age above 50 years. 38% of the respondents income is between 1 lakh to 3 lakhs, 56% belongs to the income between 3L to 5L and 6% of the respondents income is above 5L. Respondents belong to various occupations like 22% of them are Farmers, 8% of them are teachers, 22% are Daily Workers and 48% of the respondents are others.

3.1 Objectives of the study:

1. To study the impact of demonetization on the rural economy.
2. To study the problems faced by the rural people during demonetization

3.2. Hypothesis of the study:

(H0): There is no significant impact of demonetization on the rural economy.

(H1): There is a significant impact of demonetization on the rural economy.

3.3. Scope and limitations of the study:

Scope of study is confined to rural area of Telangana. This study is restricted to the selected sample of 50 respondents and hence the results cannot be generalized. The test used to analyze the data has its own limitations

4: Data Analysis:

Below Chi Square Tests were performed based on the Null hypothesis and Alternative Hypothesis to know the impact on the Demonetization on Rural Economy and living style of people. Chi square test was performed using the parameters from the questionnaire like Occupation, Family Income, Availability of Services, service fee, time spent in exchanging of cash, asset purchase during demonetization and other living parameters involving the lives during demonetization.

Table 1. Shows the proving Hypothesis

Questions	Chisquare value	Alternative hypothesis	Null hypothesis
Occupation * Income	0.000	Accept	Reject
Bank a/c * Bank queue	0.014	Accept	Reject
Max amount * Service fee	0.000	Accept	Reject
Times of withdraw * Service fee	0.000	Accept	Reject
Purchase of asset * Quoted price	0.040	Accept	Reject
Mode of exchange * Brokerage	0.010	Accept	Reject
Mode of payment * Merchant fee	0.000	Accept	Reject

5. Findings of the study:

1. The demonetization drive has a major impact on the general public.
2. Farmers, Daily workers, Teachers and others suffered to great extent. due to lack of planning, and also due to less availability of banking facilities.
3. The chi square value of occupation and income is less than 0.05 it means there is a significant impact of demonetization on occupation and their incomes.
4. Bank account and bank queue has rejected null hypothesis that means demonetization has a major impact on people.
5. Maximum amount withdrawn from banks and the service fee charged for them also rejects null hypothesis. This has shown a major impact on people.
6. Number of times withdrawn from banks and the service fee charged per transaction is more. So, we can conclude that there is major impact on the people.
7. People purchased assets during demonetization and this has led to pay more than the quoted price. So we can understand that the demonetization drive has impacted the prices.
8. People exchanged their money through different modes and they have charged with high brokerage.
9. People who have adopted the card swipe as a mode of payment has a significant impact on the people because they have charged with the merchant charges.
10. People have faced many problems through ATMs regarding supply of cash.

Conclusion:

The decision taken by the government regarding demonetization is a shock to the Rural economy. The main reason behind the decision is to remove the circulation of black money from the economy. This decision did achieve the

expected results at the cost of great impact to the living of common people. This drive was mainly concentrated on the large fish but finally, there is an adverse impact on the general people.

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AUTHOR



Dr. Ravi Prakash K., B.sc., MBA., Ph D from Osmania University, Telangan, having 11 years Industry experience and 13 years Academic experience he is Professor at Vishwa Vishwani School of Business, Thumkunta, Hyderabad., Mobile 9246372715.



Dr. Sukanya, M.com and MBA with Ph D from JNTUH Telangana., having 27 years of Teaching experience presently she is working as a Associate Professor and HOD, School of management studies, Sreenidhi Institute of Science and Technology, Yamnampet, Ghatkesar, Hyderabad-501301, Mobile 9246274791.