

Descriptive Study on Impact of Demonitization in India: In the View of Society, Politics and Economic

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Abstract

The subject matter of this paper is a “Descriptive study on the impact of demonetization in India: From the perspective of society, politics and economic fraternity.” Three important independent variables have selected for this study that might have influenced the performance of demonetization that had implemented in India in 2016. They are social impact, political impact and economic impact.

The objectives of demonetization were linked to a variety of issues such as limitation of black money, removing forged currency and stopping terrorist funding. Quite a few academics have conducted their own analysis of demonetization and its effects. But most of the research works have addressed the partial and biased effects of the demonetization move since they have been carried out in the early months of the move. This paper finds that, in general, the effects of demonetization on the economy can be said to be balanced and unbiased. This is of major importance for stimulating investment in the economy, which in turn, has wider implications for the overall expansion and development.

The main objective of this research is to study the relationship between social, political and economic impact towards demonetization. To conduct this research work, 184 sets of questionnaires were prepared and distributed to the targeted respondents who were affected through this process. The target population is from the state of Kerala, the southern part of India. The IBM SPSS was used to test the data collected in order to produce the final result. The final result shows that demonetization has had significant effect on the areas of social, political and economic areas of life.

(Key Words: demonetization, economic performance, society, politics, currency,)

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I. Introduction

Demonetization is an act of stripping a currency unit of its status as tender. Demonetization means “ending something”. It involves to strip a monetary standard or to remove money from use. Under this process, the current currency is totally withdrawn from the market. It also involves a process of moving people from a cash based system to Digital Banking. Often times, the Governments resort to this extreme action when they lose control of their currency due to things like hyperinflation, tax evasion, black money, and counterfeit currency. Sometimes, demonetization must happen so that a new standard of payment can become the primary currency.

In a historical move, the Prime Minister of India Mr. Narendra Modi Banned the Currency notes of 500 and 1000. It came into effective from the Midnight of Tuesday in November 8th in 2016. These currency notes were consisted of 86.4% of the total cost. This decision was to stop the flow of black money in the market. The result was astoundingly immediate. An amount worth Rs.35000 Core was found deposited in banks and approximately Rs.1500 Core Black Money were destroyed within three days of that striking decision. According to the Annual Report of e RBI’s (Reserve Bank of India) for April 2015 to March 2016, the worth of the currency notes at the end of March 2016 was 16.42 trillion Indian rupees.

There is an overall impact on numerous areas of life as a result of demonetization. This paper considers the political, economic and social impact of the demonetization drive in detail. An economy will never grow and develop as long as black money freely flows in the market. The main Social and Economic reasons for any Economy to Demonetize the Currency are to help in reducing inflation, to change the financial status of People, to remove fake currency from the market, to reduce illegal activities, to tackle corruption, to remove black money and to encourage digital payments in any economy. India, being plagued with the above mentioned issues, was forced to find solutions to these problems for its overall economic growth and development. The Government of India used Demonetization as an effective tool to address this problem.

Every economy has its own national currency through which all financial transactions are transacted. For example, Swiss Franc is the national currency of Switzerland or Yen is Japan’s National Currency. Euro, is

currency for a group of European countries called European Union. In most of the cases, the Central Bank of a country has the infinite right to controversy money or the currency for dissemination.

Demonetization is designated in a setting wherein a lion's share of laborers is repaid in real money. The impacts have been felt in both the formal and casual economies. One of the targets of demonetization was the incitement of the advanced economy. It is fascinating to take note that in November and December of 2016, there was, as per the Reserve Bank of India (RBI) a stamped increment in advanced instillments – especially retail location (PoS) card exchanges. However, a number of previous issues rose for common people in the wake up of Prime Minister Modi's announcement. For instance, ranchers were not able to sell late collected yields, or purchase seeds for the future winter season. AS a result prices were halted and compensation fell. At medical clinics and in specialists' medical procedures, there were instances of patients being dismissed because of not having notes in the proper denominations.

At present there are no valid figures on the estimation of demonetization to the economy. It has, in any case, extensively affected the work showcase, and has given in expanded eccentrics and a downturn in business flexibility.

