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Demonetization and its impact on students: A study of Delhi university colleges

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Abstract

On the night of November 8th, Prime Minister Narendra Modi made an impromptu appearance on live national media declaring 86% of the country's wealth to be demonetized. The high value denominations of Rs 500 & 1000 were turned into mere pieces of paper. This move effected millions of lives in India. The main objective of this paper is to analyze the impact of the November 2016 Demonetization on the lives of college students in India. In order to facilitate this research, an elaborate survey was conducted among the various colleges of Delhi University, which included various diverse questions on this topic. It was conducted in December, 2016. The data thus received was analyzed using various statistical tools, such as Likert's scale, correlation and graphs. This research is completely unbiased, and all the conclusions are based on the data received. The paper aims to have a better understanding of the entire of the move of the government. The same has been depicted through our project in the entire document.

Keywords: Demonetization, students, impromptu appearance

Introduction

Demonetization refers to the process whereby the existing currency of a country ceases to be a legal tender. The old currency could be wiped out altogether or it could be replaced by a new currency. A currency may be demonetized due to various reasons like; to control hyperinflation, to tackle black money to stop terrorism. India's GDP was predicted to grow at 8% in FY2017. Right after demonetization, analysts predicted a slowdown in the growth rate at 5.5-6%. This was because 40% of the economy constituted of the informal sector, which was the most impacted in this case. On the contrary, the latest data shows that the GDP is still growing at 7.1%. This shows that even though there has been an impact, it hasn't been as severe as it was thought to be. The paper discusses the brief history of demonetization in India and then we discuss the method and results of our analysis.

History of Demonetization in India

In India Demonetization has taken place three times. These are as follows:

- **12th January, 1946**

Being of the time of independence we do not have much data available on this demonetization. But, as per the facts provided in the RBI's first history volume we come to know that the main objective behind implementing this move was to counter the *black market* in India. As per the ordinance issued, notes worth Rs. 500, Rs. 1000, Rs. 10,000 ceased to be the legal tender. The move is said to have failed because out of a total of Rs. 143.07 crore, Rs. 134.9 got successfully replaced. Thus, effectively it was just Rs. 9 crore which got demonetized. People were given a time period of *10 days* to get the old currency exchanged.

- **16th January, 1978**

Even this time the currency was demonetized to curb *corruption and black money* in the Indian Market. It was implemented under the leadership of Morarji Desai, Prime Minister of the nation at the time of time of this move. This time, notes of Rs. 500, Rs. 1000 and Rs. 10,000 were discontinued with.

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As a contradiction to the 1946 event, people were provided with just 3 days to carry out the exchange of old currency. Approximately Rs. 73 crore was demonetized.

8th November, 2016

In India, on the night of November 8th, Prime Minister Narendra Modi made an impromptu appearance on live national media declaring 86% of the country’s wealth to be demonetized. The high value denominations of Rs 500 & 1000 were turned into mere pieces of paper.

Objectives of the 2016 Indian Demonetization

The 2016 demonetization was a necessary step for various reasons-

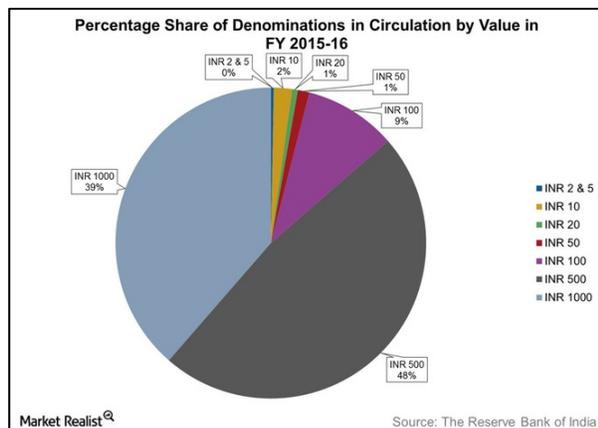
Terrorism Funding- India is highly prone to terror attacks from various anti-social groups operating both within and outside the country. All terrorist organizations procure their funds in cash, in order to ensure that there is no paper or digital trail. Thus demonetization ensured that all the currency held with the terrorist organizations would be valueless.

Black Money- Many people in our country hide their money illegally in form of black money. Thus, after demonetization, these people would either have to abandon their money or report it to the authorities, hence making the income taxable.

Digitization of Currency- In India, many of the poor lower class citizens are oppressed because of the presence of middlemen. Digitization helps people to take control of their own finances. Moreover, it helps to document the money trail.

Corruption- Demonetization also ensures a reduction in corruption, since people wouldn’t be in any position to make any underhand transaction.

