



## IMPACT OF RECENT ECONOMIC DECISION ON URBAN INDIA: A STUDY IN HAVERI CITY

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### ABSTRACT :

India is one of the most cash intensive economies in the world. On November 8, with minimal warning, Prime Minister Narendra Modi announced that Rs.500 and Rs.1000 notes ceased to be legal tender to wage a war against black money. The move has been thought of as facilitating a crackdown on fake currency, corruption and unaccounted black money, money laundering and terror funding. Banks and ATMs were shut down for 2 days to clear the stock of Rs.500 and Rs.1000 notes.

**KEYWORDS :** black money , money laundering and terror funding.

### INTRODUCTION:

Customer can withdraw Rs.2000 per day using an ATM card and Rs.10000 through a bank transactions on a single day with an upper limit of Rs.20000 for one week. Though the long term effect of this decision may be effective in curbing the black money, it is bound to have some social ramifications along with the economic ones. The objectives of the bold initiatives of the Narendra Modi government cannot be faulted. Therefore, paper main objectives, hypothesis, research methodology and scope are as follows.

- ❖ To study facts related to the use of currency notes in India and understand ramifications of notes and understand impact of Note ban decision to various sectors in India
- ❖ To evaluate the various experiences of urban educated and working people towards Note ban decision
- ❖ To analyze urban educated and working people opinions towards Note ban decision

### Hypotheses:

- ❖ Urban educated and working People are positively responded towards Note ban decision
- ❖ Urban educated and working People are negatively responded towards Note ban decision

### Research Methodology

The study used both primary and secondary data to analyze the objectives framed and to obtain the findings. As a source of primary data a structured questionnaire was prepared to collect data. It was administered to the respondents in Haveri city of Haveri district of Karnataka State. Tools for Analysis, The relevant data are presented in appropriate tables. Averages, percentages and chi-square test are the general statistical tools used to project and interpret the statistical data presented in the paper and to test the hypotheses framed. Scope of the study The opinions of the respondents are categorized only under the different area. Only Haveri city educated and working people opinions are considered for the study. Both public and private educated working people selected for the study. The study assumed that respondents are responded with the knowledge of the subject. The paper concluded with important suggestions.

### Impact of recent Economic decision on Urban India: A study in Haveri city

India is one of the most cash intensive economies in the world. On November 8, with minimal warning, Prime Minister Narendra Modi announced that Rs.500 and Rs.1000 notes ceased to be legal tender to wage a war against black money. The move has been thought of as facilitating a crackdown on fake currency, corruption and unaccounted black money, money laundering and terror funding. Banks and ATMs were shut down for 2 days to clear the stock of Rs.500 and Rs.1000 notes. Customer can withdraw Rs.2000 per day using an ATM card and Rs.10000 through a bank transactions on a single day with an upper limit of Rs.20000 for one week. Though the long term effect of this decision may be effective in curbing the black money, it is bound to have some social ramifications along with the economic ones. The objectives of the bold initiatives of the Narendra Modi government cannot be faulted. Along with other initiatives like the disclosure scheme, the demonetization of the high value currency notes it gives reform of social and economic status of the country. But, it remains to be seen whether the benefits outweigh the costs which include a possible dent on consumer demand for a large number of cash-driven sectors like housing, jewelry and the trade. In fact, it is the unorganized retail trade which remains the largest contributor to the country's Gross domestic Product and most of it run on cash – the plastic money is restricted to malls and fancy stores. Another issue is whether the country, especially rural India along with urban India is equipped in terms of banking and information technology infrastructure, to go cashless that easily. The small artisans and street vendors who deal only in small cash transactions in urban areas will have a tough time.

#### Objectives of the study:

- ❖ To study facts related to the use of currency notes in India and understand ramifications of notes and understand impact of Note ban decision to various sectors in India
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#### Hypotheses:

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#### Research Methodology

The study used both primary and secondary data to analyze the objectives framed and to obtain the findings. As a source of primary data a structured questionnaire was prepared to collect data. It was administered to the respondents in Haveri city of Haveri district of Karnataka State. To investigate the significant behaviors experienced by urban educated and working people, respondents were selected on convenience sampling basis. 250 questionnaires were administered to different category of respondents including professionals, Lecturers/Teachers in Colleges (working only full time and part time basis) superintends in Government Offices/Private Offices, Employees of Government and different organisations and businessmen/women. The data was also collected from clerks/accountants of various public and private financial institutions, co-operative banks, insurance companies. The respondents annual income level is not more than Rs.5,00,000 are considered for the study. For secondary data and information studied from various books, journals and websites and newspaper daily.