II. Background Of Study

Demonetization is not a new experience either for the world or for India. There are various pieces of proofs of demonetization that had taken place in the world. It can be rolled out in the economy to address various socio-economic issues present in the country like black money, inflation, corruption and so on. However, it has its own repercussions too.

Media reported the crises that the general public, particularly the poor who did not have access to credit cards or mobile wallets, due to the shift in the currency. Common people had to stand in queues at banks for several hours. In addition to this, farmers faced a temporary shortage of cash in hand. It had resulted in delay in payment which in turn caused problems in agriculture related companies in the real short term. The daily routine of people changed a lot due to note exchange. Many people were facing difficulties due to this sudden move of the government. This decision even lowered the GDP of the country, downfall in stock market as well.

Due to demonetization cash was not available for common people to pay for food products. It occurred in drop in demand and decisively led to a crash in the costs of crops. Farmers were not able to recover even the costs of transportation from the low rates offered at market. This compelled the farmers across the country to depot their products in desperation. Some farmers resorted to burying unsold vegetables. Agricultural products such as vegetables, food grains, sugarcane, milk and eggs were dumped on roads.

Demonetization seems as a measure of sterilizing the money. All the banking professionals welcome this demonetization measure. According to RBI sources, both public and private sector banks are facing the harsh issue of Non-Performing Assets (NPA) or Bad loans worth 10 lac crore including the underscored assets. The demonetization measure will assist banks to recover some bad loans and better their financial position. Demonetization will make most of the transactions to be done through the banking sector. This will help the people and force the corporate to pay tax properly. In a country of the size of India, the literacy level, the social habits, the economic and the cultural strata, etc. have been impediments for many well-meaning initiatives to become successful. The forces of such factors have countered and frustrated ideas leading to a belief that nothing will ever get implemented. And when the demonetization happened, then it was criticized, opposed, hampered by competing political parties. Everyone expresses downfall over the implementation, yet, and the common man shows willingness to walk an extra mile to explore a change, literally.

As a result of demonetization all those who accepted in only cash as the form of currency, switched over to online. From the lowest levels to the most sophisticated society, people understood how to make and receive money using the mobile phone. The adoption of mobile wallet gave the opportunity for the country to adopt digital platform for many other things too. As demonetization is now leading the micro-banking revolution, a new life style being created with less or no cash-in-hand where a family is able to meet their routine and regular demands. This has a huge social impact too.

Demonetization also accepts an economic distortion that currently favours India's low-productivity in informal sector. Demonetization could bring balance to India's tax-based incentive construction. As a result, relative underground returns should fall supplying more capital to approximately high-productivity sectors and, thereby, stimulating the nation's growth and development. Digitizing India's transactions also might increase the supply of credit and lower interest rates. Currently, a huge track of India's population has little or no accession to the nation's institutional credit markets. As a result, a significant amount of financial capital is stuck outside formal financial networks.

In a short term, demonetization affected the economy adversely as the Indian economy bears major structural changes during this period. This makes it difficult to quantify and attribute the slowdown in growth rates during this period. It is evident that demonetization would have had a negative impact on the Indian economy in the short run; however the extent of this impact is yet to be quantified. in addition, lots of analysts

have argued that demonetization failed in revealing undeclared black money given the fact that approximately all of the outstanding demonetized bills have been deposited and “legitimized”. A very small portion of the estimated \$2 trillion black money stashed out of the country has been unearthed. The move towards a cashless economy will boost savings in financial assets. With any keen infusion of deposits and relatively limited entrance to lend, the credit deposit ratio for banks would become unfavourable, and thus impact margins. In case of a fasten in capital adequacy, it would be positive for margins. While in the event of a higher increase in deposits, the immediate avenue to expand would be G-Secs, and this could create a temporary descending blip in bond yields.

The Small and Medium Business (SME) segment in India has a deep authority on the economy. It provides employment to millions of people every year and contributes a strong eight percent to the country’s GDP. When a key economic decision like demonetization is implemented, it is essential to study the crash it could probably have on the economics of this segment. Due to the unexpected replacement of old currency with new ones, and the implementation challenges of replacing the 86% of the cash with new one both citizens and economy especially the casual one had to face the rage.

