

EFFECT OF DEMONETIZATION AND ITS IMPACT ON STUDENTS STAYING AWAY FROM HOME

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ABSTRACT

Background: *Corruption is a big issue in our country which needs to be tackled. Demonetization was a step taken by government to control corruption but it had an adverse effect on the students. Delhi being the pioneer hub of educational institutions, students from different parts of the country and worldwide stay away from home for education. Being self dependent and away from their families, students are mostly dependents on the ATMs and banks. Objectives: To analyze the impact of demonetization on students staying away from home. Methodology: The study was conducted among 240 students of IHM, Pusa. Subjects (n=240) were selected through random sampling comprising of both male and female in age group of 17-25 years and staying in both PG's and Hostels. A questionnaire was designed to collect the data regarding their experience during the period of more than one and a half month of demonetization. Results: The findings of this research revealed that students suffered from financial crisis for about 30 days due to limited number of ATMs with cash in the vicinity and banks were unable to provide with the cash to meet the needs. 79% students accepted that they faced difficulties during demonetization. Conclusion: Demonetization not only affected the students financially but also resulted in mental and physical stress. However the results shows a positive sign and that students supported this step as a tool against corruption.*

Key Words: *Demonetization, Notes, Bills, Inflation, Currency, E-Transactions, E-Wallet, Cash Crunch.*

INTRODUCTION

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes a country completely replaces the old currency with the new currency (Investopedia).

Around the world, several countries undergone “demonetization” or currency reforms in which the government removed banknotes of a certain denomination from circulation and replaced them with new notes. Governments pursue demonetization for a variety of reasons and some of the recent initiatives are going better than others.

In 1982, Ghana rolled out the decision to demonetise their 50 Cedi currency notes in order to monitor money laundering and corruption. The change was not welcomed warmly, creating chaos

across the country and finally resulted in a move back to physical assets and foreign currency. Nigeria's economy collapsed after 1984 demonetisation and this move did not go as per plan. The military government of the President Muhammad Buhari introduced different coloured notes to invalidate their old currency in order to fight black money. (Chobey, 2016). Around 80% of Myanmar's currency was demonetised in 1987 by the military to curb black money, but the move resulted in a lot of protests and the country witnessed several deaths. Under the governance of Mikhail Gorbachev in 1991, the Soviet Union demonetised the higher denominations of Ruble bills to 50s and 100s. The move did not go well and resulted in takeover of Mikhail's leadership within eight months of the plan. (Chobey, 2016). North Korea faced demonetisation of their currency in 2010, which led to major economy breakdown with people left to starve for basic amenities. (Chobey, 2016).

When demonetization is particularly dramatic and disruptive, it is often a signpost on the road to hyperinflation. This seems to be the case in Venezuela, where President Nicolás Maduro recently recalled the 100-Bolivar note and replaced it with new notes denominated at 500-20,000 Bolivars (Frenkel, 2016).

Governments also decommission and replaced bills for more benign, technical reasons, such as to remove unpopular notes; introduce new counterfeit-proof bills; switch national currencies, such as when a country entered the Eurozone; or honor a national hero. For example, in April 2016, United States Treasury Secretary Jack Lew announced that the \$5, \$10 and \$20 bills will be replaced with new designs that include women and civil-rights leaders.

With this form of demonetization, citizens are given enough time to trade in the old bills for the new ones and the monetary authorities planned ahead, so that they have plenty of the new currency available. In these scenarios, there is minimal economic and social disruption. When Lithuania left the Litas and adopted the Euro in 2015, its currency transition went smoothly, as did Germany and France's adoption of the Euro in cash form in 2002, and so on with all 19 countries that have joined the Eurozone. India's demonetization plan was intended as a way to crack down on illegal activities. But its abrupt implementation has inflicted unnecessarily high costs on the Indian economy. The US had similar motives when it phased out bills denominated at \$500 and above in 1969. European Central Bank, when it commendably decided in May 2016 to phase out the 500 note. High-denomination notes are often used for tax evasion, bribery, drug trafficking and even terrorism, so governments used demonetization to frustrate criminal enterprises. As this happened such prominent observers as Kenneth Rogoff, Larry Summers and Peter Sands think that US should even phased out \$100 bills, too (Frenkel, 2016).