#### Tools for Analysis:

The relevant data are presented in appropriate tables. Averages, percentages and chi-square test are the general statistical tools used to project and interpret the statistical data presented in the paper and to test the hypotheses framed.

### Scope of the study:

The opinions of the respondents are categorized only under the different area. Only Haveri city educated and working people opinions are considered for the study. Both public and private educated working people selected for the study. The study assumed that respondents are responded with the knowledge of the subject.

### Profile of the Haveri District

Haveri, popularly known for Byadgichilli variety and its market in South East Asia, is almost in the center of Karnataka. The district is located in northern semi rain fed and semi malnadu zone. The district is bounded, on the north by Dharwad and Gadag district, on the east by Bellary district, on the west by Uttar Kannada district and on the South by Davangere and Shimoga districts. Dharma, Kumadwati, Varada and Tunga- Bhadra are the four rivers flowing in the district. Haveri district has historical importance. National Highway No 4 linking Pune and Bangalore passes through the center of the district providing one of the essential infrastructure for industrial development. The district has 19 hoblies and 208 gram panchayaths.. The Haveri district comprises 7 talukas, viz., Haveri, Byadgi, Hanagal, Hirekerur, Ranebennur, Savanur and Shiggaon.

### Recent Economic decision and GDP

It is the fact that disruption of this scale is bound to affect the GDP at least in the short-term, though the benefits could accrue in the long run with more informal activities getting captured in the real size of the economy. As per the RBI data released in March, the debit card usage at ATMs account for 88% of the total volume and around 94% of the total value of debit card transactions, hence indicating low transactions through point of sale. India's average number of card transactions is lowest in the world. Australia, Canada and UK have more than 200 transactions each. The following table shows the details of the same.

**Table 1.1**  
**The value of currency in circulation as a percentage of GDP and Average number of card transactions per inhabitant**

Country	The value of currency in circulation as a percentage of GDP Percentage	Average number of card transactions per inhabitant Percentage
India	12.04	06.7
Brazil	03.93	54.8
Mexico	05.32	-
South Africa	03.72	-
China	-	14.4

### IMPACT OF RECENT ECONOMIC DECISION ON VARIOUS SECTORS IN INDIA:

❖ **Banking sector:** The big strike of the Central Government will serve many purposes such as reducing unaccounted money, reducing cash –carry economy and making electronic transactions settlement. The move will strengthen the deposit base of banks substantially as banks are struggling for capital due to high non-performing assets (NPAs). According to the RBI data, the value of total bank notes for the year ending 2015-16 was worth Rs.16.42 lakh crore out of which the notes of the denominations of Rs.500 and Rs.1000 was a whopping Rs.14.18 lakh crore (86% of total).

The deposits of large pools of high value denominated cash lying at various platforms – offices, houses, businesses etc will also help banks to lend more. Given withdrawal ceiling for a few weeks, it would increase the demand for statutory liquidity requirements leading to demand for government securities and causing a fall in bond yields. Higher deposit base may result in decline in interest rates

thereby promoting enhanced investment and growth in the long – run. Promoting the non-cash payment system in the process will lead to better monitoring, regulating and policy effectiveness.

- ❖ **Real estate and Housing Construction Sector:** This sector is highly witnessed sector for black money as black or unaccounted money has long been suspected to being steered into real estate and construction business inflating prices. The demonetizing High Value currency would curb property prices and the real estate sector which is already battling a prolonged demand slowdown. Land deals are also likely to be put on hold for some time. Since banks keep the real estate property as guarantee for extending loans and amid falling prices, the other sector will also be affected directly or indirectly. Trade, mining, transport, hotels and restaurants and some luxury consumers goods sectors would be affected because all these sectors heavily depend on high value cash transactions. E-commerce segment which was made popular due to cash on delivery model may get affected for some time.

#### **Analysis: Impact of recent economic decision with reference to Haveri city**

India offers an interesting scenario of social advancement and economic development in the context of post globalization. With various constitutional regulations, reservation system, political and legal regulation of economies, also has the potential to be a powerful contributor to economic equality as a creator of new socio-psychological opportunities for urban and rural people.