PROBLEM STATEMENT

Demonetization continues to generate considerable debates within economists and policymakers. The subject of this study is the effect of demonetization in Indian economy, society and politics. India has long been a massively cash-based economy. There are good reasons to suspect a strong centre between rising cash usage and black money for motion in India in the correlation before demonetization. The implementation of demonetization shows how laborious the shift to cashless can be. Last year’s demonetization of the Rupees 500 and 1000, which accounted for 86% of the currency in circulation in the country, unsurprisingly resulted in chaos. Companies were helpless to pay salaries and millions of unbanked citizen could not buy food and medicine. Moreover, the economy slowed to a two-year low as the population used days lining up at banks to open accounts and deposit their old notes.

The primary issue is that people do not have sufficient cash to buy commodities, even the necessary things for daily requirements. They were forced to spend a lot of time standing in queues to have access to the banks. People who are uneducated were facing problems in getting their currency notes changed as well as using e- payments methods. By now, there is enough evidence that the adverse economic impact was acute but temporary. This paper analyses the reasons that which prompted demonetization and its effects on whether it was successful in containing black money or whether it had other flow over the effects. Rising management of cash, blasting real estate prices, and climbing gold demand in the decade leading up to demonetization suggest that black money generation was growing. The increase in income tax elasticity and the growth in tax filers post demonetization imply improving tax compliance.

The unstable growth in digital transactions suggests that demonetization gave a boost to digitalization of transactions, with possible spill over benefits for fin tech innovation. While real estate prices and gold imports have downed markedly in recent years, the evidence is not clear whether demonetization produced these trends. To summarize, the costs of demonetization were forcing but short-lived while the benefits have been gradually accumulating. Demonetization was the best move to tackle black money. It is hardly a revelation that high denomination currency is essential for transacting in stores of black wealth. Demonetization will have a massive after-effect effect on the Indian economy. The eradication of illegal cash will help to turn around the economy. First, it will bring more financing to the exchequer, add to inflation outlook and increase India’s gross domestic product (GDP). Second, it will revive investment platforms and give impetus to infrastructure and the manufacturing sector. Third, it will help to cut down interest rates and lower income tax rate.

Demonetization is a bold decision that paves the way to put an end to black money, hawala transactions and fostering terrorist activities. There comes a time in the history of a nation when a dominant shake-up has to be effected by taking a momentous decision to carry about a tectonic shift in the behaviour of the people, especially those who have been applying and milking the loopholes in the system for begetting illegal and corrupted wealth. Attempts to crash at hoarders, the bribe and terrorists are laudable, but the method adopted was charged with grave consequences. The sudden cash crisis and everyday difficulties are not without positive fallout. Nobody can refuse that there is pain due to rationing and insufficiency of currency notes, but there is surely some progress and this decision has been signalled by most countries.

This one decision has assured that a lot of money has been received into the banking system, a lot of informal savings have become formal now, and therefore, the tendency to invest these more official savings is in the rise. Due to sudden decision of the Government of India, Farmers were facing difficulties for sowing in the Rabi crop season. They were facing hardness in arranging seeds and fertilizers. The farmers were also not able to apply the earnings of the Kharif harvest and put it to their use and faced with harsh crisis due to the demonetization decision. Co-operative banks, where most of the farmers' savings are, unable to exchange or obtain deposits being made by the farmers in discard notes, and also cannot give them loans. Because of this the

farmers cannot buy seeds for the next season and also the food shortage seems to be on a row due to this. Most of the farmers are not depositing cash in the bank and are trying to change the notes at higher rates.

OBJECTIVES

1. To identify the main aspects of demonetization that affects the performance in Indian economy
2. To determine the importance of digital transaction and experience that is embedded on the performance of demonetization.
3. To examine the reasons why the Indian society and the culture suffered with demonetization. To observe the affected areas in business industry.