The Indian Rupee (INR) is the official currency of the Republic of India. The Rupee is subdivided into 100 paise (singular paisa), though as of 2011 only 50 paise coins are tender. The issuance of the currency is controlled by the India. The Reserve Bank manages currency in India and derives its role in

currency management on the basis of the Reserve Bank of India Act, 1934. The Rupee is named after the silver coin, rupiya, first issued by Sultan Sher Shah Suri in the 16th century and later continued by the Mughal Empire. In 2010, a new symbol “₹” was officially adopted. It was derived from the combination of the Devanagari consonant “R” (ra) and the Latin capital letter “R” without its vertical bar (similar to the R rotunda). The parallel lines at the top (with white space between them) are said to make an allusion to the tricolour Indian flag, and also depict an equality sign that symbolizes the nation’s desire to reduce economic disparity. The first series of coins with the new rupee symbol started in circulation on 8 July 2011.

In a major step to check undeclared black money, the Government of India on the 8th November 2016 announced demonetization of Rs. 500 and Rs. 1000 banknotes with effect from the same day’s midnight, making these notes invalid. Apart from combating black money, the stated purpose is also to check fake currency (used to finance terrorism) and corruption. A new redesigned series of Rs. 500 banknote, in addition to a new denomination of Rs. 2000 banknote is in circulation since 10th November 2016. The new redesigned series is also expected to be introduced to the banknote denominations of Rs. 1000, Rs. 100 and Rs. 50 in the coming months.

History and background

- In India, the sudden move to demonetize Rs. 500 and Rs. 1,000 currency notes is not new. Rs. 1,000 and higher denomination notes were first demonetized in January 1946 and again in 1978.
- The highest denomination note ever printed by the Reserve Bank of India was Rs. 10,000 note in 1938 and again in 1954. But these notes were demonetized in January 1946 and again in January 1978, according to RBI data.
- Rs. 1,000 and Rs. 10,000 bank notes were in circulation prior to January 1946. Higher denomination banknotes of Rs. 1,000, Rs. 5,000 and Rs. 10,000 were reintroduced in 1954 and all of them were demonetized in January 1978.
- Rs. 1,000 note made a comeback in November 2000. Rs. 500 note came into circulation in October 1987. The move was then justified as attempt to contain the volume of banknotes in circulation due to inflation.
- However, this is the first time that Rs. 2,000 currency note is being introduced.
- While announcing currently circulated Rs. 500 and Rs. 1,000 notes as invalid from midnight 8th Nov, Prime Minister Narendra Modi said new Rs. 500 note and Rs. 2,000 denomination banknote will be introduced from November 10, 2016.
- Bank notes in Ashoka Pillar watermark series in Rs. 10 denomination were issued between 1967 and 1992, Rs. 20 in 1972 and 1975, Rs. 50 in 1975 and 1981 and Rs. 100 between 1967-1979.

(<https://www.ncaacademy.com/know-all-about-history-of-indian-currency-demonetisation>)

- The banknotes issued during this period contained the symbols representing science and technology, progress and orientation to Indian art forms.
- In the year 1980, the legend Satyameva Jayate — ‘truth alone shall prevail’ — was incorporated under the national emblem for the first time.
- In October 1987, Rs. 500 banknote was introduced with the portrait of Mahatma Gandhi and Ashoka Pillar watermark. Mahatma Gandhi (MG) series banknotes – 1996 were issued in the denominations of Rs. 5, (introduced in November 2001), Rs. 10 (June 1996), Rs. 20 (August 2001), Rs. 50 (March 1997), Rs. 100 (June 1996), Rs. 500 (October 1997) and Rs. 1,000 (November 2000).
- The Mahatma Gandhi Series – 2005 bank notes were issued in the denomination of Rs. 10, Rs. 20, Rs. 50, Rs. 100, Rs. 500 and Rs. 1,000 and contained some additional/new security features as compared to the 1996 MG series.
- Rs. 50 and Rs. 100 banknotes were issued in August 2005, followed by Rs. 500 and Rs. 1,000 denominations in October 2005 and Rs. 10 and Rs. 20 in April 2006 and August 2006, respectively. (<https://www.ncaacademy.com/know-all-about-history-of-indian-currency-demonetisation>)

On 8th November 2016, the Government of India announced the demonetisation of all 500 and 1000 rupees banknotes of the Mahatma Gandhi series. The sudden nature of the announcement and the prolonged cash shortages in weeks that followed- created significant disruption through the economy threatening economic output. The move was heavily criticized as poorly planned and unfair and was met with protests litigation and strikes (Bijoy Sankar S., 2016).