Human Trafficking and other Crimes- Much like terrorism, most criminal activities are undertaken in cash form. Thus, demonetization also reduces the availability of cash which in turn leads to curbing of such illegal activities.



Key Features of the 2016 Indian Demonetization

The currency was demonetized under the leadership of Mr. Narendra Modi, the incumbent Prime Minister of India. Some of its key features are:

- Currency notes worth Rs. 500 and Rs. 1000 ceased to be legal tender from 1st January, 2017
- Physical notes comprised of about 90% of the total money supply, while 86% of the money supply was in denomination of 500 and 1000 rupee notes
- Government gave a time period of 50 days for exchange of the currency
- The limit for exchanging the notes over the counter was set up at:
 - Rs. 4000 till 13 November
 - Rs. 4500 till 17 November
 - Rs. 2000 till 25 November and then no exchange
- Petrol, CNG and gas stations, government hospitals, railway and airline booking counters, state-government recognised dairies and ration stores, and crematoriums were allowed to accept the banned ₹500 and ₹1,000 bank notes until December 2, 2016
- As per the government’s reports 97% of the demonetized currency has been deposited in the banks

Objective of the Study

1. The primary objective behind this research was to analyze the impact that demonetization had on the life of college students in India. Furthermore, it is pertinent to understand the sentiment prevailing in the students, since they are the future of this country.
2. Moreover, this study aims to study whether the GDP growth of the country is in concurrence to the micro data collected by us.
3. Lastly, by the means of this study, we wished to observe whether there was any correlation between the impact of demonetization and other factors such as age and family income.

Methodology and Data

The data was collected using the primary sources of information. A survey form was circulated among the students and of various DU colleges. We could get 205 responses to our survey form. Now, the questions asked in the survey were drafted in such a manner that we could use various statistical techniques to analyze the results of the survey.

Primarily the survey was divided into two parts. The first part gathered the general sentiment of the students about demonetization. This part was useful for the subjective analysis. The other part of the survey had statements which could be marked on a scale ranging from strongly disagree to strongly agree. This portion helped us carry out our objective analysis. The methods used to carry out the analysis were:

- Likert’s Scale
- Correlation Coefficient
- With respect to age
- With respect to family income
- Bar Diagrams
- Graphs
- Pie Charts

The Graphs, Pie Charts and Bar Diagrams were useful in analyzing what was the general perception of the students regarding the step of demonetization. We could assess questions like do you think demonetization should have been implemented in a phased manner, would you support the government in future etc.

For calculating Likert's Scale values we need questions in the form of statements which can be ranked on a scale of one to five. So, we had eight statements which could be ranked ranging from strongly disagree to strongly agree. The person marking strongly disagree was given one point as the person disagreed with the fact that demonetization had an impact on the economy. Similarly, the person marking strongly agree was awarded five marks. This made it possible for every applicant to earn a minimum of eight points and a maximum of forty points. Now, taking these points we could calculate the weighted average and correlation. The average was calculated for every particular question, which had a maximum of five marks and a minimum of one mark. Depending on the question we obtained results. Also, an overall aggregate weighted average was calculated taking into consideration all the questions.

For calculation of correlation we need two cardinal variables. These are those variables which can be assigned some particular absolute value. As per the data collected by us we got one variable as the Likert Marks, which we had assigned to each respondent, and the second variable was the age or the income, as these too were measurable in absolute terms. Correlation helps us establish a relation between change in values of two variables.

Outcomes and Conclusion

Through our analysis we could infer that there was a neutral impact of demonetization on the students' life. A similar impact was seen on the GDP growth rate of our country which had a slight dip from 7.2 to 7. A few questions asked in the survey, like there was trouble arranging for study material due to demonetization was denied by the students, whereas questions like your average daily expenditure reduced after demonetization was supported by the majority. The average obtained for each question through the Likert's Scale ranged from 2.2. to 3.7 points, with a minimum of 1 point to a maximum of 5 points. The overall analysis of the eight questions got us an average of 24.5 points on a scale of 8 to 40. The mid-point of this scale is 25 points which is close enough to our average of 24.5 points, thus showing that demonetization had a neutral impact.

The correlation between age and the impact of demonetization had a value of 0.01, which depicts a weak relation. It shows that people of all the age groups were equally affected by this move of the government.

The correlation between Impact of Demonetization and the Annual family income had a value of 0.13. It is a positive relation with a meek strength. Thus, this depicts that as the family income rose more was the impact of demonetization, thus the rich class was affected more by demonetization.

Also, our survey tapped the sentiment of the young population of our country and they were ready for more such drastic moves by the government and were willing to help government throughout its mission of curbing black money and corruption.

All in all, we were able to conclude that there existed a positive sentiment in the country regarding demonetization.

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