RESEARCH QUESTION

1. What are the main factors of demonetization that did affect the performance of Indian economy in recent years?
2. What are the digital transactions that are quickly come forward to help the society?
3. How the Indian society and the culture suffered with demonetization. How and at what extent the demonetization threatened the existence of small scale industries.

III. Literature Review

In his article on 'Demonetization and its Effects in India', Lokesh Uke (February 2017), says that Demonetization has created so many hurdles for the citizens of India. They faced so many dilemmas due to the demonetization drive ranging from queue problems in the banks and ATM'S for deposition and to withdrawal of money. Due to the lack of cash liquidity Indians have faced problems like less consumption of goods. Several businesses were at loss due to the same issue. Business owners as well as consumers also faced many similar challenges. When the Indian government took this unprecedented decision about the demonetization, it failed to know that Indian citizens would have to face such an enormous disaster for a long time. Even though, the government has given different remedies to from time to time, it did not yield the desired result.

Ghandya (2016) examined the reasons behind the implementation of demonetization and examined its aftermath on common people. He pointed out that though the main motive behind demonetization was to eradicate black money and to pave way for a cashless society, it failed to achieve its main goals. Since less than 50 per cent of the Indian households have access to a bank and over 60per cent of the economy is in the informal sector, it is quite difficult to switch over to a cashless society in a short period of time. According to Ghandya, more than helping the society, that was an objective of the demonetization drive, it only increased the sufferings of the poor and the middle class. Kotnal, (2017) in his study, aim at analyzing the effect of the demonetization policy implemented by the Indian government by using the concept of sentiment analysis. The result of the analysis shows that a large share of Indian people was happy with this policy initiative. During the initial days, the sentiment was more towards the negative side as common flocks had to suffer many hardships to overcome bankruptcy. Ultimately, as the new bank notes were out on circulation, the overall sentiment of the people became positive. According to Singha (2017) the Major concern against demonetization as a reform was its unpreparedness in its introduction and implementation. Sharma (2017) in his paper concluded that the implementation of demonetization certainly has an impact in organized and unorganized sectors. It resulted in a 'cumulative decline' in output level in both sectors. The measure of its effectiveness depends on the strategy the Government has taken to defeat black money sources.

Dr. MohdWasif and Prof.Sheeba Hamid (2018) conducted a study to specifically evaluate the impacts of demonetization on Tourism Industry of Kerala. Tourism is one of the major revenue generating source for the state of Kerala which provides various employment opportunities as well. When the government suddenly stopped the denominations of Rs. 1000 and Rs. 500, tourists suffered terribly, especially they were here already. It affected not only the foreigners but the domestic tourists also. Even foreign tourists have to stand in long line for exchanging their currencies.

According to Tandon (2017), the demonetization has affected the poorer sections of the people the most and then the political entities. In the light of demonetization process, to study the impact of demonetization in the economy and also to understand the effects of cashless transactions (e-transactions) industry wise, Balaji made a research study in 2017. He observed that consumers prefer cashless means such as Paytm, internet banking etc. He also emphasized the benefits of adopting it as a check on black money. He is of the opinion that if the government can effectively clear all the problems related to demonetization, then it is going to be a huge success in the economic revolution of India and it assures a corruption free India.

In 2017 A DASH mentioned in his 'Study on Socio Economic effect of Demonetization in India' that the impact of demonetization was felt more in the social sector. The worst affected people were the poor and the common people. It also affected the Salaried class as they were not able to withdraw their salaries from the banks and ATMs because of cash deficit. Prime Minister Modi has encouraged the people to do financial

transactions through mobile and other electronic means. Definitely it signals that India is moving towards cashless economy. This will definitely curb the black money to a great extent. But the challenge is how to educate the masses on the mobile based money transaction. According to DASH (2017), the social impact was drastic with marriages as cash transactions in marriages coming to a standstill. In his studies, however, he clearly explained that the demonetization has a positive impact on the common people that the use of digital currencies got increased. So the people do not need to carry currencies to any places which also reduced the crime rate. The price of some of the main commodities were also got lowered.