A hosteller in Delhi at lowest tosses rent of Rs. 6000 in Paying Guests and rented apartment. In compliance of withdrawal rules the maximum ceiling of Rs. 2000 a day was placed which equated at least of 3 days wastage in withdrawal of cash for rent. Most ATMs were running out of cash. The continuous pressure from landlord for rent payment on time and only in cash accompanied by semester burden become the wildest nightmare of every student. E-transactions are widely being refused by lessors due to unwanted income tax liability.

November and December being crucial months for students, rather studying and preparing for the exams they wasted hours standing in queues even after long waiting hours and some time the students returned empty handed (Sinha, 2016).

The biggest problem students faced was the process of exchanging old notes at the banks. Exchanging the old bank notes can be very frustrating given the amount of time wasted waiting in queues and

sometimes even banks run out of the new notes. The Government policy to limit the amount of money one can withdraw also causes much inconvenience for the students and their family, since most were unable to meet the needs of the family with the limited amount of money. Even to pay the fees, students now have to visit the banks at least two to three times, sometimes even more, within as many days just to pay their tuition instalments (LosinLorin,2016).

The other problem faced by the students acceptance of E-Money by the landlords. The major part of their overall budget used in paying room rents or on accommodation which was generally paid in cash. For those who didn't show their income from room rent and save their taxes refused to take rents from either by cheque or by E-Wallet. Though the usage of E- Wallet increased. Paytm's traffic increased by 435%, app downloads grew 200%, and there was 250% rise in overall transactions and transaction value (The Hindustan Time, Jan 2017).

Increase in demand of cash payments, unavailability of cash in the markets and long waiting queues at banks and ATMs, were the biggest problems faced by the students. A non-functioning ATM is like a notification on a supermarket stating, "Biggest sale 90 % off from 10 – 15 Dec, but we are closed from 10-15 Dec." The 500 and 1,000 rupee notes were the largest denomination of money, which made up for 14 lakh crores in circulation. Demonetization has a direct impact on sectors dealing with cash—vendors, auto rickshaw walas, taxi drivers, daily wage earners and small traders. The Indian system mainly functions on cash, and so, less cash means disruption in the flow. Even sectors like real estate, which deal with illegal cash transactions, will go through a rough patch leading to fall in profits.

The study helped us to understand the impact of demonetisation on students who were staying away from home. It also helped us to study their reactions and problems faced during the demonetisation period

METHODOLOGY

For the present study survey design was adopted. The study was conducted at IHM, Pusa, New Delhi. The subjects were students (n=240). The subjects were in the age group of 17-23 years. The research tool used was a questionnaire. The study was conducted in the month of March 2017. The questionnaire was focused on the effects of demonetization on the students. The questionnaire was filled by the students on the basis of their experiences and problem faced by them during the period of demonetization.

RESULTS AND DISCUSSION

Questions	Response	Percentage (%)
1. Do you know what demonetization is?	Yes	98.7
	No	0.8
	May be	0.5