**Table 1.2**  
**Opinions by the respondents on Note ban decision**

Details	Opinions	Percentage
It is a bold decision and Black money was causing adverse impact on economy of the country	200	80
It would strengthen the economy of the country and it is unique effort to curb flow of black money	115	46
Before announcing the decision, an alternative arrangement should have been made to facilitate people	200	80
Common people were hit by the decision as they are facing difficulty to purchase essential goods	225	90
It would surely compel more and more people to become honest tax payers, rather than getting caught off guard with a heavy cost.	105	42
The move directly put pressure on the digital payment infrastructure base.	125	50

Source: survey data with multiple opinions.

From the above table 1.2 it reveals that majority of the respondents opined that 225(90 percentage) Common people were hit by the decision as they are facing difficulty to purchase essential goods. Another 200 (80 percentage) opined that “It is a bold decision and Black money was causing adverse impact on economy of the country” and “Before announcing the decision, an alternative arrangement should have been made to facilitate people”.

**Table 1.3**  
**Opinions by the respondents on Note ban decision**

Details	Opinions	Percentage
I lined up in queues before the banks and ATMs to withdraw cash, deposit or to exchange invalidated notes and go without it	225	90
I postponed all my important work due to demonetization decision	150	60
The supply of lower denomination notes should have been increased before and	225	90

after the decision		
It is penalized for me about the crimes of people who created black money and the failure of governments which failed to check it	200	80
Bigger part of the economy is unorganized and cash-dependent, the impact of demonetization has been most severe on it	240	96
It was weak laws with loopholes, their poor implementation, collusion between politicians and businessmen and above all corruption which made the black economy emerge and flourish.	200	80
why the common man suffer when it is the government's job to unearth and fight black money	225	90

Source: survey data with multiple opinions

From the above table 1.3 it reveals that majority of the respondents opined that 225(90 percentage) "The supply of lower denomination notes should have been increased before and after the decision". "why the common man suffer when it is the government's job to unearth and fight black money" .

### MAJOR FINDINGS

People have gone through the most painful and distressful in their lives after the demonetization of Rs.500 and Rs.1000 notes. The whole nation except those who hold black money is lined up in queues before the banks and ATMs day after day. A decision is called a surgical strike on black money, if it has not come to normal it may turned out as surgical strike on the life and livelihood of the common man. People are unable to withdraw cash, deposit or to exchange invalidated notes. There are reports of deaths of patients, postponements of weddings and looting of shops. There are threats of closure of shops. Business have been hit. Bigger part of the economy is unorganized and cash-dependent, the impact of demonetization has been most severe on it. All the sectors are badly hit and will take considerable time to recover.

The huge disruption of lives and the inconvenience have raised many questions about the decision itself. The common man is right to feel that he/she is being made the victim for no fault of his/her. Why is he/she being penalized for the crimes of people who created black money and the failure of governments which failed to check it? His/Her life is nothing to do with black money. above all corruption which made the black economy emerge and flourish. None of this will go away with the old Rs.500 and Rs.1000 notes. That makes the government action ill-conceived and badly thought out. The question why the common man suffer. There are also questions about its real impact, with cash forming only a small part of black economy and with the various methods now being employed to beat the exercise. There are yet other questions about some others getting away even before the strike began.

If the idea was dubious, it was worse planned and still worse executed. There was failure to anticipate the consequences of the measure in a complex system, deficiency in making preparations and slackness in facing the situation as it unraveled. The new Rs.2000 notes do not help most people. The supply of lower denomination notes should have been increased before and after the decision. The ATMs are dry and won't help people in the unbanked rural areas who are the hardest hit. The signs are that the situation will get worse and the inconvenience, difficulties and hardships will mount.

### CONCLUSION

All the inconvenience is short term and in due course the economy will adapt itself to these changes and help curb the growth of the black money in the country if the decision is truly give justice to the common man feelings. To what extent crores together high value currency in circulation is legitimate would be known only after December 31 when the window for currency swap will be closed. It may impact the state elections in future. One has waited to know the impact of demonetization on different sectors and vision is needed to understand the situation. The move has indeed inconvenienced people. Even though the

government has made efforts to ensure that every person in the rural area has a bank account through its Jan DhanYojana, many in rural areas don't have accounts and it is not yet effectively success in urban area also.

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