Veerakumar (2017) using a selected sample from the district of Coimbatore, India, studied the impact of demonetization on the public. He found out that demonetization was a big shock to people. Consequently, some were depositing currency notes in excess of the specified limits directly into bank accounts that are the unaccounted income, subject to higher tax and other penalties. Also he noticed an increased use of alternative payment methods such as e-wallets, online transactions using e-banking and debit and credit cards. In another study, Sabariga and Syamsundar(2017) reported the unfortunate effects of cash shortages in post demonetization: falling Indian stock-exchange indices and number of bank transactions, sudden hike in online transactions, and various evading techniques employed by people.

A recent economic survey (2016–2017) also affirms demonetization as a major domestic policy development and it analyzed the motivation, benefits, and costs of demonetization. In order to minimize the costs and maximize the benefits of demonetization it proposed certain follow-up actions. Tanya Syngle had done a research on impact of demonetization on women in 2017. This study happened to examine the psycho-social impact of demonetization in two opposing strata of women in the situation of their social backgrounds. It not only provides valuable insights into the social behavior of women before, during, and after demonetization but also analyze the reasons behind the observed social behavior.

Charon Singh (2016), the chair of the Reserve Bank of India, opined that this step had positive and negative impacts on the society. On the one hand this step will raise the image of India among other nations as one that fights against corruption. On the other hand, it reduces the productivity in agriculture field and many other small scale industries due to the scarcity of cash. Kamatchi Muthulakshmi and Kalamanoov(2017) have made an attempt to study how could the tool of Demonetization be used to eradicate parallel economy. The study concluded that the government's decision to demonetize the high value currency is one of the major steps towards the eradication of black money in India. The study conducted by Jaiswal&Jagtap in 2017 noted the large economic changes and the possible impact of demonetization on different sectors. This study helps in determining the positive and negative effects of Note Ban decision taken by the government of India. The study was, however, based only on secondary data. The sources were Newspapers, magazines, internet, websites and on some books dealing with this topic. Even though demonetization caused a lot of inconveniences to the public; it was an inevitable decision for greater future of the country. It could not completely prevent the flow of black money, but certainly it played a crucial role in checking the reign of large quantities of black money.

Rajakumar and Shetty (2016) have already presented an analysis of the demonetization exercise. In particular, they have provided a history of demonetization in India, comparing the current demonetization with the one carried out in 1978. The earlier one, given the high denominations of the currency demonetized relative to those normally used for transactions, did not have any major impact on public life. The goal of the earlier demonetization steps was different from the present one. These researchers come up with numbers linking currency and gross domestic product (GDP) growth besides providing the historical perspective on this.

IV. Research Methodology

This section provides full description of the methodology used in the study, as well as the survey method, along with the design of research and methods used in the study. The research is designed as a descriptive study on the impact of demonetization in India: in the view of society, politics and economic fraternity. The outcome of this project and also the mainly affected areas in culture and the problems faced by economy and business zones and also in politics are studied. Along these lines, the researchers target is to access the major pros and cons, also the improvement of digital payment and the possibilities, impact on the small business sectors and the society.

V. Data Analysis

A total of 184 sets of questionnaires were distributed to randomly selected people from Kerala, southeast part of India. The SPSS software was used as an analysis tool to review the survey results. Four different kinds of analyses were made. 1. Reliability test (cronbach alpha):It refers to how dependably or consistently a test measures a characteristic. 2. Normality test: It is used to settle on if a data set is well-modelled through a *normal* distribution and to figure how likely it is for a random variable underlying the data set to be normally distributed. Discriminant validity, correlation.

Item	N=184	
	frequency	Percent%
GENDER		
MALE	84	45%
FEMALE	100	54%
AGE		
0-18	38	20%
19-30	131	71%
31-48	15	8%

EMPLOYMENT STATUS		
STUDENT	80	43%
EMPLOYED	96	52%
UNEMPLOYED	8	4%
MARITAL STATUS		
SINGLE	133	72%
MARRIED	51	27%
EDUCATION		
NON	41	22%
DIPLOMA/FOUNDATION	83	45%
BACHELORS	50	27%
MASTERS	10	5%
POPULATION		
MALE	16	8%
FEMALE	168	91%

Table no.4.2 describes the demographic profile of the respondents for the study. Out of 184 respondents who were taken for the study, it has been identified that 54% of the respondent were female and 45% were male. 71% of respondents were in the age group between 19 to 30 years, and least responded age group is 31 to 48 (8%.) Most (45%) of the respondents were up to diploma Level and 52% of the respondents were employed.