Questions	Response	Percentage (%)
2. Did you face problems during Demonetization?	Yes	79
	No	10.9
	May be	10.1
3. What problem did you face during Demonetization?	Unavailability of cash	46.9
	Long waiting queue	24.3
	Unawareness of availability of cash in ATMs and Banks	9.6
	Crunch of small currency to do day to day activities	15.5
	Others	3.7
4. Do you have any ATM within?	Less than 1 km	79.9
	1-3 km	14.6
	3-5 km	4.6
	More than 5 km	0.4
	Others	0.5
5. How long was the waiting queue at the ATMs?	less than 1 hour	18.8
	1-2 hour	40.2
	2-3 hour	25.5
	More than 3 hours	13.4
	Others	2.1
6. Did you visit any bank during Demonetization?	Yes	79.9
	No	19.3
	May be	0.8
7. If yes, what was the reason?	For withdrawal of cash	33.1
	Funds transfer	5
	For exchanging demonetized notes	43.1
	For deposits only	15.1
	Others	3.7
8. Did you miss any classes in order to make any withdrawal or deposits in the bank?	Once in a week	24.7
	Twice in a week	15.5
	More than twice in a week	11.7
	No, didn't miss any class	47.7
	Others	0.4

Questions	Response	Percentage (%)
9. How long was the suffering period due to Demonetization?	5-10 days	15.5
	10-20 days	22.2
	20-30 days	23
	More than a month	37.7
	Others	1.6
10. Do you support this step as a tool against corruption?	Yes	75.7
	No	8.8
	May be	15.5

In the current study, it was found that 98.7% respondents understood the meaning of demonetisation and said that it meant an act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. While 0.8% were not aware of demonetising because they considered demonetisation as the ban of 500 and 1000 rupees notes only and 0.5% gave response in “maybe” thus emphasising that only small group of respondents understood the meaning of demonetization but not the core of it. They heard regarding demonetization but didn’t understood its implication in depth.

46.9% Respondents faced problems during demonetization and the major issue was of unavailability of cash. Another issue that 24.3% respondents agreed that they had to wait in long queues outside the ATMs and banks which added to their ordeal. This can be clearly understood that respondents were living away from their families and had no alternate purchasing power.

Although 79.9% of the subjects had ATMs within 1 km, still a maximum of 40.2% of the respondents had to wait in queues for 1-2 hours, close to this were 25.5% who had to wait for 2-3 hours and another 13.4% waited for more than 3 hours. The statistics clearly shows that the respondents were using Rs. 500 and Rs. 1000 denominations and were affected by the sudden Government Orders. In past when demonetization was done in the year 1946 and 1978, the affect was not much in the public because at that time the usage and circulation of higher denomination currency was not much compared to 14 lakh crores of Rs. 500 and Rs. 1000 at the time of the order of demonetization on 8th November 2016. The long waiting queues outside ATM or Banks was for the reason in 1978, ATMs were into the system and most of the population were not into the banking system. Along with it in that era that much number of students were staying away from their homes. The spending power and demands for luxuries and daily commodities were not that much high as compared to the present time. Though 38.9% of the students had to wait in the queues of the ATMs and banks and still 47.7 % of the respondents didn’t miss any class for this task.

During the demonetization 79.9% of the subjects had to visit banks. This visit was a must for 43.1% who had visited the bank for exchanging demonetized notes whereas 33.1 % of the respondents visited the bank for the withdrawal of cash. This was essential for respondent’s inorder to meet their daily

expenses as getting financial support from home also would take time. The respondents had to manage hard for few months and had option left than to stand at the ATM or Bank queues.

On being asked for the period the respondents were suffering during the phase of demonetization 37.7 % responded that they are suffering for more than a month however 75.7 % of the respondents were in support of the demonetization and said it was an important step towards curbing corruption and as the youth of today is dependent on E- Wallets and various Government and private Banks applications which is convenient to use on their mobile phones will slowly normalise the financial crisis.

CONCLUSION

Corruption is one of the biggest problems faced by the Government of India. Government uses lot of strategies and measures in order to control these frauds and unjust systems. Demonetisation is one of the tool to limit the unjust, frauds and ill-legal activities. The population most affected were students who were staying away from home for study purposes. This sect of population lifestyle and usage of finances available is different from their elders, thus leading to problems during the phase of Demonetization.

The study would like to suggest if in future Government like to go for such movements prior notifications can be announced so that youth who is a student and living far away from their homes can manage their basic amenities and doesn't waste time in gathering currency for their living and are able to concentrate in their studies. More ATMs need to be opened especially in Universities, near educational institutes etc so that students can access them easily. Special concessions and strategies need to be planned beforehand by Government so that the youth can focus on their education which is their prime job as they will be our Nation's future.

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