Reliability test

TABLE 4.4

No	Construct	Items	Cronbach alpha
1	Social impact	5	0.791
2	Economic impact	3	0.709
3	Political impact	3	0.618
4	Demonetization in India	5	0.712

Table 4.4 presents the reliability test for the model construct; this test uses to assess the internal consistency of the model construct. The cut-off recommended by F. Hair Jr et al. (2014) to be higher than 0.6 based on Cronbach alpha indicator. The values reported for the reliability test showed a good and accepted internal consistency as all the model constructs meet the cut-off, for social impact 0.791, economic impact 0.709, political impact 0.618, and for demonetization in India 0.712

4.5 Social impact of demonetization

Table 4.5 Case Processing

		N	%
Cases	Valid	184	100.0
	Excluded ^a	0	.0
	Total	184	100.0

a. List wise deletion based on all variables in the procedure.

Table 4.5 Reliability Statistics

Cronbach's Alpha	N of Items
.791	5

Table 4.5 Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SI1	12.8587	10.067	.516	.769
SI2	12.5707	10.214	.415	.805
SI3	13.7228	9.852	.584	.748
SI4	13.1848	8.916	.721	.701
SI5	13.1413	9.576	.642	.730

4.6 Economic impact

Table 4.6 Case Processing Summary

		N	%
Cases	Valid	184	100.0
	Excluded ^a	0	.0
	Total	184	100.0

a. Listwise deletion based on all variables in the procedure.

Table 4.6 Reliability Statistics

Cronbach's Alpha	N of Items
.709	3

Table 4.6 Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
EI1	6.2337	3.787	.424	.741
EI2	6.0924	2.806	.663	.428
EI3	5.8913	3.824	.515	.637

4.7 Political impact

Table 4.7 Case Processing Summary

		N	%
Cases	Valid	184	100.0
	Excluded ^a	0	.0
	Total	184	100.0

a. Listwise deletion based on all variables in the procedure.

Table 4.7 Reliability Statistics

Cronbach's Alpha	N of Items
.618	3

Table 4.7 Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
PI3	7.0380	3.458	.375	.590
PI2	6.5924	3.423	.370	.598
PI1	6.7935	2.897	.544	.341

4.8 Demonetization India

Table 4.8 Case Processing Summary

		N	%
Cases	Valid	184	100.0
	Excluded ^a	0	.0
	Total	184	100.0

a. Listwise deletion based on all variables in the procedure.

Table 4.8 Reliability Statistics

Cronbach's Alpha	N of Items
.712	5

Table 4.8 Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
DI5	12.4511	9.899	.220	.765
DI4	12.4185	8.660	.471	.663
DI3	12.1685	8.545	.521	.643
DI2	12.1141	8.287	.567	.624
DI1	12.5652	8.007	.611	.604

4.9 Normality

Table 4.9 provides the result of normality test. This test is used to meet the assumption of linear regression test, which requires the data to be in normal distribution. Two indicators of the normality test are used: the skewness and kurtosis. As recommended by Pallant (2011) values ranged between -2 and +2 indicates to a normal distribution. Table 4.9 confirmed that all the skewness and kurtosis reported within the accepted range

Table 4.9: Normality test

	N	Skewness	Kurtosis
	Statistic	Statistic	Statistic
Social impact	184	-0.353	-0.253
Economic impact	184	-0.274	-0.175
Political impact	184	-0.275	0.017
Demonetization in India	184	-0.283	-0.046

4.10 Discriminant validity

This test uses to clarify to which extent the model of this study is varying from another. Two tests are used for Fornelllarcker and factor loading analysis. Table 4.10 shows that the square root of each construct average variance extracted is higher the association with another construct.

Table 4.10: Fornelllarcker criterion

	DI	EI	PI	SI
DI	0.847			
EI	0.121	0.886		
PI	0.123	0.241	0.844	
SI	0.126	0.047	0.035	0.816

Table 4.10:1 shows the factor loading, based on the instrument of this study. As recommended by Hair et al. (2012) loading than 0.5 is accepted to be included within the model measurement. It can be noted that, **two** items for the demonization in India are removed, one item from the economic factor, one item from the political factor, and three factors from the social impact factor. All these items are removed as its loading less than 0.5 as illustrated in figure 1.

Table 1.10:1: Factor loading

	DI	EI	PI	SI
DI1	0.811	0.054	-0.035	0.182
DI2	0.852	0.127	0.156	0.041
DI3	0.876	0.113	0.148	0.118
EI2	0.131	0.95	0.186	0.104
EI3	0.071	0.817	0.277	-0.071
PI1	0.107	0.2	0.854	0.001
PI3	0.101	0.207	0.835	0.06
SI2	0.134	0.038	0.015	0.971
SI5	0.041	0.052	0.084	0.625

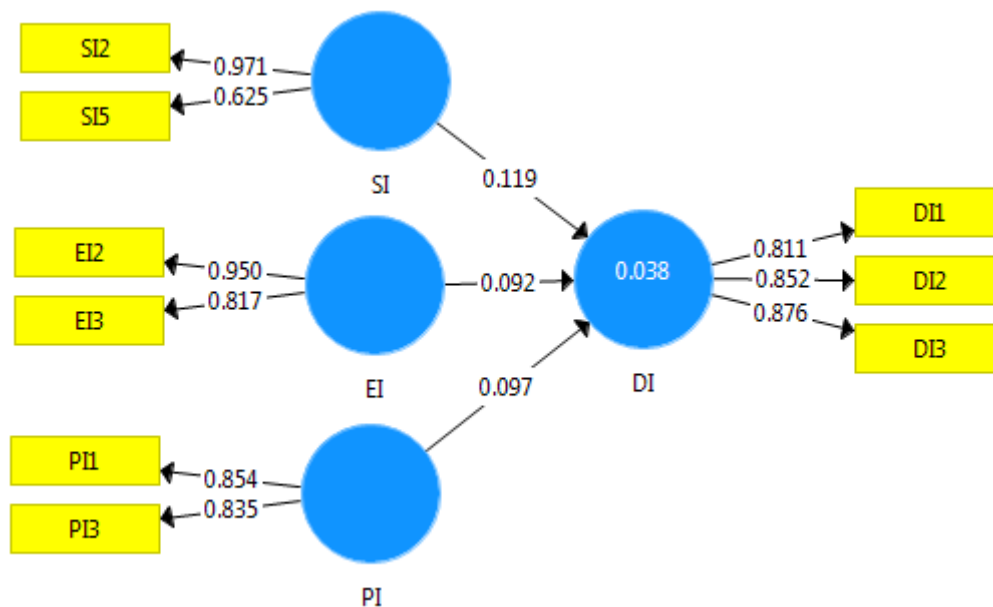


Figure 1: Model loading

4.11 Correlation

Table 4.11 shows the result of correlation test. This test is performed to check the linearity assumption. As shown in table 4.11, there is a significant and positive relationship between social impact and demonetization in India at ($r=0.321, p=0.000$), also, there is a significant and positive relationship between economic impact and demonetization in India at ($r=0.159, p=0.031$), and there is a significant and positive relationship between economic impact and demonetization in India at ($r=0.244, p=0.001$).

Table 2.11: correlation test

		SI	EI	PI	DI
SI	Pearson Correlation	1			
	Sig. (2-tailed)				
EI	Pearson Correlation	.172*	1		
	Sig. (2-tailed)	.020			
PI	Pearson Correlation	.035	.065	1	
	Sig. (2-tailed)	.642	.380		
DI	Pearson Correlation	.321**	.159*	.244**	1
	Sig. (2-tailed)	.000	.031	.001	

*. Correlation is significant at the 0.05 level (2-tailed).
 **. Correlation is significant at the 0.01 level (2-tailed).

4.12 Regression

For the purpose of testing these study hypotheses, the multiple linear regressions is performed. Table 4.12 presents the result obtained from regression test. It can be noted that as all the model constructs have VIF less than 4.00. This indicates there is no multicollinearity issue for the model. This is in agreement as recommended by Hoque and Awang (2016). The prediction power of the model and goodness of fit measured by the adjusted R-square. This value reported at 15.2% which refers to low estimation from the model. For the estimation coefficients, there is a significant and positive impact of social factor on the demonetization in India at ($\beta=0.213$, $t=4.97$, $p=0.000$), a significant and positive impact of political factor on demonetization in India at ($\beta=0.188$, $t=3.341$, $p=0.001$). Meanwhile, the economic impact factor found with a non-significant impact on demonetization in India as the p-value higher than 0.05.

Table 4.12: Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.479	.264		9.378	.000	
	SI	.213	.049	.297	4.297	.000	.970
	EI	.061	.046	.093	1.340	.182	.967
	PI	.188	.056	.228	3.341	.001	.995
Adjusted R ²		15.2%					

a. Dependent Variable: DI

VI. Conclusion

The Demonetization drive has affected both organized and unorganized sectors as well as the overall economic fabric of the nation. A permanent dent has been done in the casual sector by demonetization. Small businesses are already getting artificial by this decision and facing great problem. As per this study, it is those who are in the low income groups are the ones who have mainly affected by Demonetization. There has probably been a bunch of negative impact on employment, particularly in the unorganized sector. Crisis of employment opportunities will take place in the unorganized sector in the future.

Demonetization efforts are clearly falling following the demand for cash. Having said that, no matter how bleak employment circumstances seems to be now, it will get better in the following months as the financial services would do the necessary to provide employment. There is no proof to suggest that there was any change in financial performance in the post demonetization period in terms of bank account usage, credit and savings patterns, outflow patterns and acceptance and use of digital financial services in the long term. The findings of our study suggest that in the short-term demonetization might have forced people to tweak their financial behavior depending on the availability of cash. It causes substantial discomfort in terms of making necessary expenditures and investments. The study also suggests adverse effects in the area of finding employment for those working as casual laborers and also on temporary employment. Anecdotal evidence from the study supports that demonetization did have significant short term impact on the livelihood of low-income people. The negative effect of demonetization was felt more in the social sector. The poor and the general people were the most badly affected by this. Salaried class is not still able to withdraw their salaries from the banks and ATMs as a result of cash shortage. Prime Minister Modi has hoping to do financial transactions by means of mobile and other electronic means. It is obviously evident that India is moving towards cash less economy. This will control the black money to an immense extent but educating a large population on the mobile based money transaction is a huge challenge

The present study showed the bang of Demonetization on diverse sectors of Indian economy. The gross worth added is slightly declining as compared to the earlier years, but throughout the current financial year, the half yearly data are in rising trend. As per the t-test analysis the positive result of demonetization between the pre and post period has no important difference in short phase. However, the regression analysis confirmed that there is a positive impact during the long term period. Agriculture sector naturally sees high cash transactions and consequently near-term crash could be seen till liquidity is infused in the rural areas. As farmers face a provisional shortage of cash in hand, it could cause to a delay in payment which in turn would hurt the connected companies in the short term. The real estate zone has been adversely affected in a small term period whereas this sector will be rising to a positive direction in the coming years. It is like a kind of dialysis, where it

is a short term cleaning up rather than an answer of the problem. Demonetization served as a shock to the ability of politicians to hide income.

The climate of Indian politics was distorted by the announcement of demonetization of higher worth notes by the government in order to hold back corruption, black money circulation, terrorists funding, and counterfeiting of currency activities. It is significant to point out that demonetization and its consequences are still uncertain, at least economically. The economy has been rather destabilized in the small run while benefits can surely be anticipated the long run. In the absence of believable economic outcomes, the stories on demonetization created by political parties have conquered the discourse. The active approach of the resistance parties in the direction of demonetization has supposed that the opposite narrative has been disorganized. The answers of political parties are guided mostly by their electoral comfort.

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